


SEPARATE FINANCIAL STATEMENTS 2007

EDISON

CONTENTS

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EDISON

EDISON SPA
Balance Sheet at 31 December 31, 2007

(amounts in euros)	See Note	12/31/2007	12/31/2006
ASSETS			
Property, plant and equipment	1	4,322,470,010	4,626,394,997
Investment property	2	1,015,438	9,819,143
Goodwill	3	2,632,320,046	2,632,320,046
Hydrocarbon concessions	4	234,310,827	254,408,387
Other intangible assets	5	31,151,441	36,712,328
Investments in associates	6	1,670,565,960	2,135,269,475
Available-for-sale investments	6	179,642,261	117,328,979
Other financial assets	7	67,237,383	74,157,527
Deferred-tax assets	8	-	-
Other assets	9	36,737,904	61,727,704
Total non-current assets	**-**	**9,175,451,270**	**9,948,138,586**
Inventories		192,351,133	258,219,918
Trade receivables		788,873,190	875,696,178
Current-tax assets		552,460	5,620,705
Other receivables		175,587,765	213,336,289
Current financial assets		627,285,742	531,507,685
Cash and cash equivalents		21,792,078	187,228,835
Total current assets	10	**1,806,442,368**	**2,071,609,610**
Assets held for sale	11	**208,213,805**	**104,765,717**
Total assets	-	**11,190,107,443**	**12,124,513,913**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Share capital		5,291,664,500	4,273,139,453
Statutory reserve		49,164,075	17,552,676
Other reserves		592,482,578	588,627,808
Retained earnings (Loss carryforward)		464,578,260	97,329,277
Profit (Loss) for the period		448,886,400	632,227,959
Total shareholders' equity	12	**6,846,775,813**	**5,608,877,173**
Provision for employee severance indemnities and provision for pensions	13	35,760,384	39,108,378
Provision for deferred taxes	14	298,615,914	415,375,315
Provision for risks and charges	15	811,199,744	782,184,797
Bonds	16	1,200,731,682	1,207,127,459
Long-term borrowings and other financial liabilities	17	257,017,439	339,383,411
Other liabilities	18	-	-
Total non-current liabilities	**-**	**2,603,325,164**	**2,783,179,361**
Bonds		8,799,273	1,456,752,176
Short-term borrowings		573,585,943	1,150,579,596
Trade payables		856,379,168	868,005,495
Current taxes payable		-	-
Other liabilities		282,911,043	257,120,111
Total current liabilities	19	**1,721,675,427**	**3,732,457,379**
Liabilities held for sale	20	**18,331,039**	**-**
Total liabilities and shareholders' equity	**-**	**11,190,107,443**	**12,124,513,913**

As required by Consob Resolution No. 15519 of July 27, 2006, the impact of transactions with related parties is discussed in a separate disclosure provided later in this Report.

EDISON SPA
Income Statement at 31 December 31, 2007

(amounts in euros)	See Note	12/31/2007	12/31/2006
Sales revenues	21	4,746,670,642	4,854,765,906
Other revenues and income	22	236,472,064	255,058,503
Total revenues		**4,983,142,706**	**5,109,824,409**
Raw materials and services used (-)	23	(4,083,901,149)	(4,194,091,605)
Labor costs (-)	24	(139,501,894)	(132,610,085)
EBITDA 25		**759,739,663**	**783,122,720**
Depreciation, amortization and writedowns (-)	26	(416,483,005)	(462,373,688)
EBIT		**343,256,658**	**320,749,032**
Net financial income (expense)	27	(134,667,506)	(200,867,888)
Income from (Expense on) equity investments	28	218,352,422	164,769,232
Other income (expense), net	29	15,061,768	31,606,657
Profit before taxes		**442,003,342**	**316,257,032**
Income taxes	30	(1,569,591)	188,016,254
Profit (Loss) from continuing operations		**440,433,751**	**504,273,286**
Profit (Loss) from discontinued operations	31	8,452,649	127,954,673
Profit (Loss)		**448,886,400**	**632,227,959**

As required by Consob Resolution No. 15519 of July 27, 2006, the impact of transactions with related parties is discussed in a separate disclosure provided later in this Report.

EDISON SPA
Cash Flow Statement at 31 December 31, 2007

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

(amounts in euros)	2007	2006
Profit (Loss)	448,886,400	632,227,959
Amortization and depreciation	415,367,140	408,505,941
(Gains) Losses on the sale of non-current assets	(27,698,947)	(140,136,281)
(Revaluations) Writedowns of non-current assets	21,356,444	53,867,747
Change in the provision for employee severance indemnities	(1,840,000)	1,065,953
Change in other operating assets and liabilities	97,434,216	(198,982,445)
A. Cash flow from continuing operations	**953,505,253**	**756,548,874**
Additions to intangibles and property, plant and equipment (-)	(207,545,938)	(301,385,833)
Additions to equity investments and other non-current financial assets (-)	(345,772,711)	(82,206,000)
Proceeds from the sale of intangibles and property, plant and equipment	38,729,342	5,915,000
Proceeds from the sale of equity investments and other non-current financial assets	103,393,391	321,107,906
Other current assets	(72,887,500)	(43,643,395)
B. Cash used in investing activities	**(484,083,416)**	**(100,212,322)**
Receipt of new medium-term and long-term loans	312,118,317	1,203,637,108
Redemptions of medium-term and long-term loans (-)	(2,012,018,762)	(1,291,216,925)
Capital contributions provided by controlling companies or other shareholders	1,018,525,047	31,699
Dividends paid to controlling companies or minority shareholders (-)	(233,367,577)	(182,284,920)
Change in short-term debt	279,884,381	(215,142,279)
C. Cash used in financing activities	**(634,858,594)**	**(484,975,317)**
D. Net increase in cash and cash equivalents (A+B+C+D)	**(165,436,757)**	**171,361,235**
E. Cash and cash equivalents at the beginning of the year	**187,228,835**	**15,867,600**
F. Cash and cash equivalents at the end of the year (D+E)	**21,792,078**	**187,228,835**

EDISON SPA
Statement of Changes in Shareholders' Equity at 31 December 31, 2007

(amounts in euros)	Share capital (a)	Statutory reserve (b)	Other reserves and ret. earnings (loss carry-forward)(c)	Profit for the period (d)	Total (a+b+c+d)=(e)
Balance at December 31, 2005	**4,273,107,754**	**-**	**369,972,731**	**515,703,527**	**5,158,784,012**
Appropriation of the 2005 profit and dividend distribution	-	17,552,677	315,865,930	(515,703,527)	(182,284,920)
Share capital increase due to the conversion of warrants	31,699	-	-	-	31,699
Restatements for the year due to the adoption of IAS 39	-	-	118,423	-	118,423
Profit for the year	-	-	-	632,227,959	632,227,959
Balance at December 31, 2006	**4,273,139,453**	**17,552,677**	**685,957,084**	**632,227,959**	**5,608,877,173**
Appropriation of the 2006 profit and dividend distribution	-	31,611,398	367,248,984	(632,227,959)	(233,367,577)
Share capital increase due to the conversion of warrants	1,018,525,047	-	-	-	1,018,525,047
Merger surplus	-	-	7,292,233	-	7,292,233
Restatements for the year due to the adoption of IAS 39	-	-	(3,437,463)	-	(3,437,463)
Profit for the year	-	-	-	448,886,400	448,886,400
Balance at December 31, 2007	**5,291,664,500**	**49,164,075**	**1,057,060,838**	**448,886,400**	**6,846,775,813**

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

at December 31, 2007

ACCOUNTING PRINCIPLES AND VALUATION CRITERIA

Content and Format of the Financial Statements

Dear Shareholders:

We submit for your approval the separate financial statements of Edison Spa at December 31, 2007, which consist of a balance sheet, an income statement, a statement of cash flow, a statement of changes in shareholders' equity and the accompanying notes. The financial statements were prepared in accordance with the International Financial Reporting Standards (IIFRS International Accounting Principles) issued by the International Accounting Standards Board, as published in the *Official Journal of the European Union* (*OJEU*).

Following their publication in the *OJEU,* the international accounting principles and interpretations listed below are also being applied starting in 2007. However, they affected only the content of the disclosures and had no impact on the valuations used in the financial statements:

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

The items published in the *OJEU* also included accounting principles and interpretations that will be applicable in subsequent years:

- IFRS 8 "Operating Segments," applicable as of January 1, 2009, will replace IAS 14 "Segment Reporting." The additional disclosures required by the new principle include an analysis of the products and services sold and of major customer data;
- IFRIC 11 "Group and Treasury Share Transactions," applicable as of January 1, 2008.

These separate financial statements were approved by the Board of Directors, which authorized their publication on February 12, 2008.

The separate financial statements have been audited by PricewaterhouseCoopers in accordance with a three-year assignment (from 2005 to 2007) it received from the Shareholders' Meeting of April 19, 2005. On April 5, 2007, the Shareholders' Meeting extended the assignment it granted to PricewaterhouseCoopers for an additional three years.

Presentation Formats of the Financial Statements

The presentation formats that the Group has chosen for its financial statements have the following characteristics:

- In the **Balance Sheet** assets and liabilities are analyzed by maturity. Current and non-current items, which are due within or after 12 months from the balance sheet date, respectively, are shown separately.
- The **Income Statement** is a step-by-step income statement, with the different components analyzed by type.

- The **Statement of Changes in Shareholders' Equity** was prepared in accordance with the provisions of IAS 1.
- The **Cash Flow Statement** shows the cash flows in accordance with the indirect method, as allowed by IAS 7.

Valuation Criteria

Property, Plant and Equipment and Investment Property

Property, plant and equipment used in the production process are classified as "Property, plant and equipment." Land and buildings that are not used in the production process are classified as "Investment property."
In the financial statements, these assets are shown at purchase or production cost, or at their conveyance value, including any attributable incidental costs and direct costs deemed necessary to make them operable, net of any capital grants.
Individual components of a facility that have different useful lives are recognized separately, so that each component may be depreciated at a rate consistent with its useful life. Under this principle, the value of a building and the value of the land over which it has been erected are recognized separately and only the building is depreciated.
Any costs that the Group expects to incur in the decommissioning of industrial sites are recognized as an amortizable asset component. The value at which these costs are recognized is equal to the present value of the costs that the Group expects to incur in the future.
Scheduled maintenance costs are charged in full to income in the year they are incurred.
Costs incurred for major maintenance that is performed at regular intervals are added to the respective assets and are written off over the remaining useful lives of the assets.
The estimated realizable value that the Group expects to recover at the end of an asset's useful life is not depreciated. Property, plant and equipment is depreciated each year on a straight-line basis at rates based on technical and financial estimates of the assets' remaining useful lives.

The range of depreciation rates applied is shown below:

	Electric Power		Hydrocarbons		Corporate	
Buildings	3.4	11.1	-	17.3	-	2.0
Plant and machinery	3.9	21.9	2.1	51.0	5.0	22.8
Manufacturing and distribution equipment	5.0	10.0	17.5	35.0	5.0	25.0
Other assets	6.0	20.0	6.0	25.0	6.0	20.0
Investment property	-	-	-	-	2.0	2.6

The depreciation method applied to power plants that sell energy under the CIP 6/92 rate schedule, which is based on the economic benefits produced, follows a step-down process, with straight line depreciation for each of the periods. This method reflects the differences between the amounts charged under the CIP 6/92 rate schedule for the 8-year incentivized period and those for the following 7-year contract period.
Items of property, plant and equipment appurtenant to hydrocarbon production concessions are recognized as assets and depreciated in accordance with the UOP method, which is also used to amortize the underlying concessions. Accordingly, depreciation is computed on the value determined by the ratio between the quantities produced during the fiscal year and the estimated remaining available reserves at the beginning of the year.
The depreciation of assets transferable free of charge is taken on a straight-line basis over the remaining term of the respective concessions or their estimated useful lives, whichever is less.
Assets acquired through financial leases must be booked under property, plant and equipment, with an offsetting entry of equal amount made to loans payable.
The liability is gradually eliminated in accordance with the principal repayment schedule of the re-

spective lease agreement. The value of the asset is depreciated on a straight-line basis, based on technical and financial estimates of its useful life.
Upon initial adoption of the IAS/IFRS principles, the Company used fair value as deemed cost. As a result, accumulated depreciation and amortization and the provision for writedowns booked through January 1, 2004 were derecognized. The accumulated depreciation and amortization and the provision for writedowns discussed in the notes to the financial statements refer exclusively to depreciation, amortization and writedowns that accumulated after January 1, 2004.
If there are indications of a decline in value, assets are subjected to an impairment test in the manner described below under Impairment of Assets. When the reasons for a writedown no longer apply, the asset's cost is reinstated. Financial expense is not capitalized.

Goodwill

Goodwill acquired for consideration, which for transition purposes had been recognized at the same amount as in the statutory financial statements at December 31, 2003, and other intangible assets with indefinite useful lives are not amortized on a straight-line basis, but the recoverability of the carrying amounts is checked annually (impairment test) for each Cash Generating Unit (CGU) or group of CGUs to which assets with indefinite lives can be reasonably allocated. The impairment test is described below in the section entitled Impairment of Assets. When the reasons for a writedown no longer apply, the asset's cost is not reinstated.
The decision to take the conservative approach of using for the transition to the IAS/IFRS principles on January 1, 2004 the same values as those used in the statutory financial statements prepared in accordance with Italian accounting principles is justified by the uncertainty that currently exists with respect to the accounting treatment that should be applied to these assets in the separate financial statements prepared in accordance with the IAS/IFRS principles.

Hydrocarbon Concessions and Other Intangible Assets

Only identifiable assets that are controlled by the Company and are capable of producing future benefits can be identified as intangible assets. Intangibles are recorded at purchase or internal production cost, including incidentals, in accordance with the same criteria used for property, plant and equipment. Development costs can be capitalized, provided they can be identified reliably and it can be demonstrated that the asset is capable of producing future economic benefits.
Intangible assets with finite useful lives are amortized on a straight-line basis over their useful lives, starting when they are available for use.
The costs incurred to acquire mineral leases or extend the duration of existing permits are recognized as intangible assets. If an exploration project is later abandoned, the residual cost is charged immediately to income.
Exploration costs and costs incurred in connection with geological surveys, exploratory testing, geological and geophysical mapping and exploratory drilling are recognized as intangible assets but their full amount is amortized in the year they are incurred.
Development costs related to successful mineral wells and production costs incurred to build facilities to extract and store hydrocarbons are recognized as property, plant and equipment, depending on the type of asset, and are depreciated in accordance with the unit-of-product (UOP) method.
The costs incurred to close mineral wells, clear the well areas and dismantle or remove structures are recognized as assets and amortized in accordance with the UOP method.
Hydrocarbon production concessions are amortized in accordance with the unit-of-product method. The amortization rate is computed on the value determined by the ratio between the quantities produced during the fiscal year and the estimated remaining available reserves at the beginning of the fiscal year, taking into account any significant change to reserves that occurred during the fiscal year. In addition, a test is conducted each year to make sure that the carrying amounts of these assets are not greater than their realizable value computed by discounting future cash flows, which are estimated based on future production programs and market values.

Emissions rights are recognized as intangible assets at the cost incurred to acquire them if the rights carried by the Company on the balance sheet date exceed the emissions released during the year. Rights assigned free of charge are recognized at a zero carrying value Since this asset is designed for instantaneous use, it cannot be amortized or tested for impairment. Its recoverable value is its value in use or its market value, whichever is greater. On the other hand, if, on the balance sheet date, the value of actual emissions is greater than the value of allocated emissions, including any purchased emissions, a provision for risks is set aside to cover the difference. Any emissions quotas that are turned back each year, based on the volume of polluting emissions released into the atmosphere each year, will be deleted using any reserves for risks set aside the previous year.

Equity Investments in Subsidiaries and Affiliated Companies

Subsidiaries are companies with respect to which Edison has the power independently to make strategic corporate decisions for the purpose of obtaining the resulting benefits. As a rule, control is presumed to exist when the controlling company holds, directly or indirectly, more than half of the votes that can be cast at an Ordinary Shareholders' Meeting, also counting the so-called "potential votes" (i.e., votes conveyed by convertible instruments).

Affiliated companies are companies with respect to which Edison exercises a significant influence over the process of making strategic corporate decisions, even though it does not have control, when the so-called "potential votes" (i.e., votes conveyed by convertible instruments) are counted. A significant influence is presumed to exist when the controlling company holds, directly or indirectly, more than 20% of the votes that can be cast at an Ordinary Shareholders' Meeting.

