SEMIANNUAL REPORT AT JUNE 30, 2004

Contents

Edison Today

Edison is Italy's second biggest energy group and the largest in the private sector. It produces, imports and sells electric power and hydrocarbons (natural gas and oil).

Electric Power

Italian Market in 2004 (First Half)		Facilities and Production Capacity in 2004 (First Half)	
Total Italian market	160.2 TWh	Total Italian installed capacity	81,000 MW
Deregulated market and wholesalers	65.0 TWh	Edison's installed capacity	6,900 MW
Edison's sales	25.8 TWh	Edipower's installed capacity (50%)	2,900 MW
- Edison's sales to dereg. mkt. and wholes.	8.5 TWh		
- Edison's STOVE and Energy Exch. sales	3.2 TWh	Total Italian net production of electric power	142.3 TWh
		Edison's net production of electric power	17.6 TWh
Market share *(of total market)*	16.1%	Edipower's net production of electric power	12.3 TWh
Market share *(deregulated market) (estimate)*	13.1%	Share of total production	12.4%
		Share of total production *(incl. 50% of Edipower)*	16.7%

Transmission network	Customer	Production Outisde Italy
2,900 Km	4,200 *(deregulated)*	174.5 GWh

Hydrocarbons

Italian Market in 2004 (First Half)		Facilities and Production Capacity in 2004 (First Half)	
Total market	42,475 Mill. m^3	Total Italian production	6,355 Mill. m^3
Edison's sales in Italy	5,662 Mill. m^3	Edison's production in Italy	527 Mill. m^3
Market share	13.3%	Share of total production	8.3%
		Concessions and permits in Italy	73
		Concessions and permits outside Italy	10
Edison's sales outside Italy	119 Mill. m^3	Storage centers in Italy	2
		Reserves	22 million m^3 of natural gas equivalents

Gas Transmission Network	Customers	Production outside Italy
1,300 km of high-press. gas pipelines 2,800 km of low-press. gas pipelines	144,200 *(direct)*	119 million m^3

The remaining Group operations are divided into the following areas of business:

Corporate Activities

The Group's Corporate Activities carried out mainly by Edison Spa, the Group's Parent Company, to guide, manage and control the Group's industrial operations and provide centralized services to the operating units. The Corporate Activities also includes holding companies and real estate companies that are consolidated on a line-by-line basis.

Water

International Water Holdings BV (IWH) is active in the international markets for developing and managing projects to distribute and treat water. The sale of businesses in the Far East, Australia and Eastern Europe in the second half of 2003 was followed by the disposal of the Scottish operations in the first half of 2004. The only remaining operating businesses left are those located in South America.

Engineering

Tecnimont Spa, the engineering arm of the Edison Group, is engaged in the development and construction of facilities that produce polymers, generate energy and process and transport natural gas.

Tecnimont is the leading contractor in the design and construction of chemical plants that produce polyolefins, polypropylene and polyethylene.

Simplified Structure of the Edison Group at June 30, 2004

EDISON

ENERGY

- **Business Unit** Electric Power
- **Business Unit** Hydrocarbons
- **Business Unit** Energy Management
- **Business Unit** Marketing & Distribution

EDISON SPA*

Electric Power	Hydrocarbons	Energy Management	Marketing & Distribution
Edison Energie Speciali 100% Production of Electric Power	**Edison International** 100% Hydrocarbon Exploration & Production	**Edison Trading** 100% Trading & Risk Management	**Edison Energia** 100% Energy Purchasing & Sales
Edison Rete 100% Electric Power Transmission Network	**Edison T&S** 100% Natural Gas Transmission & Storage		**Edison D.G.** 100% Natural Gas Distribution
ISE 75% Production of Electric Power	**SGM** 71.34% Natural Gas Transmission		**Edison per Voi** 100% Natural Gas Sales
Edipower 40% Production of Electric Power			

OTHER ACTIVITIES

- **IWH** Water
- **Tecnimont** Engineering

Electric Power Operations

Hydrocarbons Operations

Electric Power & Hydrocarbons Operations

(*) Edison Spa is directly involved in the operations of the Group's Business Units, particularly in the areas of hydroelectric and thermoelectric power generation and import and sale of hydrocarbons.

Note: ISE is a 75% subsidiary of Finel Spa, which is a 60% direct subsidiary of Edison Spa. On June 9, 2004, Edison Spa purchased from Ilva (Riva Group) the 25% share of ISE. Edipower is an affiliated company valued by the equity method.

Board of Directors, Statutory Auditors and Independent Auditors

Board of Directors

Chairman	Umberto Quadrino [1]
Deputy Chairman	Umberto Tracanella [2]
Chief Executive Officer	Giulio Del Ninno [1]
Directors	Mario Cocchi
	Michel Cremieux
	Paolo Jovenitti
	Gaetano Miccichè
	Piergiorgio Peluso
	Sergio Pininfarina
	Eugenio Razelli
	Dario Velo
	Romain Camille Zaleski

Board of Statutory Auditors

Chairman	Sergio Pivato
Auditors	Salvatore Spiniello
	Ferdinando Superti Furga

Independent Auditors

PricewaterhouseCoopers Spa

(1) The Chairman and the Chief Executive Officer are legal representatives of the Company with broad executive authority. The Board of Directors retains jurisdiction over the approval of transactions with a material impact on the Company's operations, balance sheet and financial position, especially when they involve related parties.

(2) The Deputy Chairman is a legal representative of the Company and, if necessary, can exercise the functions that the Bylaws attribute to the Chairman.

Information About the Company's Shares

Number of shares at June 30, 2004

Common shares	4,126,297,595
Nonconvertible savings shares	110,592,420
Warrants outstanding	1,047,608,175

Major stockholders at June 30, 2004

	% of voting rights	% interest
Italenergia Bis [1]	63.796%	62.131%
Carlo Tassara Finanziaria Spa [2]	15.986%	15.569%
EDF Eléctricité de France [3]	2.346%	2.285%

(1) Interest held directly and indirectly, 0.011% of which represents shares without voting rights.

(2) Interest held directly and indirectly.

(3) Pursuant to Decree Law No. 192/2001, converted into Law No. 301/2001, the voting rights conveyed by the Edison shares held by Eléctricité de France in excess of a 2% interest have been suspended.

Financial Highlights

Edison Group

2003 full year		First half 2004	First half 2003	Core Businesses First half 2004	Core Businesses First half 2003
6,287	Net revenues	3,187	3,277	2,757	2,670
1,103	EBITDA	626	606	613	611
17.5%	as a % of net revenues	19.6%	18.5%	22.2%	22.9%
415	EBIT	313	241	302	282
6.6%	as a % of net revenues	9.8%	7.4%	11.0%	10.6%
(283)	Financial expense	(124)	(171)	(126)	(167)
132	Income before extraord. items and minority interest	189	70	176	115
144	Group interest in net income	53	141	46	252
352	Capital expenditures	170	210	168	187
17	Investments in exploration	10	7	10	7
10,156	Net invested capital	10,108	10,052	10,159	9,799
4,143	Net borrowings	3,977	4,088	4,243	3,971
6,013	Stockholders' equity before minority interest	6,131	5,964	5,916	5,828
5,213	Group interest in stockholders' equity [1]	5,296	5,204	5,088	5,077
4.15%	ROI [2]	6.35%	4.80%	6.25%	5.81%
0.69	Debt/Equity ratio	0.65	0.69	0.71	0.68
3,970	Number of employees [1]	3,944	4,503	2,316	2,420
	Stock market prices (in euros) [3]				
1.4869	- common shares	1.4285	1.1690		
1.3047	- nonconvertible savings shares	1.2805	1.0101		
0.5610	- warrants outstanding	0.4826	-		
	Earnings (loss) per share				
0.0396	- basic	0.0117	0.047		
0.0327	- diluted	0.0094	0.041		

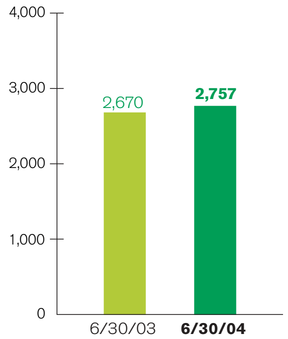
(1) Companies consolidated on a line-by-line basis and Group interest in companies consolidated by the proportional method.
(2) EBIT divided by average net invested capital, computed after deducting the value of equity investments held as fixed assets. Semiannual percentages are computed on an annualized basis.
(3) Simple arithmetic mean of the prices for the last calendar month of the period or fiscal year.

Edison Spa

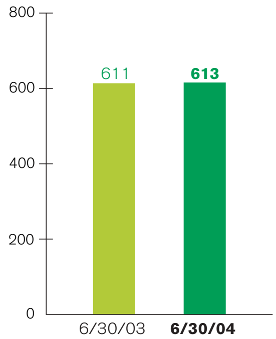
2003 full year		First half 2004	First half 2003
2,931	Net revenues	1,202	119
426	EBITDA	195	(12)
14.5%	as a % of net revenues	16.2%	n.a.
8	EBIT	26	(114)
0.3%	as a % of net revenues	2.2%	n.a.
144	Net income (loss)	165	(164)
151	Capital expenditures	127	10
8,553	Net invested capital	7,689	8,248
4,692	Net borrowings	3,638	4,732
3,861	Stockholders' equity	4,051	3,516
1.22	Debt/Equity ratio	0.90	1.3
1,337	Number of employees	1,336	827

Financial Highlights of the Core Businesses

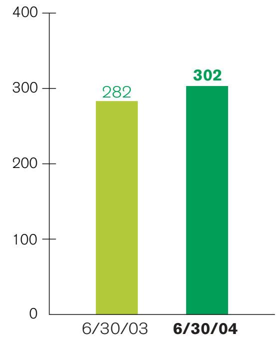
Net revenues



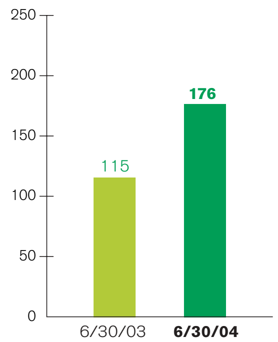
EBITDA



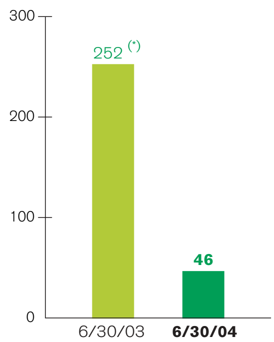
EBIT



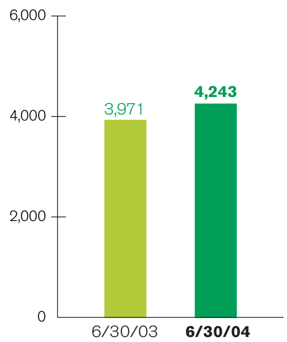
Income before extraordinary items and minority interest



Group interest in net income



Net borrowings



(*) Includes 320 million euros earned on the sale of natural gas reserves in Egypt (WDDM).

Net Revenues and EBITDA by Type of Business in the First Half of 2004

	Net Revenues	EBITDA	as a % of net revenues
Core Businesses	**2,757**	**613**	**22.2%**
broken down as follows:			
Electric Power Operations	2,201	503	22.9%
Hydrocarbons Operations	1,109	152	13.7%
Corporate, Holding Companies and adjustm.	(553)	(42)	(n.m.)
Other Activities	**430**	**13**	**3.0%**
broken down as follows:			
Water	14	-	n.m.
Engineering	416	13	3.1%
Eliminations and adjustments		-	
Total	**3,187**	**626**	**19.6%**

Performance and Results of the Group

As a result of changes in the Group's structure and portfolio of businesses that occurred in 2003, the data for the first half of 2004 are not fully comparable with those for the same period a year earlier.
In order to present the performance of the Group's operations more effectively, the data for its core businesses are shown separately from those of its other activities.

Core Businesses

The Group's core businesses reported an increase in sales, with gains of more than 13.3% for the electric operations and 10.7% for the natural gas operations. Net revenues grew at a slower rate of 3.3%, due to a less favorable benchmarking environment than in the first six months of 2003.

At 613 million euros, EBITDA were little changed from the 611 million euros earned in the first half of 2003, but EBIT grew by 7.1% to 302 million euros (282 million euros in the first six months of 2003). The Group's overall performance is the net result of healthy EBITDA gains by the electric power operations, offset to a significant extent by a contraction in the natural gas business. As mentioned above, the natural gas operations were adversely affected by less favorable benchmarking conditions and a narrowing of the spread between the prices charged and the cost paid. This situation should reverse itself in the second half of this year.

The positive impact of the improvement in EBIT was magnified by a sizable drop in financial expense, which decreased by 41 million euros to 126 million euros, thanks to a reduction in the level of indebtedness and a lower cost of money resulting from the Group's improved standing in the financial markets.

Overall, the Group's core businesses reported operating earnings before taxes of 176 million euros, up from 115 million euros in the first half of 2003. Net income totaled 46 million euros, compared with 252 million euros at June 30, 2003.
The absence of a positive contribution from large extraordinary items, such as the net gain of 320 million euros earned last year on the sale of the WDDM gas reserves in Egypt, accounts for the decline in earnings compared with the first half of 2003.

Other Operations of the Group

Engineering - The financial results for the first six months of 2004 confirm that the positive trend that began earlier in the year is continuing. Thanks to the cash flow generated by new orders, the financial position improved by 23 million euros. Net revenues totaled 416 million euros and EBITDA grew to 13 million euros, or 3 million euros more than in the first half of 2003. The order portfolio totaled 825 million euros at June 30, 2004, as financing arrangements for contracts valued at 240 million euros in Yanbu (Saudi Arabia) and Salavat (Bashkortostan) had not been finalized by that date.

Water - The Water operations operated virtually at breakeven in the first half of 2004, which was similar to the performance they reported in the same period last year.

Results of the Group

The Edison Group ended the first half of 2004 with consolidated net revenues of 3,187 million euros, or 2.7% less than in the first six months of 2003. The deconsolidation of nonstrategic assets sold in 2003 accounts for most of this decrease.
EBITDA were up 3.3% to 626 million euros, an amount equal to 19.6% of net revenues (18.5% at June 30, 2003), and EBIT rose 29.9% to 313 million euros, or 9.8% of net revenues (7.4% at June 30, 2003).

The Group ended the first half of 2004 with net income of 53 million euros, compared with 141 million euros in the first six months of 2003. As mentioned earlier in this Report, the reason for this decline is the absence of large extraordinary gains such as those earned in 2003, offset only in part by the divestiture of noncore investments in EdisonTel and Antibioticos.

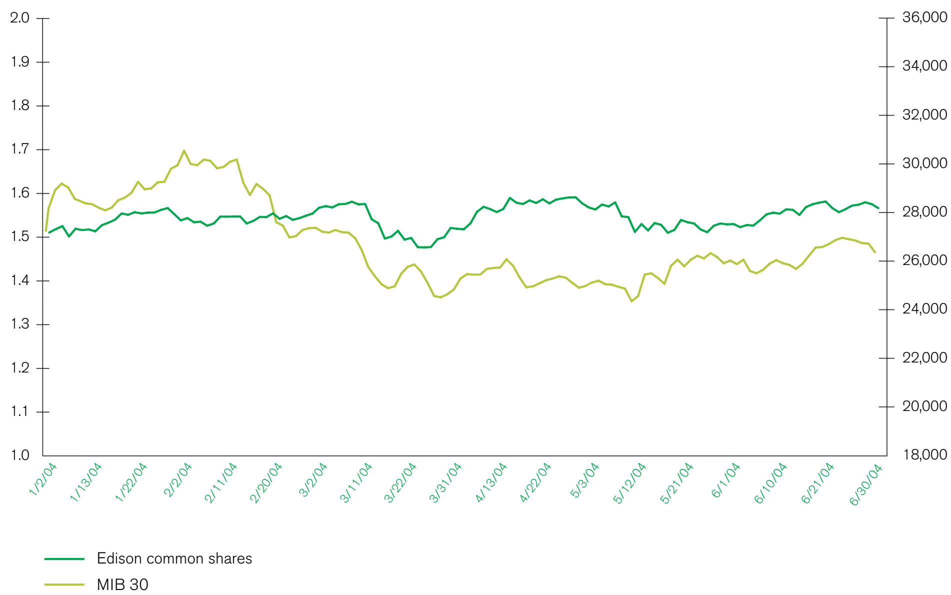
Net borrowings totaled 3,977 million euros at June 30, 2004, down 166 million euros from the 4,143 million euros outstanding at December 31, 2003. This improvement was made possible primarily by the cash flow generated by the Group's core businesses, net of capital expenditures and financial expense.

Outlook for the Balance of 2004

The results for the first half of the year confirm that the positive trend that started in 2003 is continuing. For 2004 as a whole, the Group should be able to report positive operating earnings before taxes in excess of those booked in 2003.
The Group's performance in the first six months of 2003 and, consequently, the entire year was aided by extraordinary income, which included the nonrecurring gain earned on the sale of the Egyptian gas reserves.

Edison and the Financial Markets

Stock market price of the Edison common share between January 2, 2004 and June 30, 2004



Dividends and Financial Indicators per Share

	6/30/04	12/31/03
Edison Spa		
Stock market price (in euros) (1):		
- common shares	1.4285	1.4869
- savings shares	1.2805	1.3047
- warrants	0.4826	0.5610
Number of shares (at end of period):		
- common shares	4,126,297,595	4,101,486,841
- savings shares	110,592,420	110,592,420
Total shares	4,236,890,015	4,212,079,261
Warrants	1,047,608,175	1,072,418,929
Edison Group		
Basic earnings (loss) per share (in euros) (2)	0.0117	0.0396
Diluted earnings (loss) per share (in euros) (2)	0.0094	0.0327
Group interest in stockholders' equity per share (in euros)	1.250	1.238
Price/Earnings (P/E) ratio (3)	122.65	37.42

(1) Simple arithmetic mean of the prices for the last calendar month of the period or fiscal year.
(2) Computed in accordance with IAS 33.
(3) Ratio of price per common share at the end of the period and basic earnings (loss) per share.

Other Financial Indicators

Rating		Current	12/31/03
Standard & Poor's	Rating medium/long term	BBB+	BBB
	Rating short term	A-2	A-2
	Outlook medium/long term	Stable	Stable
	Outlook short term	-	-
Moody's	Rating	Baa3	Baa3
	Outlook medium/long term	Positive	Negative
	Outlook under review	-	-

Key Events

Edison Reopens the EMTN December 2010 Issue with a 100-Million-Euro Placement

In January, Edison reopened the European Medium Term Notes (EMTN) program it launched in 2003, issuing a second EMTN tranche. This issue, which has a seven-year maturity and carries a 5.125% coupon, was underwritten by institutional investors with a spread that was more than 30 basis points lower than that of the first tranche, which was for 600 million euros.

The Edison 6.375% Bonds Due in July 2007 No Longer Carry a Put Option

In response to the confidence shown by the financial markets in the renewed strength of the Group's financial position, the February meeting of Edison's bondholders approved a motion amending some of the terms of the indenture of the Edison 6.375% bonds due in July 2007.
The amendment called for the removal of the put option provided under the indenture (one of the clauses added in December 2001) against payment of a lump-sum consideration equal to 0.35% of the par value of each bond and for a partial change in the formula used to compute the coupon interest designed to shield bondholders from the impact of rating improvements (from BBB- to BBB for S&P and from Baa3 to Baa2 for Moody's).

Edison Sells a Power Plant in Turkey

Also in February, Edison sold its 84.78% interest in Turk Edison Enerji A.S., a company that operates a combined-cycle thermoelectric power plant with an installed capacity of about 60 MW in Izmit, near Istanbul, to Entek A.S., a company of the Koç Group. The Koç Group is a major diversified Turkish industrial group. This sale, which is consistent with Edison's plan to divest nonstrategic assets outside Italy, is valued at 53 million euros, but will not have a material impact on Edison's financial statements.

Tecnimont Is Awarded a New Contract in China

In March, Tecnimont signed a contract covering licensing rights and the provision of engineering and technical support services for the construction of a low density polyethylene (LDPE) plant in Lanzhou (China) with an annual production capacity of about 200,000 tons. Construction of this facility, which will require an investment of about 100 million euros, will take two years. The award of this contract strengthens Tecnimont's leadership position in the international market, having built over 100 polyethylene and polypropylene plants worldwide (18 in China).
The facilities developed by Tecnimont during the last five years have produced 8 million tons of polymers a year, accounting for about 22% of the world market.

The Stava Dam Dispute Is Settled

In March, the Autonomous Province of Trento agreed to a settlement that apportions responsibility among the parties (Edison; Snam, now Eni's Gas & Power Division; and Finimeg) that are liable for the damage caused by the collapse of the Prestavel dams in 1985. Under the settlement, Edison will pay 17.2 million euros, plus interest, to settle any and all claims by the Autonomous Province and the Italian government, with which the Autonomous Province signed a separate settlement agreement.

Tecnimont Books a New Contract in Saudi Arabia

In Jeddah, Tecnimont and the National Petrochemical Company of Saudi Arabia signed a turnkey contract for the construction of a polypropylene plant with an annual production capacity of about 420,000 tons. The facility, which will be built in the Yanbu (Saudi Arabia) industrial area, will have a cost of US$215 million and will require 28 months to complete.

Edison Completes Negotiations for a Five-year 1.5-billion-euro Line of Credit

In April, Edison completed negotiations for a five-year, senior unsecured line of credit and then launched an additional syndication for a further 250 million euros, bringing the total financing to 1,250 million euros. As proof of the favorable standing that Edison now enjoys in the financial markets, the syndication was increased by an additional 250 million euros in May, bringing the total line of credit to 1.5 billion euros.

Edison Begins Construction of an 800-MW Power Plant in Simeri Crichi (Calabria)

In May, at an event attended by Antonio Marzano, Italy's Minister of Production Activities, Edison opened the construction site for a power plant at Simeri Crichi (CZ). This power plant, which will be fired with natural gas, will be equipped with a desalinization system that will enable local farmers to use desalinized sea water for irrigation, instead of drawing on the local aquifer, which is often contaminated by sea water. The use of fresh water for irrigation will help significantly in containing the desertification that is threatening the area along the local coastline. The opening of the new construction site raised the megawatts that Edison has under construction to 2,800.

Edison Acquires Ilva's Interest in ISE

At the end of May, Edison and Ilva reached an agreement whereby Edison purchased Ilva's 25% minority interest in Iniziative Sviluppo Energie Spa (ISE) for a total price of 210 million euros. The price actually paid was 145 million euros, after distribution to Ilva of reserves totaling 65 million euros. The sale closed on July 9, 2004.

S&P and Moody's Boost the Credit Rating of the Edison Group

At the beginning of June, the top two rating agencies boosted the credit rating of the Edison Group, citing the improved operating and financial results achieved in 2003, the Group's enhanced liquidity and the expectation that its main financial ratios will remain stable despite an ambitious capital investment program. More specifically, S&P raised its rating to BBB+, confirming a stable outlook, and Moody's changed the outlook of Edison's Baa3 long-term rating from negative to positive.

The Board of Directors Approves the Purchase of 75% of ISE From Finel (60% Edison, 40% EDF)

In mid-June, the Boards of Directors of Edison and Finel, an Edison subsidiary (60%) in which EDF has a 40% interest, approved the transfer to Edison of Finel's 75% interest in ISE at a price of 486 million euros. This transaction, which will lead to the absorption of ISE by Edison and is consistent with the corporate reorganization program that Edison launched last year, is expected to close before the end of this year. The effective date for tax and reporting purposes will be January 1, 2004.

The Board Authorizes the Issuance of up to 1 Billion Euros in New Bonds

Also in mid-June, in view of the recent rating boost provided by the top rating agencies, the Board of Directors approved a plan to issue new debt securities within the framework of the 2-billion-euro EMTN (European Medium Term Notes) program approved on November 11, 2003, which thus far has been tapped for a total of 700 million euros. The plan, which allows for the issuance of up to 1 billion euros, will be implemented in several tranches over the next 12 months.

IWH Sells Its Scottish Operations

At the end of June, International Water Holding, a 50-50 joint venture of Edison and Bechtel, sold the interests it held indirectly in Scottish companies that provide water management and treatment services in the Highlands and in Tay, Moray and Montrose. The buyer, Infrastructure Investors LP, a fund managed by Barclays and Société Générale, paid a price of 27.1 million British pounds. This transaction did not have a material impact on Edison's financial statements.

REPORT ON OPERATIONS

Business Environment

Economic Framework

The harbingers of economic recovery that surfaced in 2003 appeared to be gathering momentum in the first half of 2004, as the expansion of international trade and a rise in private-sector investments pushed up the rate of industrial production. However, the strength of the recovery varied widely in the main regions of the globe.

The United States continued to be the engine of global economic expansion, despite imbalances in its domestic economy (trade deficit, household indebtedness, speculative bubble in the real estate market and low propensity to save by households). These imbalances could hamper growth next year, owing in part to the restrictive policies that will have to be implemented to correct them. In Japan, the economy expanded at a brisk pace, driven by internal demand and exports, particularly to the Chinese market.

The new members of the European Union continued to benefit from a favorable economic environment, but the overall recovery appeared to be quite tentative in the euro-zone countries, where consumer demand remained weak, despite modest signs of improvement. The persistent strength of the euro versus the U.S. dollar prevented European exports from benefiting from the upward swing in the global cycle.

In the emerging markets, China and the other economies of East Asia resumed their pattern of vigorous growth after the slowdown caused by the SARS epidemic.

With regard to exchange rates, the U.S. dollar, after losing considerable value versus the euro in 2003 (the average exchange rate for the year was US$1.13, with a peak of US$1.27 early in 2004), recovered slightly during the first half of 2004. As of the end of June, the average exchange rates was US$1.23.

In the benchmark oil markets, the price of Brent crude was very high in the first half of 2004, peaking at around US$38/bbl. By June, the average price was US$33.70/bbl, or 17% more than in the first half of 2003 (US$28.80/bbl).

However, the rising euro exchange rate offset part of the increase, limiting the gain to 1.30 euros/bbl compared with the first six months of 2003, with the average price increasing from 26.10 euros/bbl in the first half of last year to 27.4 euros/bbl (+5%) in the same period this year.

The main reasons for the rise in the cost of crude oil, which began to gain momentum in March 2004 and exploded in May, are the difficult situation in Iraq, where a spike in attacks raised geopolitical tensions well above the level experienced during the actual war; cutbacks in the production quotas of the OPEC 10 members (excluding Iraq) starting in April; the ongoing replenishment of the strategic oil reserve by the United States, which hindered the rebuilding of commercial inventories in that country; and strong demand from China and other Asian nations.

The Italian Energy Market in the First Half of 2004

In the first half of 2004, demand for electric power from the Italian grid totaled 160.2 TWh (TWh = one billion kWh), up slightly (+0.5%) from the same period last year (159.4 TWh). Demand rose to a first-half peak of 50,300 MW in March (+4.3% compared with March 2003) and an all-time high for Italy of 53,500 MW in July.

During the first six months of 2004, net domestic production (excluding surges) totaled 142.3 TWh, or 3.8% more than in the first half of 2003, due primarily to an expansion of thermoelectric generating capacity. Domestic production was sufficient to meet 85% of demand. Net imports decreased by 3.7 TWh to 23.3 TWh. The decrease of 13.7% compared with the first six months of 2003 shows that the trend that began in the second half of last year is continuing.

On April 1, 2004, the Electric Power Exchange began operations as follows: its use will not be mandatory; it will set prices for different areas on the supply side; it will set an average weighted single national price (abbreviated PUN in Italian) on the demand side; the Manager of the Electric Power Market (abbreviated GME in Italian) will manage the energy markets (previous-day market and adjustment market); and the Operator of the National Transmission Grid (abbreviated GRTN in Italian) will manage dispatching services (congestion resolution, balancing and reserves).

Total Italian demand for natural gas grew to 42.5 billion cubic meters in the first half of 2004, or 3.8% more than in the same period last year.

The main reasons for this substantial increase were higher demand from thermoelectric power plants (+7.1%, due to a sharp increase in electric power output) and a rise in consumption for industrial applications (+6.6%) that was significantly greater than the gain recorded by the Italian industrial production index. Demand from the service sector and residential customers was about the same as it was in the first six months of 2003.

Lines of Development

In the first half of 2004, the Group continued to pursue the growth of its core businesses and expand both its electric power and natural gas operations.

Electric Power

In the first six months of 2004, the Electric Power operations were busy implementing a construction program that will increase generating capacity in Italy. In particular:

- In May, work got under way at the construction site for an 800-MW combined-cycle power plant in Simeri Crichi (CZ);
- Work on an 800-MW facility in Altomonte (CS) continued on schedule, with the final installation of the second gas turbine and the start of construction of the boilers;
- Construction of a 400-MW power plant in Candela (FG) and an 800-MW facility in Torviscosa (UD) progressed, with installation of the gas turbine at the former and completion of the civil engineering needed to install the turbogas system at the latter;
- Work at the Faeto-Castiglione Messer Marino wind farm (15 MW) reached final equipment installation, and significant progress was made at another 15-MW wind facility in San Bartolomeo;
- The Italian Ministry of the Environment issued an Environmental Compliance Decree allowing a 51-MW expansion of the Celano (AQ) power plant.

In **the downstream part of the business**, Edison consolidated its position as the top player in the deregulated market during the first half of 2004. An overview of Edison's position by type of customer is as follows:

Large users and SME market (annual consumption of electric power in excess of 1 million kWh):
45 large users (66 locations supplied);
133 individual customers (199 locations);
74 consortia (3,300 locations).

Small users market (annual consumption of electric power between 100,000 and 1 million kWh, deregulated on April 29, 2003). As of June 30, 2004, 815 companies had signed supply contracts within the framework of agreements for deliveries to 1,200 locations.

Wholesalers and comarketing (these types of customers were not served in 2003). Contracts with a total of 30 operators were signed in the first half of 2004.

STOVE and Electric Power Exchange. The Group sold 2.1 TWh to distributors who serve captive customers in the STOVE market (a business that it did not pursue in 2003) and 1.1 TWh in the newly established Electric Power Exchange.

Edipower

Edipower continued the facilities repowering process that it embarked upon following its acquisition. In Sermide, Unit 3, which has been repowered to 380 MW, began commercial production, and Unit 4 made significant progress toward completing plant acceptance tests. In addition, the transformation of the Chivasso (1,140 MW) and Piacenza (800 MW) thermoelectric facilities into combined-cycle power plants reached the final stage. The Chivasso plant completed performance testing in August and began making its production capacity available to tollers.
In Brindisi, environmental work continued on Units 3 and 4, with the installation of denitrification equipment for both units scheduled for the end of 2004.

Hydrocarbons

The Hydrocarbons Sector continued to expand its supplies of natural gas in response to rising demand in the Italian market. More specifically, Edison conducted additional studies and secured the permits needed to build two LNG regasification terminals - one in the Upper Adriatic in partnership with ExxonMobil and Qatar Petroleum and another and in Rosignano Marittimo in partnership with Solvay and BP - and a new Algeria - Sardinia - Italy gas pipeline in partnership with Enelpower Spa, Sonatrach Spa and Winthershall AG.

In addition to renewing several supply contracts that expired in the first half of 2004, the **operations that market natural gas to wholesalers and distributors** made significant progress in signing up new customers.

During the same period, Edison Per Voi **added 1,200 new residential customers** to its user base. This company, which handles the Group's operations in the residential market, had a total of 144,200 direct customers at June 30, 2004.

Edison's **operations that market natural gas through Alliances** (four distributors established by Edison in partnership with municipal utilities) continued to steadily expand their customer bases and contributed sales totaling more than 2 billion cubic meters.

Strengthening the Balance Sheet

Edison's efforts to reduce borrowing costs and lengthen the maturity of its indebtedness continued in the first half of 2004 with the objective of consolidating the Group's indebtedness in the medium-term range and bringing borrowing terms in line with those currently available in the financial market to companies with a credit standing comparable to that of Edison. The following transactions are of particular note:

- Placement of a second 100-million-euro tranche of seven-year debt securities bearing a fixed 5.125% interest rate, which brought to 700 million euros the total amount of debt securities issued within the framework of an EMTN (European Medium Term Notes) program launched in 2003 that has an issue ceiling of 2 billion euros.

- Cancellation of the put option and certain other conditions contained in the indenture of the 600-million-euro "Edison 6.375% July 2007" bond issue. This change was made possible by the positive response of the financial markets to Edison's regained financial strength.
- Successful negotiation of a five-year, senior unsecured line of credit in the amount of 1 billion euros (increased by an additional 250 million euros in May) and launch of an additional syndication of 250 million euros, bringing the total financing to 1.5 billion euros.
- Following the rating boost by the top rating agencies, approval by the Board of Directors of Edison Spa of a plan to issue new debt securities in multiple tranches up to a maximum amount of 1 billion euros. A total of 500 million euros in seven-year securities bearing a variable rate of interest was issued in July under this plan, which is being carried out within the framework of the EMTN program.

These transactions improved the structure of the Group's debt, bringing the percentage of indebtedness covered by debt securities and bank borrowings to 60% and 40%, respectively, and lengthening the average maturity to 4.3 years.
This more favorable debt structure enabled the rating agencies to boost Edison's credit standing, with Standard & Poor's upgrading its rating to BBB+ and Moody's revising the outlook from negative to positive.

Streamlining the Corporate Structure

During the first half of 2004, following the simplification of its organization in 2003, which affected 23 wholly owned subsidiaries, the Group carried out additional mergers designed to further rationalize the structure of its core businesses and optimize its overall operating and financial performance.

The merger transactions, which were carried out within the framework of the corporate simplification project presented and launched in 2000 and were consistent with the Group's mission in a changed competitive environment, involved Bussi Termoelettrica Spa, Caffaro Energia Srl, Savim Srl, Sogetel Spa and Vega Oil Spa, all wholly owned subsidiaries of Edison Spa.

This program will continue later this year, resulting most notably in the merger of ISE into Edison. The merger was approved by the Boards of Directors of both companies on June 15, 2004.

Regulatory Framework

Electric Power

The most significant legislative measures enacted during the first half of 2004 and the main changes in the regulatory framework of the electric power market are reviewed below.

Market Rules and Energy Exchange. The December 19, 2003 enactment by the Italian Minister of Production Activities of Decrees approving the Amended Regulations of the Electric Power Market, the assignment of oversight of the electric power market to a market operator called Gestore del Mercato Spa and the allocation of responsibility for guaranteeing supply to captive customers to a sole buyer called Acquirente Unico Spa, was followed in the first half of 2004 by several measures and resolutions adopted by the Electric Power and Gas Authority (abbreviated AEEG in Italian) with respect to the electric power market.
Specifically, the AEEG finalized the measures needed to launch the first phase of the Electric Power Exchange on April 1, 2004.
The main features of the 2004 Italian System include:

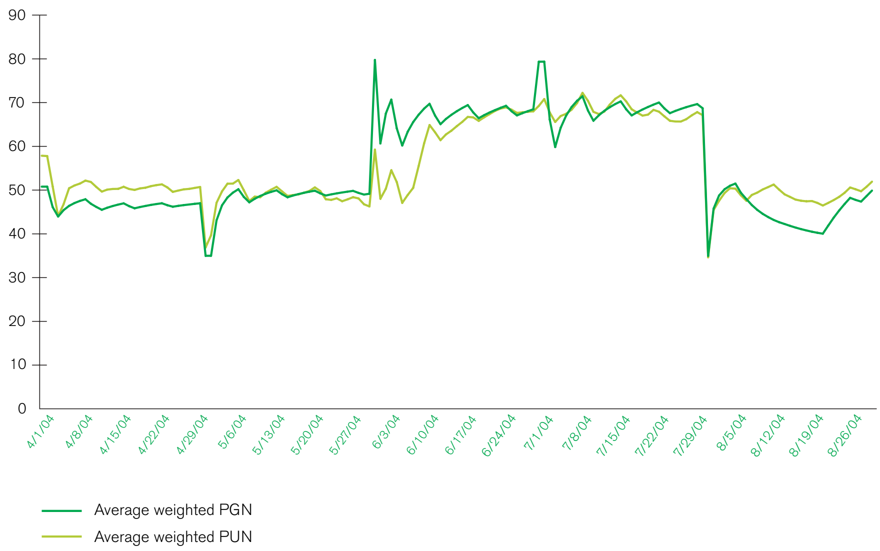
1. A non-mandatory exchange;
2. A Marginal Price System;
3. Area prices on the supply side;
4. Single price (average weighted) on the demand side;
5. Electric Power Market (previous-day market and adjustment market), designed and managed by the GME;
6. Dispatching market (congestion resolution, balancing and reserves) designed and managed by the GRTN.

With regard to the start of the Electric Power Exchange, the AEEG, which had published dispatching rules in December 2003, issued resolutions concerning the following topics in the first half of 2004:

- Dispatching Based on Economic Considerations. Resolutions No. 47/04 and No. 48/04 approved the dispatching rules proposed by the GRTN for 2004; ruled that until the end of 2004 the demand for energy will be quantified by the GRTN in order to ensure that the national demand for energy is met during the start-up phase; and defined the criteria for selecting supplier power plants based on the prices offered by power generators participating in the Electric Power Exchange.
- Remuneration of Generating Capacity in 2004. Resolution No. 48/04 implemented Legislative Decree No. 379/2003, defining the remuneration level for production capacity made available to the national electric power grid to handle seasonal emergencies.

The chart below shows the trend of the Single National Price (abbreviated PUN in Italian) through August 2004, compared with that of the old benchmark, the National Power Generation Price (abbreviated PGN in Italian).

Comparison of Average PUN and Average PGN



Rate System. The AEEG issued Resolution No. 5/04 (as amended by Resolution No. 17/04), which established the rates chargeable for transmiting, distributing and selling electric power and the rules governing service quality for the period between 2004 and 2007. The Resolution also introduced a new structure for the F1, F2, F3 and F4 time bands, as defined in a proposal by the GRTN, which was based on the load profile clusters projected for 2004. On July 27, 2004, acting in response to a jurisdictional objection filed by certain operations, the Regional Administrative Court of Lombardy handed down Decision No. 3201/04 voiding the portion of the Resolution that set, as of July 1, 2004, the new F1, F2, F3 and F4 time-of-use billing periods. The Decision voiding the Resolution was stayed as a precautionary measure by the Council of State (first by a decree issued by the President without hearing the opposing party and later by the full Council in an order issued on August 31, 2004). As a result of the abovementioned stay, Resolution No. 5/04, including the portion that applies to billing period rules, will remain in effect at least until December 21, 2004, which is the date set by the Council of State for a hearing on the merit of the appeal filed by the AEEG against the decision to void issued by the Regional Administrative Court of Lombardy.

On February 19, 2004, the AEEG issued Resolution No. 20/04, which halved the purchasing cost coverage component (abbreviated CCA in Italian) for the month of March based on the fact that, since the starting date of the offer system (which was expected to bring lower prices) had not yet been set, there was a presumption that the setting of the prices for the first two months of the year by means of an administrative decision would disadvantage consumers. Following jurisdictional appeals

filed by several operators (including Edison), the resolution was stayed as a precautionary measure at the beginning of April and then voided in a decision handed down on June 22, 2004.
Subsequently, Resolution No. 46/04 and No. 103/04 updated the electric rate components and parameters for the April-June 2004 and July-September 2004 quarters.

Hydrocarbons

Activity of the Electric Power and Gas Authority (AEEG). During the first half of 2004, the AEEG approved the rates proposed by natural gas distributors who supply end users (Resolution No. 9/04, No. 42/04 and No. 43/04).

On the issue of rates charged to supply end users, the AEEG issued a series of resolutions (No. 3/04, No 27/04, No. 44/04 and No. 59/04). These resolutions supplement Resolution No. 138/03, which set forth the criteria used to determine the rates charged to end users who chose not to change their supplier, even though they were eligible to do so.

In June, the AEEG and the Antitrust Authority issued Resolution No. 90/04, which completed an investigation launched to determine the level of deregulation of the natural gas market. The investigation determined that the upstream segment of the market still presented a significant structural rigidity and that provisioning methods still affected competitiveness.

Ministry of Production Activities. During the first half of 2004, the Ministry of Production Activities issued a series of regulatory measures. The most significant are reviewed below:

- *Ministerial Decree of January 21, 2004,* which extended until June 30, 2004 the temporary authorization to sell granted to distributors and local public entities who had not yet completed the separation of their distribution and selling operations but had filed an application to sell natural gas to end customers on a nonexclusive basis and only in the area in which they operate.

- *Ministerial Decree of February 12, 2004,* which identifies suppliers of last resort for customers consuming up to 200,000 cubic meters of natural gas a year who, for reasons beyond their control, do not have access to an authorized seller.

- *Communication of May 19, 2004,* in which the Ministry published a list of companies selected to function as suppliers of last resort at each of the access points of the national gas pipeline network.