Equity investments in subsidiaries and affiliated companies are valued at cost, written down to reflect any distributions of share capital or equity reserves or any impairment losses discovered as a result of an impairment test. If the reasons that justified the writedown cease to apply in subsequent years, the original cost is reinstated.

Impairment of Assets

IAS 36 requires that an entity test its property, plant and equipment and intangible assets for impairment when there are indications that an impairment has occurred.

In the case of goodwill and other assets with indefinite lives or assets that are not available for use, this test must be conducted annually.

The recoverability of a carrying amount is tested by comparing it against an asset's fair value, less cost to sell, when there is an active market, or its value in use, whichever is greater.

As a rule, value in use is the present value of future cash flows expected to be derived from an asset or a CGU and from its disposal at the end of its useful life.

CGUs, which have been identified in a way that is consistent with the Edison's organizational and business structure, are homogeneous groups of assets that generate cash inflows independently, through the continued use of the assets included in each group.

Translation of Items Denominated in Foreign Currencies

Transactions in foreign currencies are translated into euros at the exchange rate in force on the transaction date. At the end of the year, cash assets and liabilities are translated at the exchange rates in force on the balance sheet date. Any resulting foreign exchange translation differences are recognized in earnings. Non-cash assets and liabilities denominated in foreign currencies are valued at cost and translated at the exchange rates in force on the transaction date.

Financial Instruments

Financial instruments include equity investments (other than investments in subsidiaries, joint ventures and affiliate companies) that the Company plans to sell, such as trading investments and available-for-sale investments. They also include long-term loans and receivables, trade receivables and other receivables generated by the Company, and current financial assets, such as cash and cash equiva-

lents. Cash and cash equivalents include bank and postal deposit accounts, readily marketable securities purchased as temporary investments of cash and loans receivable due within three months. This item also includes loans payable, trade and other payables, other financial liabilities and derivatives.
Financial assets and liabilities are recognized in the accounting records when the Company acquires the contractual rights and obligations conveyed by the underlying financial instrument.
The initial amount at which financial instruments are recognized should include the directly attributable transaction costs incurred upon purchase or the issuance costs that are included in the initial valuation of all those assets and liabilities that can be classified as financial instruments. Subsequent measurements will depend on the type of instrument, as follows:

- With the exception of derivatives, **assets held for trading** are valued at fair value, and any resulting gains or losses are recognized in the income statement. This class of assets consists mainly of trading securities.
- **Available-for-sale assets**, which consist of equity investments representing an interest of less than 20%, are valued at fair value, and any resulting gains or losses are recognized directly in equity until disposal, when they are transferred to the income statement.
- Provided they are not derivatives and equity investments, **other financial assets and liabilities** with fixed or determinable payments and fixed maturities are valued at their amortized cost. Purchasing/Selling costs (e.g., issue premiums or discounts, the costs incurred to secure loans, etc.) are posted directly as adjustments to the face value of the corresponding asset or liability. Financial income and expense are computed in accordance with the effective interest rate method. The value of financial assets is assessed on a regular basis to determine if there is any objective evidence that their value may have been impaired. More specifically, the valuation of receivables takes into account the solvency of creditors and the level of credit risk, which is indicative of individual debtors' ability to pay. Any losses are recognized in the income statement for the corresponding period. This category includes long-term loans and receivables, trade receivables and other receivables generated by the Company, as well as loans payable, trade and other payables and other financial liabilities.
- **Available-for-sale assets** are valued at fair value and any resulting gains or losses are recognized in equity until disposal, when they are transferred to the income statement. Losses that result from measurement at fair value are recognized directly in earnings when there is objective evidence that the value of a financial asset has been impaired, even though the asset has not been sold. Equity investments in companies that are not publicly traded, the fair value of which cannot be measured reliably, are valued at cost less impairment losses, but the original cost can be reinstated in subsequent years if the reasons for the writedowns are no longer applicable. This category also includes equity investments representing an interest of less than 20%.
- **Derivatives** are recognized at their fair value. Changes in fair value are recognized in earnings when a derivative does not qualify as a hedging instrument because of the type of instrument or because the Company elects not to perform the effectiveness test. Derivatives can be classified as hedges when the relationship between the derivative and the hedged item is formally documented and the effectiveness of the hedge, which must be tested periodically, is high pursuant to IAS 39. When derivatives hedge the risk of fluctuations in the cash flow of the hedged items (cash flow hedge), the effective portion of any change in the fair value of the derivatives is recognized directly in equity, while the ineffective portion is recognized directly in earnings. The amounts recognized in equity are transferred to the income statement in conjunction with the gains or losses generated by the hedged item. When derivatives hedge the risk of changes in the fair value of the hedged items (fair value hedge), any changes in the fair value of the derivatives are reflected directly in earnings. The carrying value of the hedged items is adjusted accordingly, to reflect changes in fair value associated with the hedged risk.

Financial assets are derecognized when they no longer convey the right to receive the related cash flows and substantially all of the risks and benefits conveyed by the ownership of the assets have been transferred or when an asset is deemed to be totally non-recoverable after all necessary recovery procedures have been carried out.

Financial liabilities are removed from the balance sheet when the corresponding contractual obligations have been satisfied.
The fair value of financial instruments that are traded on an active market is based on their market price on the date of the financial statements. The fair value of financial instruments that are not traded on an active market is determined using appropriate valuation techniques.

Inventories

Inventories are valued at the lesser of purchase or production cost, including incidental expenses, or estimated realizable value, based on market conditions. Cost is determined primarily by the FIFO method.

Employee Benefits

The **provision for employee severance indemnities and the provision for pensions** are computed on an actuarial basis. The value of benefits due to employees who have become vested during the year is charged to income under labor costs. The theoretical finance charge that the Company would incur if it were to borrow in the marketplace an amount equal to the provision for employee severance indemnities is posted to financial income (expense). Actuarial gains and losses that arise from changes in the actuarial assumptions used are reflected in the income statement, taking into account the average working lives of the employees.
Specifically, in accordance with Budget Law No. 296 of December 27, 2006, only the liability for the vested employee severance benefits that remained at the Company was valued for IAS 19 purposes, since the portion applicable to future vesting benefits is being paid to separate entities (supplemental pension funds or INPS funds). As a result of these payments, the Company has no further obligations with regard to the work that employees will perform in the future.
Stock option plans are valued at the time the options are awarded by determining the fair value of the option rights issued. This value, net of any subscription costs, is allocated over the plan's vesting period. The corresponding cost is recognized in earnings, with an offsetting entry posted to an equity reserve.

Provision for Risks and Charges

Provision for risks and charges are established exclusively to fund current obligations that arise from past events. These obligations can be legal or contractual in nature or can be the result of representations or actions of the Company that create valid expectations in the relevant counterparties that the Company will be responsible for complying or will assume the responsibility of causing others to comply with an obligation (implied obligations).

Recognition of Revenues and Expenses

Revenues and income and costs and expenses are reflected in the financial statements net of returns, discounts, allowances, bonuses and any taxes directly related to the sale of products or the provision of services. Sales revenues are recognized when title to the goods passes to the buyer. As a rule, this occurs when the goods are delivered or shipped. The cost of materials used includes the amounts paid for green certificates attributable to the year. Financial income and expense is recognized when accrued. Dividends are recognized when the shareholders are awarded the rights to collect them, which generally occurs in the year when the disbursing investee company holds a Shareholders' Meeting that approves a distribution of earnings or reserves.

Income Taxes

Income taxes for the fiscal year are determined on the basis of its taxable income, computed in accordance with the tax rates and laws that have been enacted or substantively enacted by the balance sheet date and taking into account any applicable exemptions or available tax credits.
Deferred-tax assets and liabilities are computed on the temporary differences between the values attributed to assets and liabilities for statutory and tax purposes, using the tax rates that are expected

to be in force when the temporary differences are reversed. Deferred-tax assets are recognized only when their future recovery is reasonably certain. Otherwise, their value is written down. The valuation of deferred-tax assets must be carried out taking into account future tax liabilities, as projected in approved Company industrial plans. When gains and losses are recognized directly in equity, the corresponding deferred-tax assets or liabilities must also be reflected under shareholders' equity.

Use of Estimated Values

The preparation of the financial statements and the related notes requires the use of estimates and assumptions both in the measurement of certain assets and liabilities and in the valuation of contingent assets and liabilities. The actual results that arise upon the occurrence of the relevant events could differ from these estimates. Estimates are also used to perform impairment tests; to measure certain sales revenues, the reserves for risks and charges, the allowances for doubtful accounts, depreciation and amortization; and to value derivatives, employee benefits and income taxes. Estimates and assumptions are revised on a regular basis, and the impact of any such revision is immediately recognized in the income statement.

RISK MANAGEMENT

An exhaustive description of the risk management system employed by Edison Spa is provided in the detailed remarks annexed to the Consolidated Financial Statements. An analysis of the risks to which Edison Spa is exposed is provided below, in accordance with the abovementioned risk model.

Market Risk

This category includes all of the risks that are linked directly or indirectly with price fluctuations in the markets for physical goods or in the financial markets in which Edison Spa operates. These risks are:
1. Risk caused by volatility in the prices of energy commodities handled by Edison Spa;
2. Foreign exchange risk;
3. Interest rate risk.

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

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

As explained in the disclosure provided in the Consolidated Financial Statement, Edison Spa, in keeping with the requirements of its Energy Risk Policies, uses appropriate financial instruments to deploy strategic hedges, which cover the Group's exposure, and operational hedges, which cover individual transactions involving the sale of natural gas (commodity and foreign exchange).

At December 31, 2007, outstanding financial derivatives were measured at fair value against the forward market curve on the reference date of the annual financial statements, when the underlying assets were traded on markets that provided a forward pricing structure.

Edison Spa uses the Montecarlo Method to assess the impact of fluctuations in the market price of the underlying assets on the fair value of outstanding derivatives.

The valuation method used by Edison Spa for this purpose is based on the computation of the Profit at Risk – PaR[1]. This method requires the simulation of 10,000 scenarios for the entire portfolio, as they apply to each material price driver, taking into account relative volatility data and the relevant correlations, using as a reference level the forward market curves on the date of the financial statements. Once a probability distribution for changes in the fair value of outstanding financial contracts is obtained with this method, it then becomes possible to extrapolate the maximum expected negative change in fair value over the length of a reporting year and the corresponding level of probability.

The official PaR of Edison Spa set forth in its Energy Policies considers a confidence interval of 97.5% probability, which, in the case of the separate financial statements of Edison Spa, is equal to an expected maximum loss of 42.9 million euros in fair value (102.2 million euros at December 31, 2006), as shown in the table below:

(in millions of euros)	12.31.2007		12.31.2006	
Profit at Risk (PaR)	Level of probability	Resulting expected loss	Level of probability	Resulting expected loss
Edison Spa	97.5%	42.9	97.5%	102.2

1. Profit at risk is a statistical measurement of the maximum potential negative variance in the budgeted margin in response to unfavorable market moves, within a given time horizon and confidence interval.

This means that Edison Spa expects, with a 97.5% probability, a maximum loss of 42.9 million euros in the fair value of financial instruments, as computed at December 31, 2007, caused by potential changes in commodity prices. In other words, the chance of losing more than 42.9 million euros by the end of 2008 is limited to 2.5% of the scenarios.

2. Foreign Exchange Risk not Related to Commodity Risk

With the exception of the issues reviewed above in the paragraph that discusses the commodity risk, Edison Spa does not have a significant exposure to currency risks. Whatever remaining exposure there is, it is concentrated in the translation of the financial statements of certain foreign subsidiaries and of some foreign currency flows of limited amount that are related to purchases of machinery. As a rule, foreign subsidiaries use the same currency for invoices issued and invoices received.

3. Interest Rate Risk

Edison Spa is exposed to fluctuations in interest rates primarily because they affect its debt service costs.

Net Borrowings(*)	without derivatives	with derivatives	% with derivatives
- fixed rate portion	702	896	50%
- variable rate portion	1,102	908	50%
Total net borrowings	**1,804**	**1,804**	**100%**

(*) See also the table in the "Liquidity Risk" section of this Report.

As shown by the breakdown in the preceding table, at December 31, 2007, Edison's exposure to the risk of changes in interest rates was equivalent to about 50% of its total gross exposure (33% at December 31, 2006). The remaining 50% at fixed rates (67% at December 31, 2006), is the combined result of borrowings originally structured with a fixed rate and derivatives executed to hedge bank borrowings of bonds payable that are contractually indexed to a variable rate.

The guidelines that govern the policy applied to hedge the interest rate risk is reviewed below. First of all, Edison Spa does not execute derivatives for speculative purposes. On the contrary, the main objective is to reduce volatility-induced changes in financial expense. Some of the hedging transactions executed for this purpose qualify as hedges in accordance with IAS 39. Others qualify as economic hedges. In both cases, the purpose is to reduce the effect of increases in the Euribor on financial expense, while at the same time retaining some of the benefits associated with Euribor decreases. These goals are achieved by establishing, with the help of hedges, an appropriate mix of fixed and variable rates in the indebtedness portfolio.
The adoption of this principle is clearly visible in the main transactions included in the Edison's portfolio. Most of the hedges applied to bond issues, which constitute the most stable source of financing (for the main characteristics of the outstanding bond issues, see the table provided later in this Report in the section entitled "Default Risk and Debt Covenants"). Through the use of derivatives, the interest rate on a portion (350 million euros) of a 700-million-euro bond issue was changed from a 5.125% fixed rate to a variable rate. In addition, a 200-million-euro portion of a 500-million-euro bond issue with a variable rate was converted to fixed rate of about 3.60%. For the remaining 300 million euros, Edison Spa negotiated a structure that prevents increases in the contractual rate to rise above a preset ceiling of 3.95%.

The table below provides a sensitivity analysis that shows the impact on the income statement (P&L) and shareholders' equity (S/E) of a hypothetical shift of the forward curve of plus or minus 50 basis points compared with the rates actually applied in 2007.

Sensitivity analysis (in millions of euros)	2007 Impact on financial expense (P&L)			12.31.07 Impact on cash flow hedge reserve (S/E)		
	+50 bps	base	-50 bps	+50 bps	base	-50 bps
Edison Spa	**146**	**138**	**130**	**4**	**3**	**2**

Credit Risk

The credit risk represents Edison's exposure to potential losses that could be incurred if a commercial or financial counterpart fails to meet its obligations. This risk arises primarily from economic/financial factors (i.e., that the counterpart defaults on its obligations), as well as from factors that are technical/commercial or administrative/legal in nature (disputes over the type/quantity of goods supplied, the interpretation of contractual clauses, supporting invoices, etc.).
Edison's exposure to credit risk is related mainly to sales of electric power and natural gas in the deregulated market. To control this risk (a task specifically assigned to the Credit Management Office, which is part of the Central Finance Department), Edison has implemented procedures and programs designed to evaluate customer credit worthiness (using specially designed scoring grids) and subsequently monitor the expected cash flows and any collection actions. The policies and tools used to preventively assess credit worthiness and the monitoring and collection activities employed vary depending on the customer type and the consumption level profile. As required by internal credit policies and depending on the customer's credit worthiness, in some cases Edison may ask customers to provide it with guarantees. Generally, these are sight bank or insurance sureties issued by entities with a high credit rating.

Lastly, when it comes to choosing counterparties for transactions to manage temporary excess liquidity or execute financial hedging contracts (derivatives), Edison deals only with entities with a high credit rating.
The payment terms applied to most customers require payment within 30 days from the date of the invoice, which, as a rule, is issued monthly during the month that follows the month when the service was provided. In cases of late payment, Edison, consistent with express provisions of the underlying supply contracts, charges customers delinquent interest at the rate allowed under the applicable laws (as a rule, the delinquent interest rate set forth in Legislative Decree No. 231/2002 is applied), without prejudice to the right to cease providing service (also called supply contract "termination") when a customer continues to be insolvent.

Trade receivables are shown in the financial statements net of any writedowns, which are recognized with a conservative approach using different rates that reflect the degree by which different groups of receivables were being disputed on the balance sheet date.
The table below shows an overview of gross trade receivables, the corresponding allowance for doubtful accounts and the guarantees that the Group holds to secure its receivables. The change, compared with the balance of receivables outstanding at December 31, 2006 is due mainly to decrease of receivables from the

(in millions of euros)	12.31.2007	12.31.2006
Gross trade receivables	819	904
Allowance for doubtful accounts (-)	(30)	(28)
Crediti commerciali	**789**	**876**
Guarantees held	113	-
Receivables 9 to 12 months in arrear	2	-
Receivables more than 12 months in arrear	18	13

Trade receivables that are delinquent on the balance sheet date are offset by corresponding allowances.

Operational Risks

Operational risks are the risks that the Company or third parties could incur due to the inadequacy or dysfunction of procedures, human resources and systems. They include legal risks and risks posed by external events. These risks, which for management purposes were identified in the Risk Self Assessment process, did not have an impact on the 2007 financial statements, except as reflected in the provisions for risks and charges. Additional information is provided in the note to the provisions for risks and charges.

Other Risks

Liquidity Risk

The liquidity risk represents the risk that the Company may not have access to sufficient financial resources to meet its financial and commercial obligations in accordance with agreed terms and maturities. The table that follows provides a worst-case analysis of financial liabilities (including trade accounts payable). The cash flows shown are undiscounted nominal future cash flows determined on the basis of the remaining contractual due dates both for principal and accrued interest. The table also shows the undiscounted nominal cash flows attributable to interest rate derivatives. Borrowings were included based on the first due date when repayment can be demanded. Revocable lines of credit were treated as if repayable on demand.

Worst case	1 to 3 months	More than 3 months and up 1 year	oltre 1 anno
Bonds	7	56	1,343
Borrowings and other financial liabilities	342	30	293
Trade accounts payable	804	52	-
Totale	**1,153**	**138**	**1,636**

Insofar as cash flows, financing needs and liquidity are concerned, the goal is to ensure that the Company has access at all times to sufficient committed facilities to repay indebtedness maturing over the ensuing 12 months. At December 31, 2007, Edison was abundantly in compliance with this objective. Specifically, Edison Spa has unused committed lines of credit amounting to 1,560 million euros with an average residual life of more than five years. The largest of these facilities is a syndicated standby credit line of 1,500 million euros that expires in 2013, which was unused at December 31, 2007.
The amount of Edison's trade receivables and the corresponding payment terms help create a well balanced working capital and specifically provide adequate coverage for the accounts payable.

The table that follows provides a breakdown by maturity of Edison's gross borrowings at December 31, 2007. However, the amounts shown are not accurately indicative of the exposure to the liquidity risk in that they do not reflect expected nominal cash flow, using instead amortized cost valuations and the fair value of derivatives, or the amounts at which financial liabilities were recognized in the accounting records at December 31, 2007.

(in millions of euros)	12.31.2008	12.31.2009	12.31.2010	12.31.2011	12.31.2012	After 5 years	Total
Bonds	9	-	700	501	-	-	1,210
Borrowings and other financial liabilities owed	338	132	17	17	85	5	594
Gross borrowings owed to outsiders	**347**	**132**	**717**	**518**	**85**	**5**	**1,804**
Gross intra-Group borrowings	234	2	-	-	-	-	236
Total gross borrowings	**581**	**134**	**717**	**518**	**85**	**5**	**2,040**

Default Risk and Debt Covenants

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

Two issues of debt securities (Euro Medium-term Notes), for a total face value of 1,200 million euros, are still outstanding (see table below, in millions of euros):

Description	Issuer	Market where	ISIN Code	Term (years)	Maturirty	Face value	Coupon	Current rate
EMTN 12/2003	Edison Spa	Luxembourg Stock Exch.	XS0181582056	7	10-12-10	700	Fixed, annual	5,125%
EMTN 12/2003	Edison Spa	Luxembourg Stock Exch.	XS0196762263	7	19-07-11	500	Variable, quarterly	5,255%

In addition, Edison is a party to non-syndicated loan agreements totaling 336 million euros and syndicated loan agreements with a total face value of 1,500 million euro. A balance of 1,560 million euros was unused at December 31, 2007.

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

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

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

At present, the Company is not aware of any situation that would cause it to be in default or in violation of any of the abovementioned covenants.

Analysis of Derivatives

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

1) *Transactions that qualify as hedges in accordance with IAS 39.* They can be cash flow hedges or fair value hedges. In the case of cash flow hedges that consist of foreign exchange and commodity derivatives, results are included in EBITDA when realized. Their projected value is reflected in shareholders' equity.

The results generated by interest derivatives are recognized as financial income or expense.

2) *Transactions that do not qualify as hedges in accordance with IAS 39.* They can be:
   a. Margin hedges. For all hedging transactions that comply with internal risk policies and procedures, realized results and expected value are included in EBITDA.
   b. Trading transactions. For all remaining transactions, realized results and expected value are recognized as financial income or expense and included in EBITDA.

Instruments Outstanding at December 31, 2007

The tables that follow provide an illustration of the information listed below:

- Derivatives that were outstanding at December 31, classified by maturity;
- The value at which these contracts are reflected on the balance sheet, which is their fair value on the date of the financial statements.
- The pro rata share of the fair value referred to above that was recognized on the income statement from the date of execution to the reporting date.

  The difference, if any, between the value on the balance sheet and the fair value recognized on the income statement is the fair value of contracts that qualify as cash flow hedges, which, in accordance with the reference accounting principles, is posted directly to equity reserves.

A) Interest Rates and Foreign Exchange Rates

(in thousands of euros)	Notional amount (*)	Notional amount (*)	Notional amount (*)	Notional sheet amount (**)	Cumulative impact on the income statement at 12/31/07 (***)
	due within 1 year	due between 2 and 5 years	due after 5 years		
Interest rate risk management					
- cash flow hedges in accordance with IAS 39	-	200.000	-	3.380	432
- contracts that do not qualify as hedges in accordance with IAS 39	35	1,665.235	36,061	(14,448)	(14,448)
Total interest rate derivatives	**35**	**1,865.235**	**36,061**	**(11,068)**	**(14,016)**
Foreign exchange rate risk management					
- contracts that qualify as hedges in accordance with IAS 39					
- On commercial transactions	750,481	-	-	(17,520)	(9,738)
- On financial transactions	11,745	-	-	-	-
- contracts that do not qualify as hedges in accordance with IAS 39					
- On commercial transactions	13,427	-	-	(296)	(296)
- On financial transactions	-	-	-	-	-
Total foreign exchange rate derivatives	**775,653**	**-**	**-**	**(17,816)**	**(10,034)**

(1) Include i crediti e i debiti iscritti a fronte della valutazione a Fair Value di contratti derivati il cui dettaglio è fornito nella pagina precedente.
(2) Include i crediti iscritti a fronte della valutazione a Fair Value di contratti derivati e di partecipazioni di trading.
(3) Per la componente di tali poste non relativa a contratti derivati o finanziamenti, non è stato calcolato il fair value in quanto il corrispondente valore di carico nella sostanza approssima lo stesso.

B) Commodities

(in thousands of euros)	Unit of measure of notional amount	Notional amount due within one year (*)	Notional amount due within two years (*)	Notional amount after two years (*)	Balance sheet value (**)	Cumulative impact on the income statement at 12/31//07 (***)
Price risk management for energy products						
A. Cash flow hedges pursuant to IAS 39, broken down as follows:		**-**	**-**	**-**	**1,331**	**225**
- Electric power	TWh	-	-	-	-	-
- Natural gas	millions of Terms	-	-	-	-	-
- LNG, oil	Barrels	456,030	-	-	1,331	225
- Coal	Millions of tons	-	-	-	-	-
- CO2	Millions of tons	-	-	-	-	-
- Other commodities	-	-	-	-	-	-
B. Contracts that qualify as fair value hedges pursuant to IAS 39	**-**	**-**	**-**	**-**	**-**	**-**
C. Contracts that do not qualify as fair value hedges pursuant to IAS 39, broken down as follows:			**(91,735)**	**-**	**(2,222)**	**(2,222)**
C.1 Margin hedges			(91,735)	-	(2,222)	(2,222)
- Electric power	TWh	-	-	-	-	-
- LNG, oil	Barrels	(157,200)	(91,735)	-	(2,222)	(2,222)
- Coal	Millions of tons	-	-	-	-	-
C.2 Trading contracts			-	-		
- Electric power	TWh	-	-	-	-	-
- LNG, oil	Barrels	-	-	-	-	-
TOTAL		**-**	**(91,735)**	**-**	**(891)**	**(1,997)**

(*) + for net purchases, - for net sales

(**) Represents the net credit (+) or debit (-) recognized on the balance sheet following the measurement of derivatives at fair value.

(***) Represents the cumulative adjustment to fair value recognized on the income statement from the inception of the contract until the date of the financial statements.

Operating and Financial Results Generated by Derivative Transactions in 2007

The table below provides an analysis of the results generated by derivative transactions in 2007. The income statement line "Materials and services used" includes the impact of the effective portion of commodity related foreign exchange hedges, which had a negative impact of about 64 million euros.

(in thousands of euros)	Realized in 2007 (A)	Fair value recognized for contracts outstanding at 12/31/06 (B)	Portion of (B) contracts realized in 2006 (B1)	Fair value recognized for contracts outstanding at 12/31/07 (C)	Change in fair value in 2007 (D=C-B)	Amounts recognized in earnings (A+D)
Other revenues and income (Ref. n°22 Income statement)						
Price risk hedges for energy products						
- definable as hedges pursuant to IAS 39 (CFH)	45,199	-	-	-	-	45,199
- not definable as hedges pursuant to IAS 39		-		723	723	723
Exchange risk hedges for commodities						
- definable as hedges pursuant to IAS 39 (CFH)	-	-	-	-	-	-
- not definable as hedges pursuant to IAS 39	-	15	15	330	315	315
Total (A)	**45,199**	**15**	**15**	**1,053**	**1,038**	**46,237**
Raw materials and services used (Ref. n°23 Income statement)						
Price risk hedges for energy products						
- definable as hedges pursuant to IAS 39 (CFH)	(18,531)	-	-	-	-	(18,531)
- not definable as hedges pursuant to IAS 39	-	-	-	(2,720)	(2,720)	(2,720)
Exchange risk hedges for commodities						
- definable as hedges pursuant to IAS 39 (CFH)	(54,084)	-	-	(9,738)	(9,738)	(63,822)
- not definable as hedges pursuant to IAS 39	-	(217)	(217)	(625)	(408)	(408)
Total (B)	**(72,615)**	**(217)**	**(217)**	**(13,083)**	**(12,866)**	**(85,481)**
TOTAL INCLUDED IN EBITDA (A+B)	**(27,416)**	**(202)**	**(202)**	**(12,030)**	**(11,828)**	**(39,244)**
Net financial income (expense)						
Price risk hedges for energy products						
- Gains on trading transactions	-	-	-	-	-	-
- Losses on trading transactions	-	-	-	-	-	-
Margin on commodity trading transactions (C)	**-**	**-**	**-**	**-**	**-**	**-**
Interest rates hedges, broken down as follows:						
Financial income						
- definable as hedges pursuant to IAS 39	22,317	6,732	6,732	432	(6,300)	16,017
- not definable as hedges pursuant to IAS 39	66,792	14,586	14,539	4,172	(10,414)	56,378
Total financial income (D)	**89,109**	**21,318**	**21,271**	**4,604**	**(16,714)**	**72,395**
Financial expense						
- definable as hedges pursuant to IAS 39	(24,424)	(8,064)	(8,064)	-	8,064	(16,360)
- not definable as hedges pursuant to IAS 39	(80,148)	(33,523)	(16,472)	(14,714)	18,809	(61,339)
Total financial expense (E)	**(104,572)**	**(41,587)**	**(24,536)**	**(14,714)**	**26,873**	**(77,699)**
Margin on interest rate hedging transactions (D+E)=(F)	**(15,463)**	**(20,269)**	**(3,265)**	**(10,110)**	**10,159**	**(5,304)**
Foreign exchange rates hedges, broken down as follows:						
Foreign exchange gains						
- definable as hedges pursuant to IAS 39	302	-	-	-	-	302
- not definable as hedges pursuant to IAS 39	-	-	-	-	-	-
Total foreign exchange gains (G)	**302**	**-**	**-**	**-**	**-**	**302**
Foreign exchange losses						
- definable as hedges pursuant to IAS 39	(608)	-	-	-	-	(608)
- not definable as hedges pursuant to IAS 39		-	-	-	-	-
Total foreign exchange losses (H)	**(608)**	**-**	**-**	**-**	**-**	**(608)**
Margin on foreign exchange hedging transactions (G+H)= (I)	**(306)**	**-**	**-**	**-**	**-**	**(306)**
TOTAL INCLUDED IN NET FINANCIAL INCOME (C+F+I) (Ref. n°27 Income statement)	**(15,769)**	**(20,269)**	**(3,265)**	**(10,110)**	**10,159**	**(5,610)**

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

(in thousands of euros)	12-31-07		12-31-06	
	Receivab.	Payables	Receivab.	Payables
Foreign exchange transactions	554	3.346	15	217
Interest rate transactions	6.517	17.584	4.438	18.677
Commodity transactions	4.309	10.487	31.298	40.894
Fair value recognized as current asset or current liability	**11.380**	**31.417**	**35.751**	**59.788**
Broken down as follows:				
- recognized as "Other receivables and payables"	4.863	13.833	31.313	41.111
- recognized as "Current financial assets" and "Short-term borrowings"	6.517	17.584	4.438	18.677

With regard to the items listed above, please note that the receivables and payables shown are offset by a negative cash flow hedge reserve amounting to 3,727,000 euros before the applicable tax effect.

Classes of Financial Instruments

The table provided below, which lists the types of financial instruments recognized in the financial statements showing the valuation criteria applied and, in the case of financial instruments measured at fair value, whether gains or losses were recognized in earnings or in equity, completes the disclosures required by IFRS 7. The last column in the table shows, if applicable, the fair value of financial instruments at December 31, 2007.

Edison has chosen not to adopt the value option and, consequently, as the table shows, neither borrowings nor bonds were restated at fair value.

(in thousands of euros)	Criteria applied to value financial instruments in the financial statements					Fair value at 12/31/07
	Fin. instruments valued at fair value with change in fair value recognized in:		Financial instruments valued at amortized	Investments (not listed) valued at cost	Carrying value at 12/31/07	
Financial instrument type	earnings	equity				
ASSETS						
Available-for-sale equity investments, including:						
- not publicly traded securities	-	-	-	157,137	157,137	n.a.
- publicly traded securities	-	22,505	-	-	22,505	22,505
				179,642		
Other financial assets [3]	-	-	67,327	-	67,327	67,327
Other assets [3]	-	-	36,738	-	36,738	36,728
Trade receivables [3]	-		788,673		788,673	788,673
Other receivables [1] [3]	1,052	3,811	170,725	-	175,588	175,588
Current financial assets [2] [3]	13,509	3,380	610,397	-	627,286	627,286
Cash and cash equivalents [3]	-	-	21,792	-	21,792	21,792
LIABILITIES						
Bonds long and short term	-		1,209,531	-	1,209,531	1,217,962
Long and short-term borrowings [1] [3]	17,585	-	813,018	-	830,603	829,112
Trade payables [3]	-	-	856,379	-	856,379	856,379
Other liabilities [3]	3,346	10,487	269,078	-	282,911	282,911

(1) Include i crediti e i debiti iscritti a fronte della valutazione a Fair Value di contratti derivati il cui dettaglio è fornito nella pagina precedente.
(2) Include i crediti iscritti a fronte della valutazione a Fair Value di contratti derivati e di partecipazioni di trading
(3) Per la componente di tali poste non relativa a contratti derivati o finanziamenti, non è stato calcolato il fair value in quanto il corrispondente valore di carico nella sostanza approssima lo stesso.

NOTES TO THE BALANCE SHEET

Assets

Non-current Assets

1. Property, Plant and Equipment

Property, plant and equipment, which comprise the Company's production assets, totaled 4,322,470,000 euros, or 303,925,000 euros less than at December 31, 2006. The table below provides a breakdown of this item and shows the changes that occurred in 2007:

(in thousands of euros)	Land and buildings	Plant and machinery	Manufact. and distrib. equipment	Other assets	Constr. in progress and advances	Total
Balance at 12/31/06 (A)	**537.240**	**3.625.953**	**7.579**	**4.502**	**451.121**	**4.626.395**
Changes in 2007:						
- Additions	9.492	192.153	580	737	(1.523)	201.439
- Disposals (-)	(11.909)	(9.676)	(5)	(14)	-	(21.604)
- Depreciation (-)	(24.996)	(355.500)	(1.478)	(1.542)	-	(383.516)
- Writedowns (-)	-	(1.116)	-	-	-	(1.116)
- Decommissioning costs	-	42.542	-	-	-	42.542
-	(12.580)	(124.856)	(427)	(65)	(3.044)	(140.972)
- Other changes	29.040	336.016	78	344	(366.176)	(698)
Total changes (B)	**(10.953)**	**79.563**	**(1.252)**	**(540)**	**(370.743)**	**(303.925)**
Balance at 12/31/06 (A+B)	**526.287**	**3.705.516**	**6.327**	**3.962**	**80.378**	**4.322.470**
Breakdown:						
- Historical cost	608.701	4.927.355	12.139	8.980	80.378	5.637.553
- Writedowns (-)	(3.518)	(96.525)	(1.619)	-	-	(101.662)
- Accumulated depreciation (-)	(78.896)	(1.125.314)	(4.193)	(5.018)	-	(1.213.421)
Net carrying amount	**526.287**	**3.705.516**	**6.327**	**3.962**	**80.378**	**4.322.470**

The total value of these assets includes "Construction in progress and advances" totaling 80,378,000 euros for efficiency enhancing and modernization projects carried out mainly by the thermoelectric operations (25,318,000 euros) and the hydroelectric operations (21,826,000 euros), and to development projects for the hydrocarbons operations (32,579,000 euros).