Performance of the Group's Businesses

Net Revenues and EBITDA by Type of Business

2003 full year		First half 2004	First half 2003	% change
	Core Businesses			
	Electric Power Operations			
3,889	Net revenues	2,201	1,997	10.2%
826	EBITDA	503	440	14.3%
21.2%	as a % of net revenues	22.9%	22.0%	
	Hydrocarbons Operations			
2,097	Net revenues	1,109	1,115	(0.5%)
362	EBITDA	152	218	(30.3%)
17.3%	as a % of net revenues	13.7%	19.6%	
	Corporate Activities			
77	Net revenues	39	30	30.0%
(101)	EBITDA	(42)	(47)	10.6%
n.m.	as a % of net revenues	n.m.	n.m.	
	Eliminations			
(922)	Net revenues	(592)	(472)	
-	EBITDA		-	
n.m.	as a % of net revenues	n.m.	n.m.	
	Total core businesses			
5,141	Net revenues	2,757	2,670	3.3%
1,087	EBITDA	613	611	0.3%
21.1%	as a % of net revenues	22.2%	22.9%	
	Other Activities			
	OTHER OPERATIONS			
	Water			
32	Net revenues	14	16	(12.5%)
3	EBITDA	-	-	n.m.
9.4%	as a % of net revenues	n.m.	n.m.	
	Engineering			
884	Net revenues	416	361	15.2%
28	EBITDA	13	10	30.0%
3.2%	as a % of net revenues	3.1%	2.8%	
	DIVESTED OPERATIONS (*)			
230	Net revenues	-	230	n.m.
(15)	EBITDA	-	(15)	n.m.
(6.5%)	as a % of net revenues		(6.5%)	
	Adjustments			
	- Net revenues	-	-	n.m.
	- EBITDA	-	-	n.m.
	Total other activities (*)			
1,146	Net revenues	430	607	n.m.
16	EBITDA	13	(5)	n.m.
1.4%	as a % of net revenues	3.1%	(0.8%)	
	Edison Group			
6,287	**Net revenues**	**3,187**	**3,277**	**(2.7%)**
1,103	**EBITDA**	**626**	**606**	**3.3%**
17.5%	as a % of net revenues	19.6%	18.5%	

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

Core Businesses

Electric Power

Quantitative Data

Sources (in GWh)(*)	**First half 2004**	First half 2003	% change
Net production Edison Group	**17,633**	**17,953**	**(1.8%)**
- Thermoelectric power plants	15,932	15,958	(0.1%)
- Hydroelectric power plants	1,496	1,837	(18.6%)
- Wind farms	205	158	29.7%
Edipower	**6,064**	**563**	**n.m.**
Imports	**570**	**626**	**(8.9%)**
Other domestic purchases and exchanges (1)	**1,502**	**3,594**	**(58.2%)**
Total sources	**25,769**	**22,736**	**13.3%**

(*) One GWh is equal to one million kWh.
(1) Net of line losses and tolls.

Uses (in GWh)(*)	**First half 2004**	First half 2003	% change
CIP-6 dedicated	11,221	11,323	(0.9%)
Captive and industrial customers	2,668	2,789	(4.3%)
Deregulated market	11,880	8,624	37.8%
Total destinations	**25,769**	**22,736**	**13.3%**

Financial Data

2003 full year		**First half 2004**	First half 2003	% change
3,418	Electric power	1,885	1,768	6.6%
132	Steam and utilities	56	70	(20.0%)
34	Other sales and services	120	63	90.5%.
3,584	**Total sales and service revenues**	**2,061**	**1,901**	**8.4%**
305	Other revenues	140	96	45.8%
3,889	**Net revenues**	**2,201**	**1,997**	**10.2%**
826	EBITDA	503	440	14.3%
21.2%	as a % of net revenues	22.9%	22.0%	
247	Capital expenditures	140	128	9.4%
8,079	Net invested capital (1)	8,028	8,184	(0.6%)
1,328	Number of employees (1) (2)	1,324	1,353	(0.3%)

(1) End-of-period amounts. The changes are computed against the data at December 31, 2003.
(2) The number of employees shown for 2003 has been recomputed to reflect changes in the Group's structure.

Net revenues for the first half of 2004 totaled 2,201 million euros, or about 10% more than in the same period last year. This increase was made possible mainly by a rise in unit sales, which more than offset a decline in the average unit sales price (73.1 euros/MWh, compared with 77.8 euros/MWh in the first six months of 2003) caused by a reduction in the fuel component.

This component is not based on benchmark fuel prices during a given period, but on their average during the three or nine months that precede the period. In the case of the first half of 2004, the fuel component reflects primarily the impact of fuel prices during the closing months of 2003.

Revenues from the sale of steam and other utilities were 14 million euros less than in the first six months of 2003, due to a slight decline in unit sales (-3.2%) and a decrease in the average prices charged, which are also tied to a basket of fuels.

Cumulative EBITDA totaled 503 million euros, or about 63 million euros more (+14.3%) than in the same period a year ago. An increase in the availability of electric power, which enabled Edison to take full advantage of the opportunities available in the market segments described below, and a more favorable pricing structure account for this improvement.

Sales and Marketing

The combined sales of electric power booked by the Marketing and Distribution and Energy Management Business Units totaled 25,769 million kWh, or 13.3% more than in the first half of 2003.

While sales to traditional customers (CIP-6 and industrial customers) held relatively steady, deliveries to customers in other markets were up sharply (+37.8%), confirming Edison's position as a leading player in the deregulated market in Italy. These gains were made possible by the additional supply of electric power provided by Edipower (the tolling contract became fully operational at the beginning of 2004) and by sharply higher sales to distributors who serve captive customers in the STOVE market (2.1 TWh) and in the newly established Electric Power Exchange (1.1 TWh). These business channels were not available in 2003.

Production and Procurement

The output of the Electric Power Business Unit declined slightly during the first six months of 2004 compared with the same period last year, due to the reduced availability of water resources for power generation compared with the first half of 2003.

In the first six months of 2004, the output of electric power generated by Edison Group hydroelectric power plants located in Italy (including the energy produced by KHR that was available in Italy) was 1,496 million kWh, compared with 1,837 million kWh in the same period last year (-18.6%). The reduced availability of water resources, a decrease in the energy made available by the KHR affiliate and the deconsolidation of Sel Edison (in the table below, its output is included among Other domestic purchases) account for this decrease.

The net output of the Group's wind farms increased to 205 million kWh, or 47 million kWh more than in the first half of 2003, reflecting the contribution of newly commissioned facilities and more favorable wind conditions.

Gross production of thermoelectric power totaled 16,374 million kWh, little changed (-0.7%) from the first six months of 2003. After deducting power consumed internally and line losses, net thermoelectric production totaled 15,932 million kWh.
During the first half of 2004, Edison's internal production was supplemented with electric power purchased from external sources by the Energy Management Business Unit, which increased its business volume by more than 67%.
As explained earlier in this Report, this sharp increase in external supply reflects the positive impact of the tolling contract with Edipower. The contract became fully operational on January 1, 2004, giving the Group access to an expanded supply and enabling it to strengthen its position in the electric power market.

Edipower

Edipower had net revenues of 425 million euros in the first six months of 2004. Revenues from the sale of fuel inventories to tollers, executed after the tolling agreement became operational, totaled 67 million euros. EBITDA grew to 196 million euros (46.1% of net revenues), or about 30% more than the 149 million euros earned in the first half of 2003. The implementation of tolling contracts, which became effective on January 1, 2004, produced a significant change in the structure of Edipower's business. As a result, the operating data are not comparable with those for the first six months of 2003, when net revenues totaled 696 million euros.

The energy made available to tollers during the first half of 2004 amounted to 12.2 TWh, an increase of about 1.9 TWh (+18.3%) compared with the same period last year. An additional 0.1 TWh were sold directly to the GRTN. The output of the hydroelectric power plants was up in absolute terms but decreased as a percentage of total output (8.1%, compared with 9.5% in 2003), as the contribution provided by thermoelectric facilities grew by a larger percentage.

At June 30, 2004, net borrowings totaled 2,185 million euros, slightly more (+11 million euros) than at December 31, 2003. The capital investment projects carried out during the period are the main reason for this increase.

Capital expenditures of about 95 million euros were used for the repowering of the Chivasso, Sermide and Piacenza power plants and to install catalytic denitrification equipment at the Brindisi power plant.

At June 30, 2004, Edipower had 1,467 employees on its payroll, 13 less than at December 31, 2003.

Hydrocarbons

Quantitative Data

Sources (in millions of m³ of natural gas)	**First half 2004**	First half 2003	% change
Total net production:	**646**	**856**	**(24.5%)**
- Production in Italy	527	596	(11.6%)
- Production outside Italy	119	260	(54.2%)
Pipeline imports	**3,373**	**2,891**	**16.7%**
LNG imports	**18**	**253**	**(92.9%)**
Domestic and other purchases [1]	**1,744**	**1,223**	**42.6%**
Total supply sources	**5,781**	**5,223**	**10.7%**
Direct purchases to fuel power plants	1,018	1,332	(23.6%)
Total supply	**6,799**	**6,555**	**3.7%**

[1] Includes inventory changes and pipeline leaks.

Uses (in millions of m³ of natural gas)	**First half 2004**	First half 2003	% change
Residential use (consumers)	193	175	10.3%
Residential use (distributors)	1,556	1,404	10.8%
Industrial use	874	744	17.5%
Thermoelectric fuel use	3,039	2,640	15.1%
Exports	119	260	(54.2%)
Total uses	**5,781**	**5,223**	**10.7%**

Financial Data

2003 full year		**First half 2004**	First half 2003	% change
1,894	Natural gas sales [*]	1,023	1,021	1.9%
63	Sales of oil and other products	39	36	8.3%
1,957	**Total sales revenues**	**1,062**	**1,057**	**4.7%**
140	Other revenues (including excise taxes)	47	58	(19.0%)
2,097	**Net revenues**	**1,109**	**1,115**	**(0.5%)**
362	EBITDA	152	218	(30.3%)
17.3%	as a % of net revenues	13.7%	19.6%	
79	Capital expenditures	24	58	(58.6%)
17	Investments in exploration	10	7	42.8%
285	Net invested capital [1]	1,318	1,248	n.m.
463	Number of employees [1] [2]	449	500	(3.0%)

[*] Includes the value of intraGroup sales.
[1] End-of-period amounts. The changes are computed against the data at December 31, 2003.
[2] The number of employees shown for 2003 has been restated to reflect changes in the Group's structure.

Net revenues totaled 1,109 million euros in the first half of 2004, little changed from the same period a year ago.
Sales of natural gas grew to 5,781 million cubic meters in the first six months of 2004, or 10.7% more than in the same period last year, reflecting an increase in available supply.

The rise in unit sales was large enough to offset the negative impact of a decrease of about 9.2% in the average price at which natural gas was sold, which fell from 0.195 euros per cubic meter in the first half of 2003 to 0.177 euros per cubic meter in the same period this year, and to hold revenues at about the same level as a year ago.
The decrease in the sales price is the result of the formula used to compute prices. The formula is based on the average fuel price for the three or 12 months that preceded the first half of 2004, a period during which the benchmark was less favorable than in the reference period used for the first six months of 2003.

The price of pure (non-fluxed) oil held relatively steady at 15.2 euros per barrel, compared with 15.3 euros per barrel in the first half of 2003.

EBITDA totaled 152 million euros at June 30, 2004, a decrease of 66 million euros (-30.3%) compared with the figure reported for the first six months of 2003. This decrease in operating profitability, which occurred despite a gain in unit sales, was caused by the decline in the average price at which natural gas was sold, which in turn reflected the trend prevailing in the benchmark energy markets, where conditions were much less favorable than they were in 2003.

Sales and Marketing

Thanks to the efforts of the Marketing and Distribution Business Unit, unit sales of natural gas in the Italian deregulated market were up about 13%. As shown below, all market segments participated in the gain.

Sales of natural gas to residential customers accounted for 67% of Edison's total domestic sales, about the same as in the first half of 2003.
At June 30, 2004, Edison Per Voi served a total of about 144,200 residential customers.

Shipments to thermoelectric power plants increased to 3,039 million cubic meters, up from 2,640 million cubic meters in the first six months of 2003, as the Group's power plants scaled back direct purchases of natural gas from outside suppliers.

Total domestic sales rose to 5,662 million cubic meters (4,963 million cubic meters at June 30, 2003). When export sales are added, the total increased to 5,781 million cubic meters (5,223 million cubic meters in the first half of 2003).

Production and Procurement

As shown in the table below, net production attributable to the Hydrocarbons Business Unit decreased compared with the first six months of 2003, due to the normal depletion of existing deposits in Italy and the absence of a contribution from the WDDM offshore field in Egypt, since these reserves were sold in June 2003.

Net production of natural gas and oil totaled 845 million cubic meters of gas equivalents, or about 20% less than in the first half of 2003.

At 1,211,000 barrels, production of crude oil was only slightly lower than in the first half of 2003, as the fields continued to produce at a good rate.
Sales of pure (non-fluxed) oil were up about 5% compared with the first half of 2003, due mainly to changes in load scheduling. Sales prices held relatively steady, averaging 15.2 euros per barrel compared with 15.3 euros per barrel in the first six months of 2003.

The Energy Management Business Unit, which has responsibility for natural gas procurement, continued to import natural gas from different sources: ongoing imports via pipeline under contracts with suppliers in Russia and Northern Europe (3,178 million cubic meters, compared with 2,500 million cubic meters in the first half of 2003) and spot-market purchases delivered both by ship (LNG) and via pipeline (195 million cubic meters, compared with 391 million cubic meters in the first six months of 2003). There was a sharp reduction in the availability of LNG, due to an accident that occurred late in January at the Skikda liquefaction facility in Algeria, which was shut down completely until May.
Imports of natural gas totaled 3,391 million cubic meters in the first half of 2004 (3,144 million cubic meters in the same period last year), accounting for about 59% of the natural gas Edison sold in Italy.
The rise in domestic purchases (+24.8%) compared with the first six months of 2003 is due primarily to gas supplied by Eni that was used to fuel thermoelectric power plants.

Corporate Activities

2003 full year	Highlights	First half 2004	First half 2003 (*)	% change
77	Net revenues	39	30	30.0%
(99)	EBITDA	(42)	(47)	10.6%
n.m.	as a % of net revenues	n.m.	n.m.	
2	Capital expenditures	4	-	n.m.
2,236	Net invested capital (1)	1,714	1,877	(23.3%)
551	Number of employees (1) (2)	543	567	(1.5%)

(1) End-of-period amounts. The changes are computed against the data at December 31, 2003.
(2) The number of employees shown for 2003 has been recomputed to reflect changes in the Group's structure.
(*) Pro forma amounts that include Selm Holding, Finel and Stirpex, which were previously classified among the holding companies of the Energy operations.

Corporate Activities, which consist primarily of those operations of Edison Spa, the Group's Parent Company, that engage in activities that are not industrial in nature and of certain holding companies and real estate companies, had revenues of 39 million euros, or 9 million euros more than in the first half of 2003.

EBITDA were negative by 42 million euros, but the loss was 10.6% smaller than the 47 million euros lost in the first six months of 2003, thanks to a reduction in overhead and the improvements brought about by the streamlined organization that resulted from a corporate restructuring at the end of 2003.

During the first half of 2004, as required under the agreement signed last year with Eni and Enichem to settle all of the disputes submitted to arbitration in 1992 in connection with the Enichem and Enimont joint ventures, Edison Spa paid both the second and third annual installments, earning a discount on the accrued interest.

As mentioned earlier in this report, the Group's corporate restructuring process is continuing and will result in the merger of Bussi, Caffaro, Savim, Sogetel, Vega Oil and ISE into Edison Spa in the second half of 2004.

Real Estate Companies

During the first six months of 2004, the Group continued to divest nonstrategic real estate assets, which were valued at 90 million euros at June 30, 2004, 8 million euros less than at the beginning of the year, reflecting the disposal of the following properties, which were sold at prices roughly equal to their carrying values:

- A building on Via Amba Alagi, in Genoa;
- A building on Via dell'Ambrosiana, in Milan;
- Land located in Tor Tre Teste, in Rome.

The restructuring of the real estate companies, which is currently under way, will result later this year in the transfer of most of the real estate assets to the Come Iniziative Immobiliari Srl subsidiary.

Other Continuing Operations

Water Distribution and Treatment (IWH)

2003 full year	Highlights	First half 2004	First half 2003 (*)	% change
32	Net revenues	14	16	(12.5%)
3	EBITDA	-	-	n.m.
9.4%	as a % of net revenues	n.m.	n.m.	
4	Capital expenditures	1	5	n.m.
11	Net invested capital [1]	5	55	(54.5%)
18	Number of employees [1]	8	24	(55.5%)

[1] End-of-period amounts. The changes are computed against the data at December 31, 2003
Note: The data reflect the 50% interest held by the Group in these operations, which are consolidated by the proportional method.

Revenues for the first half of 2004, which totaled about 14 million euros, were generated by operations carried out in Guayaquil under license. Operating expenses for the period came to about 14 million euros, of which about 12 million euros are attributable to the Guayaquil license and about 2 million euros constitute overhead, which includes the cost of downsizing incentives (the payroll decreased by 10 employees compared with December 31, 2003). These operations broke even at the EBITDA level, as they did in the first six months of 2003.

At the end of June, IWH BV sold the interests it had held indirectly in Scottish companies that provide water management and treatment services in the Highlands and in Tay, Moray and Montrose to Infrastructure Investors LP, a fund managed by Barclays and Société Générale.

Engineering (Tecnimont)

2003 full year	Highlights	First half 2004	First half 2003 (*)	% change
884	Net revenues	416	361	15.2%
28	EBITDA	13	10	30.0%
3.2%	as a % of net revenues	3.1%	2.8%	
2	Capital expenditures	1	1	n.m.
955	Order backlog [1]	825	1,153	(13.6%)
(56)	Net invested capital [1]	(75)	(35)	n.m.
1,610	Number of employees [1]	1,620	1,595	0.6%

[1] End-of-period amounts. The changes are computed against the data at December 31, 2003

The results for the first half of 2004 confirm the gains in business volume, profitability and financial position achieved during the first quarter of the year. Net revenues grew by more than 15% compared with the first six months of 2003. During the same period, EBITDA totaled 13 million euros, up from 10 million euros, and liquid assets increased to 159 million euros, or 23 million euros more than at December 31, 2003.

The order backlog decreased by 130 million euros compared with the beginning of the year, when it totaled 955 million euros. However, the balance at the end of June does not include new contracts worth 240 million euros, the financing for which had not been finalized at that time (a polypropylene plant in Yanbu, Saudi Arabia, and a high-density polyethylene production facility in Salavat, Bashkortostan).

Orders booked by Tecnimont during the first half of 2004 included: about 180 million euros to build a polypropylene plant in Yanbu (Saudi Arabia), about 100 million euros to build low-density polyethylene factories in the Lanzhou Petrochemical District in China, and 180 million euros (interest attributable to the Sofregaz subsidiary) to build, on a turn-key basis, an LNG terminal in Fos Cavou, near Marseille, in France.

A breakdown by geographic region and by product of the order backlog at June 30, 2004 is as follows.

Geographic Breakdown		Product Breakdown	
Middle East	20%	Polymers	48%
Africa	8%	Olio and Gas	40%
China	23%	Chemicals/Fertilizers	9%
Europe	46%	Energy	3%
Other regions	3%		

Capital Expenditures and Exploration Investments

Electric Power

During the first half of 2004, the Electric Power operations made capital expenditures totaling about 140 million euros - 116 million euros to increase generating capacity, 20 million euros for rationalization and improvement programs and 4 million euros for safety.

The **Hydroelectric Division**, in addition to its usual incremental maintenance activity, launched and completed several major projects. The capacity added by these projects qualifies as new renewable energy, as defined in the Bersani Decree, and, consequently, will earn the Group the applicable green certificates.

Noteworthy projects included the completion of the Malengo power plant renovation, installation of automation and remote control systems at the Sonico facility and replacement of the turbine and alternator unit at the Colle power plant.

The capital expenditures of the **Thermoelectric Division** were used to:

- Continue the construction of a 400-MW thermoelectric power plant in Candela (FG) and two 800-MW facilities in Torviscosa (UD) and Altomonte (CS), all of which are proceeding on schedule;
- Complete the expansion of the Sarmato power plant, which will increase available power by 28 MW;
- Complete a project that will double the capacity of a 55-MW, cogenerating combined-cycle power plant in Sesto San Giovanni;
- Begin the construction of an 800-MW power plant in Simeri Crichi (CZ).

As mentioned earlier in this Report, capital expenditures in the area of wind power were used mainly to develop facilities in Faeto-Castiglion Messer Marino (CH) and San Bartolomeo (FG).

Hydrocarbons

Capital expenditures totaled 24 million euros in the first half of 2004, compared with 58 million euros in the same period last year. The main projects are reviewed below:

- **In Italy,** workover of the Regina gas field and development of the Montegranaro gas field and of the Rospo oil field. In the Adriatic, construction of the offshore Naide platform was scheduled to resume in September.
  Also in Italy, gas storage projects included expansion of the Collalto (UD) field, where work got under way in the first quarter of 2004.
- **In Egypt,** installation of the gas compressors needed to support production from the Rashid-1 field in the Rosetta concession (Edison 20%) and construction of a second platform in the Rosetta field.

During the first six months of 2004, **investments in exploration** totaled 10 million euros, 6 million euros of which were used for projects outside Italy.

In Italy, the drilling of two wells - the Guzzo-1, which produced natural gas, and the Tresauro-1, which yielded oil - was completed successfully. At the same time, the Group began to assess the feasibility of new projects in the Padanian Plain and in Sicily.

Outside Italy:

- In Egypt, Edison made significant progress toward obtaining an exploration permit in West Wadi El Rayan, with work scheduled to start in the fourth quarter.
- In Algeria, 3-D seismic mapping of the Reggane bloc reached the final stage.
- In Croatia, completion of the seismic maps of the Izabela and Iris/Iva concessions was followed by the drilling of an exploratory well, which yielded significant quantities of natural gas.
- In Iran, the Seqanat-1 Deep exploratory well was drilled in the Munir block but yielded no natural gas.

New projects include negotiations for an offshore block in each of the following countries: Iran, Ivory Coast and Senegal.

Innovation, Research and Development

During the first half of 2004, the Group continued to study the technological advances made in such leading-edge technologies as superconductivity and distributed power generation in order to assess their practical potential. Moreover, it launched two projects involving concentrated solar energy for electric power generation and low-temperature desulfurization of natural gas.

Superconductivity

The projects carried out to develop an electrochemical technology to produce superconducting tape through thermal coevaporation reached their final stage, and the technical tests required for period financing by MIUR got under way early in June. System research activities carried out during the first six months of 2004 focused on the electromagnetic characterization of superconductors in prototypes of current limiters.

Distributed Generation of Electric Power

The experimental phase of a project carried out in cooperation with the Fiat Research Center that involves the evaluation of the technology needed to build networks to control a large number of small co- and tri-generating (electric power, heating and cooling) units was completed in May. Another project involved the construction of a laboratory for testing power generation systems based on high- and low-temperature polymer fuel cells, which was financed under an agreement signed with the Regional Administration of Piedmont and the Italian Ministry of the Environment.

Concentrated Solar Energy

The design of a new outdoor laboratory that will be built at the Trofarello R&D Center to study the use of concentrated solar energy to generate electric power was completed in the first half of 2004. Experimental work involving the optical and thermal characterization of the concentration systems will be carried out in cooperation with the physics departments of the Universities of Parma and Ferrara.

Low-temperature Desulfurization of Natural Gas

The Group's ongoing effort to identify new opportunities offered by hydrogen technology included further work on a project to desulfurize natural gas using low-temperature systems that do not require as an initial step the transformation of sulfurized components into sulfuric acid.

Health, Safety and the Environment

During the first half of 2004, Edison launched several projects that, in keeping with its stated environmental and safety policy, pursue compliance with statutory requirements, stimulate technological innovation and enhance global competitiveness.

The environmental policy of the Edison Group is consistent with sustainable development models. It places environmental issues at the center of the Group's strategies and defines principles and guidelines that serve as reference points for all Group companies.

Noteworthy projects carried out during the first six months of 2004 that are in keeping with this approach include:

- Award of the EMAS registration to the organization and the power plants of Thermoelectric Division 1 and of the BSI OHSAS 18001 occupational safety and health certification to the organization and operating units of Edison Rete.
- Start of the audit required to obtain EMAS registration for the East and West districts of the Hydroelectric Division and the Nera Montoro, Porcari and Celano power plants of Thermoelectric Division 2.
- Start of a project to develop an integrated environmental and safety management system for the Spinetta Marengo, Marghera Levante and Bussi power plants (Electric Power Business Unit) and the Vega field (Hydrocarbons Business Unit).

In order to accelerate the downward trend in job-related accidents and considering the significant increase in the number of at risk locations inherent in the construction of new power plants, the Group launched the following projects in the first half of 2004:

- Training for middle managers, which included accident analysis courses that were attended by all managers who deal with safety issues.
- Development of a new computer-based method of assessing risk in order to address the need for new operating tools that arises from the implementation of safety management systems.

Human Resources and Industrial Relations

Human Resources

At June 30, 2004, the Edison Group had 3,944 employees, 26 fewer than at the beginning of the year. Efficiency gains by the core businesses account for most of the decrease. The table below provides a breakdown of the Group's payroll by type of business at June 30, 2004 and shows the changes that have occurred since December 31, 2003.

Number of Employees by Type of Business

2003 full year		**First half 2004**	First half 2003 (*)	% change
1,328	Electric Power Operations	1,324	1,353	(0.3%)
463	Hydrocarbons Operations	449	500	(3.0%)
551	Corporate Activities	543	567	(1.5%)
2,342	**Core Businesses** (1)	**2,316**	**2,420**	**(1.1%)**
18	Water	8	24	(55.5%)
1,610	Engineering	1,620	1,595	0.6%
-	Divested operations (2)	-	464	-
3,970	**Edison Group**	**3,944**	**4,503**	**(0.7%)**

(1) The number of employees shown for 2003 has been recomputed to reflect changes in the Group's structure.
(2) Telecommunications.

Industrial Relations

The main developments that occurred in the first half of 2004 are reviewed below.

- In April and May 2004, as part of the ongoing reorganization and corporate restructuring process, the Group and the employee unions signed the agreements needed to provide long-term unemployment benefits to employees of the Thermoelectric and Hydroelectric Divisions in Venice, Rovigo, Trento, Bolzano and Sondrio. These agreements will enable the Group to optimize staffing levels in the organizational units listed above and provide retirement incentives for as many as 60 employees.

- Negotiations got under way with the national unions in connection with level two collective bargaining for all Group companies that are covered by the national collective bargaining agreement for electrical workers.

Organization and Training

The adoption of a new developmental organizational model by the Group's core energy businesses, which were structured into Business Units in December 2003, required that the detailed organizational structure of the Departments involved also be redesigned and made consistent. The new model also created the need to reorganize such basic processes as Strategic and Operational Planning, Business Development and Risk Management. This process, which is still ongoing, will be completed later this year.

The Group has also established a Market Regulations and Legislation Committee, which will be charged with providing a more effective and integrated approach to strategically managing and monitoring regulatory and legislative developments, handle relations with the public administration and provide support to the Business Units in assessing the operational impact of changes in the regulatory framework.

Another project completed earlier this year involved mapping all corporate activities and processes in order to update the existing organizational, management and control model and make it consistent with the new law on the administrative liability of legal entities (Legislative Decree No. 231/01).

The Group increased training for its management personnel, launching a program specifically designed for executives. More specifically, a significant amount of training hours was devoted to computer applications that are used to support the redesign of certain corporate processes. Another important project involved the start of professional training paths for the operators of the new Altomonte power plant.

Other Information

Transactions Among Group Companies and with Related Parties

Transactions between Edison Spa and its subsidiaries, affiliated companies and parent company are discussed in the relevant notes to the financial statements. They consist primarily of:

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

All of the transactions listed above are governed by contracts with conditions that are consistent with market terms, with the exception of those related to the VAT Pool, which are executed pursuant to law. The table below provides a summary of intra-Group transactions.

Balance Sheet - Assets	Subsidiaries	Affiliated companies	Controlling companies	**Total**
B. Financial fixed assets				
2. Long-term loans	53	-	-	53
C. Current assets				
I.) Accounts receivable	341	14	-	355
III.) Financial assets (not held as fixed assets)	435	19	-	454
D. Financial accrued income and prepaid expenses	-	2	-	2
	829	**35**	**-**	**864**
Balance sheet - Liabilities and Stockholders' Equity				
D. Liabilities	410	1	3	414
E. Accrued expenses and deferred income	-	-	-	-
	410	**1**	**3**	**414**
Statement of Income				
A. Production value				
1. Sales and service revenues	444	96	-	540
5. Other revenues and income	2	-	-	2
	446	**96**	**-**	**542**
B. Cost of production				
6. Raw materials, auxiliaries, supplies and merchandise	(15)	(3)	-	(18)
7. Outside services	(24)	-	-	(24)
8. Use of property not owned	-	-	-	-
14. Miscellaneous operating costs	(10)	-	(1)	(11)
	(49)	**(3)**	**(1)**	**(53)**
C. Financial income and expense				
15. Income from equity investments	353	6	-	359
16. Other financial income	8	1	-	9
17. Interest and other financial expense	(6)	-	-	(6)
	355	**7**	**-**	**362**

Transactions with controlling companies include the amounts rebilled by Italenergia Bis Spa for seconded employees and relatively small amounts for interest on balances in intragroup current accounts.

In addition to the transactions summarized in the table on the previous page, Edison Spa issued sureties and other guarantees to credit institutions to secure loans and lines of credit provided to subsidiaries and affiliated companies, chief among them the facilities provided to Edipower, which are discussed in detail in the notes to the financial statements. Another significant development was the execution of a tolling contract by Edipower and Edison Trading. Under this eight-year contract, which became effective on January 1, 2004, Edipower will make available to Edison Trading 50% of its thermoelectric and hydroelectric capacity against a guaranteed monthly tolling fee payable irrespective of the actual production schedule.

Edison Spa awarded Tecnimont a contract valued at 2.7 million euros for the supply of engineering services in connection with the construction of a power plant in Candela (FG) that will have a capacity of about 400 MW and a 3.1-million-euro order for engineering services at an 800-MW power plant under construction in Torviscosa (UD).

Consolidated VAT Return - Edison Spa files a consolidated VAT return (so-called VAT Pool) that includes those companies of the Edison Group that meet the requirements of Article 73, Section 3, of Presidential Decree No. 633/72, as amended, and of the Ministerial Decree dated December 13, 1979. Under the consolidated return system, Group companies transfer to Edison Spa, either monthly or quarterly, VAT payable and receivable positions in order to allow Edison Spa to offset these positions and pay only the resulting debit balance, if any. At June 30, 2004, the Group owed a VAT balance of 12 million euros.

Intragroup Assignment of Tax Credits - During the first half of 2004, in order to optimize the use of financial resources within the Group as allowed by Article 43 *Ter* of Presidential Decree No. 602/73, as amended, which permits intragroup transfers of credits for corporate income taxes (IRPEG), Edison Spa transferred to several Group subsidiaries the surplus IRPEG credit generated in the 2003 fiscal year, which became available as of January 1, 2004. The credit totaled 280 million euros, 232 million euros of which had been collected as of June 30, 2004.

Captive Reinsurance Company - Atema Ltd. is a captive reinsurance company based in Dublin, Ireland. During the first half of 2004, Atema Ltd. was involved only in handling and settling past claims of companies that are still part of the Edison Group or companies that were part of the Group when the claims were filed but had been sold as of June 30, 2004.

Transactions with Related Parties

During the first half of 2004, Edison Spa and its subsidiaries engaged in a number of commercial and financial transactions with some of its current stockholders and/or companies controlled by them. All of these transactions were carried out in the normal course of business based on contractual terms mutually agreed upon by the parties.

Commercial Transactions

Electric Power Operations - In the first half of 2004, the electric power operations supplied 571 GWh of electric power, corresponding to revenues of about 45 million euros, to the following companies of the Fiat Group: CNH Italia Spa, Comau Spa, Centro Ricerche Fiat Scpa, Elasis Spa, Ferrari Spa, Fiat Auto Spa, Fiat Avio Spa, Fiat Kobelco Spa, FMA Srl, Global Value Services Spa, Isvor Fiat Spa, Iveco Fiat Spa, Magneti Marelli Powertrain Spa, Fiat - GM Powertrain Italia Srl, Sata Spa, Sevel Spa, Seima Italiana Spa, Sistemi Sospensioni Spa, Teksid Aluminium Srl, Teksid Spa and Maserati Spa.

Hydrocarbons Operations - Revenues from the sale of industrial steam totaled 4 million euros.

The hydrocarbon operations also sold over 50 million cubic meters of natural gas to Fiat - GM Powertrain Italia, Sata Spa and Sevel Spa, generating 9 million euros in revenues.

An additional 85 million cubic meters of natural gas, valued at 17 million euros, were sold to Fenice Spa (EDF Group)

The **electric power operations** executed the following additional transactions with the EDF Group:

- A contract for the supply of electric power to France, under which EDF purchased electric power worth about 14 million euros in the first half of 2004.
- Operation and maintenance contracts with Fenice Spa (EDF Group) for the Rivalta, Cassino, Sulmona, Termoli, Melfi and Pomigliano D'Arco thermoelectric power plants.
- The EDF Group provides technical, engineering and management services at power plants operated by the ISE subsidiary in Taranto and Piombino, and at ISE's Milan headquarters.
- The Flandres Energie Snc joint venture (50% Edison Group) sells electric power it produces at its Lille, France, power plant to EDF. In the first half of 2004, a total of 118 GWh were sold to EDF at a price of about 8 million euros..
- Edison Trading bought energy for resale from EDF Energia Italia Srl totaling 25,100 MWh, valued at about 1 million euros, and sold 98,744 MWh of electric power, valued at 5 million euros, to ENBW (EDF Group).

Corporate Activities - Edison Spa purchased services from and incurred other costs in transactions with Fiat Group companies (Savarent, Trantor, Global Value, Ingest Facility, Sirio, Orione and the Fiat Research Center) totaling 3 million euros.

Financial Transactions

The main financial transactions executed by Edison Spa in the first half of 2004 in which its stockholder banks played a significant role are reviewed below:

- Banca Intesa served as mandated lead arranger in the syndication of a five-year loan of 1.5 billion euros.
- Caboto (Banca Intesa Group) served as joint bookrunner in connection with the floatation of 500 million euros in bonds maturing in 2011 (July 2004).
- Banca Intesa is providing advisory financial services in matters related to the Italy-Greece Interconnection (IGI) project.

Update on the Main Legal and Tax Disputes

The developments that occurred in the first half of 2004 in connection with the main legal disputes involving the Edison Group are reviewed below:

Stava Dam Disaster

On March 5, 2004, the Autonomous Province of Trento accepted a settlement proposal that apportioned responsibility among the parties. The proposal was put forth by Edison, Snam (now Eni, Gas & Power Division), Finimeg and Prealpi Mineraria (declared bankrupt), all of whom had been found jointly liable for the damage caused by the collapse of the Prestavel reservoirs in 1985. Under the settlement, Edison will pay 17.2 million euros to settle any and all claims by the Autonomous Province and the Italian government, with which the Autonomous Province signed a separate settlement agreement. The settlement has been joined by the other liable parties.

Pizzo Sella Real Estate Development and Seizure of Assets in Sicily

In the matter of the lawsuits filed by certain buyers and prospective purchasers of the houses included in the abovementioned real estate development, who sued Poggio Mondello and the Municipality of Palermo to recover damages incurred as a result of the seizure of their property, the Court of Palermo handed down an additional decision at the first level of jurisdiction confirming its position that a seizure for criminal violations cannot be enforced against bona fide third-party buyers who have registered their ownership title prior to the recording of any administrative penalty measure.

Oleina Arbitration

On July 23, 2004, a Swiss Federal Court suspended the temporary enforcement of an arbitration award issued on April 1, 2004 in connection with two separate actions filed by Ildom against the Cereol Group, in which Edison held a majority interest until it sold it to Bunge in 2002. On July 27, 2004, acting in response to a petition filed by Ildom requesting the correction of material errors contained in the award, the Board of Arbitrators issued an Addendum to its April award, recomputing the value of the 49% interest held by Ildom in Oleina, which it had set at US$73.1 million, at US$107.5 million. Edison, working jointly with Bunge, is considering what actions it may pursue in response to the latest award and is waiting to hear how the Federal Court will rule on this matter.

Val Martello Flood

On February 27, 2004, Edison settled a dispute with an insurance company, which was supposed to shoulder any liability arising from the suits for damages filed by public institutions and private parties in connection with a flood that occurred in August 1987 in the Val Martello. Edison was paid the amount of 6,700,000 euros in settlement of any and all insurance claims arising from the disputed accident. This amount was in addition to the 4 million euros that the insurance company had already paid directly to the injured parties.

Caffaro Energia - WWF Complaint

On February 23, 2004, the WWF Onlus filed a petition with the Regional Administrative Court of Friuli Venezia Giulia asking it to suspend the effectiveness of a decree of environmental compatibility that the Ministry of the Environment granted to the Torviscosa power plant on October 30, 2001. On March 18, 2004, following a review of records and documents submitted by Caffaro Energia and the Ministry of the Environment, the WWF withdrew the petition to suspend the enforcement of the Decree as a precautionary measure.

The status of the main tax disputes is reviewed below:

Old Edison Spa - Direct Taxes for the 1993 to 1999 Fiscal Years

In 2000, following a general audit of Edison Spa for the period from 1993 to 1999, the Italian Revenue Police issued notices of assessment for the fiscal years from 1993 to 1998, which the Company is disputing before the appropriate Tax Commissions. The Provincial Tax Commission canceled the assessment for 1993, and this favorable decision has become final.

The assessments for 1994, 1995 and 1996 were also canceled in full by the Provincial Tax Commission. However, in order to avoid litigation costs, these assessments were settled in accordance with Article 16 of Law No. 289/2002, as extended, at a cost of about 3 million euros.

The assessment for 1998 has also been settled in the course of the proceedings, and the settlement is currently being finalized. On the other hand, the appeal filed against the assessment for 1997 is still pending, since reaching a settlement pursuant to the abovementioned Article 16 did not seem advisable in this case.

Operating Performance and Financial Position of the Group

Reclassified Statement of Income

2003 full year		First half 2004	First half 2003
6,287	**A. Net revenues**	**3,187**	**3,277**
(12)	Change in inventory of work in progress, semifinished goods and finished goods	16	(8)
9	Increase in company-produced additions to fixed assets	3	4
6,284	**B. Production value**	**3,206**	**3,273**
(4,896)	Raw materials and outside services (-)	(2,456)	(2,512)
1,388	**C. Value added**	**750**	**761**
(285)	Labor costs (-)	(124)	(155)
1,103	**D. EBITDA**	**626**	**606**
(688)	Depreciation, amortization and writedowns (-)	(313)	(365)
415	**E. EBIT**	**313**	**241**
(283)	Net financial expense	(124)	(171)
(20)	Interest in the result of companies valued by the equity method and dividends from companies valued at cost	26	(74)
3	Other income (expense), net	2	(1)
115	**F. Income (loss) before extraordinary items and taxes**	**217**	**(5)**
543	Extraordinary income (expense)	(19)	536
658	**G. Income before taxes and minority interest**	**198**	**531**
(424)	Income taxes	(92)	(346)
	H. Net income:		
90	**• Minority interest in net income**	**53**	**44**
144	**• Group interest in net income**	**53**	**141**
	Earnings per share (in euros):		
0.0396	**• basic**	**0.0117**	**0.047**
0.0327	**• diluted**	**0.0094**	**0.041**

Reclassified Balance Sheet

12/31/03		6/30/04	6/30/03
	A. Fixed assets		
4,017	Intangibles	3,887	4,289
5,555	Property, plant and equipment	5,498	5,885
1,235	Financial fixed assets	1,255	842
10,807		**10,640**	**11,016**
	B. Net working capital		
2,770	Inventories	3,004	2,420
1,096	Trade accounts receivable	1,033	1,050
1,226	Other assets	986	1,533
(3,524)	Trade accounts payable and advances on contract work in process (-)	(3,580)	(3,253)
(1,374)	Reserves for risks and charges (-)	(1,401)	(1,634)
(783)	Other liabilities (-)	(511)	(1,016)
(589)		**(469)**	**(900)**
10,218	**C. Invested capital, net of operating liabilities (A+B)**	**10,171**	**10,116**
(62)	**D. Reserve for employee severance indemnities (-)**	**(63)**	**(64)**
10,156	**E. Net invested capital (C-D)**	**10,108**	**10,052**
	Covered by:		
6,013	**F. Stockholders' equity (before minority interest)**	**6,131**	**5,964**
	G. Net borrowings		
3,091	Long-term debt	2,795	2,543
(9)	Long-term financial assets (-)	(6)	(20)
1,649	Short-term borrowings	1,706	2,002
(588)	Short-term financial assets (-)	(518)	(437)
4,143		**3,977**	**4,088**
10,156	**H. Total coverage sources (F+G)**	**10,108**	**10,052**

The Group ended the first half of 2004 with net income of 53 million euros, compared with net income of 141 million euros in the same period last year, when the bottom line had been swelled by extraordinary items, chief among them a gain on the sale of natural gas reserves in Egypt. On the other hand, the Group's positive performance in the first six months of the current year produced higher EBITDA and lower financial expense. The tax burden was also less than in the first half of 2003.