The commissioning of the Simeri Crichi thermoelectric power plant is the main reason for the substantial reduction in "Construction in progress and advances" compared with December 31, 2006.

Additions, which totaled 201,439,000 euros, are mainly the result of the following capital expenditures:

- the investments of the **thermoelectric operations**, which totaled 133,161,000 euros, were primarily used to build new thermoelectric power plants in Simeri Crichi (88,160,000 euros), Torviscosa (5,312,000 euros) and Candela (6,416,000 euros), and to carry our cyclical maintenance programs and replace equipment at some power plant (18,564,000 euros);
- the 18,708,000 euros invested by the **hydroelectric operations** were used mainly to upgrade the Belviso, Ganda and Taio power plants;
- the **hydrocarbons operations** invested 48,716,000 euros. The main projects pursued included development of the Candela (4,071,000 euros), Emma (27,358,000 euros), Garaguso (5,917,000 euros) and Daria (3,009,000 euros) gas fields.

Disposals totaled 21,604,000 euros. The largest transactions included the sale of turbogenerator components by some thermoelectric power plants (5,301,000 euros), the disposal of the Ravenna Environmental Research Center (3,433,000 euros), the sale of a land parcel in Simeri Crichi (4,838,000 euros), the replacement of components for the Marghera electrical stations (1,885,000 euros) and the disposal of land appurtenant to some electrical stations (2,613,000 euros). The transactions listed above generated a net loss of 3,591,000 euros.

Depreciation of property, plant and equipment included 79,680,000 euros for the hydroelectric operations (82,507,000 euros at December 31, 2006), 259,881,000 euros for the thermoelectric operations (247,270,000 euros at December 31, 2006), 40,702,000 euros for the hydrocarbons operations (30,090,000 euros at December 31, 2006) and 3,252,000 euros for corporate activities (3,374,000 euros at December 31, 2006).

The increase compared with 2006 reflects primarily the commissioning in October of the new Simeri Crichi thermoelectric power plant and the availability for all of 2007 of the Torviscosa power plant, which went on stream in the second half of 2006.

Writedowns of 1,116,000 euros refer to some assets that are part of thermoelectric power plants slated for decommissioning.

Decommissioning costs refer to additions to faculties belonging to the hydrocarbons operations (37,442,000 euros) and the electric power operations (5,100,000 euros) that were put into service in 2007. In the case of the hydrocarbons operations, the increase in decomissioning costs reflects primarily a revision of expected costs that was carried out in 2007 by the operator of some of the gas fields in which the Company is involved.

The **reclassification to assets held for sale** (140,972,000 euros) refers to assets belonging to power plants located in Pomigliano, Castelmassa, Narni, Settimo Torinese and Spinetta Marengo (the latter includes an electrical station valued at 1,064,000 euros), which, pursuant to the terms of a preliminary sales agreement signed on December 6, 2007, constitute a disposal group.

Among **other changes,** the decrease in construction in progress is mainly due to the commissioning of the Simeri Crichi power plant.

In addition:

- The net carrying amount of property, plant and equipment includes assets transferable at no cost with an aggregate value of 271,530,000 euros (319,762,000 euros at December 31, 2006), attributable to Edison's hydroelectric operations, which hold 34 concessions. The decrease reflects primarily the depreciation taken in 2007.
- Property, plant and equipment includes assets acquired under finance leases totaling 2,781,000 euros (3,073,000 euros at December 31, 2006), which are recognized in accordance with the IAS 17 (revised) method. The balance outstanding on finance leases, which amounts to 856,000 euros, is shown under "Long-term borrowings and other financial liabilities."

2. Investment Property

The Group's investment property, which consists of land and buildings that are not used for production purposes, totaled 1,015,000 euros. The decrease compared with December 31, 2006 is due mainly to the sale of a building in Rome, which generated a gain of 10,902,000 euros.
A breakdown of the changes that occurred in this account is provided below:

(in thousands of euros)	Investment property
Balance at 12/31/06 (A)	**9,819**
Changes in 2007:	
- Disposals	(8.582)
- Depreciation	(222)
- Other changes	-
Total changes (B)	**(8,804)**
Balance at 12/31/07 (A+B)	**1.015**
Breakdown:	
- Historical cost	7,053
- Accumulated depreciation	(289)
- Writedowns	(5,749)
Net carrying amount	**1,015**

3. Goodwill

Goodwill totaled 2,632,320,000 euros. The outstanding balance is an intangible asset with an indefinite useful life. As such, it cannot be amortized in regular installments but should be tested for impairment at least once a year. The method applied to determine the value of goodwill is consistent with the criteria for allocation by business operations, which are set forth in the definition of cash generating units provided in the notes to the Consolidated Financial Statements.
No impairment losses were detected in 2007.

4. Hydrocarbon Concessions

Concessions for the production of hydrocarbons, which include 45 hydrocarbon production leases in Italy, were valued at 234,311,000 euros. The decrease compared with December 31, 2006 is the result of the amortization for the period.
The table below shows the changes that occurred in 2007:

(in thousands of euros)	Hydrocarbon concessions
Balance at 12/31/06 (A)	**254,408**
Changes in 2007:	
- Amortization	(20,097)
- Reversals of writedowns	-
- Other changes	-
Total changes (B)	**(20,097)**
Balance at 12/31/07	**234,311**
Breakdown:	
- Historical cost	329,656
- Accumulated amortization (-)	(95,256)
- Writedowns (-)	(89)
Net carrying amount	**234,311**

Information About the Concessions Held by Edison Spa

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

	Number	Remaining life from	Remaining life to
Hydroelectric concessions	34	1	22
Hydrocarbon concessions	45	unit of production (*)	

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

5. Other Intangible Assets

The balance of 31,151,000 euros refers to licenses and similar rights consisting mainly of software licenses (28,181,000 euros) and work in progress (2,970,000 euros).
Hydrocarbon research and exploration costs, which are charged in full to income in the year they are incurred, totaled 2,750,000 euros.

(in thousands of euros)	Other intangible assets
Balance at 12/31/06 (A)	**36,712**
Changes in 2007:	
- Additions	6,107
- Amortization	(11,531)
- Other changes	(137)
Total changes (B)	**(5,561)**
Balance at 12/31/07	**31,151**
Breakdown:	
- Historical cost	90,535
- Accumulated amortization (-)	(58,567)
- Writedowns (-)	(817)
Net carrying amount	**31,151**

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

Because goodwill is an intangible asset with an indefinite useful life and, therefore, cannot be amortized in regular installments, IAS 36 requires that its value be tested for impairment at least once a year. Since goodwill does not generate cash flow independently and cannot be sold separately, IAS 36 requires a test of the value that can be recovered on a residual basis. This is accomplished by determining the cash flows generated by the complex of assets that constitute the business or businesses to which goodwill is attributable (the cash generating unit or units – CGUs).
A description of the method used is provided in the corresponding note to the Consolidated Financial Statements. The recoverable value determined in accordance with the statistical process referred to above is greater than the corresponding carrying amounts attributed to the various CGUs.
As for the Edison Spa CGUs, the recoverable value determined in accordance with the statistical method used for the Consolidated Financial Statements (which should be consulted for more detailed information), showed that no impairment loss had occurred.

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

Investments in associates totaled 1,670,566,000 euros, including 677,743,000 euros in investments in subsidiaries and 992,823,000 euros in investments in affiliated companies. Available-for-sale investments were valued at 179,642,000 euros. They consist of investments in privately held companies (157,137,000 euros) and in publicly traded companies (22,505,000 euros).

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

(in thousands of euros)	Investments in associates	Available-for-sale investments
Balance at 12/31/06 (A)	**2.135.269**	**117.329**
Changes in 2007:		
- Disposals (-)	(4.321)	(10)
- Additions	264.020	1.077
- Changes in share capital	14.816	66.937
- Distribution of reserves	(300)	-
- Writedowns (-)	(17.847)	(6.284)
- Other changes (-)	(658.852)	593
- Reclassifications and sundry changes	(62.219)	-
Total changes (B)	**(464.703)**	**62.313**
Balance at 12/31/07	**1.670.566**	**179.642**
Breakdown:	-	
- Historical cost	1.975.420	188.842
- Revaluations	-	-
- Writedowns (-)	(304.854)	(9.200)
Net carrying amount	**1.670.566**	**179.642**

An analysis of the changes is provided below:

- **Disposals** of 4,331,000 euros include 3,499,000 euros from the sale of a 6% interest in the share capital of the Sarmato Energia Spa subsidiary, which generated a net loss of 2,634,000 euros, and 822,000 euros from the disposal of the investment in the SAT Finanziaria Spa affiliate, which produced a gain of 2,045,000 euros.
- **Additions,** which totaled 265,097,000 euros, included the purchase of a 20% interest in Finel Spa (later absorbed by and merged into Edison Spa) for 136,858,000 euros and the acquisition of an additional 5% interest in Edipower Spa (127,028,000 euros) upon the exercise of put-and-call options in July 2007.
- **Changes in share capital** of 81,753,000 euros consist mainly of capital contributions provided to Terminale GNL Adriatico (66,937,000 euros), Galsi Spa (4,500,000 euros), Eneco Energia Spa (3,868,000 euros), Nuova Alba (3,400,000 euros) and Edison International Holding NV (2,500,000 euros).
- **Writedowns** totaling 24,131,000 euros refer mainly to the Eneco Energia Spa (3,868,000 euros), Nuova Alba Srl (5,143,000 euros) and Montedison Srl (356,000 euros) subsidiaries and to the International Water Holding BV (8,000,000 euros) and Roma Energia srl (455,000 euros) affiliated companies. In the case of available-for-sale investments, most of the writedown shown above reflects the adjustment made to the carrying value of the investment in RCS Mediagroup Spa (6,253,000 euros) when these securities were marked to market at the end of the year.
- **Other changes** of 658,259,000 euros refer mainly to items derecognized upon merger in connection with the absorption of Finel Spa.
- **Reclassifications and sundry changes** refer entirely to the carrying amounts of the investments in the Termica Boffalora Spa (21,871,000 euros), Termica Celano Spa (40,346,000 euros) subsidiaries and the Consorzio Montoro (1,000 euros) affiliate, which were reclassified under "Assets held for sale" in accordance with a preliminary sales agreement signed on December 6, 2007.

7. Other Financial Assets

Other financial assets of 67,237,000 euros include loans receivable due in more than one year and long-term equity investments.

The main components of loans receivable include 39,074,000 euros for an escrow deposit provided for IPSE 2000, which is offset by a provision for risks of an equal amount, 13,503,000 euros for an interest-bearing escrow deposit provided in connection with the sale of Serene Spa and 14,657,000 euros in loans receivable from subsidiaries.

8. Deferred-tax Assets

As was the case in 2006, since this item met the requirements of IAS 12, it was offset against the "Provision for deferred taxes." Additional information is provided in the corresponding note.

9. Other Assets

This item, which totaled 36,738,000 euros, or 24,990,000 euros less than at December 31, 2006, consists mainly of tax refunds receivable and accrued interest at December 31, 2007. The year-over-year decrease reflects collections of tax refunds and accrued interest (21,668,000 euros). This account's balance at December 31, 2007 also includes 5,498,000 euros consisting mainly of security deposits.

10. Current Assets

(in thousands of euros)	12-31-07	12-31-06	Change
Inventories	192,351	258,220	(65,869)
Trade receivables	788,873	875,696	(86,823)
Current-tax assets	552	5,621	(5,068)
Other receivables	175,588	213,336	(37,749)
Current financial assets	627,286	531,508	95,778
Cash and cash equivalents	21,792	187,229	(165,437)
Total current assets	**1,806,442**	**2,071,610**	**(265,168)**

A review of the individual components is provided below:

Inventories

Inventories, which decreased to 192,351,000 euros (65,869,000 euros less than at December 31, 2006) due mainly to drawdowns of stored natural gas and fuel oil, consist mainly of stored natural gas (142,390,000 euros), fuel (17,268,000 euros) and supplies and equipment used to maintain and operate the Company's facilities (31,536,000 euros).

Trade Receivables

Trade receivables totaled 788,873,000 euros, or 86,823,000 euros less than at December 31, 2006. A breakdown by type of business is as follows:

(in thousands of euros)	12-31-07	12-31-06	Change
Electric power operations	278,087	586,368	(308,281)
Hydrocarbons operations	510,786	289,328	221,458
Total	**788,873**	**875,696**	**(86,823)**

Trade receivables stem from contracts to supply energy and steam, contracts to supply natural gas and contracts to sell natural gas at virtual trading locations.
The above amounts are net of an allowance for doubtful accounts totaling 30,324,000 euros. A breakdown of this allowance by type of business is provided below:

(in thousands of euros)	Balance at 12/31/06	Utilization	Additions	Balance at 12/31/07
Electric power operations	12,905	(75)	2,707	**15,537**
Hydrocarbons operations	5,798	(5,511)	5,528	**5,815**
Corporate activities	9,115	(143)	-	**8,972**
Total allowance for doubtful accounts	**27,818**	**(5,729)**	**8,235**	**30,324**

Current-tax Assets

Current-tax assets, which totaled 552,000 euros, or 5,069,000 euros less than at December 31, 2006, correspond to a receivable owed by the tax authorities for the difference between the estimated local-tax payments made in 2007 and the corresponding actual tax liability for 2007 (23,000,000 euros).

Other Receivables

Other receivables amounted to 175,588,000 euros, net of an allowance for doubtful accounts totaling 18,990,000 euros. The main components of this account are dividends receivable (25,990,000 euros owed by Termica Milazzo Srl); receivables due by Group companies for the provision of technical, administrative and financial services (27,424,000 euros), amounts owed by partners and associates in hydrocarbon exploration projects and royalty advances (21,376,000 euros), prepaid expenses consisting of contributions to pension funds (10,268,000 euros), prepaid insurance premiums (9,967,000 euros), receivables owed by the tax administration for excise tax overpayments (9,837,000 euros), prepaid hydroelectric concession fees (9,753,000 euros) and advances paid to suppliers (9,568,000 euros). This item also includes 4,863,000 euros in sundry receivables related to foreign exchange and commodity derivatives.

The table below shows a breakdown of the receivables owed by subsidiaries and affiliated companies:

(in thousands of euros)	**12-31-07**	12-31-06	Change
Termica Milazzo	26,806	26,298	508
Edison Stoccaggio	4,063	573	3,490
Edison Energie Speciali	2,266	975	1,291
Sarmato Energia	2,215	1,260	955
Edison Energia	6,211	858	5,353
Edison International	1,860	1,107	753
Gever	1,294	1,503	(209)
Sel Edison	1,239	1,320	(81)
Edipower	858	987	(129)
Termica Celano	843	4,564	(3,721)
Termica Boffalora	544	473	71
Edison DG	858	693	165
Montedison	270	421	(151)
Jesi Energia	331	104	227
Edison Trading	563	40	523
Galsi	441	284	157
KHR	519	-	519
Edison International Holding BV	142	128	14
Ibiritermo	136	127	9
Serene	-	13,630	(13,630)
Other companies	1,955	1,124	831
Total	**53,414**	**56,469**	**(3,055)**

Current Financial Assets

A breakdown of current financial assets, which totaled 627,286,000 euros, is as follows:

(in thousands of euros)	12-31-07	12-31-06	Change
Equity investments held for trading	10.372	10.943	(571)
Loans receivable	610.397	516.127	94.270
Derivatives	6.517	4.438	2.079
Total current financial assets	**627.286**	**531.508**	**95.778**

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

Equity Investments Held for Trading

These are investments in the following publicly traded companies: ACEGAS APS Spa (4,749,000 euros), ACSM Spa (2,652,000 euros) and AMCS American Superconductor Spa (2,971,000 euros). The carrying values of these investments are marked to market at the end of the year.

Loans Receivable

Loans receivable of 610,397,000 euros reflect financial transactions with subsidiaries and affiliated companies. They represent the balances in the corresponding intra-Group current accounts, a list of which is provided below (amounts in thousands of euros):

Company	12-31-07	12-31-06	Change
Subsidiaries:			
Edison Energia	186,652	219,212	(32,560)
Edison Stoccaggio	131,576	41,203	90,373
Edison Energie Speciali	126,828	132,650	(5,822)
Edison International	108,181	42,269	65,912
Edison DG	40,809	37,205	3,604
Termica Milazzo	-	7,847	(7,847)
Termica Celano	-	4,994	(4,994)
Consorzio di Sarmato	-	4,556	(4,556)
Sarmato Energia	-	4,357	(4,357)
Jesi Energia	-	4,219	(4,219)
Other companies	-	167	(167)
Subtotal (A)	**594,046**	**498,679**	**95,367**
Affiliated companies:			
Ibiritermo	13,984	15,081	(1,097)
Parco Eolico Castelnuovo	2,367	2,367	-
Subtotal (B)	**16,351**	**17,448**	**(1,097)**
Total (A+B)	**610,397**	**516,127**	**94,270**

Cash and Cash Equivalents

The balance of 21,792,000 euros, which consist of short-term deposits in bank and postal accounts, is lower than the previous year (187,229,000 euros), when it included the cash proceeds generated at the end of December 2006 by factoring income tax refunds receivable.

11. Assets Held for Sale

The balance of 208,214,000 euros represents the assets of a disposal group that, as explained earlier in this report, consisting of five thermoelectric power plants and three equity investments. A breakdown of the amounts at which these items are carried is provided below:

- 140,972,000 euros for the assets of the thermoelectric power plants and the electrical station. The inventory of replacement parts used to maintain the abovementioned power plants, which is also classified as an asset held for sale, amounted to 5,024,000 euros.
- 62,218,000 euros for the equity investments in the Termica Boffalora and Termica Celano subsidiaries and the Consorzio Montoro affiliate.

Liabilities and Shareholders' Equity

12. Shareholders' Equity

Edison's shareholders' equity amounted to 6,846,776,000 euros, or 1,237,899,000 euros more than at December 31, 2006. This increase is the result of the profit earned in 2007 (448,886,000 euros), the conversion of warrants (1,018,525,000 euros), the merger surplus generated upon the absorption of the Finel Spa subsidiary (7,292,000 euros), net of the distribution of dividends from the 2006 profit, which totaled 233,368,000 euros (equal to a dividend of 0.048 euros per common share and 0.078 euros per savings share, which includes amounts in arrears).

At December 31, 2007, the subscribed and paid-in share capital of Edison Spa amounted to 5,291,665,000 euros. The increase of 1,018,525,000 euros compared with December 31, 2006 reflects the exercise during the year of 1,018,525,047 "2007 Edison Common Share Warrants". Pursuant to the Warrant regulations, the remaining 91,877 unexercised warrants have expired.

Other reserves include a reserve established to recognize fair value adjustments to the carrying amounts of property, plant and equipment for 467,109,000 euros, as well as items recognized to reflect the difference between Italian accounting principles and the IAS/IFRSs.

At December 31, 2007, the subscribed and paid-in capital stock of Edison Spa totaled 5,291,664,500 euros. It consisted of shares with a par value of 1 euro each, regular ranking for dividends, and was broken down as follows:

Share class	Number of shares	Euros
Common shares	5,181,072,080	5,181,072,080
Savings shares	110,592,420	110,592,420
Total	**-**	**5,291,664,500**

In keeping with the goal of providing full disclosure, the table below shows the changes that occurred in the reserve for cash flow hedges established upon the adoption of IAS 32 and IAS 39.

Reserve for cash flow hedge transactions

(in thousands of euros)	Gross reserve	Deferred taxes	Net reserve
- Reserve at December 31, 2006	(7,918)	3,021	(4,897)
- Changes in 2007	4,191	(1,806)	2,385
Reserve at December 31, 2007	**(3,727)**	**1,215**	**(2,512)**

The reserve for the valuations of available-for-sale investments also had an impact on the changes that occurred in shareholders' equity:

Riserva for the valuations of available-for-sale investments

(in thousands of euros)	Gross reserve	Deferred taxes	Net reserve
- Reserve at December 31, 2006	17,755	(937)	16,818
- Changes in 2007	(6,253)	431	(5,822)
Reserve at December 31, 2007	**11,502**	**(506)**	**10,996**

Non-current Liabilities

13. Provision for Employee Severance Indemnities and Provisions for Pensions

These provisions, which amounted to 35,760,000 euros, reflect the accrued severance indemnities and other benefits owed to employees at December 31, 2007, computed in accordance with the actuarial criteria provided in IAS 19.

In accordance with Budget Law No. 296 of December 27, 2006, only the liability for the vested employee severance benefits that remained with the Company was valued for IAS 19 purposes, since the portion applicable to future vesting benefits is being paid to separate entities. This change produced a gain of about 762,000 euros in the income statement.

The operating and financial parameters used for valuation purposes are listed below:

- Technical annual discount rate	4.60%
- Annual inflation rate	2.00%
- Estimated annual increase of the provision for severance indemnities	3.20%

The computation process also resulted in the recognition of financial expense totaling 1,726,000 euros.

The table below shows the changes that occurred in 2007:

(in migliaia di euro)	Provision for sever. indemn.
Balance at 12/31/06 (A)	**39,108**
Changes in 2007:	
- Utilizations (-)	(2,788)
- Service costs (+)	590
- Actuarial (gains) losses (+/-)	(606)
- Decrease due to reformation of pension law (-)	(762)
- Financial expense (+)	1,726
- Reclassification to "Liabilities held for sale"	(1,508)
Total changes (B)	**(3,348)**
Balance at 12/31/07 (A+B)	**35,760**

The changes that occurred in the “Provision for severance indemnities” reflect the impact of utilizations; additions for service costs, which represent the present value of the benefits accrued by employees during the year computed on the basis of demographic and financial assumptions; the actuarial (gains)/losses, which measure changes in the liability during the year; and the interest cost, which represents the cost of the liability due to the passing of time.

At December 31, 2007, the Company had 1,861 employees.

(number of employees)	1-1-07	Added to payroll	Removed from payroll	Change of classification/Other	12-31-07	Average payroll
Executives	122	3	(11)	12	126	128
Office staff and middle managers	1.286	76	(54)	28	1.336	1.307
Production staff	393	35	(7)	(22)	399	395
Total	**1.801**	**114**	**(72)**	**18**	**1.861**	**1.830**

14. Provision for Deferred Taxes

The balance of 298,616,000 euros reflects mainly the deferred tax liability from the use during the transition process of fair value as deemed cost to value property, plant and equipment.
Since this item met the requirements of IAS 12, it was offset against the Deferred-tax assets account.
The following table shows a breakdown of this reserve by type of underlying temporary difference:

(in thousands of euros)	12-31-07	12-31-06	Change
Deferred-tax liabilities:			
- Differences in the valuation of property, plant and equipment	341,714	472,549	(130,835)
- Adoption of the standard on finance leases (IAS 17)	24,515	30,991	(6,476)
- Adoption of the standard on financial instruments (IAS 39) with impact on:			
- the income statement	-	-	-
- shareholders' equity	811	554	257
- Other deferred taxes	813	2,811	(1,998)
Total deferred-tax liabilities (A)	**367,853**	**506,905**	**(139,052)**
Deferred-tax assets:			
- Tax loss carryforward	-	-	-
- Taxed provisions for risks	61,292	82,846	(21,554)
- Adoption of the standard on financial instruments (IAS 39) with impact on:			
- the income statement	4,807	5,110	(303)
- shareholders' equity	2,026	3,574	(1,548)
- Other prepaid taxes	1,112	-	1,112
Total deferred-tax assets (B)	**69,237**	**91,530**	**(22,293)**
Total provision for deferred taxes (A-B)	**298,616**	**415,375**	**(116,759)**

At the end of 2007, the deferred-tax assets and liabilities that will be reversed in subsequent years were restated to comply with the provisions of Law No. 244/07 (the 2008 Budget law), which changed the IRAP rates and taxable base. As explained in the note to "Income taxes," this process produced a net gain of 95,707,000 euros in the income statement and is the main reason for the decrease in the "Provision for deferred taxes" compared with 2006.

Deferred-tax assets of 69,237,000 euros include 61,292,000 euros from taxed-provisions for risks and 6,833,000 euros from the impact of valuing derivatives in accordance with IAS 39.
Insofar as the recognition of these items is concerned, they were valued in accordance with realistic assumptions that they would be realized and the tax benefits realized within the limited time horizon covered by the industrial plans approved by the Company. Accordingly, only a portion of the amount of the theoretical prepaid taxes computed on the reserves for risks was used for valuation purposes.

15. Provisions for Risks and Charges

At December 31, 2007, the provisions for risks and charges, which are established to cover contingent liabilities, decreased to 811,200,000 euros, or 29,015,000 euros less than at the end of 2006, as a result of the changes listed in the table that follows:

(in thousands of euros)	12-31-06	Additions	Utilizations	Other	12-31-07
- Disputed tax items	20,056	436	-	-	20,492
- Risks for disputes, litigation and contracts	152,262	6,456	(6,376)	-	152,342
- Charges for contractual guarantees on the sale of equity investments	145,860	2,343	(27,340)	3,000	123,863
- Provisions for decommissioning and remediation of industrial sites	224,994	10,599	(4,114)	42,541	274,020
- Environmental risks	68,989	-	-	-	68,989
- Risks on the sale of equity investments	3,000	-	-	(3,000)	-
- Provision for EU Directive No. 2003/83 (Emissions Rights)	16,831	25,393	-	-	42,224
- Other risks and charges	150,193	10,950	(31,873)	-	129,270
Total provisions for risks and charges	**782,185**	**56,177**	**(69,703)**	**42,541**	**811,200**

The main changes that occurred in 2007 are reviewed below:

- The main components of **additions** of 56,177,000 euros are: 20,185,000 euros added to cover liabilities for pending disputes (including 6,845,000 euros in statutory interest accrued on existing provisions), 10,599,000 euros for interest expense incurred in the decommissioning and remediation of industrial sites and 25,393,000 euros for a provision set aside to cover purchases of CO_2 emission certificates.
- **Utilizations,** which totaled 69,703,000 euros, included the following items: 26,892,000 euros for a reduction related to the cancellation of guarantees provided in previous years in connection with the sale of equity investments, 22,811,000 euros in utilizations mainly of provisions for risks upon the settlement of disputes, and 20,000,000 euros for the reversal in earnings of a provision that covered a fine for alleged improper use of storage capacity, made possible by a decision handed down by the Council of State.
- **Other changes** of 42,541,000 euros refer to the provisions for site decomissioning. These provisions are recognized to cover decommissioning costs of hydrocarbon exploration and production facilities and of production equipment put into service in 2007, which were added directly to the underlying asset (see the note to "Property, plant and equipment").

More detailed information about the entries that resulted in the current composition of the provisions for risks and charges is provided in the section of the Notes to the Consolidated Financial Statements entitled "Status of the Main Legal and Tax Disputes Pending at December 31, 2007."

16. Bonds

The balance of 1,200,732,000 euros represents the long-term portion of the bonds issued by the Company. The table below shows the balance outstanding at December 31, 2007 and indicates the fair value of each bond issue:

(in thousands of euros)	Market where traded	Cur-rency	Par value outstand-ing	Coupon	Rate	Maturity	Long-term amortized cost	Short-term amortized cost	Fair value
Euro Medium Term Notes:									
Edison Spa	Luxembourg Securities Exchange	EUR	700,000 in arrears	Annual	5.125%	12-10-10	698,945	1,627	710,009
Edison Spa	Luxembourg Securities Exchange	EUR	500,000 in arrears	Quarterly	5.255%	7-19-11	501,787	7,172	507,953
Total							**1,200,732**	**8,799**	**1,217,962**

17. Long-term Borrowings and Other Financial Liabilities

At December 31, 2007, this account totaled 257,017,000 euros. A breakdown is as follows:

(in thousands of euros)	12-31-07	12-31-06	Change
Due to banks	254,401	336,706	(82,305)
Due to other lenders	2,616	2,677	(61)
Total	**257,017**	**339,383**	**(82,366)**

18. Other Liabilities

This account had a zero balance at December 31, 2007.

19. Current Liabilities

(in thousands of euros)	12-31-07	12-31-06	Change
Bonds	8,799	1,456,752	(1,447,953)
Short-term borrowings	573,586	1,150,579	(576,993)
Trade payables	856,379	868,005	(11,626)
Current taxes payable	-	-	-
Other liabilities	282,911	257,121	25,790
Total current liabilities	**1,721,675**	**3,732,457**	**(2,010,782)**

The main current liability accounts are reviewed below:

Bonds: The balance of 8,799,000 euros represents the current portion of the Company's bond indebtedness. The substantial reduction compared with December 31, 2006 is due mainly to the redemption of outstanding bond issues with a total face value of 1,429,639,000 euros.

Short-term borrowings: The main components of this item are 234,995,000 euros owed to subsidiaries and affiliated companies and 337,894,000 euros due to banks for principal and accrued interest. The bank debt includes 17,584,000 euros generated by measuring at fair value interest rate and foreign exchange derivatives.
The table that follows shows the most significant amounts owed to Group companies:

(in thousands of euros)	12-31-07	12-31-06	Change
EdisonTrading	71,514	134,834	(63,320)
Jesi Energia	31,385	-	31,385
Termica Milazzo	22,661	-	22,661
Termica Celano	15,616	-	15,616
Termica Cologno	13,482	623	12,859
Termica Boffalora	12,703	1,841	10,862
Euroil	12,428	12,208	220
Nuova Alba	11,934	10,848	1,086
Poggio Mondello	11,819	11,607	212
Selm Holding	10,872	0	10,872
Ferruzzi Trading France	9,593	9,494	99
Nuova Cisa	4,332	5,259	(927)
Eneco Energia	4,051	-	4,051
Frigotecnica	1,785	-	1,785
Montedison Finance Europe	241	3,867	(3,626)
Volta	130	2,829	(2,699)
Ets	-	6,499	(6,499)
Finel	-	686,400	(686,400)
Other subsidiaries	449	2,564	(2,115)
Total	**234,995**	**888,873**	**(653,878)**

Trade payables: A breakdown of this item by type of business is provided below:

(in thousands of euros)	12-31-07	12-31-06	Change
Electric power operations	294.319	424.364	(130.045)
Hydrocarbons operations	546.277	432.207	114.070
Corporate activities	15.783	11.434	4.349
Total	**856.379**	**868.005**	**(11.626)**

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

Current taxes payable: This account had a zero balance at December 31, 2007. The liability for corporate income taxes (IRES) of 62,171,000 euros has been classified under Miscellaneous payables to the controlling company Transalpina di Energia Srl when it was transferred to this company in connection with the filing of a national consolidated tax return. No liability has been recognized for local taxes (IRAP), since the estimated payments made in 2007 were greater than the tax liability for the year.

Other liabilities: The balance of 282,911,000 euros includes the following: liability toward the controlling company Transalpina di Energia Srl for the corporate income tax payable for 2007 (62,171,000 euros), amounts owed to joint holders of permits and concessions for the production of hydrocarbons (49,355,000 euros), payables owed for consulting and other services (46,156,000 euros), amounts owed to Group companies in connection with the filing of a Group VAT return (20,133,000 euros), amounts owed to pension and social security institutions (18,688,000 euros), amounts payable to employees (17,892,000 euros), royalties payable (15,907,000 euros), liabilities for foreign exchange and commodity derivatives (13,833,000 euros) and accounts payable to subsidiaries and affiliated companies under technical services contracts (5,864,000 euros).

20. Liabilities Held for Sale

The balance of 18,331,000 euros represents the liabilities of the disposal group described earlier in this Report. A breakdown is as follows:

- 2,467,000 euros for amounts owed to employees;
- 15,864,000 euros for provisions for deferred taxes related to the differences between the carrying values and the tax base attributed to property, plant and equipment included in the disposal group.

Net Borrowings

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

At December 31, 2007, net borrowings totaled 1,391,056,000 euros, down from 3,412,215,000 euros owed at December 31, 2006. The main reasons for this improvement include the positive contribution provided by the operating cash flow, the proceeds from the exercise of warrants (1,019 million euros), dividend income (225 million euros) and the sale of Serene Spa (117 million euros), offset by the distribution of dividends (233 million euros), outlays for capital investments (244 million euros) and purchases of equity investments (264 million euros). A breakdown of the changes that occurred in borrowings shows that bond issues payable decreased by a total of 1,430 million euros in face value due to the redemption of bonds that matured in 2007.