Net revenues - At 3,187 million euros, net revenues were lower than in the first six months of 2003 due to the deconsolidation of diversified activities divested last year. The Group's core businesses (Energy and Corporate) had revenues of 2,757 million euros in the first half of 2004, or 3.3% more than the 2,670 million euros reported for the same period a year ago.

Value added - Value added was equal to 23.4% of production value, compared with 23.2% at June 30, 2003 and 22.1% at December 31, 2003.

EBITDA - EBITDA increased to 626 million euros, or 3.3% more than in the first six months of 2003.
EBIT - EBIT, which totaled 313 million euros, or 29.9% more than in the first half of 2003, were equal to 9.8% of revenues, compared with 7.4% in the first half of 2003.
Net financial expense - Net financial expense fell from 171 million euros in the first six months of 2003 to 124 million euros in the same period this year, due mainly to a reduction in net borrowings, made possible by the divestitures completed in 2003 and the optimization of the Group's sources of financing.
Extraordinary income (expense) - Net extraordinary income totaled 19 million euros, down from 536 million euros in the first half of 2003, when a gain earned on the sale of the Egyptian gas reserves accounted for most of the period's extraordinary income.
Income taxes - Income taxes came to 92 million euros. This amount is the net result of 127 million euros in current taxes and 35 million euros in net deferred-tax assets.

Quarterly Trend of Key Financial Data

	1st quarter 2004	2nd quarter 2004
Net revenues	1,706	1,481
EBITDA	358	268
as a % of net revenues	21.0%	18.1%
Depreciation, amortization and writedowns	(161)	(152)
EBIT	197	116
as a % of net revenues	11.5%	7.8%
Group interest in net income	**39**	**14**

Net invested capital decreased to 10,108 million euros, or 48 million euros less than the 10,156 million euros reported at the end of 2003.
Stockholders' equity accounted for 60.6% of invested capital (59.2% at December 31, 2003), and borrowings covered the remaining 39.4% (40.8% at the end of 2003).
The annualized ROI rate for the first half of 2004 came to 6.35%, up from 4.80% for the first six months of 2003 and 4.15% for the full 2003 fiscal year.

The decrease in **intangibles** reflects mainly the amortization booked during the period, which amounted to 136 million euros.

Property, plant and equipment shrank by 57 million euros as the net result of depreciation (177 million euros), the deconsolidation of Turk Edison Enerji (51 million euros) and additions (170 million euros).

None of the components of **net working capital** showed a significant change from the first six months of 2003, except for inventories, which were up due to the increased orders booked by the Engineering operations.

The change in indebtedness is analyzed in the statement of changes in net financial position provided on the following page. The main factors that account for the reduction in indebtedness include a positive aftertax cash flow from operations and the divestiture of certain assets (Turk Edison Enerji and some of the Water companies).

	6/30/03	12/31/03	3/31/04	6/30/04
Long-term debt	2,543	3,091	3,008	2,795
Long-term financial assets (-)	(20)	(9)	(4)	(6)
	2,523	**3,082**	**3,004**	**2,789**
Short-term borrowings	2,002	1,649	1,687	1,706
Liquid assets and short-term financial assets (-)	(437)	(588)	(699)	(518)
	1,565	**1,061**	**988**	**1,188**
Net borrowings	**4,088**	**4,143**	**3,992**	**3,977**

Statement of Changes in Net Financial Position

2003 full year		First half 2004	First half 2003
(6,461)	**A Net borrowings at beginning of period**	**(4,143)**	**(6,461)**
1,103	EBITDA	626	606
138	Change in operating working capital [1]	(98)	127
(32)	Taxes paid (-)	(8)	(37)
(384)	Change in other assets (liabilities)	(131)	(240)
825	**B Cash flow - Operating activities**	**389**	**456**
(939)	Investments in intangibles, property, plant and equipment, and financial fixed assets (-)	(194)	(314)
1,901	Proceeds from the sale of intangibles, property, plant and equipment, and financial fixed assets	40	1,676
17	Dividends received	13	7
1,804	**C Free cash flow**	**248**	**1,825**
(283)	Net financial expense	(124)	(171)
614	Contributions of capital stock and reserves	25	592
-	Distributions of capital stock and reserves (-)		
(26)	Dividends declared (-)	(17)	(20)
2,109	**D. Cash flow - Financing activities**	**132**	**2,226**
237	Change in the scope of consolidation	28	159
(28)	Net currency conversion differences	6	(12)
2,318	**E. Net cash-flow for the period**	**166**	**2,373**
(4,143)	**F. Net borrowings at end of period (A+E)**	**(3,977)**	**(4,088)**

[1] Inventories + trade accounts receivable - trade accounts payable.

The schedule on the following page shows a statement of cash flow prepared in accordance with IAS 7. This type of statement differs from statements presented above, which show changes in net financial position, in that it highlights changes over time in liquid assets and equivalents, i.e. those resources that can be used to meet short-term (three months) cash obligations.

Statement of Cash Flow (in Accordance with IAS 7)

2003 full year		First half 2004	First half 2003
	A. Cash Flow - Operating activities		
144	Group interest in net income (loss)	53	141
90	Minority interest in net income (loss)	53	44
680	Amortization and depreciation	313	360
(11)	Interest in the result of companies valued by the equity method (-)	(23)	
8	Dividends received from companies valued by the equity method	5	7
(516)	(Gains) Losses on the sale of fixed assets	(8)	(587)
123	(Upward adjustments) Writedowns of fixed assets and other equity investments	4	112
(1)	Change in the reserve for employee severance indemnities	1	-
343	Change in working capital (excluding financial assets)	(82)	284
860	**Total cash flow provided by (used in) operating activities (A)**	**316**	**361**
	B. Cash flow - Investing activities		
(419)	Additions to intangibles and property, plant and equipment (-)	(183)	(259)
(520)	Additions to financial fixed assets (-)	(11)	(55)
1,742	Proceeds from the sale of intangibles and property, plant and equipment	10	1,660
159	Proceeds from the sale of financial fixed assets	30	16
(33)	Net change in financial assets not held as fixed assets	(17)	6
929	**Total cash flow provided by (used in) investing activities (B)**	**(171)**	**1,368**
	C. Cash flow - Financing activities		
924	Net change in long-term debt	100	220
614	Capital contributions provided by controlling companies or other stockholders	25	592
	Capital grants received during the period		1
(2,872)	Redemption of debt (-)	(186)	(2,339)
(26)	Dividends paid to controlling companies or minority stockholders (-)	(17)	(20)
(472)	Net change in short-term borrowings and other changes	(152)	(392)
(1,832)	**Total cash flow provided (used) by financing activities (C)**	**(230)**	**(1,938)**
(9)	**D. Change in the scope of consolidation**	**7**	**(9)**
(34)	**E. Net currency conversion differences**	**6**	**(13)**
(86)	**F. Net cash flow for the period (A+B+C+D+E)**	**(72)**	**(231)**
601	**G. Liquid assets and equivalents at the beginning of the period**	**515**	**601**
515	**H. Liquid assets and equivalents at the end of the period (F+G)** [1]	**443**	**370**

[1] In addition to the liquid assets reflected in the consolidated balance sheet, this item includes other financial assets that can be readily converted into cash, less restricted bank deposits tied to project financing contracts.
A breakdown of this item is provided below:

2003 full year		First half 2004	First half 2003
2	- Other securities (C.III.6)	-	-
47	- Loans receivable due within three months (C.III.7)	41	68
494	- Liquid assets (C. IV)	427	331
(28)	- Restricted bank deposits tied to project financing contracts (-)	(25)	(29)
515		**443**	**370**

Operating Performance and Financial Position of Discontinuing Operations in Accordance with IAS 35

A pro-forma statement of income, balance sheet and statement of cash flow for the Edison Group, reclassified in accordance with IAS 35 to show a breakdown of the Group's core businesses (Electric Power, Hydrocarbons and Corporate) and other activities earmarked for divestiture, are provided on the following pages. The other activities include the Water and Engineering operations and minority interests held in certain publicly traded companies, which, according to resolutions approved by the Board of Directors in 2003, are no longer strategic and are available for sale.

Statement of Income in Accordance with IAS 35	**First half 2004**			First half 2003		
	Core business	Other activities	Total	Core business	Other activities	Total
A. Net revenues	**2,757**	**430**	**3,187**	**2,670**	**607**	**3,277**
Change in inventory of work in progress, semifinished goods and finished goods	16		16	(9)	1	(8)
Increase in Company-produced additions to fixed assets	3		3	3	1	4
B. Production value	**2,776**	**430**	**3,206**	**2,664**	**609**	**3,273**
Raw materials and outside services (-)	(2,086)	(370)	(2,456)	(1,975)	(537)	(2,512)
C. Value added	**690**	**60**	**750**	**689**	**72**	**761**
Labor costs (-)	(77)	(47)	(124)	(78)	(77)	(155)
D. EBITDA	**613**	**13**	**626**	**611**	**(5)**	**606**
Depreciation, amortization and writedowns (-)	(311)	(2)	(313)	(329)	(36)	(365)
E. EBIT	**302**	**11**	**313**	**282**	**(41)**	**241**
Net financial expense	(126)	2	(124)	(167)	(4)	(171)
Interest in the results of companies valued by the equity method and dividends from companies valued at cost	26		26	(75)	1	(74)
Other income (expense), net		2	2	(1)		(1)
F. Income (Loss) before extraordinary items and taxes	**202**	**15**	**217**	**39**	**(44)**	**(5)**
Net extraordinary income (expense)	(21)	(1)	(22)	48	(15)	33
G. Income (Loss) before taxes, minority interest and divestitures	**181**	**14**	**195**	**87**	**(59)**	**28**
Income taxes	(82)	(10)	(92)	(111)	(3)	(114)
H. Net income (loss) excluding the impact of the divestiture of significant operations (gains, tax effect, incidental charges):						
Minority interest	54	(1)	53	44		44
Group interest	45	5	50	(68)	(62)	(130)
I. Impact of divestitures						
Gains on disposals	1	7	8	580	1	581
Divestiture-related costs				(28)		(28)
Provision for risks on equity investments		(5)	(5)		(50)	(50)
Divestiture-related income taxes				(232)		(232)
Total divestitures	**1**	**2**	**3**	**320**	**(49)**	**271**
L. Net income (loss):						
Minority interest in net income (loss)	**54**	**(1)**	**53**	**44**		**44**
Group interest in net income (loss)	**46**	**7**	**53**	**252**	**(111)**	**141**

Balance Sheet in Accordance with IAS 35	**First half 2004**			First half 2003		
	Core business	Other activities	Total	Core business	Other activities	Total
A. Fixed assets						
Intangibles	3,883	4	3,887	4,141	148	4,289
Property, plant and equipment	5,484	14	5,498	5,635	250	5,885
Financial fixed assets	1,252	3	1,255	813	29	842
	10,619	**21**	**10,640**	**10,589**	**427**	**11,016**
B. Net working capital						
Inventories	346	2,658	3,004	299	2,121	2,420
Trade accounts receivable	837	196	1,033	802	248	1,050
Other assets	870	115	985	1,414	119	1,533
Trade accounts payable and advances on contract work in process (-)	(627)	(2,953)	(3,580)	(701)	(2,552)	(3,253)
Reserves for risks and charges (-)	(1,394)	(7)	(1,401)	(1,616)	(18)	(1,634)
Other liabilities (-)	(444)	(66)	(510)	(942)	(74)	(1,016)
	(412)	**(57)**	**(469)**	**(744)**	**(156)**	**(900)**
C. Invested capital, net of operating liabilities (a+b)	**10,207**	**(36)**	**10,171**	**9,845**	**271**	**10,116**
D. Reserve for employee severance indemnities (-)	**(48)**	**(15)**	**(63)**	**(46)**	**(18)**	**(64)**
E. Net invested capital (c-d)	**10,159**	**(51)**	**10,108**	**9,799**	**253**	**10,052**
Covered by:						
F. Stockholders' equity	**5,916**	**215**	**6,131**	**5,828**	**136**	**5,964**
Broken down as follows:						
Group interest in stockholders' equity	5,088	208	5,296	5,077	127	5,204
Minority interest in stockholders' equity	828	7	835	751	9	760
G. Net borrowings						
Long-term debt	2,796	(1)	2,795	2,486	57	2,543
Long-term financial assets (-)	(3)	(3)	(6)	(1)	(19)	(20)
Short-term borrowings	1,754	(47)	1,707	1,804	198	2,002
Short-term financial assets (-)	(304)	(215)	(519)	(318)	(119)	(437)
	4,243	**(266)**	**3,977**	**3,971**	**117**	**4,088**
H. Total coverage sources	**10,159**	**(51)**	**10,108**	**9,799**	**253**	**10,052**

Statement of Changes in Net Financial Position in Accordance with IAS 35	**First half 2004**			First half 2003		
	Core business	Other activities	Total	Core business	Other activities	Total
A. Net (borrowings) Financial assets at beginning of period	**(4,364)**	**221**	**(4,143)**	**(6,220)**	**(241)**	**(6,461)**
EBITDA	613	13	626	611	(5)	606
Change in operating working capital	(123)	25	(98)	127		127
Taxes paid (-)	(8)		(8)	(37)		(37)
Change in other assets (liabilities)	(111)	(20)	(131)	(264)	24	(240)
B. Cash flow - Operating activities	**371**	**18**	**389**	**437**	**19**	**456**
Investments in intangibles, property, plant and equipment, and financial fixed assets (-)	(191)	(3)	(194)	(256)	(58)	(314)
Proceeds from the sale of intangibles, property, plant and equipment and financial fixed assets	25	15	40	1,665	11	1,676
Dividends received	13		13	6	1	7
C. Free cash flow	**218**	**30**	**248**	**1,852**	**(27)**	**1,825**
Net financial income (expense)	(126)	2	(124)	(167)	(4)	(171)
Contributions of capital stock and reserves	25		25	592		592
Distributions of capital stock and reserves (-)						
Dividends paid (-)	(17)		(17)	(20)		(20)
D. Cash flow - Financing activities	**100**	**32**	**132**	**2,257**	**(31)**	**2,226**
Change in the scope of consolidation	21	7	28	4	155	159
Net currency conversion differences		6	6	(12)		(12)
E. Net cash flow for the period	**121**	**45**	**166**	**2,249**	**124**	**2,373**
F. Net (borrowings) Financial assets at end of period (A+E)	**(4,243)**	**266**	**(3,977)**	**(3,971)**	**(117)**	**(4,088)**

Operating Performance and Financial Position of Edison Spa

Reclassified Statement of Income

2003 full year		First half 2004	First half 2003
2,827	**A. Sales revenues**	**1,182**	**107**
104	Other revenues and income	20	12
2,931	**Net revenues**	**1,202**	**119**
(14)	Change in inventory of work in progress, semifinished goods and finished goods	16	-
7	Increase in Company-produced additions to fixed assets	2	1
2,924	**B. Production value**	**1,220**	**120**
(2,389)	Raw materials and outside services (-)	(975)	(99)
535	**C. Value added**	**245**	**21**
(109)	Labor costs (-)	(50)	(33)
426	**D. EBITDA**	**195**	**(12)**
(418)	Depreciation, amortization and writedowns (-)	(169)	(102)
8	**E. EBIT**	**26**	**(114)**
(248)	Net financial income (expense)	(108)	(165)
966	Dividends	368	256
(449)	Upward adjustments (Writedowns) of financial assets	(197)	(147)
277	**F. Result before extraordinary items and taxes**	**89**	**(170)**
(31)	Extraordinary income (expense)	51	13
246	**G. Result before taxes**	**140**	**(157)**
(102)	Income taxes	25	(7)
144	**H. Net income (loss)**	**165**	**(164)**

Reclassified Balance Sheet

2003 full year		First half 2004	First half 2003
	A. Fixed assets		
2,908	Intangibles	2,836	2,331
1,751	Property, plant and equipment	1,868	725
3,530	Financial fixed assets	3,329	5,292
8,189		**8,033**	**8,348**
	B. Net working capital		
397	Inventories	165	50
171	Trade accounts receivable	384	51
1,571	Other assets	786	1,131
(170)	Trade accounts payable (-)	(318)	(73)
(505)	Other liabilities (-)	(216)	(269)
(1,069)	Reserves for risks and charges (-)	1,114	(971)
395		**(313)**	**(81)**
8,584	**C. Invested capital, net of operating liabilities (A+B)**	**7,720**	**8,267**
(31)	**D. Reserve for employee severance indemnities (-)**	**(31)**	**(19)**
8,553	**E. Net invested capital (C+D)**	**7,689**	**8,248**
3,861	**F. Stockholders' equity**	**4,051**	**3,516**
	G. Net borrowings		
3,862	Long-term debt	2,281	1,808
-	Long-term financial assets	-	-
3,862			
1,389	Short-term borrowings	1,872	3,737
(559)	Short-term financial assets (-)	(515)	(813)
830		**1,357**	**2,924**
4,692	**Total net borrowings**	**3,638**	**4,732**
8,553	**H. Total coverage sources (F+G)**	**7,689**	**8,248**

Statement of Changes in Net Financial Position

2003 full year		First half 2004	First half 2003
(5,287)	**A. Net (borrowings) at beginning of period**	**(4,692)**	**(5,287)**
426	EBITDA	195	(12)
(338)	Change in operating working capital [1]	(10)	32
(119)	Income taxes paid (-)	-	(29)
656	Change in other assets (liabilities)	46	32
625	**B. Cash flow - Operating activities**	**231**	**23**
(781)	Investments in intangibles, property, plant and equipment, and financial fixed assets (-)	(142)	(76)
171	Proceeds from the sale of intangibles, property, plant and equipment, and financial fixed assets	21	1
214	Dividends received	1,027	180
229	**C. Free cash flow**	**1,137**	**128**
(248)	Financial income (expense), net	(108)	(165)
614	Contributions of capital stock and reserves	25	592
-	Distributions of capital stock and reserves (+ -)	-	-
-	Dividends declared (-)	-	-
595	**D. Net cash flow for the period**	**1,054**	**555**
(4,692)	**E. Net (borrowings) at end of period (A+E)**	**(3,638)**	**(4,732)**

[1] Inventories + trade accounts receivable - trade accounts payable.

Industrial Operations

Since the mergers carried out in the second half of 2003, Edison Spa, the Group's Parent Company, has engaged directly in the generation of electric power from thermoelectric and hydroelectric power plants and in businesses involving hydrocarbons. In order to provide a better understanding of the Company's operating results, the industrial performance of these two operations is reviewed separately below.

Electric Power

A breakdown of revenues from the sale of electric power is as follows:

	First half 2004		First half 2003	
	Quantity	Millions of euros	Quantity	Millions of euros
Industrial customers (GWh)	5	1	24	2
GRTN [*] (GWh)	4,227	275	36	3
Edison Energia (GWh)			1,831	71
Edison Trading (GWh)	3,472	146		
Total revenues (Electric Power)	**7,704**	**422**	**1,891**	**76**

Note: One GWh is equal to one million KWh.
[*] Includes sales to the GRTN pursuant to Legislative Decree No. 387/03.

The net hydroelectric production available to Edison Spa totaled 1,409 million kWh, or 242 million kWh less than in the first six months of 2003 (-14.7%), due to the reduced availability of water resources.
Sales revenues increased to 7,704 million kWh, a gain of about 5,813 million kWh compared with the first half of 2003 (+307%). The reason for the increase is the merger of Edison Termoelettrica Spa and Termica Narni Srl into Edison Spa, which added 6,295 million kWh in available thermoelectric generating capacity.

In the first half of 2004, the electric power operations of Edison Spa made capital expenditures totaling about 114 million euros - 96 million euros to increase generating capacity, 15 million euros for rationalization and improvement programs and 3 million euros for safety.
The Hydroelectric Division, in addition to its usual incremental maintenance activity, completed the upgrade of the Malengo power plant, which enabled the Company to receive green certificates for an additional 37 GWh. In addition, it completed the installation of automation and remote control systems at the Sonico facility. These systems were scheduled for testing in September 2004.

The capital expenditures of the Thermoelectric Division were used to:

- Continue the construction of a 400-MW thermoelectric power plant in Candela (FG) and an 800-MW facility in Altomonte (CS).
- Begin the construction of an 800-MW power plant in Simeri Crichi (CZ).
- Complete a project that will double the capacity of a 55-MW, cogenerating combined-cycle power plant in Sesto San Giovanni. This facility will sell electric power in the deregulated market and steam to an urban district heating system.
- Expand existing power plants (Sarmato).

Hydrocarbons

As mentioned earlier in this Report, these operations were taken over by the Parent Company when it absorbed Edison Gas this past December. All comparisons with June 30, 2003 are made against the data for Edison Gas.
The growth in unit sales continued in the first half of 2004 (5,662 million standard cubic meters, or 14.1% more than the 4,963 million standard cubic meters sold in the same period last year), offsetting in part the negative impact of a decrease in prices caused by a lower cost of benchmark fuels and an unfavorable U.S. dollar exchange rate.

The rise in unit sales was made possible by an increase in imports, which grew by 8% compared with the first six months of 2003 (3,391 million standard cubic meters, compared with 3,144 million cubic meters), even though an accident that occurred at the end of January sharply curtailed the availability of LNG at the Skikda liquefaction facility in Algeria.
Shipments of natural gas to nonindustrial customers in the Italian deregulated market accounted for 67% of total sales, about the same as in the first half of 2003.

Capital expenditures totaled about 10 million euros in the first six months of 2004. They were used primarily for the workover of the Regina field and to develop the Montegranaro and Rospo fields.

Other Components of the Statement of Income

Edison Spa reported net income of 165 million euros un the first half of 2004, compared with a net loss of 164 million euros in the same period last year.
This dramatic improvement reflects primarily the changes that occurred in the operations of Edison Spa (formerly Italenergia Spa) as the Company absorbed two subsidiaries (Edison Termoelettrica Spa and Edison Gas Spa) and took over direct operation of their industrial activities. As a result of this structural change, comparisons with the first six months of 2003 are not meaningful.

Net revenues of 1,202 million euros included the following:

- 694 million euros from sales of natural gas and oil;
- 448 million euros from the combined sale of energy (422 million euros) and steam (26 million euros);
- 60 million euros from other sources, including 11 million euros for facilities design and construction services provided to Group companies and outsiders and 14 million euros for other services.

EBITDA were positive by 195 million euros, compared with negative EBITDA of 12 million euros in the first half of 2003. EBIT also improved, rising to a positive figure of 26 million euros (negative EBIT of 114 million euros in the first six months of 2003).
Raw material costs were the largest deductions from sales revenues. The main cost items are reviewed below:

- 692 million euros for natural gas purchased both as fuel for the Company's thermoelectric power plants and for resale;
- 194 million euros for services, including 108 million euros for transmission services and 84 million euros for professional services and consulting fees;
- 169 million euros for amortization of intangibles and depreciation of property, plant and equipment, including 56 million euros for the portion of loss upon merger attributed to goodwill;
- 50 million euros for personnel expenses;
- 23 million euros for the use of property not owned, including 11 million euros incurred to pay for concessions and the right to divert water flows for hydroelectric generation;
- 18 million euros to purchase janitorial materials and supplies, and utilities;
- 17 million euros for Edison Spa's share of purchases of electric power made by consortium subsidiaries.

Net financial income contributed 260 million euros to the bottom line. This amount is the net result of 368 million euros in dividend income (280 million euros distributed by the Selm Holding Sa subsidiary), less 108 million euros in financial expense.

Writedowns of financial assets totaled 197 million euros. They include a charge of 188 million euros to write down the carrying value of the investment in Selm Holding International Sa, which is offset by the dividend received from this subsidiary.

Net extraordinary income increased to 51 million euros, an improvement of 38 million euros over the first six months of 2003. Extraordinary income, which amounted to 84 million euros, includes 69 million euros from the derecognition of expense items booked exclusively for tax purposes (net of tax impact) and 10 million euros from the utilization of reserves for risks in connection with the settlement of legal and tax disputes. The main components of extraordinary expense, which totaled 33 million euros, are provisions for risks and charges, including 6 million euros for inflation adjustments of statutory interest and 14 million euros to provide for new contingent risks.

Current income taxes, net of deferred-tax assets, amounted to 25 million euros, including 8 million euros for local taxes (IRAP). Deferred taxes of 33 million euros reflect primarily the valuation of deferred-tax assets computed on the Company's tax losses and take into account corporate restructuring transactions affecting certain subsidiaries that have already been approved.

Components of the Balance Sheet

Net invested capital amounted to 7,689 million euros, down 864 million euros from December 31, 2003. The main components of the balance sheet are reviewed below:

- Intangibles decreased to 2,836 million euros, or 72 million euros less than at December 31, 2003, due mainly to the amortization of the loss upon merger.
- Property, plant and equipment totaled 1,868 million euros. The increase of 117 million euros from December 31, 2003 is the net result of depreciation amounting to 65 million euros, additions of 127 million euros and derecognition of charges booked solely for tax purposes amounting to 66 million euros.
- Financial fixed assets, which include 974 million euros related to the loss upon merger recognized in 2002 and 2003, decreased to 3,329 million euros, or 201 million euros less than at December 31, 2003, due mainly to the writedown of the investment in the Selm Holding International Sa subsidiary.
- The reserves for risks and charges (1,114 million euros) increased by 37 million euros compared with December 31, 2003, reflecting the addition of provisions booked to recognize the inflation adjustment on statutory interest (6 million euros), provide for contingent risks on future divestitures of equity investments (10 million euros) and fund the cost associated with closing production wells at the end of their useful lives (5 million euros).

The net financial position improved during the first half of 2004, with the negative balance falling to 3,638 million euros, or 1,054 million euros less than at December 31, 2003. The main changes that occurred during the first six months of 2004 are listed in the table below:

Net borrowings at December 31, 2003	**(4,692)**
Payment of installments due under the settlement of the Enimont dispute with Eni-Enichem	(100)
Proceeds from the sale of tax credits to Group companies	233
Capital expenditures	(142)
Retirements of fixed assets	21
Dividends received	1,027
Net financial expense	(108)
Capital contributed through the exercise of warrants	25
Sales of securities held as current assets	12
Change in operating working capital	(10)
Other changes	96
Net borrowings at June 30, 2004	**(3,638)**

Significant Events Occurring After June 30, 2004

Edison Completes the Issuance of 500 Million Euros in Debt Securities

During the first half of July, acting in accordance with a resolution approved by the Board of Directors on June 15, 2004, Edison completed the placement of 500 million euros in debt securities. The offering was oversubscribed by more than three times. The issuance of these seven-year securities, which pay interest quarterly at a variable rate of 60 basis points above the three-month Euribor, produced a further improvement in the Group's liquidity profile (its indebtedness is fully refinanced through 2006), improved the ratio of bonds payable to bank debt (now about 60-40) and lengthened the average maturity of its indebtedness (average life extended to 4.3 years).

Tecnimont Wins a Contract for an LNG Terminal in France

Also during the first half of July, Gaz de France awarded a contract to build an LNG regasification terminal in Fos Cavaou, near Marseille, to a joint venture formed by Sofregaz (Tecnimont), Saipem (Eni) and Technigaz (Eni affiliated).
The portion of the contract attributable to Sofregaz (the lead partner in the joint venture) amounts to about 180 million euros.

Edison Buys Ilva's 25% Interest in ISE

On July 9, 2004, Edison Spa and Ilva Spa closed on an agreement they had executed at the end of May in which Edison bought a 25% minority interest that Ilva held in Iniziative Sviluppo Energie Spa (ISE).

Oleina Arbitration

On July 23, 2004, a Swiss Federal Court suspended the temporary enforcement of an arbitration award issued on April 1, 2004 in connection with two separate actions filed by Ildom against the Cereol Group, in which Edison held a majority interest until it sold it to Bunge in 2002. On July 27, 2004, the Board of Arbitrators issued an Addendum to its award in which it recomputed the value of the 49% interest Ildom held in Oleina (the Board of Arbitrators had set the value at a lower amount in its April award). Edison, working jointly with Bunge, is considering what actions it may pursue in response to the latest award and is waiting to hear how the Federal Court will rule on this matter.

The merger of ISE into Edison is approved

On July 28, Edison's Board of Directors and Ise's Stockholders' Meeting approved the merger by absorption of Ise into Edison. For reporting and tax purposes, the merger will be effective as January 1, 2004. Edison already owns 25% of Ise, which it purchased from Ilva on July 9, 2004. The acquisition of the remaining 75% from Finel, which has already been approved by the corporate governance bodies of both companies, will be completed prior to the execution of the deed of merger.
Edison has also agreed to grant EDF the option of requesting the redemption of its investment in Finel (40%) in a manner agreable to both parties and at a price consistent

with the value of Finel's stockholders' equity on the date the request is made. However, this option may not be exercised before June 30, 2005 (unless EDF ceases to be a stockholder of Italenergia Bis and Edison prior to that date) or after December 31, 2006 and may not be transferred to a third party, should EDF decide to sell its 40% interest in Finel.

The Board of Directors of Edison Spa Approves a New Organizational Model That Complies with Legislative Decree No. 231/2001

On July 28, 2004, the Board of Directors of Edison Spa approved a new organizational model designed to shield the Company from administrative liability in accordance with Legislative decree No. 231/2001.

Edison Sells Its Gas Transmission Network

On July 30, Edison signed a contract selling its investments in Edison T&S (previously demerged upon the separation of the storage operations) and in its SGM subsidiary to the Clessidra Sgr Italian private equity fund. The assets subject of the sale, which closed on September 7, 2004, include the Cellino network, a 1,300-km high-pressure gas transmission system; the Collalto gas pipeline in the Veneto region; the Garaguso network in the Basilicata region; the Cirò network in the Calabria region; the Comiso network in Sicily; and the SGM network that connects the Latium and Puglia regions. When the deconsolidation of assigned debt is included, this transaction, which closed for a cash price of 169 million euros, improved the Group's net financial position by about 190 million euros.

The Contract Merging Bussi, Caffaro, Savim, Sogetel and Vega Oil into Edison Is Signed

The instrument setting forth the merger of these wholly owned subsidiaries into their parent company, Edison Spa, was signed on July 31, 2004. The respective merger proposals had been approved in May.

GROUP FINANCIAL STATEMENTS

Consolidated Balance Sheet of the Edison Group at June 30, 2004

12/31/03	ASSETS (in millions of euros)	See note	6/30/04	6/30/03
-	**A) Receivables from stockholders**		**-**	**1**
	B) Fixed assets			
4,017	I - Intangibles	1	3,887	4,289
5,555	II - Property, plant and equipment	2	5,498	5,885
1,235	III - Financial fixed assets	3	1,255	842
10,807	**Total fixed assets (B)**		**10,640**	**11,016**
	C) Current assets			
2,770	I - Inventories	4	3,004	2,420
2,248	II - Accounts receivable	5	1,940	2,435
83	III - Financial assets (not held as fixed assets)	6	64	181
494	IV - Liquid assets	7	427	331
5,595	**Total current assets (C)**		**5,435**	**5,367**
94	**D) Accrued income and prepaid expenses**	8	**112**	**92**
16,496	**TOTAL ASSETS**		**16,187**	**16,476**

12/31/03	LIABILITIES AND STOCKHOLDERS' EQUITY	See note	6/30/04	6/30/03
	A) Stockholders' equity	9		
	Group interest in capital and reserves			
4,212	I - Capital stock		4,237	4,190
80	II - Additional paid-in capital		-	81
-	III - Reserve for inflation adjustments		-	-
-	IV - Statutory reserve		-	-
1	V - Reserve for treasury stock		1	-
-	VI - Reserves under the Bylaws		-	-
1,371	VII - Other reserves		1,376	1,387
(595)	VIII - Retained earnings (Loss carryforward)		(371)	(595)
144	IX - Group interest in net income for the period		53	141
5,213	**Total Group interest in total stockholders' equity**		**5,296**	**5,204**
800	**Minority interest in capital and reserves**		**835**	**760**
6,013	**A) Total stockholders' equity**		**6,131**	**5,964**
1,374	**B) Reserves for risks and charges**	10	**1,401**	**1,634**
62	**C) Reserve for employee severance indemnities**	11	**63**	**64**
8,906	**D) Liabilities**	12	**8,408**	**8,580**
141	**E) Accrued expenses and deferred income**	13	**184**	**234**
16,496	**TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY**		**16,187**	**16,476**

12/31/03	MEMORANDUM ACCOUNTS	See note	6/30/04	6/30/03
4,298	1) Guarantees provided		4,746	3,791
2,348	2) Collateral provided		2,430	1,926
4,007	3) Commitments, risks and other memorandum accounts		3,895	4,584
10,653	**TOTAL MEMORANDUM ACCOUNTS**	14	**11,071**	**10,301**

Consolidated Statement of Income of the Edison Group at June 30, 2004

2003 full year	(in millions of euros)	See note	**First half 2004**	First half 2003
	A) Production value			
5,426	1) Sales and service revenues		2,852	2,889
	2) Changes in inventory of work in progress,			
(12)	semifinished goods and finished goods		16	(8)
697	3) Changes in contract work in process		210	324
9	4) Increase in Company-produced additions to fixed assets		3	4
164	5) Other revenues and income		125	64
6,284	**Total production value (A)**	15	**3,206**	**3,273**
	B) Cost of production			
3,097	6) Raw materials, auxiliaries, supplies and merchandise		1,625	1,527
1,391	7) Outside services		705	747
77	8) Use of property not owned		26	54
285	9) Personnel		124	155
703	10) Depreciation, amortization and writedowns		321	379
	11) Change in inventory of raw materials,			
9	auxiliaries, supplies and merchandise		(36)	7
22	12) Provisions for risks		2	2
21	13) Other provisions		6	10
264	14) Miscellaneous operating costs		120	151
5,869	**Total cost of production (B)**	16	**2,893**	**3,032**
415	**Net production value (A-B)**		**313**	**241**
	C) Financial income and expense			
12	15) Income from equity investments		10	6
182	16) Other financial income		72	77
499	17) Interest and other financial expense		196	237
(10)	17.bis) Foreign exchange gains (losses)		-	(11)
(315)	**Total financial income and expense (15+16-17± 17bis) (C)**	17	**(114)**	**(165)**
	D) Value adjustments on financial assets			
12	18) Upward adjustments		22	4
41	19) Writedowns		4	85
(29)	**Total value adjustments (18-19) (D)**	18	**18**	**(81)**
	E) Extraordinary income and expense			
1,459	20) Extraordinary income		32	1,036
872	21) Extraordinary expense		51	500
587	**Total extraordinary items (20-21) (E)**	19	**(19)**	**536**
658	**INCOME BEFORE TAXES (A-B+-C+-D+-E)**		**198**	**531**
(424)	22) Income taxes	20	(92)	(346)
90	**Minority interest in net profit (loss)**		**53**	**44**
144	**Group interest in net profit (loss)**		**53**	**141**
	EARNINGS PER SHARE (in euros)	21		
0.0396	basic		0.0117	0.047
0.0327	diluted		0.0094	0.041

Statement of Cash Flow of the Edison Group (in accordance with IAS 7) at June 30, 2004

2003 full year	(in millions of euros)	**First half 2004**	First half 2003
	A. Cash Flow - Operating activities		
144	Group interest in net income (loss)	53	141
90	Minority interest in net income (loss)	53	44
680	Amortization and depreciation	313	360
(11)	Interest in the result of companies valued by the equity method (-)	(23)	-
8	Dividends received from companies valued by the equity method	5	7
(516)	(Gains) Losses on the sale of fixed assets	(8)	(587)
123	(Upward adjustments) Writedowns of fixed assets and other equity investments	4	112
(1)	Change in the reserve for employee severance indemnities	1	-
343	Change in working capital (excluding financial assets)	(82)	284
860	**Total cash flow provided (used in) by operating activities (A)**	**316**	**361**
	B. Cash flow - Investing activities		
(419)	Additions to intangibles and property, plant and equipment (-)	(183)	(259)
(520)	Additions to financial fixed assets (-)	(11)	(55)
1,742	Proceeds from the sale of intangibles and property, plant and equipment	10	1,660
159	Proceeds from the sale of financial fixed assets	30	16
(33)	Net change in financial assets not held as fixed assets	(17)	6
929	**Total cash flow provided (used in) by investing activities (B)**	**(171)**	**1,368**
	C. Cash flow - Financing activities		
924	Net change in long-term debt	100	220
614	Capital contributions provided by controlling companies or other stockholders	25	592
-	Capital grants received during the period	-	1
(2,872)	Redemption of debt (-)	(186)	(2,339)
(26)	Dividends paid to controlling companies or minority stockholders (-)	(17)	(20)
(472)	Net change in short-term debt and other changes	(152)	(392)
(1,832)	**Total cash flow provided (used in) by financing activities (C)**	**(230)**	**(1,938)**
(9)	**D. Change in the scope of consolidation**	**7**	**(9)**
(34)	**E. Net currency conversion differences**	**6**	**(13)**
(86)	**F. Net cash flow for the period (A+B+C+D+E)**	**(72)**	**(231)**
601	**G. Liquid assets and equivalents at the beginning of the period**	**515**	**601**
515	**H. Liquid assets and equivalents at the end of the period** [1]	**443**	**370**

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

2003 full year		First half 2004	First half 2003
2	- Other securities (C.III.6)	-	-
47	- Loans receivable due within three months (C.III.7)	41	68
494	- Liquid assets (C. IV)	427	331
(28)	- Restricted bank deposits tied to project financing transactions (-)	(25)	(29)
515		**443**	**370**

Notes to the Consolidated Financial Statements at June 30, 2004

The Semiannual Report at June 30, 2004 was prepared in accordance with Article 81 of Consob Regulation No. 11971 of May 14, 1999, as amended.
In accordance with a resolution approved by the Stockholders' Meeting on June 28, 2002, the consolidated financial statements have been the subject of a limited audit by PricewaterhouseCoopers Spa.

Accounting Principles and Methods

The consolidation principles, the criteria applied in translating financial statements presented in foreign currencies, the accounting principles and the valuation criteria used in this Report are consistent with those employed in preparing the annual consolidated financial statements, with the adjustments required by the nature of six-month financial statements.
Legislative Decree No 6/2003, as amended, reformed Italian corporate law, changing certain valuation criteria and altering the disclosures that must be provided in the notes to the financial statements. Except for their impact on the presentation of the financial statements, these changes had no material effect on the Group's operating performance and financial position in the first half of 2004.
The procedures used to estimate value are consistent with those normally applied when preparing annual consolidated financial statements.
Unless otherwise stated, the amounts shown in the notes to the balance sheet and statement of income are in millions of euros.

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

The most significant changes in the scope of consolidation that occurred in the first half of 2004 are reviewed below:

Electric Power - In February 2004, Stirpex Bv, a wholly-owned subsidiary of Edison Spa, sold its 84.78% interest in Turk Edison Enerji A.S., a company that operates a cogenerating, combined-cycle thermoelectric power plant. This 60-MW facility was sold to Entek A.S., a company of the Koç Group in Turkey. This investment was deconsolidated effective January 1, 2004.
Hydrocarbons - Effective January 1, 2004, Vega Oil Spa, a company that is currently dormant, was deconsolidated and is now valued at cost.
Diversified Activities, Water - International Water (Highlands) Limited, International Water (Tay) Limited and IWL Moray Montrose Limited were sold and deconsolidated effective as of June 30, 2004.

At the end of 2003, following the adoption of a new organizational model based on Business Units, the companies included in the consolidated financial statements, a list of which is annexed to this report, have been reorganized as follows:

Core Businesses

- Electric Power Business Unit
- Hydrocarbons Business Unit
- Marketing and Distribution Business Unit
- Energy Management Business Unit
- Corporate Activities

Diversified Activities

- Water
- Engineering

NOTES TO THE CONSOLIDATED BALANCE SHEET - ASSETS

1. Intangibles

Intangibles totaled 3,887 million euros at June 30, 2004. The main reason for the net decrease of 130 million euros is the amortization for the period, which totaled 136 million euros and includes 10 million euros for hydrocarbon research and exploration costs, which were charged in full to income for the period. The table below provides a breakdown of intangibles and shows the changes that occurred during the first half of 2004.

	B.1) Start-up and expansion costs	B.2) Research, development and advertising expenses	B.4) Concessions, licenses, trademarks and similar rights	B.5) Goodwill	B.5) Consolidation difference	B.6) Work in-progress and advances	B.7) Other intangibles	Total
Balance at 12/31/03 (A)	**12**	**-**	**317**	**23**	**3,588**	**12**	**65**	**4,017**
Changes in the first half of 2004								
- Additions	-	10	-	-	-	2	1	13
- Disposals (-)	-	-	-	-	-	-	-	-
- Writedowns (-)	-	-	-	-	-	-	-	-
- Amortization (-)	(3)	(10)	(15)	(2)	(100)	-	(6)	(136)
- Change in scope of consol. (±)	-	-	-	-	-	(1)	(2)	(3)
- Currency conv. diff. and other changes (±)	-	-	3	-	(1)	(4)	(2)	(4)
Total changes (B)	**(3)**	**0**	**(12)**	**(2)**	**(101)**	**(3)**	**(9)**	**(130)**
Balance at 6/30/04 (A+B)	**9**	**0**	**305**	**21**	**3,487**	**9**	**56**	**3,887**

Additions, which totaled 13 million euros, do not include capitalized financial expense. They consist mainly of the hydrocarbon research and exploration costs mentioned above and purchases of software licenses.