The table below provides a simplified breakdown of the Company's net borrowings:

(in migliaia di euro)	note No.	12.31.2007	12.31.2006	changes
Long-term debt				
Bonds - non-current portion	16	1,200,732	1,207,126	(6,394)
Non-current bank loans	17	254,401	336,705	(82,304)
Amounts due to other lenders - non current portion	17	2,227	1,823	404
Other non-current financial assets	17	389	855	(466)
Total long-term debt		**1,457,749**	**1,546,509**	**(88,760)**
Short-term debt				
Bonds - current portion	19	8,799	1,456,752	(1,447,953)
Current loans payable	19	573,119	1,150,132	(577,013)
Current lease obligations	19	467	449	18
Current financial assets	10	(627,286)	(531,507)	(95,779)
Cash and cash equivalents	10	(21,792)	(187,229)	165,437
Loans receivable of divested operations	11	-	(22,891)	22,891
Total short-term debt		**(66,693)**	**1,865,706**	**(1,932,399)**
Net borrowings		**1,391,056**	**3,412,215**	**(2,021,159)**

Net borrowings include 120 million euros stemming from transactions with related parties (120 million euros owed to Mediobanca and 0.3 million euros owed to Banca Popolare di Milano). In the balance sheet, these items are classified as "Long-term borrowings and other financial liabilities" and as "Short-term borrowings."

Information about compliance with the obligation to maintain certain financial indicators within predetermined minimum/maximum levels (as set forth in the financial covenants) is provided in a special section of the "Risk Management" section of this Report.

NOTES TO THE INCOME STATEMENT

The profit earned by Edison Spa in 2007 totaled 448,886,000 euros, compared with 632,228,000 euros the previous year. The Company's positive performance in 2007 is chiefly the result of the EBITDA (760 million euros, -2.4% compared with 2006), lower interest expense (66 million euros less than the previous year) and higher income from equity investments (53 million euros more than at December 31, 2006).

However, a significant portion of the profit earned in 2006, amounting to 201,858,000 euros, was provided by the positive impact of a reversal in earnings of deferred-tax liabilities made possible by the realignment of the taxable base of certain non-current assets to the amounts used for reporting purposes. In 2007, the beneficial effect of a similar reversal in earnings of deferred-tax liabilities, which was made possible by a change in the tax rate provided in the 2008 Budget Law, added about 95,707,000 euros to the bottom line.

21. Sales Revenues

Sales revenues totaled 4,746,671,000 euros, for an overall decrease of 108,095,000 euros (-2%) compared with 2006.

The table below provides a breakdown of sales revenues:

(in thousands of euros)	2007	2006	Change	% change
Revenues from the sales of:				
- Electric power	2,743,886	2,727,791	16,095	0.6%
- Natural gas	1,709,064	1,854,147	(145,083)	(7.8%)
- Steam	116,659	120,979	(4,320)	(3.6%)
- Oil and fluxing chemicals	99,351	77,009	22,342	29.0%
- Other revenues	1,697	1,617	80	4.9%
Total sales revenues	**4,670,657**	**4,781,543**	**(110,886)**	**(2.32%)**
Revenues from services provided	49,318	47,698	1,620	3.4%
Revenues from power plant maintenance	20,095	19,430	665	3.4%
Transmission revenues	6,601	6,095	506	8.3%
Total	**4,746,671**	**4,854,766**	**(108,095)**	**(2.23%)**

Sales revenues were generated mainly in Italy.

Revenues from services provided refer mainly to coordination support provided by Edison Spa to Group companies and engineering services.

Sales Revenues by Type of Business

(in thousands of euros)	2007	2006	Change	% change
Electric power operations	2.907.855	2.895.158	12.697	0,4%
Hydrocarbons operations	1.820.014	1.941.259	(121.245)	(6,2%)
Corporate activities	18.802	18.349	453	2,5%
Total	**4.746.671**	**4.854.766**	**(108.095)**	**(2,23%)**

22. Other Revenues and Income

Other revenues and income decreased to 236,472,000 euros, or 58,966,000 euros less than in 2006. A breakdown is as follows:

(in thousands of euros)	2007	2006	Change	% change
Utilizations of provisions for risks	39,605	20,780	18,825	n.m.
Commodity and foreign exchange derivatives	46,237	24,683	21,554	87.3%
Out of period income	40,232	90,804	(50,572)	(55.7%)
Recovery of costs from partners in hydrocarbon exploration projects	25,153	26,405	(1,252)	(4.7%)
Swaps and exchanges of natural gas	24,884	40,441	(15,557)	(38.5%)
Gain on asset disposal	12,415	696	11,719	n.m.
Proceeds from the sale of land and buildings	10,982	3,725	7,257	n.m.
Recovery of payroll costs	5,698	5,955	(257)	(4.3%)
Insurance settlements	3,934	11,283	(7,349)	(65.1%)
Contractutal compensation - free energy	3,716	4,934	(1,218)	(24.7%)
Leases of Company-owned property	2,896	2,744	152	5.5%
Operating grants	1,447	1,679	(232)	(13.8%)
Revenues from the sale of miscellaneous materials	1,620	2,631	(1,011)	(38.4%)
Sundry items	17,653	18,299	(646)	(3.5%)
Total	**236,472**	**255,059**	**(58,966)**	**(23.12%)**

Out of period income includes penalties charged to suppliers for failure to provide or delays in providing services to some thermoelectric power plants, the payment of fees for access to strategic reserves of natural gas in 2004 and 2005 and reversals of costs recognized in previous years

The utilizations of provisions for risks refer to the reversal in earnings of a provision related to a dispute concerning a fine levied by the AEEG for alleged improper use of storage capacity in 2005 and 2006 (20,000,000 euros) and utilizations of provisions recognized in connection with decommissioning costs (7,211,000 euros).

The gain on asset disposal is related mainly to the sale of a building in Rome.

23. Raw Materials and Services Used

Matching the trend of sales revenues, the cost of raw materials and services decreased to 4,083,901,000 euros, or 2.6% less than in 2006. A breakdown is as follows:

(in thousands of euros)	2007	2006	Change	% change
Purchases of:				
- Natural gas	2,750,168	2,943,493	(257,130)	(8.7%)
- Electric power	5,677	55,066	(49,389)	(89.7%)
- Blast furnace, recycled and coke furnace gas	350,781	392,380	(41,599)	(10.6%)
- Oil and other fuels	57,840	56,238	1,602	2.8%
- Demineralized industrial water	39,619	32,936	6,683	20.3%
- Green certificates	73,814	48,706	25,108	51.6%
- Other materials and utilities	75,267	70,783	4,484	6.3%
Total purchases	**3,353,166**	**3,599,602**	**(310,241)**	**(8.6%)**
- Facilities design, construction and maintenance	110,617	100,063	10,554	10.5%
- Transmission of electric power	354	6,064	(5,710)	(94.2%)
- Transmission and treatment of natural gas	226,511	245,615	(19,104)	(7.8%)
- Professional services	78,613	81,648	(3,035)	(3.7%)
- Insurance services	18,488	19,416	(928)	(4.8%)
- Commodity derivatives	21,677	37,273	48,209	n.m.
- Additions to provisions for risks	30,056	28,851	1,205	n.m.
- Writedowns of trade receivables	8,801	6,925	1,876	n.m.
- Change in inventory of finished goods	61,543	(68,634)	130,177	n.m.
- Sundry charges	174,075	137,269	36,806	26.8%
Total	**4,083,901**	**4,194,092**	**(110,191)**	**(2.6%)**

Breakdown by Type of Business

(in thousands of euros)	2007	2006	Change	% change
Electric power operations	800,937	800,296	641	0.1%
Hydrocarbons operations	3,183,713	3,311,498	(127,785)	(3.9%)
Corporate activities	99,251	82,298	16,953	20.6%
Total	**4,083,901**	**4,194,092**	**(110,191)**	**(2.6%)**

Purchases, which are the largest component of raw materials and services used, totaled 3,353,166,000 euros, or 8.6% less than in 2006. They consists almost exclusively of purchases of natural gas, electric power and other raw materials used in production processes. This account also includes the costs incurred to purchase blast furnace, recycled and coke oven gases, which are used primarily as fuel for the production of electric power, and electric power and natural gas transmission costs (354,000 euros and 226,511,000 euros, respectively), which decreased to 226,865,000 euros (-9.9% compared with 2006).

The inventory of finished goods grew by 130,177,000 euros compared with December 31, 2006, due mainly to higher inventories of natural gas and fuel oil.

Additions to provisions for risks include 25,393,000 euros added to the provision to cover CO_2 emissions shortfalls.

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

24. Labor Costs

Labor costs totaled 139,502,000 euros, or 6,892,000 euros more than at December 31, 2006. Provisions booked to fund a liability stemming from the closure of the former Electric Workers Fund and regular wage increases account for this increase. As noted in the Report of Operations, the recognition of the impact of the Long-term Management Incentive on the income statement was also a contributing factor.

25. EBITDA

At 759,740,000 euros, EBITDA were 3% lower than at December 31, 2006.
This decrease is mainly the net result of the following contrasting factors:
Positive factors:
- Higher production by the hydroelectric power plants;
- Increase in the available supply of electric power, as the Altomonte and Torviscosa power plants reached full capacity and the new Simeri Crichi facility went into service;
- Reversal of the provision for the impact of Resolution 79/07, by which the AEEG updated the natural gas rates that can be charged to customers.

Negative factors:
- Addition to the provision to cover CO_2 emissions shortfalls;
- Lower unit sales by the hydrocarbons operations.

26. Depreciation, Amortization and Writedowns

A breakdown of depreciation, amortization and writedowns, which totaled 416,483,000 euros, is provided below:

(in thousands of euros)	2007	2006	Change	% change
Depreciation of property, plant and equipment	(383,516)	(363,241)	(20,275)	5.6%
Depreciation of investment property	(222)	(402)	180	-44.8%
Amortization of hydrocarbon concessions	(20,098)	(20,205)	107	-0.5%
Amortization of other intangible assets	(11,531)	(24,657)	13,126	-53.2%
Writedowns of property, plant and equipment	(1,116)	(62,000)	60,884	n.m.
Reversals of writedowns	-	8,131	(8,131)	n.m.
Total	**(416,483)**	**(462,374)**	**45,891**	**-9.9%**

The increase in **depreciation** of property, plant and equipment compared with 2006 is due mainly to the availability of the availability of the Torviscosa power plant for the full year in 2007 following its startup in September 2006 (15,875,000 euros) and the commissioning of the Simeri Crichi power plant in October 2007 (4,520,000 euros).

Amortization of other intangible assets include 6,770,000 euros for application software (5,461,000 euros in 2006) and 2,750,000 euros for hydrocarbon exploration costs (17,162,000 euros in 2006).

Writedowns of property, plant and equipment (1,116,000 euros) represent mainly the difference between the net carrying value and the estimated realizable value of certain power plant assets earmarked for disposal.
An analysis of the recoverable value of the Edison Spa CGUs showed no evidence of impairment losses compared with December 31, 2006, when they amounted to 62 million euros.

27. Net Financial Income (Expense)

Net financial expense, which includes 122,323,000 euros attributable to borrowings valued by the amortized cost method, totaled 134,667,000 euros, or 66,201,000 euros less than in 2006. This decrease, which was achieved despite a rise in market interest rates, is largely the result of a substantial reduction in net borrowings.

A breakdown of net financial expense is as follows:

(in thousands of euros)	2007	2006
Financial income		
Financial income from financial derivatives	72,395	82,891
Financial income from Group companies	39,629	25,002
Gains on reverse repurchase agreements	8,188	-
Bank interest earned	3,674	-
Interest earned on trade receivables	1,847	2,517
Interest earned on amounts due from the tax administration	479	2,125
Other financial income	3,953	4,238
Total financial income	**130,165**	**116,773**
Financial expense		
Interest paid on bond issues	(115,007)	(145,028)
Financial expense from financial derivatives	(77,699)	(103,602)
Financial expense paid to Group companies	(25,660)	(22,840)
Interest paid to banks	(24,748)	(33,122)
Bank fees paid	(2,163)	(7,807)
Interest paid on decommissioning projects	(10,599)	(7,986)
Interest paid to other lenders	(92)	(1,037)
Interest paid in connection with employee severance benefits	(1,726)	(1,651)
Other financial expense	(9,260)	(1,566)
Total financial expense	**(266,954)**	**(324,639)**
Foreign exchange translation gains (losses)		
Foreign exchange translation gains	10,936	10,835
Foreign exchange translation losses	(8,814)	(3,837)
Net foreign exchange translation gain (loss)	**2,122**	**6,998**
Net financial income (expense)	**(134,667)**	**(200,868)**

More specifically:

- **Interest paid on decommissioning projects** (10,599,000 euros) are offset by the provisions for risks on the decommissioning and remediation of sites used by the hydrocarbons operations.
- **Other financial expense** includes 5,548,000 euros in interest paid to banks on factoring transactions.

Information about other transactions involving financial and commodity derivatives is provided in a separate section of this Report.

28. Income from (Expense on) Equity Investments

The main components of the credit balance of 218,352,000 euros are analyzed below:

- 237,099,000 euros in dividends received from investee companies, with the largest amounts provided by the following subsidiaries: Edison Trading (150,000,000 euros), Finel (25,136,000 euros), Edison Stoccaggio (4,000,000 euros), Jesi Energia (4,900,000 euros), Sarmato Energia (3,011,000 euros), Termica Milazzo (11,106,000 euros), Edison Energie Speciali (20,000,000 euros), Edison D.G. (3,220,000 euros) and Edison International (1,411,000 euros).
- 20,198,000 euros in charges for writedowns of equity investments, including, in particular, writedowns applied to the carrying values of the Eneco Energia (3,868,000 euros), Nuova Alba Srl (5,143,000 euros) and Montedison Srl (356,000 euros) subsidiaries and to the International Water Holding BV affiliated company (8,000,000 euros).
- 2,348,000 euros in gains on sales of equity investments, including 2,045,000 euros on the disposal of the investment in the SAT Finanziaria Spa affiliate and 303,000 euros generated by the sale of equity investments held for trading purposes.
- 2,634,000 euros in losses on sales of equity investments. The entire amount stems from the sale of a 6% interest in the share capital of the Sarmato Energia Spa subsidiary.

29. Other Income (Expense), Net

Other income of 15,062,000 euros is the net result of all those nonrecurring items that are not related directly to the Group's industrial operations. The main items included in this account are:

Income:

- The total of 31,949,000 euros includes 29,616,000 euros from the recognition in earnings of existing provisions, made possible by the cancellation of guarantees provided upon the sale of equity investments and the settlement of certain disputes, and 2,333,000 euros in out-of-period income.

Expense:

- The total of 16,887,000 euros consists of 15,522,000 euros added to other provisions for risks, including accrued statutory interest of 6,845,000 euros, and 1,365,000 euros in sundry non-operating charges.

30. Income Taxes

The income tax liability recognized in the income statement amounts to 1,570,000 euros, as against a net tax credit of 188,016,000 euros at December 31, 2006. The positive balance recognized in 2006 included a tax benefit of 201,858,000 euro that was the net result of a reversal of deferred-tax liabilities resulting from the realignment of the tax base of some of the Company's property plant and equipment (297,971,000 euros), offset in part by the payment of the corresponding substitute tax (95,933,000 euros). The balance at December 31, 2007 includes the effect of the reversal of deferred-tax liabilities (95,707,000 euros) made possible by the decrease in tax rates provided in the 2008 Budget Law.

(in thousands of euros)	2007	2006	Change	% change
Current taxes	102,666	141,595	(38,929)	(37.9%)
Net deferred-tax liabilities (assets)	(101,096)	(329,611)	228,515	n.s
Total	**1,570**	**(188,016)**	**189,586**	**n.s**

Current taxes include 83,428,000 euros for corporate income taxes (IRES), in addition to 4,072,000 euros classified under "Profit (Loss) from discontinued operations," 23,000,000 euros for local taxes (IRAP) and a benefit of 3,479,000 euros generated by filing a national consolidated income tax return.

Net deferred-tax assets totaled 101,096,000 euros. This amount is the net result of the following items: the nonrecurring benefit provided by the abovementioned reduction in tax rates, the positive impact for the period of taxes related to non-deductible depreciation and writedowns of property, plant and equipment generated by the adoption of fair value as deemed cost upon transition to the IAS/IFRS (13,374,000 euros), offset in part by the negative effect of the reversal of deferred-tax assets stemming from the utilization of provisions for risks and other items that generate temporary differences (8,813,000 euros).