Intangibles include the following items:

Start-up and Expansion Costs

Start-up and expansion costs (9 million euros) consist mainly of costs incurred in connection with capital increases to start up facilities, capitalized expansion costs, the cost of business development studies and legal fees. As required under Group accounting principles, the Group stopped capitalizing these costs in 2001.

Research, Development and Advertising Expenses

This item includes primarily hydrocarbon research and exploration costs, which are written off entirely in the year they are incurred, as required by Group accounting principles. Additions for the period totaled 10 million euros.

Concessions, Licenses, Trademarks and Similar Rights

This item, which totaled 305 million euros, includes concessions for the production of hydrocarbons valued at 294 million euros. Software licenses account for most of the balance.

Goodwill

At 21 million euros, goodwill was 2 million euros less than at December 31, 2003, due to the amortization for the period.

Consolidation Difference

The consolidation difference decreased to 3,487 million euros, or 101 million euros less than the 3,588 million euros reported at December 31, 2003, due to the amortization for the period.

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

The balance at June 30, 2004 includes 4,376 million euros in consolidation difference recognized by the new Edison (formerly Italenergia Spa) as a result of the acquisitions of 96.9% of Montedison, 34% of Edison and 100% of Fiat Energia in 2001. The consolidation difference recognized at that time, amounting to 7,151 million euros (7,056 million euros, net of 95 million euros in 2001 amortization), was allocated part to the Group's core businesses (based on the opinion of independent experts) and part to the divested operations, taking into account the latent tax liability that arises because such items are not tax deductible.

The table below, which shows in detail the allocation of the entire consolidation difference (referred to below as goodwill), showing separately the amounts generated by the Italenergia acquisition and the preexisting balances.

	First half 2004			First half 2003		
	Group interest	Minority interest	Total	Group interest	Minority interest	Total
Total goodwill	**5,198**	**341**	**5,539**	**6,277**	**363**	**6,640**
Portion attributable to Italenergia (*)	4,175	341	4,516	5,160	363	5,523
Changes :						
- Divestitures	-	-	-	(627)	-	(627)
- Amortization	(155)	(10)	(165)	(323)	(22)	(345)
- Writedowns	-	-	-	(79)	-	(79)
- Other changes and differences in scope of consolidation	(5)	1	(4)	(50)	-	(50)
Net goodwill	**5,038**	**332**	**5,370**	**5,198**	**341**	**5,539**
Portion attributable to Italenergia	4,044	332	4,376	4,175	341	4,516
Breakdown:						
- Allocated to fixed assets	1,551	332	1,883	1,610	341	1,951
- Consolidation difference allocated to the energy operations	3,485	-	3,485	3,585	-	3,585
- Consolidation difference allocated to diversified activities	2	-	2	3	-	3

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

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

	6/30/04	12/31/03
Core Businesses:		
- Electric Power	2,986	3,073
- Hydrocarbons	499	512
Discontinuing operations	2	3
Edison Group	**3,487**	**3,588**

The consolidation difference generated by the Italenergia acquisition that was allocated to the Electric Power and Hydrocarbons operations amounts to 2,119 million euros and 375 million euros, respectively.

Other Intangible Assets

Other intangible assets totaled 56 million euros. They include contributions of 13 million euros paid as consideration for commitments to build the substations needed to allow direct grid feed of the power generated by the Taranto CET 3 power plant, a 10-million-euro fee for the pipeline that delivers natural gas to the power plant and costs incurred to develop application software.

2. Property, Plant and Equipment

Property, plant and equipment totaled 5,498 million euros, or 57 million euros less than at December 31, 2003. A breakdown of the changes that occurred in the first half of 2004 is shown in the table below.

	B.1) Land and buildings	B.2) Plant and machinery	B.3) Manufact. and distrib. equipment	B.4) Other assets	B.5) Construction in progress and advances	Total
Balance at 12/31/03 (A)	**382**	**4,757**	**17**	**16**	**383**	**5,555**
Changes in the first half of 2004:						
- Additions	1	9	1	1	158	170
- Disposals (-)	(1)	(8)	-	-	-	(9)
- Writedowns (-)	-	-	-	-	-	-
- Depreciation (-)	(10)	(163)	(1)	(3)	-	(177)
- Change in scope of consol. (±)	(1)	(48)	-	(2)	-	(51)
- Currency conv. diff. and other changes (±)	(1)	26	(1)	-	(14)	10
Total changes (B)	(12)	(184)	(1)	(4)	144	(57)
Balance at 6/30/04 (A+B)	**370**	**4,573**	**16**	**12**	**527**	**5,498**

Additions, which totaled 170 million euros are the result of the following capital expenditures:

- The investments of the Electric Power operations, which totaled 140 million euros, were used for the usual incremental maintenance activities; to carry out projects involving the Marlengo, Mezzocorona and Taio hydroelectric power plants and new thermoelectric facilities in Altomonte (44 million euros), Candela (44 million euros) and Torviscosa (9 million euros); and to build new wind farms and expand existing wind-powered facilities (10 million euros).
- The Hydrocarbons operations invested 24 million euros both in Italy (mainly for the Regina and Montegranaro fields) and abroad (mainly for the Rosetta concession in Egypt).

The change in the scope of consolidation (51 million euros) refers to the sale of the Turk Edison Enerji As power plant. Depreciation of 177 million euros includes 156 million euros for the Electric Power operations and 18 million euros for the Hydrocarbons operations.

At June 30, 2004, the net carrying value of property, plant and equipment included 427 million euros for assets returnable at no cost (454 million euros at December 31, 2003). Property, plant and equipment also includes lease assets valued at 268 million euros, which were recognized in accordance with IAS 17 (revised).

3. Financial Fixed Assets

Financial fixed assets increased to 1,255 million euros, or 20 million euros more than at December 31, 2003, due to the changes listed in the table below.

	Investments in subsidiaries	Investments in affiliated companies	Investments in other companies	Long-term loans	Other securities	Total
Balance at 12/31/03	**8**	**983**	**175**	**67**	**2**	**1,235**
Changes in the first half of 2004:						
- Change in capital stock	6	1	1	-	-	8
- Purchases/New borrowings	-	-	1	2	-	3
- Disposals/Redemptions (-)	-	(4)	-	(4)	-	(8)
- Upward adjustments	-	23	-	-	-	23
- Writedowns (-)	(1)	-	(3)	-	-	(4)
- Dividends and reversals of upward adjustments (-)	-	(5)	-	-	-	(5)
- Currency conv. diff. and other changes (±)	-	4	(1)	-	-	3
Total changes	5	19	(2)	(2)	-	20
Balance at 6/30/04	**13**	**1,002**	**173**	**65**	**2**	**1,255**

Investments in Subsidiaries, Affiliated Companies and Other Companies

The aggregate value of equity investments increased to 1,188 million euros, or 22 million euros more than at December 31, 2003, due mainly to the inclusion of the investment in Edipower Spa, which is valued by the equity method.
In addition:

- Additions of 8 million euros refer to statutory recapitalization of companies that operated at a loss;
- Writedowns of 4 million euros were taken to adjust to the carrying value of certain subsidiaries to the value of the interest in the underlying stockholders' equity. The companies involved were mainly dormant companies or companies in liquidation.

Long-term Loans

Long-term loans receivable totaled 65 million euros. This amount includes 57 million euros in loans provided to IPSE 2000 Spa. These loans and the carrying value of the investment in this company (9 million euros) are offset by a reserve of 66 million euros, which was established in previous years in view of the limited expectations of recovery.

At June 30, 2004, there were no loans due in more than five years.

C) Current Assets

The table below provides a breakdown of current assets, which totaled 5,435 million euros, or 160 million euros less than at December 31, 2003.

		6/30/04	12/31/03	Change
C.I)	Inventories	3,004	2,770	234
C.II)	Accounts receivable	1,940	2,248	(308)
C.III)	Financial assets not held as fixed assets	64	83	(19)
C.IV)	Liquid assets	427	494	(67)
Total		**5,435**	**5,595**	**(160)**

The amounts listed in the table above referred to the items discussed on the following pages.

4. Inventories

Inventories, which are shown net of the reserve for inventory writedowns, amounted to 3,004 million euros. A breakdown is as follows:

	6/30/04	12/31/03	Change
1) Raw materials, auxiliaries and supplies	100	50	50
2) Work in progress and semifinished goods	-	-	-
3) Contract work in process	2,619	2,416	203
4) Finished goods and merchandise	249	242	7
5) Advances	36	62	(26)
Total	**3,004**	**2,770**	**234**

The increase from December 31, 2003 is due mainly to an increase in contract work in process reported by the Engineering operations. The balance at June 30, 2003 includes hydrocarbon inventories of 163 million euros and real estate properties held for resale valued at 90 million euros.

5. Accounts Receivable

At 1,940 million euros, accounts receivable were down 308 million euros compared with December 31, 2003. A breakdown is as follows:

	6/30/04	12/31/03	Change
C.1) - Trade accounts receivable	1,019	1,030	(11)
C.2) - Accounts receivable from unconsolidated subsidiaries	2	2	-
C.3) - Accounts receivable from affiliated companies	15	67	(52)
C.4 bis) - Due from the tax authorities	536	910	(374)
C.4 ter) - Deferred-tax assets	83	52	31
C.5) - Accounts receivable from outsiders	285	187	98
Total accounts receivable	**1,940**	**2,248**	**(308)**

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

	6/30/04	12/31/03	Change
Accounts receivable due within one year	**1,612**	**1,782**	**(170)**
Broken down as follows:			
Trade receivables	1,024	1,083	(59)
Other receivables	588	699	(111)
Accounts receivable due after one year	245	414	(169)
Broken down as follows:			
Trade receivables	9	12	(3)
Other receivables	236	402	(166)
Total	**1,857**	**2,196**	**(339)**

The main components of this account are reviewed below.

- A breakdown of trade accounts receivable totaling 1,033 million euros is as follows: Electric Power operations 710 million euros, Hydrocarbons operations 125 million euros, Engineering operations 188 million euros, Water operations 7 million euros and Corporate Activities 3 million euros.
- The amount due from tax authorities (536 million euros, including 234 million euros due after one year) includes overpayments of 470 million euros for direct taxes, 29 million euros for indirect taxes and 37 million euros for other taxes.
- Deferred-tax assets of 83 million euros reflect a tax loss carryforward of 51 million euros, attributable mainly to the Group's Parent Company, and take into account future recoverability expectations. This amount also reflects the impact of corporate restructuring transactions approved by certain subsidiaries, reserves booked for tax purpose totaling 10 million euros and other tax prepayments of 22 million euros.
- Accounts receivable from outsiders include amounts owed by partners and associates in hydrocarbon exploration projects (33 million euros), amounts owed by joint venture partners in engineering projects (37 million euros), and deferred consideration (DPP) receivable in connection with the assignment of receivables (73 million euros).

Securitization Transaction Pursuant to Law No. 130/99

The turnover of assigned receivables amounted to 934 million euros in the first half of 2004. Outstanding assigned receivables totaled 137 million euros. The deferred portion of assigned receivables (DPP) recognized in the financial statements under accounts receivable from outsiders amounted to 73 million euros.
Consequently, the assignment of receivables generated a financial benefit of about 64 million euros in the first half of 2004 (outstanding amount less DPP).

6. Financial Assets (Not Held as Fixed Assets)

A breakdown of this item, which totaled 64 million euros (19 million euros less than at December 31, 2003), is provided below.

		6/30/04	12/31/03	Change
C.4)	Equity investments not held as fixed assets	19	27	(8)
C.5)	Treasury stock	1	1	-
C.6)	Other securities	-	2	(2)
C.7)	Loans receivable from:			
	- unconsolidated subsidiaries	-	2	(2)
	- affiliated companies	1	15	(14)
	- other companies	43	36	7
Total		**64**	**83**	**(19)**

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

Equity Investments Not Held as Fixed Assets

Equity investments not held as fixed assets decreased to 19 million euros, or 8 million euros less than at December 31, 2003. They consist mainly of investments in publicly traded companies, the largest investments being those in Amga Spa (10 million euros), Acegas Spa (4 million euros) and Acea Spa (2 million euros). These investments were marked to market. The value of the investments in Fondiaria SAI Spa shares, Fondiaria warrants and a portion of the Acea Spa shares was adjusted upward during the first six months of 2004, generating a gain of 2 million euros.

Loans receivable

Loans receivable from other companies totaled 43 million euros. This amount includes 25 million euros owed to the Engineering operations, 9 million euros related to Corporate Activities and 9 million euros payable to the Electric Power and Hydrocarbons operations.
There are no loans due after five years.

7. Liquid Assets

Liquid assets totaled 427 million euros, or 67 million euros less than at December 31, 2003. They consist almost exclusively of short-term bank deposits.
The account balance listed above includes 25 million euros in restricted bank deposits tied to project financing transactions.

8. Accrued Income and Prepaid Expenses

Accrued income and prepaid expenses totaled 112 million euros. The main components of this item are:

- Financial accrued income and prepaid expenses of 50 million euros, which includes 36 million euros related to derivatives that hedge interest risks on outstanding debt securities.
- Trade and other accrued income and prepaid expenses of 59 million euros, which includes 11 million euros for hydroelectric license fees, 8 million euros for prepaid insurance and 5 million euros for prepaid charges for the reform of the pension system for electrical workers (discounted over 20 years).
- Bond issue discounts of 3 million euros.

NOTES TO THE CONSOLIDATED BALANCE SHEET LIABILITIES AND STOCKHOLDERS' EQUITY

9. Stockholders' Equity

As shown in the table below, stockholders' equity increased during the first half of 2004, owing to the positive impact of the net income for the period (106 million euros before minority interest) and the exercise of warrants (25 million euros).

	Group interest in stockholders' equity	Minority interest in stockholders' equity	Total
Capital stock and reserves	5,069	710	5,779
2003 net income	144	90	234
Total at December 31, 2003	**5,213**	**800**	**6,013**
Changes in the first half of 2004:			
- Change in the scope of consolidation	-	(2)	(2)
- Capital stock increase	25	-	25
- Dividends paid	-	(17)	(17)
- Net income for the period	53	53	106
- Currency conversion differences and other changes	5	1	6
Total at June 30, 2004	**5,296**	**835**	**6,131**
Broken down as follows:			
- Capital stock and reserves	5,243	782	6,025
- Net income for the period	53	53	106

At June 30, 2004, the subscribed and paid-in capital stock of Edison Spa totaled 4,237 million euros. It consisted of shares with a par value of 1 euro, regular ranking for dividends, and was broken down as follows:

Share class	Number of shares	Millions of euros
Common shares	4,126,297,595	4,126
Nonconvertible savings shares	110,592,420	111
Total shares	**4,236,890,015**	**4,237**

The capital stock increased by 25 million euros during the first six months of 2004, as 24,810,754 shares were issued in connection with the exercise of warrants. A total of 1,047,608,175 warrants were outstanding at June 30, 2004. Each warrant can be exercised, between September 2003 and December 2007, to subscribe one new share at a price of 1 euro per share.

Minority interest in stockholders' equity amounted to 835 million euros. A breakdown of the net increase of 35 million euros compared with December 31, 2003 is provided in the table below.

Increases:	
- Net income for the period	53
Decreases:	
- Dividends paid	(17)
- Change in the scope of consolidation and other changes	(1)
Total changes	**35**

The change in the scope of consolidation reflects the deconsolidation of Turk Edison Enerji As, following its sale in February 2004.

10. Reserves for Risks and Charges

The reserves for risks and charges, which are established to cover contingent liabilities, totaled 1,401 million euros at June 30, 2004. The table below provides a breakdown of these reserves and shows the changes that occurred in the first half of 2004.

	B.1) Reserve for pension and similar obligations	B.2) Reserve for taxes, including deferred taxes	B.3) Other reserves	Total
Balance at 12/31/03 (A)	**-**	**262**	**1,112**	**1,374**
Changes in the first half of 2004:				
- Provisions (+)	-	22	40	62
- Utilizations (-)	-	(18)	(8)	(26)
- Changes in the scope of consolidation (±)	-	-	-	-
- Other changes	-	(9)	-	(9)
Total changes (B)	-	(5)	32	27
Balance at 6/30/04 (A+B)	**-**	**257**	**1,144**	**1,401**

The main components of this account are reviewed below.

B.2) Reserve for Taxes, Including Deferred Taxes

The balance of 257 million euros at June 30, 2004 includes deferred taxes totaling 214 million euros (net of an offset of 24 million euros for deferred-tax assets) and 43 million euros set aside for disputed tax items.

The **reserve for disputed tax items** provides coverage for future charges that may arise in connection with disputes involving direct and indirect taxes. The utilizations for the period, which were carried out in connection with settlements reached for reduced amounts, as allowed by Law No. 289/2002 on tax amnesties, totaled 7 million euros.

The **reserve for deferred taxes** refers to consolidated companies with deferred-tax liabilities that are greater than or cannot be offset against their deferred-tax assets. The following table shows a breakdown of this reserve by type of underlying temporary difference.

	6/30/04	12/31/03	Change
Deferred-tax liabilities			
- Accelerated or supplemental depreciation and amortization	174	168	6
- Capital gains in suspension of Tax	1	1	-
- Impact of the finance lease accounting principle (IAS 17)	56	49	7
- Other	7	8	(1)
Total deferred-tax liabilities (A)	**238**	**226**	**12**
Offsettable deferred-tax assets			
- Taxed reserves	2	3	(1)
- Tax assets	12	-	12
- Other	10	12	(2)
Total deferred-tax assets (B)	**24**	**15**	**9**
Reserve for deferred taxes (A-B)	**214**	**211**	**3**

B.3) Other Reserves for Risks and Charges

Other reserves increased to 1,144 million euros, or 32 million euros more than at December 31, 2003.

Provisions of 40 million euros included 6 million euros in inflation adjustments on statutory interest; 5 million euros added to the reserves for closures of mineral property, which cover the cost of removing equipment and capping production wells at the end of their useful life; and 8 million euros to make the reserves for risks on equity investments reflect the impact of the ongoing divestiture process. Provisions booked in connection with new disputes account for the difference. Utilizations of 8 million euros refer mainly to full and partial settlements of pending disputes. The table below provides a breakdown, with the respective changes, of other reserves for risks and charges.

	12/31/03	Provisions	Utilizations	6/30/04
Charges for closures of mineral properties	91	5	-	96
Miscellaneous disputes with employees	3	-	-	3
Charges for contractual guarantees on the sale of equity investments	295	1	(2)	294
Risk for contractual disputes	494	7	-	501
Other risks and charges	229	27	(6)	250
Total	**1,112**	**40**	**(8)**	**1,144**

Three of the large-balance items are reviewed below.

- Charges for contractual guarantees on the sale of equity investments include reserves set aside in previous years in connection with asset divestitures.

- Risks for contractual disputes include a reserve of 272 million euros established in connection with the Porto Marghera environmental project and 115 million euros set aside for the arbitration of the Enimont dispute with Eni-Enichem.
- Other risks and charges includes a 66-million-euro reserve set aside to cover losses on the investment in and loan to IPSE 2000 Spa.

11. Reserve for Employee Severance Indemnities

This reserve, which reflects the accrued liabilities owed to employees at June 30, 2004, amounted to 63 million euros. The changes for the period are summarized in the table below.

Balance at 12/31/03 (A)	**62**
Changes in the first half of 2004:	
- provisions	5
- utilizations (-)	(4)
- change in the scope of consolidation (±)	-
- other changes	-
Total changes (B)	**1**
Balance at 6/30/04 (A+B)	**63**

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

	6/30/04	12/31/03	Change
Electric Power Operations	1,324	1,328	(4)
Hydrocarbons Operations	449	463	(14)
Corporate Activities	543	551	(8)
Total Core Businesses	2,316	2,342	(26)
Water	8	18	(10)
Engineering	1,620	1,610	10
Total	**3,944**	**3,970**	**(26)**

12. Liabilities

This item totaled 8,408 million euros, or 498 million euros less than at December 31, 2003. A breakdown is provided below.

		6/30/04	12/31/03	Change
D.1)	Bonds	2,130	2,030	100
D.3)	Loans payable to stockholders	2	1	1
D.4)	Due to banks	2,083	2,454	(371)
D.5)	Due to other lenders	130	146	(16)
D.6)	Advances	2,587	2,299	288
D.7)	Trade accounts payable	835	943	(108)
D.9 a)	Accounts payable to unconsolidated subsidiaries	23	20	3
D.10)	Accounts payable to affiliated companies	26	19	7
D.11)	Accounts payable to controlling companies	1	2	(1)
D.12)	Taxes payable	169	363	(194)
D.13)	Payables to pensions and social security institutions	18	17	1
D.14)	Other liabilities	404	612	(208)
Total		**8,408**	**8,906**	**(498)**
Broken down as follows:				
	Liabilities due within one year	**5,589**	**5,795**	**(206)**
	- Financial liabilities	1,572	1,559	13
	- Trade accounts payable	3,554	3,507	47
	- Other liabilities	463	729	(266)
	Liabilities due after one year	**2,819**	**3,111**	**(292)**
	- Financial liabilities	2,795	3,091	(296)
	- Trade accounts payable	24	12	12
	- Other liabilities	-	8	(8)
Total		**8,408**	**8,906**	**(498)**

The main components of this item are reviewed below.

Bonds

Bonds (2,130 million euros) includes the following three issues floated by Edison Spa:

- **600 million euros in Edison 2000-2007 bonds,** which are traded on the Luxembourg Stock Exchange. The initial coupon rate of these securities was 6.375%. As a result of the step up/step down mechanism, it has since changed to 7.375%. Thanks to the decision by Standard & Poors to boost Edison's rating from BBB to BBB+, the current coupon rate is 25 basis points lower than in December 2003 (7.625%).

In February 2004, Edison's Extraordinary Stockholders' Meeting passed a resolution changing the mechanism used to compute the coupon rate and cancelled the put option originally granted to each bondholder, which was exercisable if Edison's rating were to fall below BBB-/Baa3. As consideration for the approval of this resolution, the bondholders received a lump-sum payment equal to 0.35% of the par value of the bonds held, for a total payout of 2 million euros.

- **830 million euros in Italenergia 2002-2007 bonds**, placed with retail investors. Until August 2004, these bonds paid interest based on a fixed coupon rate of 4.95%. For the remaining three years, they will pay interest at a variable rate equal to the six-month Euribor rate plus 100 basis points.

- **700 million euros in Edison 2003-2010 bonds**, which include 600 million euros issued in December 2003 and an additional 100 million euros issued in January 2004. These bonds, which are not subject to step up/step down adjustments, are listed on the Luxembourg Stock Exchange and pay interest based on a fixed coupon rate of 5.125%. This issue is part of a new EMTN Program, authorized for a maximum amount of 2 billion euros.

In July, acting within the framework of the same EMTN Program, Edison Spa issued 500 million euros in variable-rate bonds. This issue, which matures in seven years, pays interest quarterly based on a variable coupon rate equal to the three-month Euribor rate plus 60 basis points.

Loans Payable to Stockholders
The amount of 2 million euros represents the balance in a current account held on market terms with the controlling company Italenergia Bis Spa.

Amounts Due to Banks
At June 30, 2004, the Group owed banks 2,083 million euros (including 579 million euros after one year), down from 2,454 million euros at December 31, 2003. The decrease of 371 million euros reflects mainly a reduction in short-term debt made possible by the cash flow generated by the Group's operations.

Amounts Due to Other Lenders
This item, which totaled 130 million euros (86 million euros due after one year), includes 82 million euros owed to leasing companies.

Advances
Advances totaled 2,587 million euros at June 30, 2004, including 2,531 million euros received by the Engineering operations. They represent advances on work in progress.

The other items grouped under this heading include:

- **Taxes payable** of 169 million euros, consisting mainly of unpaid income taxes.
- **Other liabilities** of 404 million euros, which include advances on contract work in process received by the Engineering operations that will be recognized in earnings when the underlying contractual guarantees expire (156 million euros), amounts payable to employees (22 million euros), amounts owed to joint holders of permits and concessions for the production of hydrocarbons (42 million euros), amounts owed to partners and stockholders (24 million euros) and the balance owed to settle the Eni and Enichem dispute (50 million euros).

Liabilities due in more than five years totaled 846 million euros.

13. Accrued Expenses and Deferred Income

A breakdown of this item, which totaled 184 million euros, is as follows:

- Financial **accrued expenses and deferred income** of 134 million euros, which refer primarily to outstanding bond issues (77 million euros) and charges related to derivatives executed to hedge foreign exchange and commodity commitments (16 million euros).
- **Other accrued expenses and deferred income** of 50 million euros related to commercial and miscellaneous transactions, which include 29 million euros in government grants received in advance but attributable to subsequent years

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

At June 30, 2004, memorandum accounts totaled 11,071 million euros. A breakdown of this item is as follows:

	6/30/04	12/31/03	Change
Guarantees provided	4,746	4,298	448
Collateral provided	2,430	2,348	82
Commitment, risks and other memorandum accounts	3,895	4,007	(112)
Total	**11,071**	**10,653**	**418**

1) Guarantees Provided

Guarantees provided totaled 4,746 million euros, or 448 million euros more than at December 31, 2003. This item consists of sureties (1,424 million euros) and other guarantees provided (3,322 million euros).

Other guarantees include:

- 802 million euros in guarantees provided to the Milan VAT office on behalf of subsidiaries for offsetting VAT credits and those provided to subsidiaries in connection with the intraGroup assignment of tax credits.
- 528 million euros for guarantees provided to customers of Tecnimont Spa (489 million euros) and Protecma Srl (39 million euros) for the performance of supply contracts.
- 300 million euros for a guarantee provided on behalf of the Edipower Spa affiliate to secure a junior loan facility granted to Edipower in connection with a refining transaction executed in August 2003.
- 250 million euros for a commitment to contribute capital and/or provide the subordinated financing needed by the Edipower Spa affiliate to complete its repowering program.
- 54 million euros for a counterguarantee provided to secure the obligation undertaken by the Bluefare Ltd affiliate toward The Royal Bank of Scotland Plc, which bank holds a put option for the Edipower shares it holds (equal to 5% of the capital stock of Edipower Spa). This option is exercisable starting on the fifth year after the signing of the Coinvestment Agreement. If Bluefare Ltd fails to perform its obligation, the industrial stockholders of Edipower can be held jointly responsible, but they retain the right to pursue Bluefare Ltd.
- 50 million euros for a surety provided to Edipower Spa to secure the contractual obligations of Edison Trading, a wholly owned subsidiary of Edison Spa.
- 25 million euros to secure performance of the obligations undertaken by Edison Energie Speciali Spa pursuant to a shareholders' agreement executed by Parco Eolico San Giorgio Srl, Parco Eolico Foiano Srl and The Royal Bank of Scotland Plc.

In addition, as part of the refinancing of Edipower Spa, Edison Spa has agreed to provide this affiliate with sufficient additional capital and/or subordinated financing

to cover cost overruns, defects liability costs and underperformances that Edipower Spa may incur in connection with its repowering program (250 million euros). Moreover, pursuant to a tolling contract and a power purchasing agreement, Edison Spa has guaranteed the commercial obligations undertaken by Edison Trading Spa (a wholly owned subsidiary of Edison Spa) toward Edipower Spa, but only in the event of serious default or insolvency by Edison Trading Spa (300 million euros).
Guarantees provided on behalf of the Engineering operations account for most of the balance. They include letters of patronage issued to banks (596 million euros), bank sureties (332 million euros) and insurance sureties (292 million euros).

2) Collateral Provided

Collateral provided came to 2,430 million euros, or 82 million euros more than at December 31, 2003. This item includes collateral for liabilities and other obligations to outsiders (906 million euros), and collateral for liabilities listed on the balance sheet (1,524 million euros), which generally consist of electrical equipment mortgages granted to secure equipment loans.
Collateral for liabilities and other obligations of outsiders includes 824 million euros, representing the value of Edipower Spa pledged to a pool of banks to secure a loan provided to Edipower.

3) Commitment, Risks and Other Memorandum Accounts

The balance of 3,895 million euros (112 million euros less than at December 31, 2003) includes the following:

- 2,074 million euros in notional amounts of forward financial transactions and derivatives. These transactions refer to foreign exchange hedges (202 million euros) and interest rate hedges (1,872 million euros).
- 287 million euros, or 183 million euros more than at the end of 2003, for off-balance-sheet transactions in the forward commodities markets. These transactions are executed by the Electric Power operations to hedge the risk of fluctuations in the prices of certain commodities.
- 297 million euros (477 million euros at December 31, 2003) for counterguarantees provided to outsiders to secure obligations of Group companies.
- 1,237 million euros (1,383 million euros at December 31, 2003) for other memorandum accounts, including 778 million euros for purchase commitments, 423 million euros for Group assets held by outsiders and 36 million euros for sundry items.

Purchase commitments includes 163 million euros for the potential exercise of the put option held by each industrial stockholder of Edipower Spa. The put is enforced against all other industrial stockholders. In the case of Edison Spa, the liability is equivalent to 7.5% of the Edipower shares. The put options are exercisable starting on the fifth year after the signing of the shareholders' agreement.

Commitments and Risks Not Reflected in the Memorandum Accounts

The Group's Hydrocarbons operations have entered into contracts for the importation of natural gas. As is usually the case, contracts of this magnitude and of these durations contain take-or-pay clauses that obligate the buyer to pay for any shortage between the stipulated maximum quantities and the quantity actually used (unless the shortage is due to causes not provided for in the contract), with the option for the buyer to make up, at certain conditions, the paid but unused volume over the life of the contract. When fully operational, the import contracts that are currently being implemented with Russia, Libya and Norway will provide annual supplies of 7.4 billion cubic meters of natural gas a year. During the first half of 2004, the Group signed a new import contract with Qatar that supplements an existing contract and which, like the existing agreement, will become effective when the North Adriatic LNG terminal is built. When this expanded agreement is fully operational, Qatar will supply a total of 5.8 billion cubic meters of natural gas a year and Edison Spa has the option of requesting a further increase to 6.4 billion cubic meters of natural gas per year. In June 2003, Edison Spa signed a Memorandum of Understanding undertaking to import a further 4 billion cubic meters of natural gas a year from Algeria. Deliveries are scheduled to begin once the expansion of the Transmed pipeline linking Algeria with Italy through Tunisia is completed. 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.

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

Loans received by Termica Milazzo Srl, Termica Celano Srl and Sogetel Spa are secured by a negative pledge of Edison Spa shares and, for the latter two companies, 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. Sogetel Spa granted to its lender bank a special pledge on its assets and endorsed to the lender bank the insurance policies that cover its assets.

A shareholders' agreement executed by Tecnimont and Gaz de France (GDF) in connection with their investment in Sofregaz (currently Tecnimont owns 66% and GDF 34%) includes a put-and-call clause whereby GDF can sell its entire interest to Tecnimont in October 2004. The sales price of the shares will be equal to Sofregaz's shareholders' equity or six times its average EBIT for the two fiscal years preceding the sale, whichever is higher.

In connection with the sale of Béghin-Say, Edison Spa acquired an interest in Guarani, a Brazilian sugar producer, for 36 million euros. Edison is the holder of a put option that entitles it to sell these shares to Béghin-Say under certain conditions, starting on January 1, 2007. Béghin-Say holds a call option on the same shares. The exercise price of the option is 36 million euros, less any dividends paid between the purchase and resale dates that are greater than 30% of the earnings distributable each year.

NOTES TO THE CONSOLIDATED STATEMENT OF INCOME

After deducting the minority interest, the Edison Group's net income totaled 53 million euros in the first six months of 2004, compared with net income of 141 million euros in the same period last year. This year's earnings benefited mainly from a positive performance by the Group's core businesses, a sizable drop in financial expense made possible by the reduction in indebtedness that resulted from the divestitures completed in 2003, and the lower cost of money that resulted from the Group's improved standing in the financial markets.

The main reason for the decrease from the first half of 2003 is the absence of the large extraordinary items that were booked last year, such as the sale of the West Delta Deep Marine hydrocarbon reserves in Egypt, which generated an after-tax gain of about 348 million euros.

15. Production Value

Production value amounted to 3,206 million euros, or about 2.0% less than in the first six months of 2003 It includes the following:

	First half 2004	First half 2003	Change
Production value			
A.1) Sales and service revenues	2,852	2,889	(37)
A.2) Changes in inventory of work in progress, semifinished goods and finished goods	16	(8)	24
A.3) Change in contract work in progress	210	324	(114)
A.4) Increase in Company-produced additions to fixed assets	3	4	(1)
A.5) Other revenues and income	125	64	61
Total	**3,206**	**3,273**	**(67)**

As shown in the table above, net revenues totaled 3,187 million euros (3,277 million euros in the first six months of 2003). A breakdown by type of business and by geographic region is provided below.

Net Revenues by Type of Business	First half 2004 Sales and service revenues	First half 2004 Change in contract work in process	First half 2004 Other revenues and income	First half 2004 Total net revenues	First half 2003 Sales and service revenues	First half 2003 Change in contract work in process	First half 2003 Other revenues and income	First half 2003 Total net revenues
Electric Power	2,110	-	91	2,201	1,973	1	23	1,997
Hydrocarbons	1,092	-	17	1,109	1,085	-	30	1,115
Corporate Activities	31	-	8	39	21	-	9	30
Eliminations	(591)	-	(1)	(592)	(462)	-	(10)	(472)
Core Businesses	**2,642**	**-**	**115**	**2,757**	**2,617**	**1**	**52**	**2,670**
Water	14			14	15	-	1	16
Engineering	196	210	10	416	31	323	7	361
Other Activities	**210**	**210**	**10**	**430**	**46**	**323**	**8**	**377**
Divested Operations (*)	**-**	**-**	**-**	**-**	**226**		**4**	**230**
Total	**2,852**	**210**	**125**	**3,187**	**2,889**	**324**	**64**	**3,277**

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

Net Revenues by Geographic Area of Sales and Production	Net Revenues by Sales Area First half 2004	Net Revenues by Sales Area First half 2003	Net Revenues by Production Area First half 2004	Net Revenues by Production Area First half 2003
Italy	2,736	2,784	2,981	2,994
France	19	17	26	20
Spain	-	12	-	25
Other euro-zone countries	51	82	8	2
Total euro-zone countries	**2,806**	**2,895**	**3,015**	**3,041**
Other EU countries	55	2	27	3
Eastern Europe	2	21	-	12
North America	-	4	-	-
Other countries	324	355	145	221
Total	**3,187**	**3,277**	**3,187**	**3,277**

An analysis of the main components of production value is provided below.

A.1) Sales and Service Revenues

Sale and service revenues totaled 2,852 million euros in the first half of 2004. On a comparable consolidation basis, i.e., excluding divested operations, sales and service revenues were up 7.1%, or 189 million euros, over the figure for the first six months of 2003.

A breakdown of this item is provided below.

	First half 2004	First half 2003	Change
Revenues from sales of:			
- Electric power	1,835	1,676	159
- Natural gas	512	622	(110)
- Oil	25	24	1
- Steam	58	67	(9)
- Water to non-industrial users	15	16	(1)
- Other services	240	78	162
	2,685	**2,483**	**202**
Recovery of excise taxes	63	72	(9)
Transmission revenues	93	115	(22)
Revenues from contract work	11	8	3
	167	**195**	**(28)**
Revenues of divested operations (*)	-	226	(226)
Eliminations (-)	-	(15)	15
Total	**2,852**	**2,889**	**(37)**

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

The rise in core business revenues reflects primarily gains by the Electric Power operations (+10.2%), which used the increased availability of electricity provided by Edipower after the tolling contract became fully operational to expand unit sales to deregulated customers. An additional boost was provided by the higher prices that could be charged to customers, thanks to favorable macroeconomic conditions, especially in the natural gas market. On the other hand, the revenues reported by the Hydrocarbons operations were about the same as in the first six months of 2003. In this case, a gain in unit sales (+10.7%) was offset by a decrease in average prices caused by a steady appreciation of the euro versus the U.S. dollar and the resulting decline in the prices of the main benchmark fuels, beginning at the end of 2003.

A.3) Change in contract work in process

This item, which had a balance of 210 million euros, refers almost in its entirety to contract work being carried out by the Engineering operations.

A.5) Other Revenues and Income

Other revenues and income totaled 125 million euros. It includes the following:

- 62 million euros for rebilling of costs incurred to purchase fuel in accordance with the tolling contract with Edipower;
- 14 million euros in out-of-period income related mainly to transmission charges;
- 10 million euros in recoveries of costs from partners in mineral rights and rebilling of operating expenses incurred at hydrocarbon fields operated jointly with other owners. The corresponding charge is recognized under the heading B.7) - Outside services;

- 8 million euros in utilizations of reserves for risks, mainly those established in previous years to cover the costs of closing mineral properties;
- 3 million euros in insurance settlements;
- 2 million euros in operating grants;
- 26 million euros in miscellaneous revenues, which include service revenues (15 million euros).

16. Cost of Production

Cost of production, which totaled 2,893 million euros, decreased by 4.6% compared with the first six months of 2003 due mainly to the changes in the scope of consolidation mentioned elsewhere in this Report. A breakdown of this item is provided below.

		First half 2004	First half 2003	Change
B.6)	Raw materials, auxiliaries, supplies and merchandise	1,625	1,527	98
B.7)	Outside services	705	747	(42)
B.8)	Use of property not owned	26	54	(28)
B.9)	Personnel	124	155	(31)
B.10)	Depreciation, amortization and writedowns	321	379	(58)
B.11)	Change in inventory of raw materials, auxiliaries, supplies and merchandise	(36)	7	(43)
B.12)	Provisions for risks	2	2	-
B.13)	Other provisions	6	10	(4)
B.14)	Miscellaneous operating costs	120	151	(31)
Total		**2,893**	**3,032**	**(139)**
Breakdown by Type of Business				
Electric Power		1,952	1,819	133
Hydrocarbons		912	973	(61)
Corporate Activities and adjustments		(390)	(409)	20
Total Core Businesses		**2,474**	**2,383**	**91**
Water		14	17	(3)
Engineering		405	352	53
Divested operations (*)		-	280	(280)
Total		**2,893**	**3,032**	**(139)**

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

On a comparable consolidation basis, the cost of production shows an increase of 5.2%, compared with the first half of 2003, mirroring the trend that characterized production value and has been discussed in the note to that item.
The main components of the cost of production are reviewed below.

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

A breakdown of this item, which totaled 1,625 million euros, is as follows:

	First half 2004	First half 2003	Change
Purchases and swaps of natural gas	943	916	27
Purchases and swaps of electric power	138	288	(150)
Gas for blast furnace, recovery and coking	93	94	(1)
Purchases of other fuels	189	18	171
Purchases of industrial and demineralized water	15	15	-
Purchases of thechnical materials for maintenance	8	10	(2)
Purchases of other materials and utilities	64	29	35
Eliminations	-	(15)	15
Total Core Businesses	**1,450**	**1,355**	**95**
Other continuing operations	175	128	47
Divested operations [(*)]	-	44	(44)
Total	**1,625**	**1,527**	**98**

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

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

B.7) Outside services

Outside services amounted to 705 million euros. A breakdown by type of business is as follows:

	First half 2004	First half 2003	Change
Electric Power	379	287	92
Hydrocarbons	141	145	(4)
Corporate Activities and adjustments	14	12	2
Total Core Businesses	**534**	**444**	**90**
Other continuing operations	171	163	8
Divested operations [(*)]	-	140	(140)
Total	**705**	**747**	**(42)**

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

In the first half of 2004, the largest components of this item were: for the Electric Power operations, a tolling fee of 144 million euros paid to Edipower as consideration for access to its production capacity and transmission costs totaling 150 million euros; for the Hydrocarbons operations, gas and oil transportation charges of 102 million euros; and for the Engineering operations, technical services used for contract work in process (165 million euros).

B.9) Personnel

At 124 million euros, personnel costs were lower than the 155 million euros reported in the first half of 2003, due mainly to changes in the scope of consolidation.
The Group's payroll totaled 3,944 employees (counting the companies consolidated by the proportional method), or 26 fewer than at December 31, 2003. The average number of employees fell from 5,958 in the first half of 2003 to 3,949 in the same period this year, confirming the decrease in the end-of-period numbers.

B.10) Depreciation, Amortization and Writedowns

A breakdown of depreciation, amortization and writedowns, which totaled 321 million euros in the first six months of 2004, is provided below.

	First half 2004	First half 2003	Change
Amortization of intangibles	136	151	(15)
Depreciation of property, plant and equipment	177	209	(32)
Writedowns of intangibles	-	4	(4)
Writedowns of property, plant and equipment	-	1	(1)
Writedowns of loans included in current assets	8	14	(6)
Total	**321**	**379**	**(58)**
Breakdown by Type of Business			
Electric Power	253	260	(7)
Hydrocarbons	56	62	(6)
Corporate Activities	6	10	(4)
Total Core Businesses	**315**	**332**	**(17)**
Other continuing operations	6	6	-
Divested operations [*]	-	41	(41)
Total	**321**	**379**	**(58)**

[*] See the note to the table entitled Net Revenues by Type of Business.

As shown in the notes to fixed assets, which should be consulted for greater detail, the amortization amount shown above includes the amortization of the consolidation difference stemming from the acquisition of Italenergia (now Edison) for a total of 136 million euros.
No change had been made to the useful life of any of the Group's assets.

B.14) Miscellaneous Operating Costs

At 120 million euros, miscellaneous operating costs were lower than in the first half of 2003, when they totaled 151 million euros, due mainly to a different method of accounting for commodity hedges. A detailed breakdown of this item is provided below:

	First half 2004	First half 2003	Change
Excise taxes on natural gas and electric power	64	72	(8)
Out-of-period expenses	3	15	(12)
Losses on commodity derivatives	-	21	(21)
Contributions to Associations	1	2	(1)
Penalties and miscellaneous charges	6	3	3
Indirect taxes and miscellaneous fees	20	20	-
Compensation to Directors and Statutory Auditors	4	3	1
Other operating costs	22	15	7
Total	**120**	**151**	**(31)**

In view of the financial impact of hedging transactions, taking into account the type of hedges involved and consistent with international accounting standards, these costs were reclassified under financial expense.

17. Financial Income and Expense

Net financial expense came to 114 million euros, for a decrease of 51 million euros over the amount reported in the first half of 2003. The reduction in indebtedness made possible by the proceeds of the divestitures and the capital increase carried out last year by the Parent Company, coupled with a general decline in interest rates, account for this improvement.

	First half 2004	First half 2003	Change
C15) Income from equity investments	10	6	4
C16) Other financial income	72	77	(5)
C17) Interest and other financial expense	196	237	41
C17.bis) Foreign exchange gains (losses)	-	(11)	11
Total	**(114)**	**(165)**	**51**

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

Income from equity investments totaled 10 million euros, including 8 million euros in dividend income received mainly from publicly traded companies (5 million euros from AEM Spa) and 2 million euros in gains on the sale of investments in publicly traded Italian companies, namely Fondiaria SAI Spa and Acea Spa.

The main components of **financial income**, which totaled 72 million euros, or 5 million euros less than in the first six months of 2003, were:

- 56 million euros in gains on derivatives executed to hedge the risk of fluctuations in interest rates and market prices, mainly in connection with the issuance of debt securities and forward purchases and sales of energy and natural gas.
- 4 million euros in interest on amounts due by the tax administration.
- 4 million euros in interest earned on bank deposits.

Financial expense, which amounted to 196 million euros, or 41 million euros less than in the first half of 2003, consist primarily of interest and fees paid to banks and other lenders (77 million euros), interest paid on bond issues (62 million euros) and derivative losses (57 million euros).

Foreign exchange gains and losses include gains of 11 million euros and losses of an equal amount. Both stem mainly from derivative contracts executed to hedge foreign exchange risks.

18. Value Adjustments on Financial Assets

The net positive balance of 19 million euros reflects primarily the net income earned during the first half of 2004 by companies valued by the equity method, including in particular Edipower, which earned 17 million euros due mainly to nonrecurring gains arising from the derecognition of expense items that had been booked exclusively for tax purposes.

19. Extraordinary Income and Expense

Net extraordinary expense totaled 19 million euros, compared with the sizable net extraordinary gains earned last year, when this item included the gain earned on the sale of hydrocarbon reserves and the settlement of positions in connection with the sale of equity investments.

Extraordinary income of 32 million euros include the following:

- 7 million euros from the utilization of the reserve for taxes, including 3 million euros in connection with settlements reached for reduced amounts, as allowed by Law No. 289/2002 on tax amnesties, and 4 million euros for settled tax disputes.
- 3 million euros from the utilization of the reserve for risks upon the settlement of legal disputes.
- 15 million euros in out-of-period income, including 3 million euros in reimbursements of foreign taxes.
- A gain of 7 million euros on the sale of equity investments, including 5 million euros on the sale of IWH's Scottish operations and 1 million euros on the sale of Turk Edison.

Extraordinary expense, which totaled 51 million euros, include the following:

- 22 million euros added to the reserves for risks, including 6 million euros in inflation adjustment to statutory interest and 16 million euros to provide for new contingent risks.
- 4 million euros for taxes payable pursuant to settlements reached in accordance with Law No. 289/2002 on tax amnesties.
- 7 million euros for out-of-period costs.

20. Income Taxes

The income taxes reflected in the statement of income for the first half of 2004 totaled 92 million euros (346 million euros in the first six months of 2003), broken down as follows:

	First half 2004	First half 2003
Current taxes	127	425
Tax credits on dividends	-	(92)
Total current taxes	**127**	**333**
Net deferred-tax liabilities (assets)	(35)	13
Total	**92**	**346**

Current taxes include the liability for local taxes (IRAP) and corporate income taxes (IRES). The deferred-tax balance includes deferred-tax assets computed on the tax loss carryforward of the controlling company after taking into account the impact of authorized corporate restructuring transactions that involve companies that earned taxable income. Other available tax assets were not taken into account since their recoverability could not be assessed reliably.

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

	First half 2004			First half 2003		
	RBT (*)	Taxes	%	RBT (*)	Taxes	%
Core Businesses	182	(82)	45.1%	590	(343)	58.1%
Other continuing operations	16	(10)	62.5%	10	(4)	40.0%
Divested operations (**)	-	-	-	(69)	1	n.m.
Total	**198**	**(92)**	**46.5%**	**531**	**(346)**	**65.2%**

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

21. Earnings per Share

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

2003 full year		**First half 2004**
144	Group interest in net income (loss)	53
(3)	Net income attributable to convertible and nonconvertible savings shares (1)	(3)
141	Group interest in net income (loss) attributable to the common shares (A)	50
	Weighted average number of shares outstanding (common and savings) determined for the purpose of computing earnings (loss) per share:	
3,561,174,231	- basic (B)	4,228,718,478
4,311,035,792	- diluted (C) (2)	5,289,860,222
	Earnings (Loss) per share (in euros)	
0.0396	- basic (B)	0.0117
0.0327	- diluted (C) (2)	0.0094

(1) 3% of par value for the higher dividend paid to the savings shares compared with the common shares. Savings shares are treated as common shares, since the portion of net income attributable to the savings shares has been deducted from Group interest in net income.
(2) When the Group reports a loss, the potential shares are deemed to have no dilutive effect.

Earnings per share have been computed taking into account the potential common shares represented by the outstanding portion of the warrants issued in 2003 and the stock options awarded to Group executives.

LIST OF COMPANIES INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS

A) Scope of Consolidation

Name	Head office	Currency	Capital stock	Consolidated % Group interest (a) 6/30/04	12/31/03	6/30/03
Parent Company						
Edison Spa	Milan	EUR	4,236,890,015			
Core Businesses - Electric Power Business Unit						
Electric Power						
Bussi Termoelettrica Spa (sole stockholder)	Milan (IT)	EUR	15,600,000	100.000	100.000	100.000
Caffaro Energia Srl (sole stockholder)	Milan (IT)	EUR	25,822,846	100.000	100.000	100.000
Consorzio di Sarmato Soc. Cons. P.A.	Milan (IT)	EUR	200,000	52.500	52.500	52.500
Edison Energie Speciali Spa (sole stockholder)	Milan (IT)	EUR	4,200,000	100.000	100.000	100.000
Edison France Sarl	Paris (FR)	EUR	7,700	100.000	100.000	100.000
Edison Rete Spa (sole stockholder)	Milan (IT)	EUR	106,778,200	100.000	100.000	100.000
Flandres Energies Snc	Paris (FR)	EUR	37,500	50.000	50.000	50.000
Gever Spa	Milan (IT)	EUR	10,500,000	51.000	51.000	51.000
Ibiritermo Sa	Ibirité - Estado De Minas Gerais (BR)	BRL	1,043,562	50.000	50.000	50.000
Iniziative Sviluppo Energie Spa - ISE Spa (form. Iniziative Sviluppo Energie Srl - ISE Srl)	Milan (IT)	EUR	100,000,000	45.000	45.000	45.000
Ise Rete Srl (sole stockholder)	Milan (IT)	EUR	4,922,207	45.000	45.000	45.000
Jesi Energia Spa	Milan (IT)	EUR	5,350,000	70.000	70.000	70.000
Megs Mediterranean Eletric Generating Services Srl	Sesto San Giovanni (Mi) (IT)	EUR	260,000	51.000	51.000	51.000
Parco Eolico Castelnuovo Srl	Castelnuovo Di Conza (Sa) (IT)	EUR	10,200	50.000	50.000	50.000
Parco Eolico Faeto Srl	Milan (IT)	EUR	11,300	100.000	100.000	100.000
Parco Eolico Foiano Srl	Milan (IT)	EUR	683,000	100.000	100.000	100.000
Parco Eolico Montemignaio Srl (sole stockholder)	Milan (IT)	EUR	40,000	100.000	100.000	100.000
Parco Eolico San Bartolomeo Srl (sole stockholder)	Milan (IT)	EUR	10,200	100.000	100.000	100.000
Parco Eolico San Giorgio Srl	Milan (IT)	EUR	8,911,200	100.000	100.000	100.000
Parco Eolico Vaglio Srl (sole stockholder)	Milan (IT)	EUR	10,200	100.000	100.000	100.000
Sarmato Energia Spa	Milan (IT)	EUR	14,420,000	61.000	61.000	61.000
Savim Srl (sole stockholder)	Milan (IT)	EUR	260,000	100.000	100.000	100.000
Serene Spa	Milan (IT)	EUR	25,800,000	63.000	63.000	63.000
Sogetel Spa (sole stockholder)	Turin (IT)	EUR	8,192,749	100.000	100.000	100.000
Sondel Dakar Bv	Rotterdam (NL)	EUR	18,200	100.000	100.000	100.000
Termica Boffalora Srl	Milan (IT)	EUR	14,220,000	70.000	70.000	70.000
Termica Celano Srl	Milan (IT)	EUR	259,000	70.000	70.000	70.000
Termica Cologno Srl	Milan (IT)	EUR	9,296,220	65.000	65.000	65.000
Termica Milazzo Srl	Milan (IT)	EUR	23,241,000	60.000	60.000	60.000
Core Businesses - Hydrocarbons Business Unit						
Hydrocarbons						
Edison International Spa	Milan (IT)	EUR	17,850,000	100.000	100.000	100.000
Edison LNG Spa (sole stockholder)	Milan (IT)	EUR	10,000,000	100.000	100.000	100.000
Edison T&S Spa (sole stockholder)	Milan (IT)	EUR	175,424,000	100.000	100.000	100.000
Euroil Exploration Ltd	London (GB)	GBP	9,250,000	100.000	100.000	100.000
Società Gasdotti del Mezzogiorno - SGM Spa	Frosinone (IT)	EUR	780,000	71.340	71.340	71.340

Interest held in capital stock % (b)	by	Voting securities held % (c)	Exercisable voting rights % (d)	Method of consolidation or valuation (e)
				L
100.000	Edison Spa	- (h)	-	L
100.000	Edison Spa	- (h)	-	L
52.500	Edison Spa	-	-	L
100.000	Edison Spa	- (h)	-	L
100.000	Edison Spa	-	-	L
100.000	Edison Spa	- (h)	-	L
50.000	Edison France Sarl	-	-	P
51.000	Edison Spa	-	-	L
50.000	Edison Spa	-	-	P
75.000	Finanziaria di Partecipazioni Elettriche Finel Spa	- (h)	-	L
100.000	Iniziative Sviluppo Energie Spa - ISE Spa	- (h)	-	L
70.000	Edison Spa	-	-	L
51.000	Edison Spa	-	-	L
50.000	Edison Energie Speciali Spa (sole stockholder)	-	-	P
97.350	Edison Energie Speciali Spa (sole stockholder)	- (h)	-	L
2.650	Parco Eolico San Giorgio Srl	-	-	
2.930	Parco Eolico Faeto Srl	- (h)	-	L
97.070	Parco Eolico San Giorgio Srl	-	-	
100.000	Edison Energie Speciali Spa (sole stockholder)	- (h)	-	L
100.000	Edison Energie Speciali Spa (sole stockholder)	- (h)	-	L
99.310	Edison Energie Speciali Spa (sole stockholder)	- (h)	-	L
0.690	Parco Eolico San Bartolomeo Srl (sole stockholder)	-	-	
100.000	Edison Energie Speciali Spa (sole stockholder)	- (h)	-	L
61.000	Edison Spa	-	-	L
100.000	Edison Spa	- (h)	-	L
63.000	Edison Spa	-	-	L
100.000	Edison Spa	- (h)	-	L
100.000	Stirpex Bv	-	-	L
70.000	Edison Spa	- (h)	-	L
70.000	Edison Spa	- (h)	-	L
65.000	Edison Spa	- (h)	-	L
60.000	Edison Spa	- (h)	-	L
70.000	Edison Spa	- (h)	-	L
30.000	Selm Holding International Sa	-	-	
100.000	Edison Spa	- (h)	-	L
100.000	Edison Spa	- (h)	-	L
100.000	Selm Holding International Sa	-	-	L
0.000	Edison Spa	-	-	
71.340	Edison Spa	-	-	L

A) Scope of Consolidation (continued)

Name	Head office	Currency	Capital stock	Consolidated % Group interest (a) 6/30/04	12/31/03	6/30/03
Core Businesses - Marketing & Distribution Business Unit						
Marketing & Distribution						
Arcalgas Sud Spa (sole stockholder)	Selvazzano Dentro (Pd) (IT)	EUR	1,716,000	100.000	100.000	100.000
Edison D.G. Spa (sole stockholder)	Selvazzano Dentro (Pd) (IT)	EUR	460,000	100.000	100.000	100.000
Edison Energia Spa (sole stockholder)	Milan (IT)	EUR	22,000,000	100.000	100.000	100.000
Edison Per Voi Spa	Selvazzano Dentro (Pd) (IT)	EUR	3,592,000	96.770	96.770	100.000
La Metano Lombarda Spa (sole stockholder)	Selvazzano Dentro (Pd) (IT)	EUR	312,000	100.000	100.000	100.000
Veneta Gestione Servizi Pubblici Metano Spa (sole stockholder)	Selvazzano Dentro (Pd) (IT)	EUR	517,000	100.000	100.000	100.000
Core Businesses - Energy Management Business Unit						
Energy Management						
Edison Trading Spa (sole stockholder)	Milan (IT)	EUR	30,000,000	100.000	100.000	100.000
Core Businesses - Corporate Activities						
Italian Holding Companies						
Finanziaria di Partecipazioni Elettriche Finel Spa	Milan (IT)	EUR	194,000,000	60.000	60.000	60.000
Foreign Holding Companies						
Montedison Finance Europe Nv	Amsterdam (NL)	EUR	4,537,803	100.000	100.000	100.000
Selm Holding International Sa	Luxembourg (LU)	EUR	24,000,000	100.000	100.000	100.000
Stirpex Bv	Amsterdam (NL)	EUR	100,000	100.000	100.000	100.000
Real Estate Companies						
Come Iniziative Immobiliari Srl (sole stockholder)	Milan (IT)	EUR	2,583,000	100.000	100.000	100.000
Società Immobiliare Assago Spa (sole stockholder)	Milan (IT)	EUR	7,905,000	100.000	100.000	100.000
Diversified Activities						
Water						
Internat. Water Serv. (Guayaquil) Interagua C. Ltda	Guayaquil (Ec)	USD	10,000,000	26.550	26.550	26.550
International Water (Adelaide I) Sarl	Luxembourg (LU)	EUR	15,098	50.000	50.000	50.000
International Water (Adelaide II) Sarl	Luxembourg (LU)	EUR	36,295	50.000	50.000	50.000
International Water (Bulgaria) Bv	Amsterdam (NL)	EUR	20,000	50.000	50.000	50.000
International Water (Czech Republic) Bv	Amsterdam (NL)	EUR	20,000	50.000	50.000	50.000
International Water (District Heating) Bv	Amsterdam (NL)	EUR	18,000	50.000	50.000	50.000
International Water (Estonia) Bv	Amsterdam (NL)	EUR	20,000	50.000	50.000	50.000
International Water (Highlands) Bv	Amsterdam (NL)	EUR	20,000	50.000	50.000	50.000
International Water (Moray Montrose) Bv	Amsterdam (NL)	EUR	20,000	50.000	50.000	50.000
International Water (Mwc) Bv	Amsterdam (NL)	EUR	20,000	50.000	50.000	50.000
International Water (Mwc) Sarl	Luxembourg (LU)	EUR	13,248,194	50.000	50.000	50.000
International Water (Poland) Bv	Amsterdam (NL)	EUR	20,000	50.000	50.000	50.000
International Water (Riverland) Bv	Amsterdam (NL)	EUR	20,000	50.000	50.000	50.000
International Water (Tay) Bv	Amsterdam (NL)	EUR	20,000	50.000	50.000	50.000

Interest held in capital stock % (b)	by	Voting securities held % (c)	Exercisable voting rights % (d)	Method of consolidation or valuation (e)
100.000	Edison D.G. Spa (sole stockholder)	- (h)	-	L
100.000	Edison Spa	- (h)	-	L
100.000	Edison Spa	- (h)	-	L
29.290	Arcalgas Sud Spa (sole stockholder)	- (h)	-	L
3.230	CO-META Srl (sole stockholder)	-	-	
50.970	Edison D.G. Spa (sole stockholder)	-	-	
6.060	La Metano Lombarda Spa (sole stockholder)	-	-	
10.450	Veneta Gestione Servizi Pubblici Metano Spa (sole stockholder)	-	-	
100.000	Edison D.G. Spa (sole stockholder)	- (h)	-	L
100.000	Edison D.G. Spa (sole stockholder)	- (h)	-	L
100.000	Edison Spa	- (h)	-	L
60.000	Edison Spa	- (h)	-	L
100.000	Edison Spa	-	-	L
99.950	Edison Spa	-	-	L
0.050	Edison T&S Spa (sole stockholder)	-	-	
100.000	Edison Spa	-	-	L
100.000	Edison Spa	- (h)	-	L
100.000	Edison Spa	- (h)	-	L
90.000	International Water Services (Guayaquil) Bv	-	-	P
100.000	International Water (Riverland) Bv	-	-	P
100.000	International Water (Riverland) Bv	-	-	P
100.000	International Water Holdings Bv	-	-	P
100.000	International Water Holdings Bv	-	-	P
100.000	International Water Holdings Bv	-	-	P
100.000	International Water Holdings Bv	-	-	P
100.000	International Water Holdings Bv	-	-	P
100.000	International Water Holdings Bv	-	-	P
100.000	International Water Holdings Bv	-	-	P
100.000	International Water (Mwc) Bv	-	-	P
100.000	International Water Holdings Bv	-	-	P
100.000	International Water Holdings Bv	-	-	P
100.000	International Water Holdings Bv	-	-	P

A) Scope of Consolidation (continued)

Name	Head office	Currency	Capital stock	Consolidated % Group interest (a) 6/30/04	12/31/03	6/30/03
International Water (Tunari) Bv	Amsterdam (NL)	EUR	20,000	50.000	50.000	50.000
International Water (Tunari) Sarl	Luxembourg (LU)	EUR	559,157	50.000	49.990	49.990
International Water (UK) Limited	London (GB)	GBP	1,001	50.000	50.000	50.000
International Water Consulting Ag	Schwyz (CH)	CHF	100,000	50.000	50.000	50.000
International Water Development Bv	Amsterdam (NL)	EUR	20,000	50.000	50.000	50.000
International Water Enterprises Bv	Amsterdam (NL)	EUR	20,000	50.000	50.000	50.000
International Water Holdings Bv	Amsterdam (NL)	EUR	40,000	50.000	50.000	50.000
International Water Services (Guayaquil) Bv	Amsterdam (NL)	EUR	20,000	29.500	29.500	29.500
International Water Services (Philippines) Bv	Amsterdam (NL)	EUR	20,000	50.000	50.000	50.000
International Water Services Ag	Zug (CH)	CHF	100,000	50.000	50.000	50.000
International Water Services Holdings Bv	Amsterdam (NL)	EUR	20,000	50.000	50.000	50.000
International Water Services Limited	Georgetown (Grand Cayman) (KY)	USD	45,100	49.890	49.890	49.890
International Water Uu (Prague) Bv	Amsterdam (NL)	EUR	20,000	50.000	50.000	24.500
Iwl (Asia Pacific) PTE Ltd	Singapore (SG)	SGD	2	50.000	50.000	50.000
Iwl Adelaide Pty Ltd	Chippendale (AU)	AUD	1,020,460	50.000	50.000	50.000
Iwl Corporate Limited	London (GB)	GBP	1	50.000	50.000	50.000
Iwl Services (USA) Inc.	Wilmington - Delaware (USA)	USD	1	50.000	50.000	50.000
Iwl Services Holdings (UK) Limited	London (GB)	GBP	2	50.000	50.000	50.000
Moravska Vodarenska Spolecnost As (in liquid.)	Breclav (CZ)	CZK	2,100,000	50.000	50.000	50.000
Engineering						
Emp. Madrilena De Ing. Y Costr. Sa	Madrid (ES)	EUR	60,110	100.000	100.000	-
Engineering & Designs Tecnimont Icb Pvt Ltd	Mumbay (IN)	INR	100,000	49.990	49.990	-
Finewell Limited	Nicosia (CY)	CYP	1,000	99.670	99.670	99.670
Guandong Contractor	Montigny-Le-Bretonneux (FR)	EUR	1,000	25.000	25.000	-
Icb Contractors Private Limited	Mumbay (IN)	INR	3,000,000	50.000	50.000	50.000
Imm. Lux. Sa	Luxembourg (LU)	EUR	780,000	99.670	99.670	99.670
Jts Contracting Company Limited	Floriana, La Valletta (MT)	EUR	100,000	41.600	41.600	41.600
Protecma Srl (sole stockholder)	Milan (IT)	EUR	3,000,000	100.000	100.000	100.000
Sofregaz Sa	Paris (FR)	EUR	17,500,000	66.000	66.000	66.000
STTS	Montigny-Le-Bretonneux (FR)	EUR	1,000	34.900	34.900	-
Tecnimont Arabia Limited	Jeddah (SA)	SAR	5,500,000	51.000	51.000	51.000
Tecnimont Benelux Sa	Brussells (BE)	EUR	250,000	99.700	99.700	99.700
Tecnimont Chile Ltda	Santiago (CL)	CLP	277,934,149	99.920	99.920	99.920
Tecnimont do Brasil Ltda	São Paulo (BR)	BRL	1,000,000	100.000	100.000	100.000
Tecnimont Icb Private Limited	Kalina - Mumbay (IN)	INR	13,886,700	50.000	50.000	50.000
Tecnimont International Sa	Luxembourg (LU)	EUR	200,000	99.670	99.670	99.670
Tecnimont Nigeria Ltd	Ikoyi - Lagos (NG)	NGN	5,000,000	70.000	70.000	70.000
Tecnimont Poland Sp.Zo.O	Warsaw (PL)	PLZ	50,000	99.000	99.000	99.000
Tecnimont Spa (sole stockholder)	Milan (IT)	EUR	52,000,000	100.000	100.000	100.000
Tpi-Tecnimont Planung Und Industrieanlagenbau Gmbh	Grimma (DE)	EUR	260,000	100.000	100.000	100.000

Interest held in capital stock % (b)	by	Voting securities held % (c)	Exercisable voting rights % (d)	Method of consolidation or valuation (e)
100.000	International Water Holdings Bv	-	-	P
100.000	International Water (Tunari) Bv	-	-	P
0.100	International Water Services Limited	0.000	0.000	P
99.900	Iwl Corporate Limited	100.000	100.000	
100.000	International Water Services Holdings Bv	-	-	P
100.000	International Water Holdings Bv	-	-	P
100.000	International Water Development Bv	-	-	P
50.000	Edison Spa	-	-	P
59.000	International Water Services Holdings Bv	-	-	P
100.000	International Water Services Holdings Bv	-	-	P
100.000	International Water Services Holdings Bv	-	-	P
100.000	International Water Holdings Bv	-	-	P
99.780	International Water Holdings Bv	-	-	P
100.000	International Water (Czech Republic) Bv	-	-	P
100.000	International Water Services Holdings Bv	-	-	P
1.000	International Water (Adelaide I) Sarl	-	-	P
99.000	International Water (Adelaide II) Sarl	-	-	
100.000	Iwl Services Holdings (UK) Limited	-	-	P
100.000	International Water Services Holdings Bv	-	-	P
100.000	International Water Services Holdings Bv	-	-	P
100.000	International Water (Czech Republic) Bv	-	-	P
100.000	Tecnimont Spa (sole stockholder)	-	-	L
99.980	Tecnimont ICB Private Limited	-	-	P
100.000	Tecnimont International Sa	-	-	L
25.000	Emp. Madrilena de Ing. Y Costr. Sa			P
15.000	Icogas Tecnologia 2000 Sl			
100.000	Tecnimont Icb Private Limited	-	-	P
100.000	Tecnimont International Sa	-	-	L
10.000	Sofregaz Sa	-	-	P
35.000	Tecnimont Spa (sole stockholder)	-	-	
100.000	Tecnimont Spa (sole stockholder)	-	-	L
66.000	Tecnimont Spa (sole stockholder)	-	-	L
15.000	Sofregaz Sa			P
25.000	Tecnimont Spa (sole stockholder)			
51.000	Tecnimont Spa (sole stockholder)	-	-	L
99.700	Tecnimont Spa (sole stockholder)	-	-	L
99.920	Tecnimont Spa (sole stockholder)	-	-	L
100.000	Tecnimont Spa (sole stockholder)	-	-	L
50.000	Tecnimont Spa (sole stockholder)	- (f)	-	P
0.000	Tpi-Tecnimont Planung Und Industrieanlagenbau Gmbh	-	-	
99.670	Tecnimont Spa (sole stockholder)	-	-	L
70.000	Tecnimont Spa (sole stockholder)	-	-	L
99.000	Tecnimont Spa (sole stockholder)	-		L
100.000	Edison Spa (sole stockholder)	-	-	L
100.000	Tecnimont Spa (sole stockholder)	-	-	L

B) Investments in Unconsolidated Subsidiaries and Affiliated Companies

Name	Head office	Currency	Capital stock	Consolidated % Group interest 12/31/03	Consolidated % Group interest 6/30/03
Core Businesses - Electric Power Business Unit					
Electric Power					
Abruzzo Energia Srl	Sesto San Giovanni (Mi) (IT)	EUR	10,000		
Biomasse Emilia Romagna Srl (in liquid.)	Cesena (Fo) (IT)	EUR	10,000		
Biomasse Veneto Srl (in liquid.)	Verona (IT)	EUR	10,000		
Bluefare Ltd	London (GB)	GBP	1,000		
Consorzio Barchetta	Jesi (An) (IT)	EUR	2,000		
Consorzio Montoro	Narni (Tr) (IT)	EUR	4,000		
Consorzio Vicenne	Celano (Aq) (IT)	EUR	1,000		
Ecofuture Srl (sole stockholder)	Milan (IT)	EUR	10,200		
Edipower Spa	Milan (IT)	EUR	1,441,300,000		
Gti Dakar Ltd	Grand Cayman (KY)	EUR	14,686,479		
Intergen Sidi Krir Generating Company	Giza (EG)	EGP	408,000,000		
Kraftwerke Hinterrhein Ag	Thusis (CH)	CHF	100,000,000		
Mediterranean Electric Generating Services SURL	Dakar (SN)	XAF	10,000,000		
Megs Akdeniz Elektrik Uretim Hizmetleri Ltd (in liquid.)	Kosekoy - Izmit (TR)	TRL	30,000,000,000		
Parehsar Gmbh	Munich (DE)	EUR	2,300,000		
Pluriservizi Nord Italia Scarl PNI (in liquid.)	Milan (IT)	EUR	516,000		
Roma Energia Srl	Rome (IT)	EUR	50,000		
Sel - Edison Spa	Castelbello (Bz) (IT)	EUR	84,798,000		42.000
Sidi Krir Operating Company Bv	Rotterdam (NL)	NLG	100,000		
Sistemi di Energia Spa	Milan (IT)	EUR	10,500,000		
Stel Spa	Milan (IT)	EUR	1,000,000		
Core Businesses - Hydrocarbons Business Unit					
Hydrocarbons					
Auto Gas Company SAE (in liquid.)	Cairo (EG)	EGP	5,000,000		
Ed-Ina DOO	Zagreb (HR)	HRK	20,000		
Nile Valley Gas Company (Nvgc) SAE	Cairo (EG)	EGP	50,000,000		
Soc. Stud. Prom. Gasdot. Alg-Ita V. Sardeg. GALSI Spa	Milan (IT)	EUR	5,000,000		
Vega Oil Spa (sole stockholder)	Milan (IT)	EUR	104,000	100.000	100.000
Volta Spa	Milan (IT)	EUR	130,000		
Core Businesses - Marketing & Distribution Business Unit					
Marketing & Distribution					
Asep Gas Srl	Porto Mantovano (Mn) (IT)	EUR	221,000		
Co-Meta Srl (sole stockholder)	Selvazzano Dentro (Pd) (IT)	EUR	17,160		
Edison Gas Espana Sa	Barcelona (ES)	EUR	60,200		
Estgas Spa	Udine (IT)	EUR	750,000		
Eta 3 Spa	Arezzo (IT)	EUR	2,000,000		
Gasco Spa	Bressanone (Bz) (IT)	EUR	500,000		
Prometeo Spa	Osimo (An) (IT)	EUR	1,938,743		
S.A.T. - Servizi Ambiente Territorio Spa	Sassuolo - (Mo) (IT)	EUR	27,752,560		
Styrija Plin D.O.O.	Slovenska Bistrica (SI)	SIT	7,000,000		
Core Businesses - Corporate Activities					
Italian Holding Companies					
Codest Srl	Pavia di Udine (Ud) (IT)	EUR	15,600		
Finimeg Spa	Milan (IT)	EUR	2,425,200		
ICI Impresa Comm. Industriale Srl (sole stockholder)	Ravenna (IT)	EUR	1,291,143		

Interest held in capital stock % (b)	by	Voting securities held % (c)	Exercisable voting rights % (d)	Carrying value (in millions of euros) (g)	Method of consolidation or valuation (e)
70.000	Edison Spa	- (h)	-		C
51.000	Edison Spa	- (h)	-		C
51.000	Edison Spa	- (h)	-		C
50.000	Edison Spa	-	-		C
50.000	Jesi Energia Spa	-	-		C
25.000	Edison Spa	-	-		C
50.000	Termica Celano Srl	-	-		C
100.000	Edison Spa	- (h)	-		C
40.000	Edison Spa	-	-	824	EM
30.000	Sondel Dakar Bv	-	-	6	C
39.000	Edison Spa	-	-	38	EM
20.000	Edison Spa	-	-	16	EM
100.000	Megs Mediterranean Eletric Generating Services Srl	-	-		C
1.000	Edison Spa	-	-		C
99.000	Megs Mediterranean Eletric Generating Services Srl	-	-		
50.000	Stirpex Bv	-	-		C
96.500	Edison Spa	- (h)	-	1	C
35.000	Edison Spa	-	-	1	C
42.000	Edison Spa	-	-	31	EM
39.000	Edison Spa	-	-		C
37.890	Edison Spa	-	-	3	C
75.000	Edison Spa	-	-	1	C
30.000	Edison International Spa	-	-		C
50.000	Edison International Spa	-	-		C
37.500	Edison International Spa	-	-	3	EM
18.000	Edison Spa	-	-		C
100.000	Edison Spa	- (h)	-		C
81.380	Edison Spa	- (m)	51.000		C
80.000	Edison Per Voi Spa	- (h)	-		C
100.000	La Metano Lombarda Spa (sole stockholder)	- (h)	-	1	C
100.000	Edison Spa	-	-		C
22.000	Edison Spa	-	-		C
33.010	Edison Spa	-	-	1	C
40.000	Edison Spa	-	-		C
21.000	Edison Spa	-	-	1	C
40.000	Edison Spa	-	-	23	EM
100.000	Edison D.G. Spa (sole stockholder)	-	-		C
33.330	Nuova CISA Spa (in liquid.) (sole stockholder)	-	-		C
100.000	Edison Spa	- (h)	-	2	EM
100.000	Edison Spa	- (h)	-	1	EM

B) Investments in Unconsolidated Subsidiaries and Affiliated Companies (continued)

Name	Head office	Currency	Capital stock	Consolidated % Group interest	
				12/31/03	6/30/03
Foreign Holding Companies					
Aifa Holding Sa	Luxembourg (LU)	EUR	103,646,750		
Atema Limited	Dublin - 2 (IE)	EUR	1,500,000		
Edison Hellas Sa	Athens (GR)	EUR	263,700		
Real Estate Companies					
Iniziativa Universitaria 1991 Spa	Busto Arsizio (Va) (IT)	EUR	16,120,000		
Nuova Alba Srl (sole stockholder)	Milan (IT)	EUR	2,016,457		
Soc. per la Gest. del Palazzo Centro Congressi Srl	Assago Milanofiori (Mi) (IT)	EUR	10,200		
Dormant Companies and Companies in Liquidation					
Acta Srl (in liquid.) (sole stockholder)	Ravenna (IT)	EUR	10,200		
Aquila Spa (in liquid.)	Muggia (Ts) (IT)	EUR	2,582,000		
CDS Scarl (in liquid.)	Milan (IT)	EUR	10,200		
CFC Consorzio Friulano Costruttori (in liquid.) (sole stockholder)	Udine (IT)	ITL	100,000,000		
Calbiotech Srl (in bankruptcy)	Ravenna (IT)	ITL	90,000,000		
Calcestruzzi Palermo Spa (in receivership) (sole stockholder)	Palermo (IT)	EUR	108,360		
Calcestruzzi Pozzallo Srl (in liquid.)	Pozzallo (Rg) (IT)	EUR	26,000		
Cempes Scrl (in liquid.)	Villa Adriana - Tivoli (Rm) (IT)	EUR	15,492		
Cersam Srl - Centro Ric. Serv. Amb. (sole stockholder)	Milan (IT)	EUR	4,131,700		
Ci.Far. Scarl (in bankruptcy)	Udine (IT)	ITL	20,000,000		
Compania Emiliana De Exportacion Sa (in liquid.)	Buenos Aires (AR)	ARP	200,000		
Compo Chemical Company Inc.	Wilmington - Delaware (USA)	USD	1,000		
Compo Shoe Machinery Corporation Of Canada Ltd	Montreal - Quebec (Cdn)	CAD	500		
Coniel Spa (in liquid.)	Rome (IT)	EUR	1,020		
Convolci Scnc (in liquid.) (form. Consorzio Volgograd Opere Civili Convolci Scnc)	Rome (IT)	EUR	5,164.57		
Ferruzzi Trading France Sa (in liquid.)	Paris (FR)	EUR	7,622,450.86		
Finsavi Srl in receivership	Palermo (IT)	EUR	192,400		
Frigotecnica Srl in receivership (in liquid.) (sole stockholder)	Palermo (IT)	EUR	76,500		
Gerinia Srl (in liquid.)	Milan (IT)	EUR	52,132		
Groupement D'entreprise Cisa-Rizzani De Eccher	Udine (IT)	EUR	15,493.70		
Groupement Gambogi-Cisa (in liquid.)	Dakar (SN)	XAF	1,000,000		
Inica Sarl (in liquid.)	Lisbon (PT)	PTE	1,000,000		
Intermarine Usa Llc	Albany - New York (USA)	USD	100		
La Generale Finanz. e Imm. Srl (In Liq) (sole stockholder)	Milan (IT)	EUR	130,000		
Livenza Scrl (in liquid.)	Milan (IT)	EUR	11,000		
Montecatini Srl (sole stockholder) (form. Società Nordelettrica Srl - Sondel Socio Unico)	Milan (IT)	EUR	60,000		
Montedison Srl (sole stockholder)	Milan (IT)	EUR	60,000		
Nuova CISA Spa (in liquid.) (sole stockholder)	Ravenna (IT)	EUR	1,549,350		
Nuova ISI Impianti Selez. Inerti Srl (in bankruptcy)	Vazia (Ri) (IT)	ITL	150,000,000		
Opi. Fer. Scrl (in liquid.)	Milan (IT)	EUR	10,200		
Poggio Mondello Srl (in receivership) (sole stockholder)	Palermo (IT)	EUR	364,000		
Ponte Giulio Scrl	Udine (IT)	EUR	10,200		
Rosfid Srl (in liquid.)	Milan (IT)	ITL	46,000,000		
Rumianca Spa (in liquid.)	Milan (IT)	EUR	100,000		
SIE Srl (in liquid.)	Acquaviva Delle Fonti (Ba) (IT)	EUR	46,800		

Interest held in capital stock % (b)	by	Voting securities held % (c)	Exercisable voting rights % (d)	Carrying value (in millions of euros) (g)	Method of consolidation or valuation (e)
100.000	Edison Spa	-	-		EM
100.000	Edison Spa	-	-	2	EM
100.000	Edison Spa	-	-		C
32.260	Società Immobiliare Assago Spa (sole stockholder)	-	-	4	EM
100.000	Edison Spa	- (h)	-	2	EM
44.820	Come Iniziative Immobiliari Srl (sole stockholder)	-	-		C
100.000	Edison Spa	- (h)	-	(1)	C
50.000	Edison Spa	-	-	4	C
40.000	Nuova CISA Spa (in liquid.) (sole stockholder)	-	-		C
20.000	Nuova CISA Spa (in liquid.) (sole stockholder)	-	-		C
55.000	Edison Spa	-	-		C
100.000	Edison Spa	(l)	0.000		C
50.000	Edison Spa	-	-		C
33.330	Nuova CISA Spa (in liquid.) (sole stockholder)	-	-		C
100.000	Edison Spa	- (h)	-	4	EM
60.000	Nuova CISA Spa (in liquid.) (sole stockholder)	-	-		C
100.000	Aifa Holding Sa	(i)	-		EM
100.000	Nuova Alba Srl (sole stockholder)	-	-		C
100.000	Nuova Alba Srl (sole stockholder)	-	-		C
35.250	Edison Spa	-	-		C
27.369	Nuova CISA Spa (in liquid.) (sole stockholder)	-	-		C
100.000	Aifa Holding Sa	-	-		C
50.000	Edison Spa	(l)	0.000		C
100.000	Edison Spa	(l)	0.000		C
31.000	Società Immobiliare Assago Spa (sole stockholder)	-	-		C
50.000	Nuova CISA Spa (in liquid.) (sole stockholder)	-	-		C
50.000	Nuova CISA Spa (in liquid.) (sole stockholder)	-	-		C
20.000	Edison Spa	-	-		C
1.000	Compo Chemical Company Inc.	-	-		C
99.000	Edison Spa	-	-		
100.000	Stirpex Bv	- (h)	-		C
85.800	Nuova CISA Spa (in liquid.) (sole stockholder)	- (h)	-		C
100.000	Edison Spa	- (h)	-		C
100.000	Edison Spa	- (h)	-		C
100.000	Edison Spa	- (h)	-		C
33.330	ICI Impresa Comm. Industriale Srl (sole stockholder)	-	-		C
50.000	Nuova CISA Spa (in liquid.) (sole stockholder)	-	-		C
100.000	Finimeg Spa (sole stockholder)	(l)	0.000		C
50.000	Nuova CISA Spa (in liquid.) (sole stockholder)	-	-		C
42.280	Edison Spa	(i)	-		C
100.000	Edison Spa	- (h)	-		C
50.000	Edison Spa	-	-		C

B) Investments in Unconsolidated Subsidiaries and Affiliated Companies (continued)

Name	Head office	Currency	Capital stock	Consolidated % Group interest	
				12/31/03	6/30/03
Soc. Gen. per Progr. Cons. e Part. Spa (under court administration)	Rome (IT)	ITL	300,000,000		
Sorrentina Scarl (in liquid.)	Rome (IT)	EUR	46,480		
Treviso Uno Scarl (in liquid.)	Ravenna (IT)	EUR	10,200		
Trieste Tre Srl (in liquid.)	Ravenna (IT)	EUR	10,400		
Miscellaneous Activities					
Monteshell Bitumi Srl	Muggia (Ts) (IT)	EUR	8,840,000		
Si.Lo.Ne. Sistema Logistico Nord Est Srl	Muggia (Ts) (IT)	EUR	2,211,568		
Diversified Activities					
Water					
Aguas Del Tunari Sa	La Paz (BO)	BOB	146,500,000		
Engineering					
Beijing United Gas Eng. & Techn. Co. Ltd	Pechino (CN)	USD	600,000		
Consorzio Per L'ambiente Rurale (in liquid.)	Rome (IT)	EUR	5,165		
Consorzio Progetti Trasporto	Rome (IT)	ITL	100,000,000		
Emitec Scarl (in liquid.)	Milan (IT)	EUR	10,200		
Gazintek	Kiev (UA)	UAH	477,495		
Icogas Tecnologia 2000 SL (form. Sofregaz Iberica)	Donastia (ES)	ESP	500,000		
Polymer Technology Inc.	Wilmington - Delaware (USA)	USD	200		
Sofregaz Deutschland Gmbh (in liquid.)	Berlin (DE)	EUR	25,000		
Sofregaz Praha Spol Sz.O (in liquid.)	Prague (CZ)	CZK	500,000		
Studio Geotecnico Italiano Srl	Milan (IT)	EUR	1,550,000		
Svincolo Taccone Scarl (in liquid.)	Bari (IT)	ITL	20,000,000		
Tws Sa	Lugano (CH)	CHF	100,000		
Other Activities					
Açucar Guarani Sa	Olimpia (State of São Paulo) (BR)	BRL	236,776,622		
Syremont Spa	Messina (IT)	EUR	750,000		

Interest held in capital stock % (b)	by	Voting securities held % (c)	Exercisable voting rights % (d)	Carrying value (in millions of euros) (g)	Method of consolidation or valuation (e)
59.330	Edison Spa	-	-		C
25.000	Nuova C.I.S.A. Spa (in liquid.) (sole stockholder)	-	-		C
81.820	Nuova C.I.S.A. Spa (in liquid.) (sole stockholder)	- (h) (i)	-		C
50.000	Nuova C.I.S.A. Spa (in liquid.) (sole stockholder)	-	-		C
50.000	Edison Spa	-	-	6	EM
50.000	Edison Spa	-	-	4	EM
55.000	International Water (Tunari) Sarl	-	-		C
20.000	Sofregaz Sa	-	-		EM
40.000	Tecnimont Spa (sole stockholder)	-	-		C
40.000	Tecnimont Spa (sole stockholder)	-	-		EM
50.000	Tecnimont Spa (sole stockholder)	-	-		EM
70.000	Sofregaz Sa	-	-		EM
100.000	Sofregaz Sa	-	-		EM
30.000	Tecnimont Spa (sole stockholder)	-	-		EM
100.000	Sofregaz Sa	-	-		EM
100.000	Sofregaz Sa	-	-		C
25.500	Tecnimont Spa (sole stockholder)	-	-	1	EM
80.000	Tecnimont Spa (sole stockholder)	-	-		C
97.000	Tpi-Tecnimont Planung Und Industrieanlagenbau Gmbh	-	-		C
35.840	Edison Spa	-	-	36	C
40.000	Edison Spa	-	-		EM

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

(as Required Under Article 126 of Consob Resolution 11971 of 5/14/1999)

Name	Head office	Currency	Capital stock	Consolidated % Group interest	
				12/31/03	6/30/03
Core Businesses - Marketing & Distribution Business Unit					
Marketing & Distribution					
Blumet Spa	Reggio Emilia (IT)	EUR	7,600,000		
Core Businesses - Corporate Activities					
Dormant Companies and Companies in Liquidation					
Consorzio Carnia	Sesto San Giovanni (Mi) (IT)	EUR	51,645		
Consorzio Carnia Scrl (in liquid.)	Rome (IT)	EUR	45,900		
Consorzio Friulano per il Tagliamento	Udine (IT)	EUR	10,330		
Pro. Cal. Mi. Srl (in liquid.)	Milan (IT)	EUR	51,000		
Sant'Angelo Srl (in liquid.)	Padua (IT)	EUR	10,200		
Sistema Permanente Di Servizi Spa (in bankruptcy)	Rome (IT)	EUR	154,950		
Soc. Gen. Imm. Sogene Spa (in liquid.)	Rome (IT)	EUR	19,026,230		
Miscellaneous Activities					
Acsm Spa	Como (IT)	EUR	37,496,500		
Aem Spa	Milan (IT)	EUR	936,024,648		
Azienda Mediterranea Gas e Acqua Spa	Genoa (IT)	EUR	169,525,200		
Diversified Activities					
Engineering					
Sagga Sa (in liquid.)	Paris (FR)	FRF	500,000		

Other equity investments of less than 10% and 2%, respectively, in unlisted and listed companies

TOTAL

Interest held in capital stock % (b)	by	Voting securities held % (c)	Exercisable voting rights % (d)	Carrying value (in millions of euros) (g)	Method of consolidation or valuation (e)
19.700	Edison Spa	-	-		C
17.000	Nuova CISA Spa (in liquid.) (sole stockholder)	-	-		C
17.000	Nuova CISA Spa (in liquid.) (sole stockholder)	-	-		C
16.300	Nuova CISA Spa (in liquid.) (sole stockholder)	-	-		C
15.330	Edison Spa	-	-		C
16.670	Edison Spa	-	-		C
12.600	Edison Spa	-	-		C
17.250	Edison Spa	-	-		C
3.970	Edison Spa	-	-		C
5.100	Edison Spa	-	-	139	C
3.000	Edison Spa	-	-		C
15.000	Sofregaz Sa	-	-		C
				34	
				1,188	

Notes

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

(b) The interest in the capital stock is equivalent to the percentage of the total equity stock represented by the par value of all equity securities held directly. In computing this ratio, the treasury stock held must be deducted from the denominator (total equity capital).