The table that follows provides a breakdown of deferred-tax liabilities and assets and shows the changes that occurred in 2007:

(in thousands of euros)	12-31-06	Additions	Utiliztions	IAS 39 to shareholders' equity	Restatement for new rates	Reclassification/ Other changes	12-31-07
Provision for deferred taxes:							
Valuation differences of property, plant and equipment	472,549	-	(12,764)	-	(102,208)	(15,863)	341,714
Adoption of IAS 17 to value finance leases	30,991	-	(610)	-	(5,866)	-	24,515
Adoption of IAS 39 to value financial instruments:							
- impact on the income statement	-						-
- impact on shareholders' equity	554	-	-	257		-	811
Other deferred-tax liabilities	2,811	177	(1,718)	(431)	(26)	-	813
	506,905	**177**	**(15,092)**	**(174)**	**(108,100)**	**(15,863)**	**367,853**
Offsets	(91,530)	(1,112)	10,638	1,548	12,393	(1,174)	(69,237)
Provision for deferred taxes net of offsets	**415,375**	**(935)**	**(4,454)**	**1,374**	**(95,707)**	**(17,037)**	**298,616**
Deferred-tax assets:							
Tax loss carryforward	-	-	-	-		-	-
Taxed reserves for risks	82,846	-	(9,925)	-	(11,629)	-	61,292
Adoption of IAS 39 to value financial instruments:							
- impact on the income statement	5,110	-	(713)	-	(764)	1,174	4,807
- impact on shareholders' equity	3,574	-	-	(1,548)		-	2,026
Other deferred-tax assets	-	1,112	-	-		-	1,112
	91,530	**1,112**	**(10,638)**	**(1,548)**	**(12,393)**	**1,174**	**69,237**
Offsets	(91,530)	(1,112)	10,638	1,548	12,393	(1,174)	(69,237)
Deferred-tax assets net of offsets	**-**	**-**	**-**	**-**	**-**	**-**	**-**

The amount shown under the column heading “Reclassifications and other changes” refers to a provision for deferred taxes attributable to the assets and liabilities classified as a disposal group (see also the note to “Liabilities held for sale”).

31. Profit (Loss) from Discontinued Operations

The balance of 8,453,000 euros refers to the gain, net of taxes and directly attributable charges, generated by the sale of Serene Spa.

OTHER INFORMATION

Information Pursuant to IFRS 5

"CIP 6/92 Thermoelectric Power Plants" Disposal Group

On December 6, 2007, Edison signed an agreement to sell certain business operations consisting of five thermoelectric power plants and its equity investments in the Termica Boffalora and Termica Celano subsidiaries, each of which owns a power plant (disposal group). Prior to executing the sales transaction, the five power plants will be conveyed to a newly established company.

The book value of the disposal group described above is 191 million euros.

The price set forth in the abovementioned agreement, which amounts to 198 million euros, will be adjusted to reflect any changes in the net financial position of the businesses included in the disposal group.

In a subsequent development, the minority partner in Termica Celano Srl exercised its preemptive right to purchase Edison's equity interest in this subsidiary. As a result, on January 21, 2008, the parties executed a preliminary agreement for the sale of Edison's equity interest in Termica Celano. The terms are the same as those set forth in the preliminary agreement to sell the disposal group.

Serene Spa

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

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

Commitments and Contingent Risks

(in millions of euros)	12-31-07	12-31-06	Change
Guarantees provided	1,270,353	2,352,282	(1,081,929)
Collateral provided	1,029,506	1,382,779	(353,273)
Other commitments and risks	612,397	550,197	62,200
Total	**2,912,256**	**4,285,258**	**(1,373,002)**

Guarantees Provided

Guarantees provided, which totaled 1,270,353,000 euros, include the following:

- 538,694,000 euros in guarantees provided by Edison Spa to the Milan tax office on behalf of subsidiaries for offsetting VAT credits and those provided to subsidiaries in connection with the intra-Group assignment of tax credits.;
- 50,000,000 euros pursuant to the Tolling and Power Purchasing Agreements, according to which Edison is responsible for the commercial obligations undertaken by its Edison Trading Spa subsidiary toward Edipower Spa.
- Guaranteed provided to secure the performance of contractual obligations by subsidiaries and affiliated companies account for the balance.

The following items account for the significant decrease, amounting to 1,081,929,000 euros, that occurred compared with December 31, 2006:

- 425,000,000 euros for the cancellation of guarantees upon the early repayment, on February 2, 2007, of a loan received by Edipower and guaranteed in part by Edison. On January 29, 2007, Edipower signed a new loan agreement to replace the old facility. Under the new agreement, Edison is no longer required to guarantee the provision of resources to this Group company.
- 241,358,000 euros for the cancellation of a portion of the guarantees on behalf of subsidiaries for offsetting VAT credits.
- 230,194,000 euros for the cancellation of a Parent Company Guarantee issued by Edison on behalf of Tecnimont when it was a Group company.
- 137,957,000 euros for the cancellation of a guarantees provided by Edison Spa to customers of the former subsidiary Tecnimont Spa. These guarantees are offset by an obligation undertaken by Tecnimont's buyer, who has agreed to take over these guarantees (provided the beneficiary agrees) and to hold Edison harmless if the abovementioned guarantees are enforced.
- 61,140,000 euros for the cancellation of a counterguarantee provided to secure the obligation undertaken by the Bluefare Ltd affiliate toward The Royal Bank of Scotland Plc in connection with the exercise of a call option for the Edipower shares.

Collateral Provided

Collateral provided totaled 1,029,506,000 euros. It consists primarily of Edipower Spa shares (927,563,000 euros) pledged to banks to secure financing provided to Edipower and collateral that secures outstanding loans (69,548,000 euros).

Other Commitments and Risks

The largest components of this item, which totaled 612,397,000 euros, include the following:

- 138,000,000 euros for the exercise of a put option covering 5.00% of Edipower's shares by Edipower's financial shareholders. Specifically, Edison was informed that Unicredit Spa exercised its put option selling to Edison Spa 72,065,000 Edipower shares, equal to a further 5% of Edipower's share capital. Title to the shares was transferred on January 31, 2008.
- 167,673,000 euros for commitments undertaken in connection with the construction of facilities.
- 1,620,000 euros representing the exercise value of an option to buy a 10% interest in Eneco Energia Srl. This option may be exercised between July 1, 2010 and September 30, 2010.

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

The **hydrocarbons** operations have entered into contracts for the importation of natural gas. As is usually the case, contracts of this magnitude and of these durations contain take-or-pay clauses that obligate the buyer to pay for any shortage between the stipulated maximum quantities and the quantity actually used (unless the shortage is due to causes not provided for in the contract), with the option for the buyer to make up, at certain conditions, the paid but unused volume over the life of the contract.
In 2007, these clauses were activated due to the Company's decision to take advantage of temporary price opportunities that were available in the spot market. Pursuant to these clauses, the Company will pay to its contractual counterparts certain amounts. However, considering the projected trend of natural gas deliveries in future years, these payments should be viewed not as penalties but as downpayments on future deliveries. Consequently they will be classified as advances to suppliers.

The import contracts with Russia, Libya and Norway, which are already operational, provide total supplies of 7.4 billion cubic meters of natural gas a year. In addition, the Group signed three new contracts to import additional quantities of natural gas in future years:
- The first of these supply contracts is with RasGas (Qatar). It calls for deliveries to begin upon completion by Terminale GNL Adriatico Srl of the Isola di Porto Viro LNG terminal, which is currently being built and is expected to go on stream in 2008. When this agreement is fully operational, RasGas will supply a total of 6.4 billion cubic meters of natural gas per year.
- The second contract, which was signed with Sonatrach, involves importing 2 billion cubic meters of natural gas a year from Algeria. Deliveries are scheduled to start in 2008, once the first phase of the expansion of the pipeline linking Algeria and Italy through Tunisia (TTPC: Trans Tunisian Pipeline Company) is completed.
- The third contract (*Protocolle d'accord*), which was signed with Sonatrach in November 2006, calls for the supply of 2 billion cubic meters of natural gas a year through the new pipeline linking Algeria with Sardinia and Tuscany that will be built by Galsi. The implementation of this agreement is subject to the construction of the pipeline, which is currently in the project development phase.

Take-or-pay advance payments are made at a price equal to a percentage (about 85%) of the supply contract price, which is indexed to current market conditions. The remaining duration of these contracts range between 4 and 25 years and, when all of them are fully implemented, will supply the Group with 18 billion cubic meters of natural gas per year.

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

Insofar as the **electric power** operations are concerned**,** Edison has granted to Cartiere Burgo Spa a call option to purchase a 51% interest in Gever. This option is exercisable when the contract under which Gever supplies Cartiere Burgo with electric power and steam expires (in 2017) at a price equal to the corresponding pro rata interest in the company's shareholders' equity.

On June 22, 2007, Edison Spa signed two Emission Reductions Purchase Agreements (ERPAs) for the purchase of Certified Emission Reduction certificates (CERs) in China, which are CO_2 emissions reduction certificates. These certificates are generated in connection with two hydroelectric power plants in China with an installed capacity of 69 MW and 6.4 MW, for a total of 1.38 million CERs during the 2007-2012 period. Under the agreements, payment will be due upon the delivery of the CERs on March 1 of each year. The CERs are in the process of being registered in accordance with the United Nations Framework Convention on Climate Change (UNFCC). Registration is expected to occur during the first half of 2008.

Edison Spa entered into a management agreement with EDF Trading (EDF Carbon Fund) involving the purchase for a fixed price of Certified Emission Reduction/Emission Reduction Units (CER/ERUs – CO_2 emission certificate) on terms that are defined in the Investment Guidelines. Edison's interest in the fund will amount up to 30 million euros during a period of 5 years.

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

Tax Status and Utilization Options of Shareholders' Equity items

(in thousands of euros)	Balance sheet amount	Tax status Type	Tax status Amount	Utilization options	Distribution amount
Share capital	5.291.665				
	breakdown	C	192.082	-	-
		D	588.628	-	-
Earnings reserves					
Statutory reserve	49.164				
	breakdown	A	31.611	2	-
		D	17.553	2	-
Other reserves	573.658				
	breakdown	A	7.292	1, 2, 3	7.292
		A	467.109	1, 2	-
		A	99.256	-	-
Reserve for grants	18.825	B	18.825	-	-
Retained earnings	464.578				
		A	384.749	1, 2, 3	384.749
		D	79.829	1, 2, 3	79.829

The types of tax status and utilization options of the different items that constitute the Company's share capital are reviewed below:

Tax Status

A: Reserves that, if distributed, would be included in the taxable income of the shareholders.

B: Reserves the taxation of which has been suspended and which, if utilized, would be included in the Company's taxable income.

C: Reserves the taxation of which has been suspended that are part of share capital. If the share capital is reduced upon a shareholder distribution, these reserves would become taxable.

D: Portion of shareholders' equity restricted pursuant to Section 469 of Law No. 266/2005 (so-called realignment), which, if utilized, would be included in the Company's taxable income, increased by a 12% substitute tax, with the concurrent earning of a 12% tax credit (equal to the substitute tax paid).

Utilization Options

1: Capital increase.

2: Replenishment of losses.

3: Distribution to shareholders.

A breakdown according to tax status is provided below:

- The reserves for government grants, with **B** status, include the following:

- former Edison – grants under Article 55	3,770
- former Edison Gas – Law No. 488/92	15,055

- The reserves the taxation of which has been suspended that are part of share capital, with **C** status, include the following

- No. 576 of 12/1/75 (old Edison form. Montedison)	31,064
- No. 72 of 3/19/83 (old Edison form. Montedison)	15,283
- No. 576 of 12/1/75 (former Finagro)	1,331
- No. 72 of 3/19/83 (former Finagro)	3,310
- No. 72 of 3/19/83 (former Montedison)	8,561
- No. 72 of 3/19/83 (former Silos di Genova S.p.A)	186

- No. 413 of 12/30/91 (former Finagro)	4,762
- No. 576 of 12/1/75 (former Calcemento)	976
- No. 72 of 3/19/83 (former Calcemento)	4,722
- 413 of 12/30/91 (former Sondel)	2,976
- No. 413 of 12/30/91 (former Edison)	118,911

Any taxes that may be due on the reserves listed above would amount to 5.9 million euros for those of Item B, 52.8 million euros for those of Item C and 120.8 million euros (net of tax credit) for those of Item D.

Starting in 2004, negative income components that are not reflected in the income statement may be deducted for tax purposes pursuant to a special provision of the tax law if they are listed on a separate schedule annexed to the income tax return. In order to protect any claims that may be put forth by the tax administration, the provisions of Article 109 of the Uniform Tax Code applicable to determine taxable income in 2007 require that, if a company has earnings from which taxes have not been withheld temporarily, a corresponding amount of the unrestricted reserves or retained earnings should be maintained on the Company's financial statements and, if the abovementioned amount is distributed, it would be included in the Company's taxable income.

As a result of non-accounting depreciation and amortization taken in 2006 and 2007 and the derecognition in 2004 of entries booked for tax purposes but which had no relevance for statutory reporting purposes, non-accounting deductions totaled about 300 million euros. Deferred taxes totaling about 94 million euros were recognized in connection with these entries.

Therefore, should the Company choose to distribute earnings or reserves, it must have residual qualified reserves, as defined in Article 109 of the Uniform Tax Code, totaling 206 million euros. If the Company lacks or has insufficient qualified reserves, any uncovered portion of the distribution, increased by the applicable deferred taxes, would become part of the Company's taxable income.

Lastly, the reform of the corporate income tax system, which went into effect on January 1, 2004, introduced the overriding presumption that the profit for the year and the portion of reserves other than share capital reserves that has not been set aside in a suspended taxation status will be distributed, irrespective of the motions approved by the Shareholder's Meeting (Article 47 of the Uniform Tax Code).

Transactions Among Group Companies and with Related Parties

(in thousands of euros)	with Group companies	with the controlling company	Other related parties: EdF Group	AEM (now A2A) Group	ENIA Group	SEL Group	Banca Popolare Milano	Medio-banca	Total related parties	Tot. per fin. stat. item	% impact
Balance sheet transactions											
Trade receivables	205,336	-	310	2,401	68,175	-	-	50	276,272	788,873	35.0%
Other receivables	55,006	690	11,056	-	-	1,261	-	-	68,013	175,588	38.7%
Trade payables	9,918	-	1,507	-	6,315	1,192	-	-	18,932	856,379	2.2%
Other payables	24,285	62,171	291	380	-	-	-	-	87,127	282,911	30.8%
Current financial assets	610,396	-	-	-	-	-	-	-	610,396	627,286	97.3%
Other financial assets	-	-	-	-	-	-	-	-	-	67,237	-
Short-term borrowings	234,878	-	-	-	-	118	270	5,735	241,001	573,586	42.0%
Long-term borrowings and other financial liabilities	910	-	-	-	-	-	-	114,545	115,455	257,017	44.9%
Income statement transactions											
Sales revenues	1,855,295	277	18,284	4,052	62,430	975	-	-	1,941,313	4,746,670	40.9%
Other sales revenues	6,287	1	305	1,046	4,833	-	-	-	12,472	236,472	5.3%
Raw materials and services used	37,203	-	30,044	539	22,524	546	-	-	90,856	4,083,901	2.2%
Financial income	37,314	-	2	-	-	2,315	10	-	39,641	130,165	28.1%
Financial expense	25,656	-	-	-	-	4	43	5,437	31,140	266,954	11.3%

a. Transactions Among Group Companies

Transactions between Edison Spa and its subsidiaries and affiliated companies and its controlling company consist primarily of:

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

All of the transactions listed above are governed by contracts with conditions that are consistent with market terms, with the exception of those related to the VAT Pool, which are executed pursuant to law. In the area of commercial transactions, the Group's Parent Company, Edison Spa, sells natural gas and electric power to Edison Trading Spa and Edison Energia Spa, respectively, under special contracts that, taking into account the specific functions of the two buyer companies within the Group, provide the seller with adequate coverage of its fixed and variable costs. In addition, the rate earned on transactions involving intra-Group current accounts is the Deposit Rate of the European Central Bank, while the rate paid is the Marginal Refinance Rate of the European Central Bank.

In addition, 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 note to the financial statements that reviews contingent commitments and risks.

Consolidated VAT Return – Edison Spa files a consolidated VAT return (so-called VAT Pool) that includes those companies of the Edison Group that meet the requirements of Article 73, Section 3, of Presidential Decree No. 633/72, as amended, and of the Ministerial Decree dated December 13, 1979. Under the consolidated return system, Group companies transfer to Edison Spa, either monthly or quarterly, VAT payable and receivable positions in order to allow Edison Spa to offset these positions and pay only the resulting debit balance, if any. The Group VAT return for December 2007 shows that the Group owed the tax administration 1 million euros, after making estimated payments totaling 20 million euros.