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

(d) The percentage of securities with exercisable voting rights is the ratio between the number of votes which can be effectively cast by the investor company attending an Ordinary Stockholders' Meeting and the total number of votes that can be cast at an Ordinary Stockholders' Meeting. The common shares of some companies confer the right to cast more than one vote at Ordinary Stockholders' Meetings (multiple-vote shares). The percentage is shown only if it is different from the interest held in the capital stock.

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

(f) In accordance with existing agreements, a minority stockholder has agreed to exercise the voting rights attributed to one share of Tecnimont ICB Private Ltd in accordance with the instructions of Tecnimont Spa, provided that these instructions are not detrimental to the interest of the company or the minority stockholders.

(g) The carrying value is shown only for companies valued by the equity method or at cost, when the respective interest is held directly by the Parent Company or by a company consolidated on a line-by-line basis or by the proportional method, provided that the carrying value is at least 1 million euros.

(h) Company over which Edison Spa exercises management and control.

(i) An application asking that this company be deleted from the Company Register is pending.

(l) The assets, partnership interests or shares of this company have been the subject of an order of seizure, which is not yet final. The exercise of the voting rights was attributed to a Receiver appointed by the Court of Palermo, Lower Prevention Section, on July 7, 1998.

(m) As required under Articled 2441, Section 7, of the Italian Civil Code, Edison has agreed to offer by September 30, 2004 to the preexisting stockholder 30.38% of the shares it subscribed (equal to 39,494 shares) in accordance with the resolutions approved by the Stockholders' Meeting on April 24, 2004.

FINANCIAL STATEMENTS OF EDISON SPA

at June 30, 2004

Balance Sheet of Edison Spa at June 30, 2004

12/31/03	ASSETS (in millions of euros)	6/30/04	6/30/03
-	**A) Receivables from stockholders for payments due**	-	-
	B) Fixed assets		
2,907	I - Intangibles	2,836	2,331
1,751	II - Property, plant and equipment	1,868	725
3,531	III - Financial fixed assets	3,329	5,292
8,189	**Total fixed assets (B)**	**8,033**	**8,348**
	C) Current assets		
151	I - Inventories	165	50
1,933	II - Accounts receivable	1,103	1,070
455	III - Financial assets not held as fixed assets	474	862
86	IV - Liquid assets	22	6
2,625	**Total current assets (C)**	**1,764**	**1,988**
73	**D) Accrued income and prepaid expenses**	**86**	**51**
10,887	**TOTAL ASSETS**	**9,883**	**10,387**

12/31/03	LIABILITIES AND STOCKHOLDERS' EQUITY	6/30/04	6/30/03
-	**A) Stockholders' equity**		
4,212	I - Capital stock	4,237	4,190
80	II - Additional paid-in capital	-	81
-	III - Reserve for inflation adjustments	-	-
-	IV - Statutory reserve	-	-
-	V - Reserve for treasury stock	-	-
-	VI - Reserves under the Bylaws	-	-
20	VII - Other reserves	20	4
(595)	VIII - Retained earnings (Loss carryforward)	(371)	(595)
144	IX - Net income (loss) for the period	165	(164)
3,861	**Total stockholders' equity (A)**	**4,051**	**3,516**
1,069	**B) Reserves for risks and charges**	**1,114**	**971**
31	**C) Reserve for employee severance indemnities**	**31**	**19**
5,829	**D) Liabilities**	**4,548**	**5,769**
97	**E) Accrued expenses and deferred income**	**139**	**112**
10,887	**TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY**	**9,883**	**10,387**
	MEMORANDUM ACCOUNTS		
3,227	1) Guarantees provided	3,321	2,946
1,057	2) Collateral provided	1,045	429
3,285	3) Commitments, risks and other memorandum accounts	3,296	2,767
7,569	**TOTAL MEMORANDUM ACCOUNTS**	**7,662**	**6,142**

Statement of Income of Edison Spa at June 30, 2004

2003 full year	(in millions of euros)	First half 2004	First half 2003
	A) Production value		
827	1) Sales and service revenues	1,172	107
(14)	2) Change in inventory of work in progress, semifinished goods and finished goods	16	-
7	4) Increase in Company-produced additions to fixed assets	2	1
104	5) Other revenues and income	30	12
2,924	**Total production value (A)**	**1,220**	**120**
	B) Cost of production		
813	6) Raw materials, auxiliaries, supplies and merchandise	727	20
437	7) Outside services	194	47
62	8) Use of property not owned	23	16
109	9) Personnel	50	33
417	10) Depreciation, amortization and writedowns	169	102
3	11) Change in inventory of raw materials, auxiliaries, supplies and merchandise	-	1
15	12) Provisions for risks	5	-
60	14) Miscellaneous operating costs	26	15
2,916	**Total cost of production (B)**	**1,194**	**234**
8	**Net production value (A-B)**	**26**	**(114)**
	C) Financial income and expense		
966	15) Income from equity investments	368	256
168	16) Other financial income	70	51
456	17) Interest and other financial expense	178	216
4	17bis) Foreign exchange gains (losses)	-	-
674	**Total financial income and expense (15+16-17)**	**260**	**91**
	D) Value adjustments on financial assets		
-	18) Upward adjustments	-	-
449	19) Writedowns	197	147
(449)	**Total value adjustments (18-19)**	**(197)**	**(147)**
	E) Extraordinary income and expense		
582	20) Extraordinary income	84	203
569	21) Extraordinary expense	33	190
13	**Total extraordinary items (20-21)**	**51**	**13**
246	**Income before taxes (A-B+C+D+E)**	**140**	**(157)**
102	22) Income taxes, including current and deferred-tax assets and liabilities	(25)	7
144	**Net income (loss)**	**165**	**(164)**

NOTES TO THE FINANCIAL STATEMENTS OF EDISON SPA

at June 30, 2004

The financial statements for the first half of 2004 of Edison Spa, the Group's Parent Company, have been prepared in accordance with the provisions of Article 81 of Consob Resolution No. 11971 of May 14, 1999, as amended.

In accordance with a resolution approved by the Stockholders' Meeting on June 28, 2002, the financial statements for the first half of 2003 have been the subject of a limited audit by PricewaterhouseCoopers Spa.

Accounting Principles and Methods

The accounting principles and methods used to prepare the financial statements of Edison Spa for the first half of 2004 are consistent with those used in the annual financial statements at December 31, 2003, which should be consulted for more detailed information. The only differences are the changes required to comply with the revisions to Italian corporate law enacted with Legislative Decree No. 6/2003, as amended. The new law amends the article of the Italian Civil Code that governs the presentation of financial statements, changing some of the underlying assumptions, the valuation criteria, the disclosures required in the notes and the presentation of the financial statements.
More specifically, Article 223 Undecies of the implementative and transitional provisions repealed Section 2 of the old Article 2426 of the Civil Code, pursuant to which, until December 31, 2003, it was permissible to book value adjustments and provisions exclusively for tax purposes. The elimination of disparities between reporting and tax data entails the obligation to prepare financial statements by computing depreciation and amortization based on the useful lives of assets, rather than using the maximum rates allowed for tax purposes. This has caused the Company to reverse the accelerated deprecation and amortization booked for tax purposes through December 31, 2003, which is valued at 84 million euros. After taking into account the impact of the related deferred-tax effect, this change had a positive impact of 69 million euros on the statement of income. Moreover, since depreciation and amortization are now computed based on the residual useful lives of assets, the depreciation and amortization taken during the first half of 2004 was 37 million euros less than it would have been if the rates used until December 31, 2003 had been applied.
However, it is important to keep in mind that the restatement of accumulated depreciation and amortization in accordance with regular depreciation rates affects only the accelerated depreciation and amortization booked in 2002 and 2003 by Edison (formerly Italenergia Spa), i.e., the legal entity resulting from the mergers of 2002. The reason for this is that the recognition of a portion of the loss upon merger as an addition to fixed assets covered all of the accelerated depreciation recognized in previous years by the absorbed companies. The resulting deferred-tax liabilities reflect the nondeductibility of a portion of the depreciation and amortization.
Unless otherwise stated, the amounts shown in the notes to the balance sheet and statement of income are in millions of euros. The data at June 30 and December 31, 2003, which are provided for comparison purposes, are those orignally published and have not been restated to eliminate the impact of tax items.

Other Information

During the second half of 2003, Edison Spa, the Group's Parent Company, went through a series of profound organizational changes that significantly altered its industrial operations. More specifically, Edison Spa absorbed Edison Termoelettrica and Edison Gas (subholdings, respectively, of thermoelectric and hydrocarbons companies) and, through them, an additional 21 core business companies.

As a result, Edison Spa now directly owns the following assets:

- 46 mineral concessions for the production of hydrocarbons;
- 12 thermoelectric power plants;
- 31 hydroelectric power plants.

Because of the magnitude of the changes that affected the Company's balance sheet and statement of income, a comparison with the first half of 2003 would not be meaningful.

NOTES TO THE BALANCE SHEET - ASSETS

B. Fixed Assets

Fixed assets totaled 8,033 million euros at June 30, 2004. The net decrease of 156 million euros compared with December 31, 2003 reflects the amortization for the period and the writedown of certain financial assets.
A breakdown of this item, showing the changes that occurred during the period, is provided below:

		6/30/04	12/31/03	Change
B.I)	Intangibles	2,836	2,907	(71)
B.II)	Property, plant and equipment	1,868	1,751	117
B.III)	Financial fixed assets	3,329	3,531	(20)
		8,033	**8,189**	**(156)**

The individual items that comprise fixed assets are reviewed below:

B.I) Intangibles

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

- 2,542 million euros for the portion of the loss upon merger that could not be allocated to assets and was booked as goodwill following the mergers by absorption completed in 2002 and 2003. The amortization of this item booked in the first half of 2004, based on a useful life of 20 years, amounted to 73 million euros.
- 256 million euros representing the carrying value of 46 mineral concessions for the exploitation of hydrocarbon deposits. These assets were acquired upon the absorption of Edison Gas last year. The above amount includes the corresponding portion of the net loss upon merger, which amounted to 103 million euros.

	B.I.1) Start-up and expansion costs	B.I.2) Research, development and advertising expenses	B.I.4) Concessions, licenses, patents trademarks and similar rights	B.I.5) Goodwill	B.I.6) Work in progress	B.I.7) other intangibles	Total
Balance at 12/31/03	**10**	**5**	**256**	**2,615**	**9**	**12**	**2,907**
Changes in the first half of 2004							
- Additions	-	4	-	-	1	-	5
- Amortization	(3)	(5)	(11)	(73)	-	(2)	(94)
- Reversal of tax items	-	-	18	-	-	-	18
- Other changes	-	-	3	-	(3)	-	-
Total changes	**(3)**	**(1)**	**10**	**(73)**	**(2)**	**(2)**	**(71)**
Balance at 6/30/04	**7**	**4**	**266**	**2,542**	**7**	**10**	**2,836**
Breakdown:							
Historical cost	69	295	641	2,882	7	40	3,934
Writedowns	-	(27)	(75)	-	-	(2)	(104)
Accumulated amortization	(62)	(264)	(300)	(340)	-	(28)	(994)

Additions for the period include 4 million euros in hydrocarbon exploration costs, which are always charged in full to income in the year they are incurred, plus costs incurred to upgrade the Company's information systems and install software updates.

B.II) Property, Plant and Equipment

Property, plant and equipment totaled 1,868 million euros, including 789 million euros remaining from the allocation of the loss upon merger. A breakdown is provided in the table below:

	B.II.1) Land and buildings	B.II.2) Plant and machinery	B.II.3) Manufact. and distrib. equipment	B.II.4) Other assets	B.II.5) Construction in progress and advances	Total
Balance at 12/31/03	**207**	**1,297**	**6**	**3**	**238**	**1,751**
Changes in the first half of 2004						
- Additions	-	4	-	-	123	127
- Disposals	-	(4)	-	-	-	(4)
- Depreciation	(5)	(64)	(1)	(1)	-	(71)
- Reversal of tax items	-	66	-	-	-	66
- Other changes	-	2	-	-	(3)	(1)
Total changes (B)	**(5)**	**4**	**(1)**	**(1)**	**120**	**117**
Balance at 6/30/04	**202**	**1,301**	**5**	**2**	**358**	**1,868**
Breakdown:						
Historical cost	284	2,965	26	14	360	3,649
Writedowns	(5)	(75)	-	.	(2)	(82)
Accumulated depreciation	(77)	(1,589)	(21)	(12)	-	(1,699)

The balance shown at June 30, 2004 for plant and machinery includes 343 million euros in assets of the hydroelectric power plants that are returnable at no cost.
Additions for the period (127 million euros) included the following projects:

- The Thermoelectric Division invested 103 million euros, including 44 million euros for an 800-MW combined-cycle power plant fired with natural gas in Altomonte (CS) and an additional 44 million euros for a facility in Candela (FG). The latter will use a mixture of natural gas and low-grade gas pumped from neighboring wells.
- The investments of the Electric Power operations, which totaled 11 million euros, were used for the usual incremental maintenance activities; to restructure the Marlengo power plant (replacement of unites 3 and 4) and increase its generating capacity by about 15.8 GWh, all eligible for the issuance of green certificates by the GRTN; to complete the construction work needed to install mini power plants downstream of the S. Giustina (15 GWh) and Mollaro (4 GWh) dams; and to install automation and remote control systems at the Sonico facility.
- The capital expenditures of the Hydrocarbons Division totaled 10 million euros. They were used for investments in Italy, involving mainly the Regina and Montegranaro fields.

Starting with the current fiscal year, the depreciation provision is based exclusively on regular rates, as required by the new provisions of the Italian Civil Code.
Lastly, in the consolidated financial statements, the leases for the Foro Buonaparte building and the Sesto San Giovanni, Settimo Torinese, Porcari and Nera Montoro power plants were recognized in accordance with the method recommended by the international accounting standard IAS 17 Revised. If this method had been used also in the statutory financial statements, the items recognized in the statement of income would have been the interest on the remaining unpaid principal and the depreciation for the period based on the value of the acquired assets and their remaining useful life, instead of the lease payments made during the period. In addition, the leased assets would have been shown on the asset side of the balance sheet and the corresponding indebtedness would have been listed among the liabilities. This would have caused net property, plant and equipment to increase by 111 million euros and earnings to rise by 4 million euros.

B.III) Financial Fixed Assets

The decrease in financial fixed assets, which totaled 3,329 million euros, or 202 million euros less than at December 31, 2003, is due to the writedown of the investment in Selm Holding International, which was booked to bring the carrying value of the investment in line with that of the interest held in the underlying stockholder's equity after the distribution of a 280-million-euro dividend earlier this year.
A breakdown of financial fixed assets and the changes that occurred during the first half of 2004 is provided below:

(in millions of euros)	Subsidiaries	Affiliated companies	Other companies	Loans receivable	Other securities	Total
Balance at 12/31/03	**2,248**	**992**	**169**	**120**	**2**	**3,531**
Changes in the first half of 2004:						
- Purchases/New borrowings	-	-	-	2	-	2
- Disposals/Redemptions	-	-	-	(10)	-	(10)
- Increases of capital stock	6	1	1	-	-	8
- Distributions of equity	(11)	-	-	-	-	(11)
- Writedowns	(190)	(1)	-	-	-	(191)
- Other changes	-	-	-	-	-	-
Total changes	**(195)**	**-**	**1**	**(8)**	**-**	**(202)**
Balance at 6/30/04	**2,053**	**992**	**170**	**112**	**2**	**3,329**
Breakdown:						
Historical cost	3,029	1,085	315	112	2	4,543
Reserve for writedowns	(976)	(93)	(145)	-	-	(1,214)

The total amount of financial fixed assets includes 974 million euros from the net loss upon merger, which is allocated as follows:

Company	Original carrying value	Allocated amount	Writedown in 2004	Carrying value at June 30, 2004
Finel Spa	117	252	-	369
Edison Energie Speciali Spa	46	389	-	435
Selm Holding International Sa	23	204	(188)	39
Serene Spa	17	61	-	78
Termica Milazzo	14	56	-	70
Termica Boffalora Srl	10	13	-	23
Sogetel Spa	9	41	-	50
Termica Celano	-	28	-	28
Total loss allocated in 2002 (a)	**236**	**1,044**	**(188)**	**1,092**
Edison International Sa	23	32	-	55
Bussi Termoelettrica Spa	15	29	-	44
Gever Spa	6	18	-	24
Jesi Energia Spa	4	12	-	16
Sarmato Energia Spa	9	27	-	36
Total loss allocated in 2003 (a)	**57**	**118**	**-**	**175**
Total (a+b)	**293**	**1,162**	**(188)**	**1,267**

An analysis of the changes is provided below:

- Additions, which totaled 8 million euros, include recapitalizations of companies operating at a loss.
- Distributions of equity (11 million euros) refer to the distribution of reserves by the Stirpex subsidiary prior to its being merged by absorption into Montedison Finance Europe Sa.
- The main component of writedowns amounting to 191 million euros is a charge of 188 million euros booked to write down the investment in Selm Holding International Sa to bring the carrying value of the investment in line with that of the interest held in the underlying stockholder's equity. This charge is offset in the statement of income by a 280-million-euro dividend distributed by this subsidiary.
- Redemptions of loans receivable include repayments of 6 million euros by the subsidiary Come Iniziative Immobiliari Srl and 4 million euros by the subsidiary Nuova Cisa.

Loans receivable, which total 112 million euros, include 57 million euros owed by IPSE. These loans and the carrying value of the investment in this company (9 million euros) are offset by a reserve for risks of 66 million euros.

A list of the equity investments held at June 30, 2004 and of the changes that occurred since December 31, 2003 is provided in a separate section after the notes to the financial statements.

C. Current Assets

Current assets decreased sharply, falling to 1,764 million euros, or 861 million euros less than at December 31, 2003. A breakdown of current assets is as follows:

		6/30/04	12/31/03	Change
C.I)	Inventories	165	151	14
C.II)	Accounts receivable	1,103	1,933	(830)
C.III)	Financial assets not held as fixed assets	474	455	19
C.IV)	Liquid assets	22	86	(64)
		1,764	**2,625**	**(861)**

The large decrease shown by this account reflects a reduction in the receivables owed by the Edison International subsidiary following the collection of dividends and repayments of amounts owed by other subsidiaries for the assignment of tax credits. The individual items included under this caption are discussed below.

C.I) Inventories

Inventories, which totaled 165 million euros, include the following:

- 109 million euros in hydrocarbon inventories, including 103 million euros in stored natural gas and 6 million euros in stocks of fluxing oil and crude oil produced from the Rospo Mare, Sarago Mare and Vega fields.
- 42 million euros in real estate assets available for resale.
- 14 million euros in materials and equipment used to maintain and operate production facilities.

C.II) Accounts Receivable

A breakdown of accounts receivable (1,103 million euros) is provided below.

	6/30/04	12/31/03	Change
C.II.1) Trade accounts receivable	153	253	(100)
C.II.2) Accounts receivable from subsidiaries	342	795	(453)
C.II.3) Accounts receivable from affiliated companies	14	64	(50)
C.II.4-bis) Tax refunds receivable	440	761	(321)
C.II.4-ter) Deferred-tax assets	41	-	41
C.II.5) Accounts receivable from outsiders	113	60	(53)
	1,103	**1,933**	**(830)**
Breakdown:			
- Trade related receivables	384	409	(25)
- Other receivables	719	1,524	(805)

Receivables due after one year, which totaled 355 million euros, include the long-term portion of tax refunds and accrued interest receivable. As explained above, the decrease from December 31, 2003 reflects a reduction in the receivables owed by the Edison International subsidiary following the collection of accrued dividends and the intraGroup assignment of tax credits.

An analysis of the components of this account is provided below.

- **Trade accounts receivable** involve commercial transactions stemming from contracts for the sale of electric power, steam, natural gas and oil.
- **Accounts receivable from subsidiaries** of 342 million euros were owed by the following Edison Group companies:

	Trade receiv.	Other receiv.	Total
ISE	3	33	36
Serene	6	11	17
Caffaro Energia Srl	-	10	10
Edison Energia Spa	17	-	17
Jesi	4	-	4
Edison Trading Spa	154	1	155
Sarmato SCPA	4	1	5
Edison Rete Spa	-	12	12
Edison D.G.	-	4	4
Termica Milazzo Srl	4	5	9
Megs Srl	-	3	3
Edison Per Voi Spa	4	5	9
Termica Celano Srl	4	5	9
Other	20	32	52
	220	**122**	**342**

- **Accounts receivable from affiliated companies** (14 million euros) included 12 million euros in trade receivables arising from sales of natural gas and 2 million euros owed by Group companies for services provided and for the rebilling of expenses.
- **Tax refunds receivable** of 440 million euros include refunds owed by the tax administration totaling 234 million euros and other recoverable tax credits amounting to 206 million euros.
- **Deferred-tax assets** of 41 million euros refer to the tax losses generated in the first half of 2004. Deferred-tax asset amounts are recognized taking into account expectations of future collectibility and the impact of the current corporate restructuring transactions on certain Group subsidiaries with taxable income.
- **Accounts receivable from outsiders** of 113 million euros include 42 million euros in deferred payments owed to Edison Treasury Services under transactions executed in connection with the factoring of receivables.

The data provided below comply with the disclosure requirements of Law No. 130/99 with regard to the assignments of receivables. The data show that turnover of assigned receivables amounted to 329 million euros in the first half of 2004. Outstanding assigned receivables totaled 46 million euros. The deferred portion of assigned receivables (DPP) recognized in the financial statements under accounts receivable from outsiders amounted to 42 million euros. Consequently, the assignment of receivables generated a financial benefit of about 4 million euros in the first half of 2004.

C.III) Financial Assets not Held as Fixed Assets

Financial assets not held as fixed assets totaled 474 million euros, or 19 million euros less than at december 31, 2003. They include the following:

- 454 million euros in financial transactions executed with subsidiaries (435 million euros) and affiliated companies (19 million euros).
- 20 million euros in investments in publicly traded companies, the largest of which are the interests held in Amga Spa (10 million euros), Acegas Spa (4 million euros) and Acea Spa (2 million euros). During the first half of 2004, the Company sold its investment in SAI Spa, the Fondiaria warrants and a portion of the Acea Spa shares for a total gain of 2 million euros.

C.IV) Liquid Assets

Liquid assets, which consist entirely of short-term bank deposits, amounted to 22 million euros.

D. Accrued Income and Prepaid Expenses

A breakdown of the balance of 86 million euros is as follows:

- 36 million euros in financial accrued income, including 34 million euros in gains on forward transactions and 2 million euros in interest earned on a loan to the Ibiritermo affiliate.
- 47 million euros in prepaid expenses, including 12 million euros earned on hedging transactions executed in connection with bond issues, 10 million euros in hydroelectric licensing fees and surcharges, 8 million euros in rebillable costs incurred in connection with the LNG project and 5 million euros representing the prepaid portion of the amount payable by the company over 20 years in subsequent fiscal years as a result of the reform of the pension system for employees of electric power companies.
- 3 million euros in bond issue discounts.

NOTES TO THE BALANCE SHEET LIABILITIES AND STOCKHOLDERS' EQUITY

A. Stockholders' Equity

The net increase in stockholders' equity (+198 million euros compared with December 31, 2003) reflects the positive impact of the earnings for the period and of 25 million euros in new capital contributed through the exercise of warrants.

The table below provides a breakdown of stockholders' equity and shows the changes that occurred during the period.

	Capital stock	Additional paid-in capital	Reserve for government grants	Tax loss carry-forward	Earnings for the period	Total
Stockholders' equity at 12/31/03	**4,212**	**80**	**20**	**(595)**	**144**	**3,861**
Appropriation of 2003 earnings	-	(80)	-	224	(144)	-
Capital stock increase	25	-	-	-	-	25
Earnings for the period	-	-	-	-	165	165
Stockholders' equity at 6/30/04	**4,237**	**0**	**20**	**(371)**	**165**	**4,051**

At June 30, 2004, the subscribed and fully paid-in capital stock of Edison Spa consisted of 4,236,890,015 shares with a par value of 1 euro each, including 4,126,297,595 common shares and 110,592,420 nonconvertible savings shares. During the first half of 2004, the capital stock increased by 24,810,754 shares due to the exercise of warrants. A total of 1,047,608,175 warrants were outstanding as of June 30, 2004. These warrants, which expire in December 2007, convey the right to purchase an equal number of shares, at a price of 1 euro per share.

B. Reserves for Risks and Charges

This reserve, totaling 1,114 million euros, provides coverage for costs, the existence of which is certain or probable, that could arise from the potential liabilities listed below:

	Balance at 12/31/03	Provisions	Utilizations	Other changes	**Balance at 6/30/04**
B.2) Reserve for taxes, includ. deferred taxes	**50**	**23**	**(7)**	**-**	**66**
B.3) Other reserves for risks and charges					
- For disputes, litigations and contracts	209	5	-	-	214
- For guarantees for equity investments contracts	294	2	(3)	-	293
- Writedown of assets	17	-	-	(2)	15
- Risks related to equity investments	28	10	-	2	40
- Risks for mine closures	91	5	-	-	96
- Other risks and charges	380	10	-	-	390
Total other reserves for risks and charges	**1,019**	**32**	**(3)**	**-**	**1,048**
Total reserves for risks and charges	**1,069**	**55**	**(10)**	**-**	**1,114**

The reserve for taxes of 66 million euros represents coverage for any liability that may arise from disputed direct- and indirect-tax items and deferred items totaling 15 million euros for the reversal of charges booked exclusively for tax purposes. The amount of 7 million euros shown in the utilizations column includes 3 million euros for the settlement of disputed tax items on a reduced-assessment basis, as allowed under Article 16 of Law No. 289/2002 on tax amnesties. Settlements of other risk positions account for the balance.

Other reserves for risks and charges, which totaled 1,048 million euros, were increased by provisions of 6 million euros for accrued interest, 5 million euros added to the reserves for future charges expected in connection with the closing of exhausted gas and oil deposits and 10 million euros added to the reserve for risks related to equity investments in anticipation of charges that may arise from future divestitures. Provisions booked in connection with new disputes account for the balance. Utilizations of 3 million euros refer to the settlement of disputes that required the payment of compensation to the opposing party.

C. Reserve for Employee Severance Indemnities

The balance of 31 million euros covers obligations for severance indemnities accrued during the period by Group employees.

A breakdown of the Company's payroll at June 30, 2004 is provided below.

	6/30/04	12/31/03	Change
Executives	133	137	(4)
Middle managers	316	306	10
Office staff	667	684	(17)
Factory staff	220	210	10
	1,336	**1,337**	**(1)**

D. Liabilities

Liabilities totaled 4,548 million euros. The decrease of 1,281 million euros from December 31, 2003 is mainly the result of changes in loans payable to subsidiaries.
A breakdown of this item is as follows:

	6/30/04	12/31/03	Change
D.1) Bonds	2,130	2,030	100
D.3) Loans payable to stockholders	2	1	1
D.4) Due to banks	1,528	1,834	(306)
D.5) Due to other lenders	5	5	-
D.6) Advances	15	16	(1)
D.7) Trade accounts payable	279	305	(26)
D.9) Accounts payable to subsidiaries	410	1,352	(942)
D.10) Accounts payable to affiliated companies	-	1	(1)
D.11) Accounts payable to controlling companies	1	3	(2)
D.12) Taxes payable	44	36	8
D.13) Payables to social security institutions	7	8	(1)
D.14) Other liabilities	127	238	(111)
	4,548	**5,829**	**(1,281)**

All liabilities are due within one year, with the exception of a bond issue (2,130 million euros), the long-term portion of the Company's bank borrowings (146 million euros) and a loan received from the European Coal and Steel Community (5 million euros).
An analysis of the individual components of this item is provided below.

- The bonds payable account (2,130 million euros) includes the following bond issues floated by Edison Spa:
  - 600 million euros in Edison 2000-2007 bonds, which are traded on the Luxembourg Stock Exchange. The initial coupon rate of these securities was 6.375%. As a result of the step up/step down mechanism, it has since changed to 7.375%. Thanks to the decision by Standard & Poors to boost Edison's rating from BBB to BBB+, the current coupon rate is 25 basis points lower than in December 2003 (7.625%).
    In February 2004, Edison's Extraordinary Stockholders' Meeting passed a resolution changing the mechanism used to compute the coupon rate and cancelled the put option originally granted to each bondholder, which was exercisable if Edison's rating were to fall below BBB-/Baa3. As consideration for the approval of this resolution, the bondholders received a lump-sum payment equal to 0.35% of the par value of the bonds held, for a total payout of 2 million euros.
  - 830 million euros in Italenergia 2002-2007 bonds, placed with retail investors. Until August 2004, these bonds paid interest based on a fixed coupon rate of 4.95%. For the remaining three years, they will pay interest at a variable rate equal to the six-month Euribor rate plus 100 basis points.
  - 700 million euros in Edison 2003-2010 bonds, which include 600 million euros issued in December 2003 and an additional 100 million euros issued in January

2004. These bonds, which are not subject to step up/step down adjustments, are listed on the Luxembourg Stock Exchange and pay interest based on a fixed coupon rate of 5.125%. This issue is part of a new EMTN Program, authorized for a maximum amount of 2 billion euros.

In July, acting within the framework of the same EMTN Program, Edison Spa issued 500 million euros in variable-rate bonds. This issue, which matures in seven years, pays interest quarterly based on a variable coupon rate equal to the three-month Euribor rate plus 60 basis points.

- **Loans payable to stockholders** of 2 million euros, represents the balance in a current account held on market terms with the controlling company Italenergia Bis Spa.
- The balance **due to banks** include 1,382 million euros in long-term loans and 146 million euros in medium-term loans (136 million euros noncollateralized and 10 million euros collateralized).
- The 5 million euros **due to other lenders** refers primarily to loans from the European Coal and Steal Community that mature in 2007.
- **Advances** of 15 million euros consist mainly of advances and confirmatory down payments deposits received from prospective buyers of equity investments and real estate. The largest component of this item is the advance paid by Falck Spa in the course of the negotiations to sell 100% of Tecnimont Spa.
- **Trade accounts payable** of 279 million euros refer mainly to services received in connection with routine and special maintenance of the production facilities, and purchases and swaps of electric power, natural gas and other utilities.

  The table below provides a breakdown of this account and shows the changes that occurred during the first half of 2004.

	6/30/04	12/31/03	Change
Domestic suppliers	261	292	(31)
Foreign suppliers	18	13	5
	279	**305**	**(26)**
Breakdown:			
• Hydrocarbon	180	197	(17)
• Thermoelectric	64	62	2
• Hydroelectric	20	18	2
• Corporate	15	28	(13)
	279	**305**	**(26)**

Accounts payable to subsidiaries of 410 million euros include the following:

- Financial payables of 368 million euros, which represent balances in intraGroup current accounts maintained by subsidiaries within the framework of the Group's centralized cash management system.
- Trade payables of 24 million euros related to purchases of electric power and natural gas, fees for the use of the transmission network, purchases of green certificates and service contracts.
- 18 million euros in miscellaneous payables stemming mainly from the Group's use of a consolidated VAT filing system.

The table below provides a breakdown of the most significant of these items.

	Financial	Trade	Other	Total
Finel Spa	32	-	-	32
Edison T&S Spa	-	3	-	3
Edison Energia Spa	168	10	2	180
Consorzio di Sarmato Spa	-	3	-	3
EdisonTrading Spa	-	-	4	4
Edison International Spa	19	-	-	19
Megs Srl	-	-	6	6
Edison Per Voi Spa	24	-	-	24
Tecnimont	59	8	-	67
Other	66	-	6	72
	368	**24**	**18**	**410**

- **Accounts payable to controlling companies** (1 million euros) reflect other charges owed to Italenergia Bis Spa.
- **Taxes payable** (44 million euros) include 19 million euros owed as part of the reduced-assessment settlement of disputed tax items (Law No. 289/2002), 12 million euros for the VAT owed under the pool filing system, 8 million euros for the local tax liability (IRAP) incurred during the period and 5 million euros for miscellaneous substitute-tax withholdings and other taxes.
- **Payables to social security institutions** (7 million euros) reflect the Company's liability for social security contributions and amounts withheld from employees pursuant to existing laws.
- **Other liabilities**, which totaled 127 million euros, include the following:

	6/30/04	12/31/03	Change
Accounts payables to:			
- government entities	21	27	(6)
- employees	10	15	(5)
- other	96	196	(100)
	127	**238**	**(111)**

The main components of Other liabilities are reviewed below.

- Accounts payables to government entities (21 million euros) consist mainly of royalties owed for the extraction of natural gas and fees payable for the right to divert the flow of rivers for hydroelectric generation.
- Accounts payables to employees (10 million euros) refer to the deferred compensation owed to employees under the collective bargaining agreement currently in force.
- Accounts payables to others (96 million euros) include the balance owed under the agreement reached with Enichem on March 6, 2003 to settle the disputes that arose in 1992 with regard to the Enimont joint venture (50 million euros). The decrease of this liability account reflects the payments made to Enichem during the first half of 2004 pursuant to the settlement agreement.

E. Accrued Expenses and Deferred Income

A breakdown of this item, which totaled 139 million euros, is as follows:

- Financial accrued expenses of 120 million euros, which refer primarily to charges related to derivatives executed to hedge foreign exchange and commodity commitments (38 million euros), accrued interest on outstanding bond issues (77 million euros) and accrued interest on other loans (5 million euros)
- Financial deferred income of 19 million euros, including 12 million euros related to derivatives executed to hedge bond-issue liabilities and 3 million euros for grants received by the Ministry of Industry, Commerce and Crafts for capital investment projectes related to hydrocarbon extraction concessions.

MEMORANDUM ACCOUNTS

A breakdown of memorandum accounts totaling 7,662 million euros is as follows:

	6/30/04	12/31/03	Change
1) Guarantees provided			
Sureties and other guarantees on behalf of:			
- subsidiaries	1,792	1,403	389
- affiliated companies	1,221	1,289	(68)
- controlling companies			
- outsiders	308	535	(227)
	3,321	**3,227**	**94**
2) Collateral provided for			
Borrowings and other obligations of outsiders	950	950	-
Liabilities listed on the balance sheet	95	107	(12)
	1,045	**1,057**	**(12)**
3) Commitments, risks and other memorandum accounts			
Investments orders outstanding	565	549	16
Forward financial transaction	1,692	1,717	(25)
Forward transactions and derivatives to hedge foreign exchange risks	95	31	64
Forward transactions in the commodities markets	202	103	99
Commitments to buy equity investments	170	165	5
Securities deposited with outsiders	296	478	(182)
Other company assets held by outsiders	123	90	33
Offsets of VAT credits	11	11	-
Outsider lessors of assets	11	18	(7)
Assets of outsiders held by the Company	12	12	-
Guarantees provided by suppliers and customers	118	110	8
Other memorandum accounts	1	1	-
	3,296	3,285	11
Total memorandum accounts	**7,662**	**7,569**	**93**

1) Guarantees Provided

The main components of this item, which came to 3,321 million euros, are:

- 300 million euros for a guarantee issued to Edipower Spa to secure a junior loan facility granted in connection with the refinancing of Edipower that took place in August 2003.
- 50 million euros for a surety provided to Edipower Spa to secure the contractual obligations of Edison Trading, a wholly owned subsidiary of Edison Spa.
- 250 million euros for a commitment to contribute capital and/or provide the subordinated financing needed by the Edipower Spa affiliate to complete its repowering program.
- 802 million euros in guarantees provided to the Milan VAT office on behalf of sub-

sidiaries for offsetting VAT credits and those provided to subsidiaries in connection with the intraGroup assignment of tax credits.
- 528 million euros for guarantees provided to customers of Tecnimont Spa (489 million euros) and Protecma Srl (39 million euros) for the performance of supply contracts.
- 54 million euros for a counterguarantee provided to secure the obligation undertaken by the Bluefare Ltd affiliate toward The Royal Bank of Scotland Plc, which bank holds a put option for the Edipower shares it holds (equal to 5% of the capital stock of Edipower Spa). This option is exercisable starting on the fifth year after the signing of the Coinvestment Agreement. If Bluefare Ltd fails to perform its obligation, the industrial stockholders of Edipower can be held jointly responsible, but they retain the right to pursue Bluefare Ltd.
- 130 million euros for sureties provided to Edison Energie Speciali for damages caused by defects attributable to Edison in the design or construction of the electrical system and/or civil engineering work for wind farms built under project financing arrangements, limited to the cost of building and designing the facilities in question in accordance with contract stipulations.
- 25 million euros to secure performance of the obligations undertaken by Edison Energie Speciali Spa pursuant to a shareholders' agreement executed by Parco Eolico San Giorgio Srl, Parco Eolico Foiano Srl and The Royal Bank of Scotland Plc.

In addition, as part of the refinancing of Edipower Spa, Edison Spa has agreed to provide this affiliate with sufficient additional capital and/or subordinated financing to cover cost overruns, defects liability costs and underperformances that Edipower Spa may incur in connection with its repowering program (250 million euros). Moreover, pursuant to a tolling contract and a power purchasing agreement, Edison Spa has guaranteed the commercial obligations undertaken by Edison Trading Spa (a wholly owned subsidiary of Edison Spa) toward Edipower Spa, but only in the event of serious default or insolvency by Edison Trading Spa (300 million euros).

2) Collateral Provided

Collateral provided totaled 1,045 million euros. It consists primarily of Edipower Spa shares (801 million euros) pledged to secure financing provided to Edipower by a pool of banks and Serene Spa shares (78 million euros) pledged to San Paolo IMI Spa to secure a loan.

3) Commitments, Risks and Other Memorandum Accounts

The main components of this account, which totaled 3,296 million euros at June 30, 2004, are the following:
- 1,692 million euros in notional amounts of contracts executed to hedge against changes in interest rates.
- 95 million euros in notional amounts of contracts executed to hedge against changes in foreign exchange rates.
- 202 million euros in off-balance-sheet transactions in the commodities and forward markets.

- 170 million euros in commitments to buy equity investments, which include 163 million euros for the potential exercise of the put option held by each industrial stockholder of Edipower Spa. The put is enforced against all other industrial stockholders. In the case of Edison Spa, the liability is equivalent to 7.5% of the Edipower shares. The put options are exercisable starting on the fifth year after the signing of the shareholders' agreement.
- 296 million euros in equity securities deposited with outsiders for safekeeping.
- 11 million euros representing the value of VAT credits used for offset purposes by subsidiaries that were later absorbed by Edison Spa.
- 11 million euros representing the balance still outstanding on the real estate lease executed for the Foro Buonaparte building.

Other Obligations not Recognized in the Memorandum Accounts

The Hydrocarbons operations have entered into contracts for the importation of natural gas. As is usually the case, contracts of this magnitude and of these durations contain take-or-pay clauses that obligate the buyer to pay for any shortage between the stipulated maximum quantities and the quantity actually used (unless the shortage is due to causes not provided for in the contract), with the option for the buyer to make up, at certain conditions, the paid but unused volume over the life of the contract. When fully operational, the import contracts that are currently being implemented with Russia, Libya and Norway will provide annual supplies of 7.4 billion cubic meters of natural gas a year. During the first half of 2004, the Group signed a new import contract with Qatar that supplements an existing contract and which, like the existing agreement, will become effective when the North Adriatic LNG terminal is built. When this expanded agreement is fully operational, Qatar will supply a total of 5.8 billion cubic meters of natural gas a year and Edison Spa has the option of requesting a further increase to 6.4 billion cubic meters of natural gas per year. In June 2003, Edison Spa signed a Memorandum of Understanding undertaking to import a further 4 billion cubic meters of natural gas a year from Algeria. Deliveries are scheduled to begin once the expansion of the Transmed pipeline linking Algeria with Italy through Tunisia is completed. 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.

Moreover:

- In connection with the sale of Béghin-Say, Edison Spa acquired an interest in Guarani, a Brazilian sugar producer, for 36 million euros. Edison is the holder of a put option that entitles it to sell these shares to Béghin-Say under certain conditions, starting on January 1, 2007. Béghin-Say holds a call option on the same shares. The exercise price of the option is 36 million euros, less any dividends paid between the purchase and resale dates that are greater than 30% of the earnings distributable each year.

- Loans received by Termica Milazzo Srl, Termica Celano Srl and Sogetel Spa are secured by a negative pledge of Edison Spa shares and, for the latter two companies, a pledge commitment toward the lender bank, should certain noncompliance conditions occur.
- 39,494 shares of Volta Spa are covered by a call option exercisable by the partner OAO Gazprom. This option was exercised and accepted by the counterpart on July 15, 2004.

NOTES TO THE STATEMENT OF INCOME

Edison Spa reported net income of 165 million euros in the first half of 2004, compared with a loss of 164 million euros in the same period last year.
The difference in operating results reported by the Company in the first half of this year as opposed to the first half of last year is explained in these notes to the statement of income. It reflects primarily a significant change in the scope of operations of the new Edison (formerly Italenergia), which now manages directly the industrial activities of several former subsidiaries it has absorbed, the largest of which are Edison Termoelettrica Spa and Edison Gas Spa. Because of the change in the Company's industrial structure, comparisons with the first half of 2003 are not truly meaningful.
The main components of the earnings for the first half of 2004 are EBITDA of 195 million euros (negative EBITDA of 12 million euros in the first six months of 2003), which were made possible in part by the merger transactions mentioned above; depreciation and amortization for the period of 169 million euros; net financial expense of 108 million euros; and writedowns of equity investments totaling 197 million euros. These writedowns were offset by dividend income of 368 million euros. Positive contributions were also provided by the reversal of charges booked solely for tax purposes, which produced extraordinary income of 69 million euros, and the recognition of deferred tax assets stemming from recognition of the Company's tax loss carryforward, after taking into account the taxable income of subsidiaries that are parties to already approved merger transactions (41 million euros).

The individual factors that contributed to this performance are reviewed on the following pages.

A. Production Value

Production value, which totaled 1,220 million euros, includes the following:

		First half 2004	First half 2003	Change
A.1)	Sales and service revenues	1,172	107	1,065
A.2)	Changes in inventory of work in progress, semifinished goods and finished goods	16		16
A.4)	Increase in Company-produced additions to fixed assets	2	1	1
A.5)	Other revenues and income	30	12	18
		1,220	**120**	**1,100**

The main components of production value are analyzed below.

A.1) Sales and Service Revenues

Sale and service revenues totaled 1,172 million euros, or 1,065 million euros more than in the first half of 2003, due mainly to the contribution of companies absorbed last year. A breakdown of this item is provided below.

	First half 2004	First half 2003	Change
Revenues from the sales of:			
- Natural gas	669	-	669
- Electric power	422	78	344
- Steam	26	-	26
- Oil	25	-	25
- Other materials and utilities	1	-	1
	1,143	**78**	**1,065**
Service revenue	14	13	1
Contract work revenues	11	7	4
Revenues from the leasing of a thermoelectric power plant	-	7	(7)
Electric power transmission revenues	2	1	1
Other revenues	2	1	1
	1,172	**107**	**1,065**

An analysis of the individual component of sales and service revenues is provided below.

- A breakdown of 669 million euros in revenues from natural gas sales is as follows: 327 million euros to nonindustrial users, 156 million euros to industrial users and 186 million euros to thermoelectric power plants.
- 422 million euros in revenues from the sale of electric power include 344 million euros for power generated by thermoelectric power plants, reflecting the contribution provided by the Edison Trading Spa subsidiary.
- 26 million euros in steam were sold to consumers.

Revenues also include:

- 14 million euros in revenues for corporate services provided to Group companies.
- 11 million euros in technical design services and facilities construction.

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

The balance of 16 million euros represents the natural gas inventory stored for future delivery to customers.

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

The amount of 2 million euros includes costs incurred to maintain and update the technology and security of the Group's production facilities, which are 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 30 million euros, is provided below.

- 5 million euros in recoveries from partners of operating costs paid to outsiders in those cases in which the Company acts as operator in the exploitation of hydrocarbon deposits.
- 5 million euros in out-of-period income, consisting mainly of adjustments to transmissions charges billed in previous years.
- 3 million euros in insurance claims received during the first half of 2003.
- 3 million euros in charges incurred by the Company but attributable to subsidiaries.
- 2 million euros in oil and gas swaps carried out with ENI to optimize natural gas logistics. The corresponding charge was posted to B.6) Raw materials, auxiliaries, supplies and merchandise.
- 2 million euros in utilizations of reserves for risks and charges.
- 10 million euros in miscellaneous revenues, including the costs of employees of Edison Spa seconded to other Group companies, miscellaneous rentals, gains on the sale of fixed assets and sundry revenues.

B. Cost of Production

A breakdown of the cost of production, which totaled 1,194 million euros, is provided below.

		First half 2004	First half 2003	Change
B.6)	Raw materials, auxiliaries, supplies and merchandise	727	20	707
B.7)	Outside services	194	47	147
B.8)	Use of property not owned	23	16	7
B.9)	Personnel	50	33	17
B.10)	Depreciation, amortization and writedowns	169	102	67
B.11)	Change in inventory of raw materials auxiliaries, supplies and merchandise	-	1	(1)
B.12)	Provisions for risks	5	-	5
B.14)	Miscellaneous operating costs	26	15	11
		1,194	**234**	**960**

The change in the scope of consolidation mentioned earlier in this Report is the reason for the increase in the cost of production. The main components of this account are reviewed below.

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

This item, which totaled 727 million euros, includes the following:

- 692 million euros or natural gas purchased both as fuel for the Company's thermoelectric power plants and for resale;
- 18 million euros for purchases of janitorial materials, supplies and utilities;
- 17 million euros to purchase the share of Edison Spa of electric power made by consortium subsidiaries and to refund the share of operating costs incurred by the Swiss affiliate Kraftwerke Hinterrhein Ag attributable to the energy belonging to Edison Spa.

B.7) Outside Services

The most significant component of this account, which had a balance of 194 million euros, is the cost of transmission services (108 million euros) paid to deliver natural gas to customers. A much smaller amount (2 million euros) was paid to GRTN for electric power transmission.
The amount paid for professional consulting and other services includes the following: 24 million euros for technical, legal and administrative consulting services; 27 million euros to maintain and repair production facilities; 5 million euros for legal and notarial services; 9 million euros for information technology services; 8 million euros for centralized services involving the absorbed companies; and 8 million euros for insurance premiums.

B.8) Use of Property Not Owned

The balance of 23 million euros includes the following:

- 11 million euros for concessions and the right to divert water flows for hydroelectric generation, including government fees, local surcharges and other fees payable pursuant to regional or local laws.
- 3 million euros to lease a storage ship and the service vessels used to operate the Vega, Sarago Mare and Rospo Mare oil concessions.
- 9 million euros in lease payments incurred mainly under the building leases covering the Foro Buonaparte building and the thermoelectric power plants.

B.9) Personnel

Personnel costs totaled 50 million euros at June 30, 2004. The table below shows a breakdown of the Company's staff and the changes that occurred during the first half of 2004.

	Number at 1/1/04	Additions during the first half	Reductions during the first half	Change in category and other changes	Number at 6/30/04	Average number at 6/30/04
Executives	137	2	(9)	3	133	135
Middle managers	306	8	(14)	16	316	315
Office staff	684	11	(23)	(5)	667	669
Factory staff	210	25	(6)	(9)	220	219
Total staff	**1,337**	**46**	**(52)**	**5**	**1,336**	**1,337**

B.10) Depreciation, Amortization and Writedowns

This item, which totaled 169 million euros at June 30, 2004, includes the following:

- 73 million euros for the amortization of the loss upon merger allocated to goodwill.
- 71 million euros for depreciation of property, plant and equipment, including 36 million euros for the thermoelectric power plants ,24 million euros for the hydroelectric power plants and 11 million euros for the hydrocarbons facilities. This item also includes 39 million euros in amortization of the portion of loss upon merger allocated to these assets.
- 21 million euros for amortization of intangibles, including 11 million euros for hydrocarbon concessions, 5 million euros for research and development costs and 5 million euros for other items.
- 4 million euros for the writedown of loans included in current assets.

As required by the new provisions of the Italian Civil Code, depreciation and amortization have ben computed only on the basis of the estimated useful life of the assets. If depreciation and amortization had been computed with the rates used until 2003, it would have been higher by 37 million euros.

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

The balance of 1 million euros refers primarily to the elimination of the carrying value of inventory items sold during the first half of 2003. The corresponding revenues are reflected under A.1) Sales and service revenues. These sales produced no significant gain or loss.

B.12) Provisions for risks

The amount of 5 million euros was 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

The main components of this item, which totaled 26 million euros, are:

- 3 million euros in corporate costs, including fees of 2 million euros paid to Directors and Statutory Auditors.
- 6 million euros to purchase green certificates.

- 2 million euros in miscellaneous taxes and fees, including 1 million euros for nondeductible VAT and 1 million euros for municipal property taxes.
- 5 million euros in out-of-period costs.
- 4 million euros in other sundry rebillable costs incurred on behalf of outsiders and representing the offset of the revenues booked under A.5 Other revenues and income. They include environmental remediation costs, damages paid to outsiders, insurance premiums and costs related to various Group projects.

C. Financial Income and Expense

Net financial income amounted to 260 million euros, reflecting the combined impact of higher dividend income and a sharp reduction in interest expense made possible by a decrease in indebtedness and a lower average cost of funds. A comparison with the same period last year is provided below.

	6/30/04	12/31/03	Change
C15) Income from equity investments	368	256	112
C16) Other financial income	70	51	19
C17) Interest and other financial expense	(178)	(216)	38
C17bis) Foreign exchange gains (losses)	-	-	-
	260	**91**	**169**

The largest dividend payout was provided by Selm Holding International after collecting its share of the gain earned last year by Edison International upon the sale of the West Delta Deep Marine reserves in Egypt.

Dividends	**First half 2004**	First half 2003	Change
Selm Holding Sa	280	-	280
Edison Rete Spa	12	-	12
Bussi Termoelettrica Spa	11	-	11
Serene Spa	11	-	11
Sogetel Spa	10	5	5
Termica Milazzo Srl	5	14	(9)
Termica Celano Srl	5	8	(3)
AEM Spa	5	4	1
Edison D.G. Spa	4	-	4
Jesi Energia Spa	4	-	4
Sel Edison Spa	4	-	4
Sarmato Energia Spa	3	-	3
Edison Gas Spa	-	54	(54)
Edison Termoelettrica Spa	-	69	(69)
Espec Spa	-	6	(6)
Montecatini Spa	-	7	(7)
Termica Boffalora Spa	-	3	(3)
Termica Lucchese Spa	-	4	(4)
Termica Sesto San Giovanni Srl	-	2	(2)
Other companies	12	4	8
	366	**180**	**(186)**
Gains on disposals of equity investments	2	-	2
Tax credit on dividends (Basket A)	-	76	(76)
	368	**256**	**112**

The gains on the disposal of equity investments reflects gains earned on the sale of listed securities, primarily those involving the shares of Fondiaria Sai Spa and Acea Spa.

The table below provides a breakdown of net financial expense.

	First half 2004	First half 2003	Change
C.16) Other financial income			
Income from loans included in financial fixed assets	2	3	(1)
Income from subsidiaries	7	25	(18)
Interest earned on miscellaneous receivables and amounts due from tax authorities	4	8	(4)
Gains from derivatives	35	12	23
Financial income from trading transactions in the commodities markets	15	-	15
Other financial income	7	3	4
	70	**51**	**19**
C.17) Interest and other financial expense			
Paid to subsidiaries	6	12	(6)
Paid to controlling companies	-	3	(3)
Interest paid on short-term bank borrowings	3	10	(7)
Interest paid on long-term debt	22	69	(47)
Derivatives	33	50	(17)
Bonds	61	43	18
Bank fees	26	26	-
Surety fees	1	2	(1)
Financial expense on trading transactions in the commodities markets	23	-	23
Other financial expense	3	1	2
	178	**216**	**(38)**
Net financial expense	**108**	**165**	**(57)**

Interest paid on derivatives reflect 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.

D. Value Adjustments on Financial Assets

Net writedowns totaled 197 million euros. They include a charge to write down the carrying value of the investment in Selm Holding International Sa, which is offset by a dividend of 280 million euros received form this subsidiary.
The remaining 10 million euros reflects mainly the Company's pro rata interest in losses and charges attributable to divested equity investments.

E. Extraordinary Income and Expense

Net extraordinary income totaled 51 million euros. The main components of this account are reviewed below.

Extraordinary income and expense	**First half 2004**	First half 2003	Change
E.20) Extraordinary income			
Utilization of the reserve for taxes	7	81	(74)
Out-of-period income	5	13	(8)
Utilization of the reserve for miscellaneous risks	3	40	(37)
Utilization of the reserve for risks on the Enichem arbitration	-	45	(45)
Supplemental price for Cereol	-	24	(24)
Reversal of tax items	69	-	69
	84	**203**	**(119)**
E.21) Extraordinary expense			
Provisions for risks	20	57	(37)
Other extraordinary expense	6	25	(19)
Out-of-period expense	4	5	(1)
Tax amnesty payments under law No. 289/02	3	37	(34)
Extraordinary charges to settle the Enichem dispute	-	45	(45)
Charges related to divestitures	-	21	(21)
	33	**190**	**(157)**
Net extraordinary income	**51**	**13**	**38**

Extraordinary income, which amounted to 84 million euros, includes the following:

- 7 million euros from the utilization of the reserve for taxes, 3 million of which arose from the settlement on a reduced assessment basis of disputed tax items in accordance with tax amnesty law No. 289/2002. The balance of 4 million euros refers to settlements of other disputed items.
- 5 million euros in out-of-period income (3 million euros attributable to refunds of foreign taxes).
- 3 million euros from utilizations of reserves for risks upon the settlement of legal disputes.
- 69 million euros from the derecognition of expense items booked exclusively for tax purposes, which includes 84 million euros stemming from changes in depreciation and amortization, net of the resulting deferred taxes of 15 million euros.

Net **extraordinary expense** of 33 million euros includes the following:

- 20 million euros added to the reserves for risks, with 6 million euros booked for inflation adjustments of statutory interest and 14 million euros set aside to provide for new contingent risks.
- 10 million euros for out-of-period charges and funded risks.
- 3 million euros for taxes paid under reduced-assessment settlements of dispute tax items, as allowed under Law No. 289/2002.

22) Current and Deferred-tax Assets and Liabilities

The main reason for the credit balance of 25 million euros is the recognition of deferred-tax assets that arose upon a recomputation of income taxes following the absorption of companies that earned taxable income.

	First half 2004	First half 2003
Direct taxes	8	
Foreign taxes	-	23
Total current taxes	**8**	**23**
Net deferred-tax assets	(33)	(16)
Total income taxes	**(25)**	**7**

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 exclusively on the basis of the tax loss carryforward of the Company, after taking into account the impact of authorized corporate restructuring transactions that involve companies that earned taxable income. Other available tax assets were not taken into account since their recoverability could not be assessed reliably. This account also includes deferred-tax liabilities stemming from accelerated depreciation booked in excess of regular depreciation.

Milan, September 13, 2004
The Board of Directors
By: the Chairman (Umberto Quadrino)

Listed Securities – Comparison Between End-of-Period Carrying Value and Market Value

	Currency	Total par value	Par value per share	Number of shares held	Carrying value (in euros)		Market value (*) (in euros)	
					Per share	Total	Per share	Total
B.III) – Financial fixed assets								
1) Equity investments in								
D) Other companies								
AEM Spa	EUR	47,739,640,00	0,52	91,807,000	1.514	139,028,573.49	1.497	137,435,079,00
Gemina Spa	EUR	3,405,735.00	1.00	3,405,735	1.326	4,516,532.72	0,852	2,901,686.22
Banca Popolare di Lodi	EUR	198,780,00	3.00	66,260	5.578	369,611.82	8.071	534,784.46
RCS Mediagroup (form. HdP Spa)	EUR	7,333,157.00	1.00	7,333,157	1.366	10,016,103.99	3.651	26,773,356.21
						153,930,822.02		**167,644,905.89**
C.III) – Financial assets not held as fixed assets								
4) Other equity investments								
ACEA Spa	EUR	1,911,522.00	5.16	370,450	5.130	1,900,408.50	6.704	2,483,496.80
ACEGAS - APS Spa	EUR	3,673,920,00	5.16	712,000	5.138	3,658,256.00	6.252	4,451,424.00
ACSM Spa	EUR	1,488,000,00	1.00	1,488,000	1.621	2,412,048.00	2.065	3,072,720,00
American Superconductor Corp.	USD	160,000,00	1.00	160,000	10,761	1,721,760,59	10,761	1,721,760,59
AMGA Spa	EUR	5,085,756.52	0,52	9,780,301	1.004	9,819,422.20	1.306	12,773,073.11
Assicurazioni Generali Spa	EUR	2.00	1.00	2	21.000	42.00	22.220	44.44
Autogrill Spa	EUR	0,52	0,52	1	6.770	6.77	11.736	11.74
Banco Popolare di Verona e Novara	EUR	50.40	3.60	14	11.289	158.05	14.110	197.54
Bulgari	EUR	0.07	0.07	1	5.050	5.05	8.365	8.37
Camfin - CAM Finanziaria Spa	EUR	28,066.48	0.52	53,974	1.482	80,014.30	1.895	102,280.73
Compagnia Assicuratrice Unipol Spa az . priv.	EUR	220.00	1.00	220	1.518	333.92	3.147	692.34
ENI Spa	EUR	2.00	1.00	2	14.960	29,92	16.373	32.75
FIAT Spa	EUR	5.00	5.00	1	6.080	6.08	6.945	6.95
Fondiaria - SAI	EUR	308.00	1.00	308	13.698	4,218.98	18.330	5,645.64
Gewiss	EUR	1.50	0.50	3	3.600	10.80	4.169	12.51
IMA - Industria Macchine Auto	EUR	0.52	0.52	1	6.870	6.87	10.985	10.99
Mediobanca - Banca di Credito Finanziario Spa	EUR	0.50	0.50	1	8.600	8.60	3.530	3.53
Pirelli & C. Spa	EUR	0.52	0.52	1	0.810	0.81	0.860	0.86
RAS Spa	EUR	0.60	0.60	1	10.740	10.74	14.936	14.94
Saes Getters	EUR	0.52	0.52	1	8.730	8.73	14.326	14.33
Telecom Italia Spa	EUR	3.85	0.55	7	2.350	16.45	2.564	17.95
Vincenzo Zucchi Spa	EUR	1.00	1.00	1	4.100	4.10	3.810	3.81
						19,596,777.46		**24,611,473.88**

(*) Market value means the stock market price on June 30, 2004 published in *Il Sole 24 Ore* on July 1, 2004.

LIST OF EQUITY INVESTMENTS (as per Article 2427, Section 5, Italian Civil Code)

B.III – Financial Fixed Assets

B.III.1.a) Equity Investments in Subsidiaries

Company	Head office	Capital stock			% interest held
		Currency	Amount	Par value per security	
Abruzzo Energia Srl	(*) Sesto San Giovanni (MI)				
Balance at 12/31/03		EUR	10,000	-	70.000
Writedown		EUR	-	-	-
Balance at 6/30/04		EUR	10,000	-	70.000
Acta Srl in liquidation (sole stockholder)	(*) Ravenna				
Balance at 12/31/03		EUR	10,200	-	100.000
Writedown		EUR	-	-	-
Balance at 6/30/04		EUR	10,200	-	100.000
Aifa Holding Sa	Luxembourg				
Balance at 12/31/03		EUR	103,646,750	52.49	100.000
Balance at 6/30/04		EUR	103,646,750	52.49	100.000
Atema Ltd	Dublin (Ireland)				
Balance at 12/31/03		EUR	1,500,000	0.50	100.000
Balance at 6/30/04		EUR	1,500,000	0.50	100.000
Biomasse Veneto Srl in liquidation	(*) Verona				
Balance at 12/31/03		EUR	10,000	-	51.000
Writedown		EUR	-	-	-
Balance at 6/30/04		EUR	10,000	-	51.000
Biomasse Emilia Romagna Srl in liquidation	(*) Cesena (FO)				
Balance at 12/31/03		EUR	10,000	-	51.000
Writedown		EUR	-	-	-
Balance at 6/30/04		EUR	10,000	-	51.000
Bussi Termoelettrica Spa (sole stockholder)	(*) Milan				
Balance at 12/31/03		EUR	15,600,000	1.00	100.000
Balance at 6/30/04		EUR	15,600,000	1.00	100.000
Caffaro Energia Srl (sole stockholder)	(*) Milan				
Balance at 12/31/03		EUR	25,822,846	-	100.000
Balance at 6/30/04		EUR	25,822,846	-	100.000
Calbiotech Srl in bankruptcy	Ravenna				
Balance at 12/31/03		L	90,000,000	-	55.000
Balance at 6/30/04		L	90,000,000	-	55.000
Calcestruzzi Palermo Spa in receivership (sole stockholder)	Palermo				
Balance at 12/31/03		EUR	108,360	5.16	100.000
Balance at 6/30/04		EUR	108,360	5.16	100.000
Cersam Srl - Centro Ricerche Servizi Ambientali (sole stockholder)	(*) Milan				
Balance at 12/31/03		EUR	4,131,700	-	100.000
Balance at 6/30/04		EUR	4,131,700	-	100.000

Number of shares or value of partnership in interest held	Cost (1)	Permanent differences in value (1)	Net carrying value (1)	Market value at 6/30/04 (1)
7,000	70,000	(57,630)	12,370	
-	-	(1,944)	(1,944)	
7,000	70,000	(59,574)	10,426	n.a.
10,200	1	(983,242)	(983,241)	
-	-	(11,815)	(11,815)	
10,200	1	(995,057)	(995,056)	n.a.
1,974,633	255,841,689	(255,588,983)	252,706	
1,974,633	255,841,689	(255,588,983)	252,706	n.a.
3,000,000	1,500,050	(118,369)	1,381,681	
3,000,000	1,500,050	(118,369)	1,381,681	n.a.
5,100	5,100	-	5,100	
-	-	(5,099)	(5,099)	
5,100	5,100	(5,099)	1	n.a.
5,100	37,225	-	37,225	
-	-	(37,224)	(37,224)	
5,100	37,225	(37,224)	1	n.a.
15,600,000	45,086,133	-	45,086,133	
15,600,000	45,086,133	-	45,086,133	n.a.
25,822,846	177,713,776	-	177,713,776	
25,822,846	177,713,776	-	177,713,776	n.a.
49,500,000	1	-	1	
49,500,000	1	-	1	n.a.
21,000	511,034	(511,033)	1	
21,000	511,034	(511,033)	1	n.a.
4,131,700	29,981,177	(25,849,477)	4,131,700	
4,131,700	29,981,177	(25,849,477)	4,131,700	n.a.

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B.III.1.a) Equity Investments in Subsidiaries (continued)

Company	Head office	Capital stock			% interest held
		Currency	Amount	Par value per security	
Come Iniziative Immobiliari Srl (sole stockholder)	(*) Milan				
Balance at 12/31/03		EUR	2,583,000	-	100.000
Balance at 6/30/04		EUR	2,583,000	-	100.000
Consorzio di Sarmato Soc. Cons. P.A.	Milan				
Balance at 12/31/03		EUR	200,000	1.00	52.500
Balance at 6/30/04		EUR	200,000	1.00	52.500
Ecofuture Srl (sole stockholder)	(*) Milan				
Balance at 12/31/03		EUR	-	-	-
Advance on capital contribution		EUR	10,200	-	100.000
Balance at 6/30/04		EUR	10,200	-	100.000
Edison D.G. Spa (sole stockholder)	(*) Selvazzano di Dentro (PD)				
Balance at 12/31/03		EUR	460,000	1.00	100.000
Balance at 6/30/04		EUR	460,000	1.00	100.000
Edison Energia Spa (sole stockholder)	(*) Milan				
Balance at 12/31/03		EUR	22,000,000	1.00	100.000
Balance at 6/30/04		EUR	22,000,000	1.00	100.000
Edison Energie Speciali Spa (sole stockholder)	(*) Milan				
Balance at 12/31/03		EUR	4,200,000	1.00	100.000
Balance at 6/30/04		EUR	4,200,000	1.00	100.000
Edison France Sarl	Paris (France)				
Balance at 12/31/03		EUR	7,700	-	100.000
Balance at 6/30/04		EUR	7,700	-	100.000
Edison Gas Espana Sa	Barcelona (Spain)				
Balance at 12/31/03		EUR	60,200	1.00	100.000
Payment to cover losses		EUR	-	-	-
Writedown		EUR	-	-	-
Balance at 6/30/04		EUR	60,200	1.00	100.000
Edison Hellas Sa	Athens (Greece)				
Balance at 12/31/03		EUR	263,700	2.93	100.000
Writedown		EUR	-	-	-
Balance at 6/30/04		EUR	263,700	2.93	100.000
Edison International Spa	(*) Milan				
Balance at 12/31/03		EUR	17,850,000	1.00	70.000
Balance at 6/30/04		EUR	17,850,000	1.00	70.000
Edison LNG Spa (sole stockholder)	(*) Milan				
Balance at 12/31/03		EUR	10,000,000	1.00	100.000
Balance at 6/30/04		EUR	10,000,000	1.00	100.000
Edison Rete Spa (sole stockholder)	(*) Milan				
Balance at 12/31/03		EUR	106,778,200	1.00	100.000
Balance at 6/30/04		EUR	106,778,200	1.00	100.000

Number of shares or value of partnership in interest held	Cost [1]	Permanent differences in value [1]	Net carrying value [1]	Market value at 6/30/04 [1]
2,583,000	11,090,369	(7,651,895)	3,438,474	
2,583,000	11,090,369	(7,651,895)	3,438,474	n.a.
105,000	108,456	(9,607)	98,849	
105,000	108,456	(9,607)	98,849	n.a.
-	-	-	-	
10,200	120,000	-	120,000	
10,200	120,000	-	120,000	n.a.
460,000	42,467,948	-	42,467,948	
460,000	42,467,948	-	42,467,948	n.a.
22,000,000	44,978,075	-	44,978,075	
22,000,000	44,978,075	-	44,978,075	n.a.
4,200,000	435,242,647	-	435,242,647	
4,200,000	435,242,647	-	435,242,647	n.a.
7,700	58,301	(58,300)	1	
7,700	58,301	(58,300)	1	n.a.
60,200	891,473	(831,273)	60,200	
-	63,107	-	63,107	
-	-	(63,107)	(63,107)	
60,200	954,580	(894,380)	60,200	n.a.
90,000	267,458	(80,000)	187,458	
-	-	(9,299)	(9,299)	
90,000	267,458	(89,299)	178,159	n.a.
12,495,000	469,363,845	(415,385,051)	53,978,794	
12,495,000	469,363,845	(415,385,051)	53,978,794	n.a.
10,000,000	10,000,000	-	10,000,000	
10,000,000	10,000,000	-	10,000,000	n.a.
106,778,200	153,601,886	-	153,601,886	
106,778,200	153,601,886	-	153,601,886	n.a.

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B.III.1.a) Equity Investments in Subsidiaries (continued)

Company	Head office	Capital stock Currency	Amount	Par value per security	% interest held
Edison T&S Spa (sole stockholder)	(*) Milan				
Balance at 12/31/03		EUR	175,424,000	1.00	100.000
Balance at 6/30/04		EUR	175,424,000	1.00	100.000
Edison Trading Spa (sole stockholder)	(*) Milan				
Balance at 12/31/03		EUR	30,000,000	1.00	100.000
Balance at 6/30/04		EUR	30,000,000	1.00	100.000
Euroil Exploration LTD	London (England)				
Balance at 12/31/03		GBP	9,250,000	1.00	0.000
Balance at 6/30/04		GBP	9,250,000	1.00	0.000
Finanziaria di Partecipazioni Elettriche - Finel Spa	(*) Milan				
Balance at 12/31/03		EUR	194,000,000	1.00	60.000
Balance at 6/30/04		EUR	194,000,000	1.00	60.000
Finimeg Spa (sole stockholder)	(*) Milan				
Balance at 12/31/03		EUR	2,425,200	1.00	100.000
Balance at 6/30/04		EUR	2,425,200	1.00	100.000
Frigotecnica Srl in liquidation (sole stockholder) (in receivership)	Palermo				
Balance at 12/31/03		EUR	76,500	-	100.000
Balance at 6/30/04		EUR	76,500	-	100.000
Gever Spa	Milan				
Balance at 12/31/03		EUR	10,500,000	1,000.00	51.000
Balance at 6/30/04		EUR	10,500,000	1,000.00	51.000
I.C.I. - Impresa Commerciale Industriale Srl (sole stockholder)	(*) Ravenna				
Balance at 12/31/03		EUR	1,291,143	-	100.000
Writedown		EUR	-	-	-
Balance at 6/30/04		EUR	1,291,143	-	100.000
Intermarine USA LLC	New York (USA)				
Balance at 12/31/03		USD	100	-	99,000
Advance on capital contribution		USD	-	-	-
Writedown		USD	-	-	-
Balance at 6/30/04		USD	100	-	99,000
Jesi Energia Spa	Milan				
Balance at 12/31/03		EUR	5,350,000	1.00	70.000
Balance at 6/30/04		EUR	5,350,000	1.00	70.000
Megs Mediterranean Electric Generating Services Srl	Sesto San Giovanni (MI)				
Balance at 12/31/03		EUR	260,000	-	51.000
Balance at 6/30/04		EUR	260,000	-	51.000
Montecatini Srl (sole stockholder) (form. Sondel Srl)	(*) Milan				
Balance at 12/31/03		EUR	60,000	-	100.000
Writedown		EUR	-	-	-
Balance at 6/30/04		EUR	60,000	-	100.000

Number of shares or value of partnership in interest held	Cost (1)	Permanent differences in value (1)	Net carrying value (1)	Market value at 6/30/04 (1)
175,424,000	175,424,000	-	175,424,000	
175,424,000	175,424,000	-	175,424,000	n.a.
30,000,000	30,000,000	-	30,000,000	
30,000,000	30,000,000	-	30,000,000	n.a.
1	950	-	950	
1	950	-	950	n.a.
116,400,000	369,138,888	-	369,138,888	
116,400,000	369,138,888	-	369,138,888	n.a.
2,425,200	2,023,652	-	2,023,652	
2,425,200	2,023,652	-	2,023,652	n.a.
76,500	788,111	(788,110)	1	
76,500	788,111	(788,110)	1	n.a.
5,355	24,055,699	-	24,055,699	
5,355	24,055,699	-	24,055,699	n.a.
1,291,143	2,118,613	(988,667)	1,129,946	
-	-	(36,794)	(36,794)	
1,291,143	2,118,613	(1,025,461)	1,093,152	n.a.
99	137,616	(137,615)	1	
-	165,344	-	165,344	
-	-	(165,343)	(165,343)	
99	302,960	(302,958)	2	n.a.
3,745,000	15,537,145	-	15,537,145	
3,745,000	15,537,145	-	15,537,145	n.a.
132,600	131,696	-	131,696	
132,600	131,696	-	131,696	n.a.
60,000	66,851	(16,630)	50,221	
-	-	(5,172)	(5,172)	
60,000	66,851	(21,802)	45,049	n.a.

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B.III.1.a) Equity Investments in Subsidiaries (continued)

Company	Head office	Capital stock Currency	Amount	Par value per security	% interest held
Montedison Srl (sole stockholder)	(*) Milan				
Balance at 12/31/03		EUR	60,000	-	100.000
Writedown		EUR	-	-	-
Balance at 6/30/04		EUR	60,000	-	100.000
Montedison Finance Europe Nv	Amsterdam (Netherlands)				
Balance at 12/31/03		EUR	4,537,803	1.00	100.000
Balance at 6/30/04		EUR	4,537,803	1.00	100.000
Nuova Alba Srl (sole stockholder)	(*) Milan				
Balance at 12/31/03		EUR	2,016,457	-	100.000
Reduction of capital stock to cover losses		EUR	(1,875,245)	-	100.000
Replenishment of capital stock		EUR	1,875,245	-	100.000
Writedown		EUR	-	-	-
Balance at 6/30/04		EUR	2,016,457	-	100.000
Nuova C.I.S.A. Spa in liquidation (sole stockholder)	(*) Ravenna				
Balance at 12/31/03		EUR	1,549,350	1.00	100.000
Advance on capital contribution		EUR	-	-	-
Writedown		EUR	-	-	-
Balance at 6/30/04		EUR	1,549,350	1.00	100.000
Pluriservizi Nord Italia Scarl - P.N.I. in liquidation	(*) Milan				
Balance at 12/31/03		EUR	516,000	-	96.500
Balance at 6/30/04		EUR	516,000	-	96.500
Rumianca Spa in liquidation	(*) Milan				
Balance at 12/31/03		EUR	100,000	0.05	100.000
Balance at 6/30/04		EUR	100,000	0.05	100.000
Sarmato Energia Spa	Milan				
Balance at 12/31/03		EUR	14,420,000	1.00	61.000
Balance at 6/30/04		EUR	14,420,000	1.00	61.000
Savim Srl (sole stockholder)	(*) Milan				
Balance at 12/31/03		EUR	260,000	-	100.000
Balance at 6/30/04		EUR	260,000	-	100.000
Selm Holding International Sa	Luxembourg				
Balance at 12/31/03		EUR	24,000,000	120.00	100.000
Disposal		EUR	-	120.00	(0.050)
Writedown		EUR	-	-	-
Balance at 6/30/04		EUR	24,000,000	120.00	99,950
Serene Spa (pledged shares)	Milan				
Balance at 12/31/03		EUR	25,800,000	5.16	63.000
Balance at 6/30/04		EUR	25,800,000	5.16	63.000
Società Gasdotti del Mezzogiorno - S.G.M. Spa	Frosinone				
Balance at 12/31/03		EUR	780,000	1.00	71.340
Balance at 6/30/04		EUR	780,000	1.00	71.340

Number of shares or value of partnership in interest held	Cost [1]	Permanent differences in value [1]	Net carrying value [1]	Market value at 6/30/04 [1]
60,000	66,850	(15,644)	51,206	
-	-	(2,189)	(2,189)	
60,000	66,850	(17,833)	49,017	n.a.
4,537,803	16,612,438	(15,076,438)	1,536,000	
4,537,803	16,612,438	(15,076,438)	1,536,000	n.a.
2,016,457	3,810,900	(3,778,051)	32,849	
(1,875,245)	-	-	-	
1,875,245	1,875,245	-	1,875,245	
-	-	(260,000)	(260,000)	
2,016,457	5,686,145	(4,038,051)	1,648,094	n.a.
1,549,350	1	(3,122,387)	(3,122,386)	
-	3,500,000	-	3,500,000	
-	-	(377,612)	(377,612)	
1,549,350	3,500,001	(3,499,999)	2	n.a.
497,940	498,372	(41,653)	456,719	
497,940	498,372	(41,653)	456,719	n.a.
1,999,997	103,292	(103,291)	1	
1,999,997	103,292	(103,291)	1	n.a.
8,796,200	35,575,744	-	35,575,744	
8,796,200	35,575,744	-	35,575,744	n.a.
260,000	408,626	-	408,626	
260,000	408,626	-	408,626	n.a.
200,000	244,530,587	(17,773,926)	226,756,661	
(100)	(24,090)	15,228	(8,862)	
-	-	(188,453,000)	(188,453,000)	
199,900	244,506,497	(206,211,698)	38,294,799	n.a.
3,150,000	78,426,749	-	78,426,749	
3,150,000	78,426,749	-	78,426,749	n.a.
556,452	1,543,690	-	1,543,690	
556,452	1,543,690	-	1,543,690	n.a.

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B.III.1.a) Equity Investments in Subsidiaries (continued)

Company	Head office	Capital stock Currency	Amount	Par value per security	% interest held
Società Generale per Progettazioni Consulenze e Partecipazioni Spa (under extraord. administration)	Rome				
Balance at 12/31/03		L	300,000,000	10,000.00	59,333
Balance at 6/30/04		L	300,000,000	10,000.00	59,333
Società Immobiliare Assago Spa (sole stockholder)	(*) Milan				
Balance at 12/31/03		EUR	7,905,000	1.00	100.000
Writedown		EUR	-	-	-
Balance at 6/30/04		EUR	7,905,000	1.00	100.000
Sogetel Spa (sole stockholder)	(*) Turin				
Balance at 12/31/03		EUR	8,192,749	5.16	100.000
Balance at 6/30/04		EUR	8,192,749	5.16	100.000
Stel Spa	Milan				
Balance at 12/31/03		EUR	1,000,000	1.00	75.000
Balance at 6/30/04		EUR	1,000,000	1.00	75.000
Stirpex Bv	Amsterdam (Netherlands)				
Balance at 12/31/03		EUR	45,378	453.78	100.000
Distribution of reserves		EUR	-	-	-
Balance at 6/30/04		EUR	45,378	453.78	100.000
Tecnimont Spa (sole stockholder)	Milan				
Balance at 12/31/03		EUR	52,000,000	1.00	100.000
Balance at 6/30/04		EUR	52,000,000	1.00	100.000
Termica Boffalora Srl	(*) Milan				
Balance at 12/31/03		EUR	14,220,000	-	70.000
Balance at 6/30/04		EUR	14,220,000	-	70.000
Termica Celano Srl	(*) Milan				
Balance at 12/31/03		EUR	259,000	-	70.000
Balance at 6/30/04		EUR	259,000	-	70.000
Termica Cologno Srl	(*) Milan				
Balance at 12/31/03		EUR	9,296,220	-	65.000
Balance at 6/30/04		EUR	9,296,220	-	65.000
Termica Milazzo Srl	(*) Milan				
Balance at 12/31/03		EUR	23,241,000	-	60.000
Balance at 6/30/04		EUR	23,241,000	-	60.000
Vega Oil Spa (sole stockholder)	(*) Milan				
Balance at 12/31/03		EUR	104,000	1.00	100.000
Balance at 6/30/04		EUR	104,000	1.00	100.000
Volta Spa	Milan				
Balance at 12/31/03		EUR	130,000	1.00	51.000
Reduction of capital stock to cover losses		EUR	(80,600)	1.00	51.000
Replenishment of capital stock		EUR	80,600	1.00	100.000
Writedown		EUR	-	-	-
Balance at 6/30/04		EUR	130,000	1.00	81.380
TOTAL SUBSIDIARIES					

Number of shares or value of partnership in interest held	Cost (1)	Permanent differences in value (1)	Net carrying value (1)	Market value at 6/30/04 (1)
17,800	87,230	(87,229)	1	
17,800	87,230	(87,229)	1	n.a.
7,905,000	33,212,065	(24,705,668)	8,506,397	
-	-	(250,797)	(250,797)	
7,905,000	33,212,065	(24,956,465)	8,255,600	n.a.
1,587,742	49,716,065	-	49,716,065	
1,587,742	49,716,065	-	49,716,065	n.a.
750,000	750,000	-	750,000	
750,000	750,000	-	750,000	n.a.
100	23,610,000	(11,354,934)	12,255,066	
-	(11,200,000)	-	(11,200,000)	
100	12,410,000	(11,354,934)	1,055,066	n.a.
52,000,000	118,289,214	-	118,289,214	
52,000,000	118,289,214	-	118,289,214	n.a.
9,954,000	22,971,331	-	22,971,331	
9,954,000	22,971,331	-	22,971,331	n.a.
181,300	28,213,368	-	28,213,368	
181,300	28,213,368	-	28,213,368	n.a.
6,042,543	6,069,782	-	6,069,782	
6,042,543	6,069,782	-	6,069,782	n.a.
13,944,600	69,957,191	-	69,957,191	
13,944,600	69,957,191	-	69,957,191	n.a.
104,000	103,434	-	103,434	
104,000	103,434	-	103,434	n.a.
66,300	1,731,529	(1,665,229)	66,300	
(41,106)	-	(41,106)	(41,106)	
80,600	80,600	-	80,600	
-	-	(65,009)	(65,009)	
105,794	1,812,129	(1,771,344)	40,785	n.a.
		3,029,108,529	**(976,550,614)**	**2,052,557,915**

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

Company	Head office	Capital stock Currency	Amount	Par value per security	% interest held
Açucar Guarani Sa	Olimpia (Brazil)				
Balance at 12/31/03		BRL	236,776,622	245.80	35.835
Balance at 6/30/04		BRL	236,776,622	245.80	35.835
Aquila Spa in liquidation	Muggia (TS)				
Balance at 12/31/03		EUR	2,582,000	1.00	50.000
Writedown		EUR	-	-	-
Balance at 6/30/04		EUR	2,582,000	1.00	50.000
Bluefare Ltd	London (England)				
Balance at 12/31/03		GBP	1,000	0.01	50.000
Balance at 6/30/04		GBP	1,000	0.01	50.000
Calcestruzzi Pozzallo Srl in liquidation	Pozzallo (RG)				
Balance at 12/31/03		EUR	26,000	-	50.000
Balance at 6/30/04		EUR	26,000	-	50.000
C.I.S.A. Spa (pledged shares)	Massafra (TA)				
Balance at 12/31/03		EUR	1,560,000	5.20	6.667
Balance at 6/30/04		EUR	1,560,000	5.20	6.667
Coniel in liquidation	Rome				
Balance at 12/31/03		EUR	1,020	0.51	35.250
Balance at 6/30/04		EUR	1,020	0.51	35.250
Consorzio Montoro	Narni				
Balance at 12/31/03		EUR	-	-	-
Purchases		EUR	4,000	-	25.000
Balance at 6/30/04		EUR	4,000	-	25.000
Edipower Spa	Milan				
Balance at 12/31/03		EUR	1,441,300,000	1.00	40.000
Balance at 6/30/04		EUR	1,441,300,000	1.00	40.000
ESTGAS Spa	Udine				
Balance at 12/31/03		EUR	750,000	1.00	22.000
Balance at 6/30/04		EUR	750,000	1.00	22.000
Eta 3 Spa	Arezzo				
Balance at 12/31/03		EUR	2,000,000	1.00	33.013
Balance at 6/30/04		EUR	2,000,000	1.00	33.013
Finsavi Srl in receivership (ownership interests seized)	Palermo				
Balance at 12/31/03		EUR	192,400	-	50.000
Balance at 6/30/04		EUR	192,400	-	50.000
GASCO Spa	Bressanone (BZ)				
Balance at 12/31/03		EUR	500,000	1.00	40.000
Balance at 6/30/04		EUR	500,000	1.00	40.000

Number of shares or value of partnership in interest held	Cost (1)	Permanent differences in value (1)	Net carrying value (1)	Market value at 6/30/04 (1)
345,193	36,000,000	-	36,000,000	
345,193	36,000,000	-	36,000,000	n.a.
1,291,000	5,957,546	(1,516,520)	4,441,026	
-	-	(100,000)	(100,000)	
1,291,000	5,957,546	(1,616,520)	4,341,026	n.a.
50,000	813	-	813	
50,000	813	-	813	n.a.
13,000	10,233	(10,232)	1	
13,000	10,233	(10,232)	1	n.a.
20,000	-	-	-	
20,000	-	-	-	n.a.
705	308	-	308	
705	308	-	308	n.a.
-	-	-	-	
1,000	1,000	-	1,000	
1,000	1,000	-	1,000	n.a.
576,520,000	800,534,250	-	800,534,250	
576,520,000	800,534,250	-	800,534,250	n.a.
165,000	165,000	-	165,000	
165,000	165,000	-	165,000	n.a.
660,262	660,262	-	660,262	
660,262	660,262	-	660,262	n.a.
96,200	96,061	(96,060)	1	
96,200	96,061	(96,060)	1	n.a.
200,000	200,000	-	200,000	
200,000	200,000	-	200,000	n.a.

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

Company	Head office	Capital stock Currency	Amount	Par value per security	% interest held
Ibiritermo Sa	Ibiritè (Brazil)				
Balance at 12/31/03		BRL	1,043,562	1.00	50.000
Balance at 6/30/04		BRL	1,043,562	1.00	50.000
Inica Sarl in liquidation	Lisbon (Portugal)				
Balance at 12/31/03		PTE	1,000,000	-	20.000
Balance at 6/30/04		PTE	1,000,000	-	20.000
Intergen Sidi Krir Generating Co.	Giza (Egypt)				
Balance at 12/31/03		EGP	408,000,000	34.00	39,000
Balance at 6/30/04		EGP	408,000,000	34.00	39,000
International Water Holding Bv	Amsterdam (Netherlands)				
Balance at 12/31/03		EUR	40,000	10.00	50.000
Balance at 6/30/04		EUR	40,000	10.00	50.000
Kraftwerke Hinterrhein (KHR) Ag	Thusis (Switzerland)				
Balance at 12/31/03		CHF	100,000,000	1,000.00	20.000
Balance at 6/30/04		CHF	100,000,000	1,000.00	20.000
Monteshell Bitumi Srl	Muggia (TS)				
Balance at 12/31/03		EUR	8,840,000	-	50.000
Balance at 6/30/04		EUR	8,840,000	-	50.000
Prometeo Spa	Osimo (AN)				
Balance at 12/31/03		EUR	1,938,743	1.00	21.000
Balance at 6/30/04		EUR	1,938,743	1.00	21.000
Roma Energia Srl	Rome				
Balance at 12/31/03		EUR	50,000	-	35.000
Advance on capital contribution		EUR	-	-	-
Balance at 6/30/04		EUR	50,000	-	35.000
Rosfid Srl in liquidation	Milan				
Balance at 12/31/03		L	46,000,000	-	42.285
Balance at 6/30/04		L	46,000,000	-	42.285
S.A.T. Servizi Ambiente Territorio Spa	Sassuolo (MO)				
Balance at 12/31/03		EUR	27,752,560	5.17	40.000
Advance on capital contribution		EUR	-	-	-
Balance at 6/30/04		EUR	27,752,560	5.17	40.000
Savitri Srl in liquidation	Muggia (TS)				
Balance at 12/31/03		EUR	2,856,000	-	50.000
Liquidation		EUR	(2,856,000)	-	50.000
Balance at 6/30/04		EUR	-	-	-
Sel Edison Spa	Castelbello (BZ)				
Balance at 12/31/03		EUR	84,798,000	1.0	42.000
Balance at 6/30/04		EUR	84,798,000	1.0	42.000

Number of shares or value of partnership in interest held	Cost (1)	Permanent differences in value (1)	Net carrying value (1)	Market value at 6/30/04 (1)
521,781	1,161,904	-	1,161,904	
521,781	1,161,904	-	1,161,904	n.a.
200,000	1,138	(1,137)	1	
200,000	1,138	(1,137)	1	n.a.
4,680,000	45,379,366	-	45,379,366	
4,680,000	45,379,366	-	45,379,366	n.a.
2,000	93,193,110	(72,534,613)	20,658,497	
2,000	93,193,110	(72,534,613)	20,658,497	n.a.
20,000	11,362,052	-	11,362,052	
20,000	11,362,052	-	11,362,052	n.a.
4,420,000	4,212,739	-	4,212,739	
4,420,000	4,212,739	-	4,212,739	n.a.
407,136	451,289	-	451,289	
407,136	451,289	-	451,289	n.a.
17,500	262,500	-	262,500	
-	192,500	-	192,500	
17,500	455,000	-	455,000	n.a.
19,451,000	1	-	1	
19,451,000	1	-	1	n.a.
2,147,199	22,288,915	-	22,288,915	
-	775,000	-	775,000	
2,147,199	23,063,915	-	23,063,915	n.a.
1,428,000	1,370,824	(1,370,823)	1	
(1,428,000)	(1,370,824)	1,370,823	(1)	
-	-	-	-	n.a.
35,615,160	35,615,160	-	35,615,160	
35,615,160	35,615,160	-	35,615,160	n.a.

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

Company	Head office	Capital stock			% interest held
		Currency	Amount	Par value per security	
S.I.E. Srl in liquidation	Acquaviva delle Fonti (BA)				
Balance at 12/31/03		EUR	46,800	-	50.000
Balance at 6/30/04		EUR	46,800	-	50.000
SI.LO.NE - Sistema Logistico Nord Est Srl	Muggia (TS)				
Balance at 12/31/03		EUR	2,211,568	-	50.000
Advance on capital contribution		EUR	-	-	-
Writedown		EUR	-	-	-
Balance at 6/30/04		EUR	2,211,568	-	50.000
Sidi Krir Operating Co. Bv	Rotterdam (Netherlands)				
Balance at 12/31/03		NLG	100,000	1,000.00	39,000
Balance at 6/30/04		NLG	100,000	1,000.00	39,000
Sistemi di Energia Spa	Milan				
Balance at 12/31/03		EUR	10,500,000	1.00	37.886
Balance at 6/30/04		EUR	10,500,000	1.00	37.886
Società Gasdotti Algeria Italia - Galsi Spa	Milan				
Balance at 12/31/03		EUR	5,000,000	1.00	18.000
Balance at 6/30/04		EUR	5,000,000	1.00	18.000
TOTAL AFFILIATED COMPANIES					

Number of shares or value of partnership in interest held	Cost (1)	Permanent differences in value (1)	Net carrying value (1)	Market value at 6/30/04 (1)
23,400	1	-	1	
23,400	1	-	1	n.a.
1,105,784	21,523,858	(17,266,818)	4,257,040	
-	250,000	-	250,000	
-	-	(380,000)	(380,000)	
1,105,784	21,773,858	(17,646,818)	4,127,040	n.a.
39	17,698	-	17,698	
39	17,698	-	17,698	n.a.
3,978,004	4,063,732	(1,048,823)	3,014,909	
3,978,004	4,063,732	(1,048,823)	3,014,909	n.a.
900,000	900,000	-	900,000	
900,000	900,000	-	900,000	n.a.
		1,085,276,436	**(92,954,203)**	**992,322,233**

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

Company	Head office	Capital stock			% interest held
		Currency	Amount	Par value per security	
AEM Spa	Milan				
Balance at 12/31/03		EUR	936,024,648	0.52	5.100
Balance at 6/30/04		EUR	936,024,648	0.52	5.100
Agrobio Srl in liquidation	Sesto San Giovanni (MI)				
Balance at 12/31/03		EUR	10,000	-	10.000
Balance at 6/30/04		EUR	10,000	-	10.000
Banca Popolare di Lodi soc. coop a r.l.	Lodi (MI)				
Balance at 12/31/03		EUR	862,227,726	3.00	0.023
Balance at 6/30/04		EUR	862,227,726	3.00	0.023
Blumet Spa	Reggio Emilia				
Balance at 12/31/03		EUR	7,600,000	1.00	17.942
Purchases		EUR	-	1.00	1.758
Balance at 6/30/04		EUR	7,600,000	1.00	19,700
Cerset Srl	Bari				
Balance at 12/31/03		EUR	116,241	-	0.061
Balance at 6/30/04		EUR	116,241	-	0.061
Cesi Spa	Milan				
Balance at 12/31/03		EUR	8,550,000	2.50	1.055
Balance at 6/30/04		EUR	8,550,000	2.50	1.055
Compagnia Paramatti Finanziaria Spa	Milan				
Balance at 12/31/03:					
- 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 6/30/04:					
- Common shares		L.	217,631,352	3.00	0.006
- Preferred shares		L.	50,979,750	750.00	-
Balance at 6/30/04		L.	268,611,102	-	0.005
Consultec Srl in liquidation	Rome				
Balance at 12/31/03		EUR	10,200	-	8.000
Balance at 6/30/04		EUR	10,200	-	8.000
Costruttori Romani Riuniti Grandi Opere Spa	Rome				
Balance at 12/31/03		EUR	5,164,568	12,911.42	0.500
Balance at 6/30/04		EUR	5,164,568	12,911.42	0.500
Emittenti Titoli Spa	Milan				
Balance at 12/31/03		EUR	4,264,000	0.52	7.073
Balance at 6/30/04		EUR	4,264,000	0.52	7.073
European Energy Exchange Ag - EEX	Leipzig (Germany)				
Balance at 12/31/03		EUR	40,050,000	1.00	0.749
Balance at 6/30/04		EUR	40,050,000	1.00	0.749
Finligure Spa (in bankruptcy)	Genoa				
Balance at 12/31/03		L.	6,261,874,080	3,135	0.035
Balance at 6/30/04		L.	6,261,874,080	3,135	0.035

Number of shares or value of partnership in interest held	Cost [1]	Permanent differences in value [1]	Net carrying value [1]	Market value at 6/30/04 [1]
91,807,000	139,028,573	-	139,028,573	
91,807,000	139,028,573	-	139,028,573	137,435,079
1,000	1,000	-	1,000	
1,000	1,000	-	1,000	n.a.
66,260	369,612	-	369,612	
66,260	369,612	-	369,612	534,784
1,363,601	1,363,601	-	1,363,601	
133,618	133,618	-	133,618	
1,497,219	1,497,219	-	1,497,219	n.a.
70	222	-	222	
70	222	-	222	n.a.
36,065	145,072	(2,162)	142,910	
36,065	145,072	(2,162)	142,910	n.a.
3,992	1	-	1	
-	-	-	-	
3,992	1	-	1	
3,992	1	-	1	
-	-	-	-	
3,992	1	-	1	n.a.
816	1	-	1	
816	1	-	1	n.a.
2	25,823	-	25,823	
2	25,823	-	25,823	n.a.
580,000	299,494	489	299,983	
580,000	299,494	489	299,983	n.a.
300,000	660,000	-	660,000	
300,000	660,000	-	660,000	n.a.
700	1	-	1	
700	1	-	1	n.a.

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

Company	Head office	Capital stock Currency	Amount	Par value per security	% interest held
Finutenti Spezia Srl	La Spezia				
Balance at 12/31/03		EUR	575,841	-	0.448
Balance at 6/30/04		EUR	575,841	-	0.448
Fornara Spa (under extraordinary administration)	Turin				
Balance at 12/31/03:					
- 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 6/30/04:					
- 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
Gemina Spa	Milan				
Balance at 12/31/03:					
- 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
Balance at 6/30/04:					
- 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
Gerolimich Spa in liquidation	Milan				
Balance at 12/31/03:					
- 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 6/30/04:					
- 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
Idroenergia Scrl	Aosta				
Balance at 12/31/03		EUR	774,000	-	0.067
Balance at 6/30/04		EUR	774,000	-	0.067
Idrovia Ticino Milano Nord Venezia Spa in liquidation	Brescia				
Balance at 12/31/03		L.	509,370,000	10,000	2.146
Balance at 6/30/04		L	509,370,000	10,000	2.146
Immobiliare Caprazucca Spa	Parma				
Balance at 12/31/03		EUR	7,517,948	0.43	0.003
Balance at 6/30/04		EUR	7,517,948	0.43	0.003
Ipse 2000 Spa	Rome				
Balance at 12/31/03		EUR	2,150,000,000	1.00	5.000
Advance on capital contribution		EUR	-	-	-
Balance at 6/30/04		EUR	2,150,000,000	1.00	5.000

Number of shares or value of partnership in interest held	Cost (1)	Permanent differences in value (1)	Net carrying value (1)	Market value at 6/30/04 (1)
2,582	2,582	-	2,582	
2,582	2,582	-	2,582	n.a.
-	-	-	-	
63	77	-	77	
63	77	-	77	
-	-	-	-	
63	77	-	77	
63	77	-	77	n.a.
3,405,735	6,054,334	(1,537,801)	4,516,533	
-	-	-	-	
3,405,735	6,054,334	-	4,516,533	
3,405,735	6,054,334	(1,537,801)	4,516,533	2,901,686
-	-	-	-	
3,405,735	6,054,334	(1,537,801)	4,516,533	2,901,686
20	4	-	4	
-	-	-	-	
20	4	-	4	
20	4	-	4	
-	-	-	-	
20	4	-	4	n.a.
516	516	-	516	
516	516	-	516	n.a.
1,093	1	-	1	
1,093	1	-	1	n.a.
546	1	-	1	
546	1	-	1	n.a.
107,500,000	133,561,688	(125,426,073)	8,135,615	
-	815,255	-	815,255	
107,500,000	134,376,943	(125,426,073)	8,950,870	n.a.

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

Company	Head office	Capital stock			% interest held
		Currency	Amount	Par value per security	
Istituto Europeo di Oncologia Srl	Milan				
Balance at 12/31/03		EUR	57,305,382	-	5.361
Balance at 6/30/04		EUR	57,305,382	-	5.361
Istituto Immobiliare di Catania Istica Spa	Catania				
Balance at 12/31/03		EUR	6,200,000	3.10	0.058
Balance at 6/30/04		EUR	6,200,000	3.10	0.058
Istituto per l'Enciclopedia della Banca e della Borsa Spa	Rome				
Balance at 12/31/03		EUR	502,116	1.55	0.926
Balance at 6/30/04		EUR	502,116	1.55	0.926
Istud Spa	Milan				
Balance at 12/31/03		EUR	1,136,212	516.46	0.682
Balance at 6/30/04		EUR	1,136,212	516.46	0.682
I.SV.E.UR. Spa	Rome				
Balance at 12/31/03		EUR	562,000	224.80	1.000
Balance at 6/30/04		EUR	562,000	224.80	1.000
Mandelli Spa (under extraordinary administration)	Piacenza				
Balance at 12/31/03		EUR	10,200,000	0.51	0.000
Balance at 6/30/04		EUR	10,200,000	0.51	0.000
Megs Akdeniz Elektrik Uretim Hizmetleri Limited	Kosekoy - Izmit (Turkey)				
Balance at 12/31/03		TRL	30,000,000,000	25,000,000.00	1.000
Balance at 6/30/04		TRL	30,000,000,000	25,000,000.00	1.000
Nomisma - Società di Studi Economici Spa	Bologna				
Balance at 12/31/03		EUR	5,345,328	0.37	2.215
Balance at 6/30/04		EUR	5,345,328	0.37	2.215
Pro.Cal Scrl (in bankruptcy)	Naples				
Balance at 12/31/03		L	500,000,000	-	4.348
Balance at 6/30/04		L	500,000,000	-	4.348
PRO.CAL.MI Srl in liquidation	Milan				
Balance at 12/31/03		EUR	51,000	-	15.330
Distribution upon liquidation		EUR	-	-	-
Balance at 6/30/04		EUR	51,000	-	15.330
RCS Mediagroup	Milan				
Balance at 12/31/03:					
- Common shares		EUR	732,359,407	1.00	1.001
- Nonconvertible savings shares		EUR	29,349,593	1.00	-
		EUR	761,709,000	1.00	0.963
Balance at 6/30/04:					
- 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

Number of shares or value of partnership in interest held	Cost [1]	Permanent differences in value [1]	Net carrying value [1]	Market value at 6/30/04 [1]
3,072,214	7,384,581	(3,713,525)	3,671,056	
3,072,214	7,384,581	(3,713,525)	3,671,056	n.a.
1,150	1	-	1	
1,150	1	-	1	n.a.
3,000	8,615	-	8,615	
3,000	8,615	-	8,615	n.a.
15	6,468	-	6,468	
15	6,468	-	6,468	n.a.
25	32,336	(26,716)	5,620	
25	32,336	(26,716)	5,620	n.a.
11	13	-	13	
11	13	-	13	n.a.
12	1,280	-	1,280	
12	1,280	-	1,280	n.a.
320,000	633,735	(154,262)	479,473	
320,000	633,735	(154,262)	479,473	n.a.
21,739,000	11,228	-	11,228	
21,739,000	11,228	-	11,228	n.a.
7,818	3,506	-	3,506	
-	(3,505)	-	(3,505)	
7,818	1	-	1	n.a.
7,333,157	23,856,311	(13,840,207)	10,016,104	
-	-	-	-	
7,333,157	23,856,311	(13,840,207)	10,016,104	
7,333,157	23,856,311	(13,840,207)	10,016,104	26,773,356
-	-	-	-	
7,333,157	23,856,311	(13,840,207)	10,016,104	26,773,356

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B.III.1.d) Investments in Other Companies (continued

Company	Head office	Capital stock Currency	Amount	Par value per security	% interest held
Reggente Spa	Lucera (FG)				
Balance at 12/31/03		EUR	260,000	0.52	5.209
Balance at 6/30/04		EUR	260,000	0.52	5.209
Sago Spa	Florence				
Balance at 12/31/03		EUR	439,875	2.07	2.635
Balance at 6/30/04		EUR	439,875	2.07	2.635
Sant'Angelo Srl in liquidation	Padua				
Balance at 12/31/03		EUR	10,200	-	16.670
Balance at 6/30/04		EUR	10,200	-	16.670
Servizi Territoriali Est Trentino Spa - STET Spa	Pergine V. (TN)				
Balance at 12/31/03		EUR	21,400,000	1.00	0.122
Balance at 6/30/04		EUR	21,400,000	1.00	0.122
Sistemi Formativi Confindustria Scpa	Rome				
Balance at 12/31/03		EUR	236,022	516.46	6.565
Balance at 6/30/04		EUR	236,022	516.46	6.565
Soc. Gen. Imm. SOGENE Spa in liquidation	Rome				
Balance at 12/31/03		EUR	19,026,230	0.36	17.252
Balance at 6/30/04		EUR	19,026,230	0.36	17.252
Sistema Permanente di Servizi Spa (in bankruptcy)	Rome				
Balance at 12/31/03		EUR	154,950	51.65	12.600
Balance at 6/30/04		EUR	154,950	51.65	12.600
Trentino Servizi Spa - T.S. Spa	Rovereto (TN)				
Balance at 12/31/03		EUR	224,790,159	1.00	0.010
Balance at 6/30/04		EUR	224,790,159	1.00	0.010
Unione Manifatture Spa in liquidation	Milan				
Balance at 12/31/03		EUR	117,248,793	1.57	0.000
Balance at 6/30/04		EUR	117,248,793	1.57	0.000
3R Associati Spa	Cortenuova Bergamasca (BG)				
Balance at 12/31/03		EUR	7,392,102	1.00	0.180
Balance at 6/30/04		EUR	7,392,102	1.00	0.180
TOTAL OTHER COMPANIES					
TOTAL EQUITY INVESTMENTS					

(*) Company under the management and coordination of Edison Spa.

Number of shares or value of partnership in interest held	Cost (1)	Permanent differences in value (1)	Net carrying value (1)	Market value at 6/30/04 (1)
26,043	13,450	-	13,450	
26,043	13,450	-	13,450	n.a.
5,600	15,260	-	15,260	
5,600	15,260	-	15,260	n.a.
1,700	1	-	1	
1,700	1	-	1	n.a.
26,063	25,823	-	25,823	
26,063	25,823	-	25,823	n.a.
30	15,494	-	15,494	
30	15,494	-	15,494	n.a.
9,117,648	1	-	1	
9,117,648	1	-	1	n.a.
378	325,005	(325,004)	1	
378	325,005	(325,004)	1	n.a.
22,250	25,823	-	25,823	
22,250	25,823	-	25,823	n.a.
12	7	-	7	
12	7	-	7	n.a.
13,290	387,343	-	387,343	
13,290	387,343	-	387,343	n.a.
	315,204,251	**(145,025,261)**	**170,178,990**	
	4,429,589,216	**(1,214,530,078)**	**3,215,059,138**	

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

Company	Issuer's head office/ country	Currency	% interest held	Number of shares or interests in capital held	Cost	Permanent differences in value	Net carrying value	Market value
Deutsche Bank Dinerplus FIAMM								
Balance at 12/31/03		EUR		1	1,923,239	-	1,923,239	-
Balance at 6/30/04		EUR	-	1	1,923,239	-	1,923,239	n.a.
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 interest	Cost	Permanent differences in value	Net carrying value	Market value at 6/30/04
		Currency	Amount	Par value per share						
Syremont	Messina									
Balance at 12/31/03		EUR	750,000	1.00	40.000	300,000	400.00	-	400.00	
Balance at 6/30/04		EUR	750,000	1.00	40.000	300,000	400.00	-	400.00	-
Total equity investments in affiliated companies							**400.00**	**-**	**400.00**	**-**

C.III.4) Other Equity Investments

Company	Head office	Capital stock Currency	Capital stock Amount	Par value per share	% interest held	Number of shares or partnership interests held	Cost	Permanent differences in value	Net carrying value	Market value at 6/30/04
Acea Spa	Rome									
Balance at 12/31/03		EUR	1,098,898,884	5.16	0.597	1,270,450	13,750,688.26	(7,233,279,76)	6,517,408.50	
Disposal		EUR	-	-	-	(900,000)	(9,741,130.65)	5,124,130.65	(4,617,000.00)	
Balance at 6/30/04		EUR	1,098,898,884	5.16	0.174	370,450	4,009,557.61	(2,109,149,11)	1,900,408.50	2,483,496.80
Acegas - APS Spa	Trieste									
Balance at 12/31/03		EUR	282,983,213	5.16	1.298	712,000	7,466,305.86	(3,808,049,86)	3,658,256.00	
Balance at 6/30/04		EUR	282,983,213	5.16	1.298	712,000	7,466,305.86	(3,808,049,86)	3,658,256.00	4,451,424.00
ACSM Spa	Como									
Balance at 12/31/03		EUR	37,496,500	1.00	3.968	1,488,000	5,359,999,53	(2,947,951.53)	2,412,048.00	
Balance at 6/30/04		EUR	37,496,500	1.00	3.968	1,488,000	5,359,999,53	(2,947,951.53)	2,412,048.00	3,072,720.00
American Superconductor Corp. Westborough (USA)										
Balance at 12/31/03		USD	19,128,000	1.00	0.836	160,000	4,975,111.08	(3,219,291.60)	1,755,819,48	
Writedown		USD	-	-	-	-	-	(34,058.89)	(34,058.89)	
Balance at 6/30/04		USD	19,128,000	1.00	0.836	160,000	4,975,111.08	(3,253,350.49)	1,721,760.59	1,721,760.59
Azienda Mediterranea Gas e Acqua Spa	Genoa									
Balance at 12/31/03		EUR	169,525,200	0.52	3.000	9,780,301	22,421,655.74	(12,602,233.54)	9,819,422.20	
Balance at 6/30/04		EUR	169,525,200	0.52	3.000	9,780,301	22,421,655.74	(12,602,233.54)	9,819,422.20	12,773,073.11
Assicurazioni Generali Spa	Trieste									
Balance at 12/31/03		EUR	1,275,999,458	1.00	0.000	2	81.47	(39,47)	42.00	
Balance at 6/30/04		EUR	1,275,999,458	1.00	0.000	2	81.47	(39,47)	42.00	44.44
Autogrill Spa	Novara									
Balance at 12/31/03		EUR	132,288,000	0.52	0.000	1	6.77	-	6.77	
Balance at 6/30/04		EUR	132,288,000	0.52	0.000	1	6.77	-	6.77	11.74
Banco Popolare di Verona e Novara	Verona									
Balance at 12/31/03		EUR	1,332,452,174	3.60	0.000	14	158.05	-	158.05	
Balance at 6/30/04		EUR	1,332,452,174	3.60	0.000	14	158.05	-	158.05	197.54
Bulgari Spa	Rome									
Balance at 12/31/03		EUR	20,487,177	0.07	0.000	1	5.05	-	5.05	
Balance at 6/30/04		EUR	20,487,177	0.07	0.000	1	5.05	-	5.05	8.37
Camfin - CAM Finanziaria Spa	Pero (MI)									
Balance at 12/31/03		EUR	50,651,623	0.52	0.055	53,974	80,014.30	-	80,014.30	
Balance at 6/30/04		EUR	50,651,623	0.52	0.055	53,974	80,014.30	-	80,014.30	102,280.73
Compagnia Assicuratrice Unipol Spa	Bologna									
Balance at 12/31/03:										
- Common shares		EUR	576,978,584	1.00	-	-	-	-	-	
- Preferred shares		EUR	329,251,547	1.00	0.000	220	333.92	-	333.92	
		EUR	906,230,131	1.00	0.000	220	333.92	-	333.92	
Balance at 6/30/04:										
- Common shares		EUR	576,983,784	1.00	-	-	-	-	-	-
- Preferred shares		EUR	329,257,187	1.00	0.000	220	333.92	-	333.92	692.34
		EUR	906,240,971	1.00	0.000	220	333.92	-	333.92	692.34
ENI Spa	Rome									
Balance at 12/31/03		EUR	4,001,116,976	1.00	0.000	2	32.78	(2.86)	29,92	
Balance at 6/30/04		EUR	4,001,116,976	1.00	0.000	2	32.78	(2.86)	29,92	32.75

C.III.4) Other Equity Investments (continued)

Company	Head office	Capital stock Currency	Amount	Par value per share	% interest held	Number of shares or partnership interests held	Cost	Permanent differences in value	Net carrying value	Market value at 6/30/04
FIAT Spa	Turin									
Balance at 12/31/03:										
- Common shares		EUR	4,002,087,990	5.00	0.000	1	39,99	(33.91)	6.08	
- Preferred shares		EUR	516,461,550	5.00	-	-	-	-	-	
- Savings shares		EUR	399,564,000	5.00	-	-	-	-	-	
		EUR	4,918,113,540	5.00	0.000	1	39,99	(33.91)	6.08	
Balance at 6/30/04:										
- Common shares		EUR	4,002,087,990	5.00	0.000	1	39,99	(33.91)	6.08	6.95
- Preferred shares		EUR	516,461,550	5.00	-	-	-	-	-	-
- Savings shares		EUR	399,564,000	5.00	-	-	-	-	-	-
		EUR	4,918,113,540	5.00	0.000	1	39,99	(33.91)	6.08	6.95
Fondiaria - SAI Spa	Florence									
Balance at 12/31/03:										
- Common shares		EUR	128,729,892	1.00	0.038	48,308	3,057,320.35	(2,395,597.37)	661,722.98	
- Nonconvertible savings shares		EUR	41,790,201	1.00	-	-	-	-	-	
		EUR	170,520,093	1.00	0.028	48,308	3,057,320.35	(2,395,597.37)	661,722.98	
Disposals										
- Common shares		EUR	-	-	-	(48,000)	(3,037,827.62)	2,380,323.63	(657,504.00)	
- Nonconvertible savings shares		EUR	-	-	-	-	-	-	-	
		EUR	-	-	-	(48,000)	(3,037,827.62)	2,380,323.63	(657,504.00)	
Balance at 6/30/04:										
- Common shares		EUR	128,729,892	1.00	0.000	308	19,492.73	(15,273.74)	4,218.98	5,645.64
- Nonconvertible savings shares		EUR	41,811,951	1.00	-	-	-	-	-	-
		EUR	170,541,843	1.00	0.000	308	19,492.73	(15,273.74)	4,218.98	5,645.64
Warrant Fondiaria - SAI 30/6/2005 - 30/6/2008										
Balance at 12/31/03		EUR	-	-	2.893	818,523	3,118,573.26	(1,467,606.00)	1,650,967.26	
Disposals		EUR	-	-	(2.893)	(818,523)	(3,118,573.26)	1,467,606.00	(1,650,967.26)	
Balance at 6/30/04		EUR	-	-	-	-	-	-	-	-
Fonds Commun de Placement a Risques - Partenaires "A"	Paris									
Balance at 12/31/03		EUR	2,561,149	15.31	1.494	2,500	40,186.62	-	40,186.62	
Disposals		EUR	(2,561,149)	15.31	(1.494)	(2,500)	(40,186.62)	-	(40,186.62)	
Balance at 6/30/04		EUR	-	-	-	-	-	-	-	-
Gewiss Spa	Cenate Sotto (BG)									
Balance at 12/31/03		EUR	60,000,000	0.50	0.000	3	17.34	(6.54)	10.80	
Balance at 6/30/04		EUR	60,000,000	0.50	0.000	3	17.34	(6.54)	10.80	12.51
IMA - Industria Macchine Automatiche Spa	Ozzano dell'Emilia (BO)									
Balance at 12/31/03		EUR	18,772,000	0.52	0.000	1	6.87	-	6.87	
Balance at 6/30/04		EUR	18,772,000	0.52	0.000	1	6.87	-	6.87	10.99
Mediobanca - Banca di Credito Finanziario Spa	Milan									
Balance at 12/31/03		EUR	389,275,208	0.50	0.000	1	9,97	(1.37)	8.60	
Balance at 6/30/04		EUR	389,275,208	0.50	0.000	1	9,97	(1.37)	8.60	3.53
Pirelli & C. Spa (Ex Pirelli Spa)	Milan									
Balance at 12/31/03:										
- Common shares		EUR	1,729,321,896	0.52	0.000	1	12.23	(11.42)	0.81	
- Nonconvertible savings shares		EUR	70,077,503	0.52	-	-	-	-	-	
		EUR	1,799,399,399	0.52	0.000	1	12.23	(11.42)	0.81	

C.III.4) Other Equity Investments (continued)

Company	Head office	Capital stock Currency	Amount	Par value per share	% interest held	Number of shares or partnership interests held	Cost	Permanent differences in value	Net carrying value	Market value at 6/30/04
Balance at 6/30/04:										
- Common shares		EUR	1,729,321,896	0.52	0.000	1	12.23	(11.42)	0.81	0.86
- Nonconvertible savings shares		EUR	70,077,503	0.52	-	-	-	-	-	-
		EUR	1,799,399,399	0.52	0.000	1	12.23	(11.42)	0.81	0.86
RAS Spa	Milan									
Balance at 12/31/03:										
- Common shares		EUR	402,532,196	0.60	0.000	1	10.74	-	10.74	
- Savings shares		EUR	804,006	0.60	-	-	-	-	-	
		EUR	403,336,202	0.60	0.000	1	10.74	-	10.74	
Balance at 6/30/04:										
- Common shares		EUR	402,532,196	0.60	0.000	1	10.74	-	10.74	14.94
- Savings shares		EUR	804,006	0.60	-	-	-	-	-	-
		EUR	403,336,202	0.60	0.000	1	10.74	-	10.74	14.94
Saes Getters Spa	Lainate (MI)									
Balance at 12/31/03:										
- Common shares		EUR	7,214,964	0.52	0.000	1	8.73	-	8.73	
- Nonconvertible savings shares		EUR	5,005,036	0.52	-	-	-	-	-	
		EUR	12,220,000	0.52	0.000	1	8.73	-	8.73	
Balance at 6/30/04:										
- Common shares		EUR	7,214,964	0.52	0.000	1	8.73	-	8.73	14.33
- Nonconvertible savings shares		EUR	5,005,036	0.52	-	-	-	-	-	-
		EUR	12,220,000	0.52	0.000	1	8.73	-	8.73	14.33
SNIA Spa	Milan									
Balance at 12/31/03		EUR	590,117,322	1.00	0.000	1	14.19	(12.22)	1.97	
Disposal		EUR				(1)	(14.19)	12.22	(1.97)	
Balance at 6/30/04		EUR	-	-	-	-	-	-	-	-
Telecom Italia Spa	Milan									
Balance at 12/31/03:										
- Common shares		EUR	5,657,884,011	0.55	0.000	7	70.29	(53.84)	16.45	
- Nonconvertible savings shares		EUR	3,187,756,588	0.55	-	-	-	-	-	
		EUR	8,845,640,599	-	-	7	70.29	(53.84)	16.45	
Balance at 6/30/04:										
- Common shares		EUR	5,657,884,011	0.55	0.000	7	70.29	(53.84)	16.45	17.95
- Nonconvertible savings shares		EUR	3,187,756,588	0.55	-	-	-	-	-	-
		EUR	8,845,640,599	0.55	0.000	7	70.29	(53.84)	16.45	17.95
Vincenzo Zucchi Spa	Milan									
Balance at 12/31/03:										
- Common shares		EUR	24,376,800	1.00	0.000	1	7.44	(3.34)	4.10	
- Savings shares		EUR	3,427,403	1.00	-	-	-	-	-	
		EUR	27,804,203	1.00	0.000	1	7.44	(3.34)	4.10	
Balance at 6/30/04:										
- Common shares		EUR	24,376,800	1.00	0.000	1	7.44	(3.34)	4.10	3.81
- Savings shares		EUR	3,427,403	1.00	-	-	-	-	-	-
		EUR	27,804,203	1.00	0.000	1	7.44	(3.34)	4.10	3.81
Total other equity investments not held as fixed assets							**44,332,938.49**	**(24,736,161.02)**	**19,596,777.46**	**24,611,473.88**

CIII.5) Other Securities

Company	Issuer's head office/ country	Currency	Number of shares or par value of quote held	Cost	Permanent differences in value	Net carrying value	Market value
CCT 1/1/97-1/1/07							
Balance at 12/31/03		EUR	2,104,000	2,104,000	-	2,104,000	-
Disposal		EUR	(2,104,000)	(2,104,000)	-	(2,104,000)	-
Balance at 6/30/04		EUR	-	-	-	-	
Total other securities		**-**	**-**	**-**	**-**	**-**	

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PricewaterhouseCoopers SpA

Auditors' report on the limited review of six month interim financial reporting as at 30 June 2004

To the shareholders of Edison SpA

1. We have performed a limited review of the financial schedules (balance sheet and profit and loss account) and relevant explanatory notes included in the interim financial reporting of Edison SpA and in the interim consolidated financial reporting of Edison Group for the six months ended 30 June 2004. Furthermore, we have reviewed those of the notes containing comments on operations only for the purpose of verifying their consistency with other information in the interim financial reporting

2. Our work was conducted in accordance with the procedures for a limited review recommended by CONSOB, the Italian Stock Exchange Commission, in Resolution No. 10867 of 31 July 1997. The limited review of the financial information for the six months ended 30 June 2004 of some subsidiaries representing about 4% of consolidated assets and about 3% of consolidated revenues was performed by other auditors who provided us with the relevant reports. The limited review consisted principally of inquiries of company personnel about the information reported in the interim financial reporting and about the consistency of the accounting principles utilised therein with those applied at year end, as well as applying analytical review procedures to the underlying financial data. The limited review excluded certain auditing procedures such as compliance testing and verification or validation tests of the assets and liabilities and was therefore substantially less in scope than an audit performed in accordance with generally accepted auditing standards. Accordingly we do not express a professional audit opinion on the interim financial reporting.

3. For comparative amounts relating to the annual financial statements and consolidated financial statements and to the interim financial reporting for the corresponding period of the previous year we make reference to the review reports issued by other auditors on 13 April 2004 and 12 September 2003 respectively.

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PRICEWATERHOUSECOOPERS

4. Based on our review, no significant changes or adjustments came to our attention that should be made to the financial schedules and relevant comments identified in paragraph 1 of this report for them to conform to the criteria established in article 81 "*Relazione semestrale*" of CONSOB Regulations approved by Resolution No. 11971 of 14 May 1999 and subsequent amendments.

Milan, 13 September 2004

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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