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

b. Transactions with Other Related Parties

In 2007, Edison Spa engaged in a number of commercial and financial transactions with some of its current shareholders and/or companies controlled by them. An overview of these transactions, which were carried out in the normal course of business based on contractual terms mutually agreed upon by the parties and consistent with regular market practices, is provided below.

c. Commercial Transactions

See the comments provided in the same section of the Notes to the Consolidated Financial Statements.

d. Financial Transactions

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

- Banca Popolare di Milano provided Edison with a 50-million-euro revocable line of credit that accrues interest at market rates. Another credit line for 40 million euros granted in December 2005 expired in June 2007. This bank also provided bank sureties totaling about 5 million euros.
- In 2004, Mediobanca provided Edison Spa with 120 million euros in financing against EIB funds.

e. Other Transactions

Information about the "Addendum Amending and Replacing the Agreement to Permanently Settle Disputes Concerning the Shareholder Agreement and for the Temporary Management of Blumet Spa" signed on July 27, 2007 by Edison Spa, Enìa Spa and SAT Finanziaria Spa is provided in the corresponding section of the Consolidated Financial Statements of the Edison Group.

Significant Nonrecurring Events and Transactions

As required by the CONSOB Communication No DEM/6064293 of July 28 2006, the following disclosure lists the signficant nonrecurring transaction that the Edison Group executed in 2007:

- Sales of Serene Spa. The impact of this transaction on the income statement and balance sheet are discussed in the section of this report entitled “Profit (Loss) from Discontinued Operations.”
- Signing of an agreement to sell an asset disposal group consisting of five thermoelectric power plants and the equity investments held in the Termica Boffalora and Termica Celano subsidiaries, each of which owns a power plant, and in the Consorzio Montoro affiliate.

Positions or Changes Resulting from Atypical and/or Unusual Transactions

As required by CONSOB Communication No. DEM/6064293 of July 28, 2006, the Company declares that in 2007 it did not execute atypical and/or unusual transactions, as defined in the above-mentioned Communication.

Treasury Shares

At December 31, 2007, the Company did not own any treasury shares.

Compensation of Directors and Statutory Auditors, Stock Options Awarded to Directors and Equity Investments of Directors

For information concerning:

- the compensation of Directors and Statutory Auditors;
- stock options awarded to Directors;
- equity investments of Directors;

please consult the chapter on Corporate Governance of the Report on Operations.

SIGNIFICANT EVENTS OCCURRING AFTER DECEMBER 31, 2007

Please consult the information provided in the corresponding section of the notes to the Consolidated Financial Statements.

Milan, February 12, 2008

The Board of Directors
by Giuliano Zuccoli
Chairman

LIST OF EQUITY INVESTMENTS

LIST OF EQUITY INVESTMENTS AT DECEMBER 31, 2007

Company	Head office	Share capital Currency	Amount	Par value per share	% interest held in share capital
A1. Equity Investments in Subsidiaries					
Atema Ltd	**Dublin (Ireland)**				
Balance at 12/31/06		EUR	1,500,000	0.50	100.000
Balance at 12/31/07		EUR	1,500,000	0.50	100.000
Calbiotech Srl in bankruptcy	**Ravenna**				
Balance at 12/31/06		LIT	90,000,000	-	55.000
Balance at 12/31/07		LIT	90,000.000	-	55.000
Calcestruzzi Palermo Srl in receivership (single shareholder)	**Palermo**				
Balance at 12/31/06		EUR	108,360	1.00	100.000
Final seizure decision		EUR	-	-	(100.000)
Balance at 12/31/07		EUR	-	-	-
Consorzio di Sarmato Soc. Cons. P.A.	**Milan**				
Balance at 12/31/06		EUR	200,000	1.00	52.500
Acquisition		EUR	-	-	2.500
Merger by absorption into Sarmato Energia Spa		EUR	(200,000)	(1.00)	(55.000)
Balance at 12/31/07		EUR	-	-	-
Ecofuture Srl (single shareholder) (*)	**Milan**				
Balance at 12/31/06		EUR	10,200	-	100.000
Writedown		EUR	-	-	-
Balance at 12/31/07		EUR	10,200	-	100.000
Edison D.G. Spa (single shareholder) (*)	**Selvazzano Dentro (PD)**				
Balance at 12/31/06		EUR	460,000	1.00	100.000
Balance at 12/31/07		EUR	460,000	1.00	100.000
Edison Energia Spa (single shareholder) (*)	**Milan**				
Balance at 12/31/06		EUR	22,000,000	1.00	100.000
Increase due to full non-proportional demerger of Blumet Spa		EUR	-	-	-
Balance at 12/31/07		EUR	22,000,000	1.00	100.000
Edison Energie Speciali Spa (single shareholder) (*)	**Milan**				
Balance at 12/31/06		EUR	4,200,000	1.00	100.000
Merger by absorption of Mosei Esco Srl		EUR	-	-	-
Balance at 12/31/07		EUR	4,200,000	1.00	100.000
Edison Hellas Sa	**Athens (Greece)**				
Balance at 12/31/06		EUR	263,700	2.93	100.000
Balance at 12/31/07		EUR	263,700	2.93	100.000
Edison International Spa (*)	**Milan**				
Balance at 12/31/06		EUR	17,850,000	1.00	70.000
Balance at 12/31/07		EUR	17,850,000	1.00	70.000

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

No. of shares or face value of capital interests held	Cost (1)	Writedowns	Net carrying value (1)	Sharehold. equity in last approved fin. statements	Pro rata interest in sharehold. equity	Net profit in last approved fin. statements	Pro rata interest in net profit
3,000,000	1,381,681	-	1,381,681				
3,000,000	1,381,681	-	1,381,681	2,120,070	2,120,070	44,878	44,878
49,500,000	1	-	1				
49,500,000	1	-	1	-	-		-
108,360	1	-	1				
(108,360)	(1)	-	(1)				
-	-	-	-	-	-	-	-
105,000	98,849	-	98,849				
5,000	5,000	-	5,000				
(110,000)	(103,849)	-	(103,849)				
-	-	-	-	-	-	-	-
10,200	568,801	(500,722)	68,079				
-	-	(15,958)	(15,958)				
10,200	568.801	(516,680)	52,121	52,121	52,121	(15,958)	(15,958)
460,000	38,512,802	-	38,512,802				
460,000	38,512,802	-	38,512,802	26,791,090	26,791,090	5,627,260	5,627,260
22,000,000	57,398,221	-	57,398,221				
-	1,075,400	-	1,075,400				
22,000,000	58,473,621	-	58,473,621	18,242,651	18,242,651	(7,575,333)	(7,575,333)
4,200,000	205,242,647	-	205,242,647				
-	100,108	-	100,108				
4,200,000	205,342,755	-	205,342,755	139,174,447	139,174,447	17,188,126	17,188,126
90,000	187,458	(8,000)	179,458				
90,000	187,458	(8,000)	179,458	166,326	166,326	(73,995)	(73,995)
12,495,000	53,978,794	-	53,978,794				
12,495,000	53,978,794	-	53,978,794	45,143,781	31,600,647	(27,058,886)	(18,941,220)

I codici delle valute qui utilizzati sono conformi alla International Standard ISO 4217, ad eccezione della lira italiana per la quale si è mantenuta la siglia tradizionale L.

CHF franco svizzero EUR euro NLG fiorino olandese PTE escudo portoghese BRL real brasiliano GBP sterlina inglese EGP sterlina egiziana

LIST OF EQUITY INVESTMENTS (continued)

Company	Head office	Share capital Currency	Amount	Par value per share	% interest held in share capital
Edison International Holding NV (form. Montedison Finance Europe NV)	**Amsterdam (Netherlands)**				
Balance at 12/31/06		EUR	4,537,803	1.00	100.000
Payment of share premium		EUR	-	-	-
Increase upon conveyance of Thisvi		EUR	-	-	-
Balance at 12/31/07		EUR	4,537,803	1.00	100.000
Edison Stoccaggio Spa (single shareholder) (*)	**Milan**				
Balance at 12/31/06		EUR	81,497,301	1.00	100.000
Balance at 12/31/07		EUR	81,497,301	1.00	100.000
Edison Trading Spa (single shareholder) (*)	**Milan**				
Balance at 12/31/06		EUR	30,000,000	1.00	100.000
Balance at 12/31/07		EUR	30,000,000	1.00	100.000
Edison Treasury Service Srl (single shareholder)	**Conegliano (TV)**				
Balance at 12/31/06		EUR	10,000	1.00	100.000
Merger by absorption into Montedison Srl		EUR	(10,000)	(1.00)	(100.000)
Balance at 12/31/07		EUR	-	-	-
Eneco Energia Spa	**Bolzano**				
Balance at 12/31/06		EUR	300,000	1.00	70.000
Share capital reduction for losses		EUR	(300,000)	(1.00)	(70.000)
Share capital increase		EUR	222,000	1.00	90.000
Writedown		EUR	-	-	-
Balance at 12/31/07		EUR	200,000	1.00	90.000
Euroil Exploration Ltd	**London (England)**				
Balance at 12/31/06		GBP	9,250,000	1.00	0.001
Balance at 12/31/07		GBP	9,250,000	1.00	0.001
Ferruzzi Trading France Sa in liquidation	**Paris (France)**				
Balance at 12/31/06		EUR	7,622,451	15.24	99.999
Balance at 12/31/07		EUR	7,622,451	15.24	99.999
Finanziaria di partecipazioni elettriche - Finel Spa (*)	**Milan**				
Balance at 12/31/06		EUR	194,000,000	1.00	80.000
Acquisition		EUR	-	-	20.000
Merger by absorption into Edison Spa		EUR	(194,000,000)	(1.00)	(100.000)
Balance at 12/31/07		EUR	-	-	-
Finimeg Spa in liquidation (single shareholder) (*)	**Milan**				
Balance at 12/31/06		EUR	2,425,200	1.00	100.000
Merger by absorption into Nuova Cisa Spa		EUR	(2,425,200)	(1.00)	(100.000)
Balance at 12/31/07		EUR	-	-	-
Frigotecnica Srl in liquidation (single shareholder)	**Palermo**				
Balance at 12/31/06		EUR	76,500	-	100.000
Balance at 12/31/07		EUR	76,500	-	100.000

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

No. of shares or face value of capital interests held	Cost (1)	Writedowns	Net carrying value (1)	Sharehold. equity in last approved fin. statements	Pro rata interest in sharehold. equity	Net profit in last approved fin. statements	Pro rata interest in net profit
4,537,803	13,946,000	(11,354,934)	2,591,066				
-	2,500,000	-	2,500,000				
-	616,200	-	616,200				
4,537,803	17,062,200	(11,354,934)	5,707,266	5,334,858	5,334,858	(6,548,831)	(6,548,831)
81,497,301	81,497,301	-	81,497,301				
81,497,301	81.497,301	-	81,497,301	96,959,213	96,959,213	9,670,215	9,670,215
30,000,000	30,000,000	-	30,000,000				
30,000,000	30,000,000	-	30,000,000	316,728,376	316,728,376	238,965,630	238,965,630
10,000	10,000	-	10,000				
(10,000)	(10,000)	-	(10,000)				
-	-	-	-	-	-	-	-
210,000	3,982,770	-	3,982,770				
(210,000)	-	-	-				
199,800	3,868,128	-	3,868,128				
-	-	(3,868,128)	(3,868,128)				
199,800	7,850,898	(3,868,128)	3,982,770	707,412	636,671	455,575	410,018
1	950	-	950				
1	950	-	950	13,828,231	1	817,631	-
499,997	5,860,389	-	5,860,389				
499,997	5,860,389	-	5,860,389	9,450,920	9,450,825	304,794	304,791
155,200,000	520,917,888	-	520,917,888				
38,800,000	136,858,187	-	136,858,187				
(194,000,000)	(657,776,075)	-	(657,776,075)				
-	-	-	-	-	-	-	-
2,425,200	2,023,652	-	2,023,652				
(2,425,200)	(2,023,652)	-	(2,023,652)				
-	-	-	-	-	-	-	-
76,500	1	-	1				
76,500	1	-	1	1,500,592	1,500,592	25,530	25,530

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

LIST OF EQUITY INVESTMENTS (continued)

Company	Head office	Share capital			% interest held in share capital
		Currency	Amount	Par value per share	
Gever Spa (pledged shares)	**Milan**				
Balance at 12/31/06		EUR	10,500,000	1,000.00	51.000
Balance at 12/31/07		EUR	10,500,000	1,000.00	51.000
Hydro Power Energy HPE Srl (single shareholder)	**Bolzano**				
Balance at 12/31/06		EUR	50,000	-	100.000
Advance by shareholders on future capital contributions		EUR	-	-	-
Writedown		EUR	-	-	-
Balance at 12/31/07		EUR	50,000	-	100.000
Jesi Energia Spa (*)	**Milan**				
Balance at 12/31/06		EUR	5,350,000	1.00	70.000
Balance at 12/31/07		EUR	5,350,000	1.00	70.000
Monsei Esco Srl (single shareholder) (*)	**Milan**				
Balance at 12/31/06		EUR	100,000	-	100.000
Advance by shareholders on future capital contributions		EUR	-	-	-
Merger by absorption into Edison Energie Speciali Spa		EUR	(100,000)	-	(100.000)
Balance at 12/31/07		EUR	-	-	-
Montedison Srl (single shareholder) (*)	**Milan**				
Balance at 12/31/06		EUR	2,583,000	-	100.000
Merger by absorption of Edison Treasury Service Srl		EUR	-	-	-
Writedown		EUR	-	-	-
Balance at 12/31/07		EUR	2,583,000	-	100.000
Nuova Alba Srl (single shareholder) (*)	**Milan**				
Balance at 12/31/06		EUR	2,016,457	-	100.000
Advance by shareholders on future capital contributions		EUR	-	-	-
Writedown		EUR	-	-	-
Balance at 12/31/07		EUR	2,016,457	-	100.000
Nuova C.I.S.A. Spa in liquidation (single shareholder) (*)	**Milan**				
Balance at 12/31/06		EUR	1,549,350	1.00	100.000
Merger by absorption of Finimeg Spa in liquidation		EUR	-	-	-
Balance at 12/31/07		EUR	1,549,350	1.00	100.000
Sarmato Energia Spa	**Milan**				
Balance at 12/31/06		EUR	14,420,000	1.00	61.000
Disposal		EUR	-	-	(6.000)
Merger by absorption of Consorzio di Sarmato Soc. Cons. P.A.		EUR	-	-	-
Balance at 12/31/07		EUR	14,420,000	1.00	55.000
Selm Holding International Sa	**Luxembourg**				
Balance at 12/31/06		EUR	24,000,000	120.00	99.950
Balance at 12/31/07		EUR	24,000,000	120.00	99.950

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

No. of shares or face value of capital interests held	Cost [1]	Writedowns	Net carrying value [1]	Sharehold. equity in last approved fin. statements	Pro rata interest in sharehold. equity	Net profit in last approved fin. statements	Pro rata interest in net profit
5,355	24,055,699	(13,500,000)	10,555,699				
5,355	24,055,699	(13,500,000)	10,555,699	20,226,370	10,315,449	(1,699,874)	(866,936)
-	50,000	(19,657)	30,343				
-	20,000	-	20,000				
-	-	(8,964)	(8,964)				
-	70,000	(28,621)	41,379	41,379	41,379	(8,358)	(8,358)
3,745,000	15,537,145	-	15,537,145				
3,745,000	15,537,145	-	15,537,145	20,692,162	14,484,513	11,319,205	7,923,444
100,000	135,405	(75,297)	60,108				
-	40,000	-	40,000				
(100,000)	(175,405)	75,297	(100,108)				
-	-	-	-	-	-	-	-
2,583,000	68,750,329	(62,645,509)	6,104,820				
-	10,000	-	10,000				
-	-	(356,191)	(356,191)				
2,583,000	68,760,329	(63,001,700)	5,758,629	5,758,191	5,758,191	(358,629)	(358,629)
2,016,457	16,498,550	(14,258,164)	2,240,386				
-	3,400,000	-	3,400,000				
-	-	(5,143,184)	(5,143,184)				
2,016,457	19,898,550	(19,401,348)	497,202	485,912	(5,154,474)	485,912	(5,154,474)
1,549,350	1,476,457	(1,086,596)	389,861				
-	2,023,652	-	2,023,652				
1,549,350	3,500,109	(1,086,596)	2,413,513	5,068,290	5,068,290	86,042	86,042
8,796,200	35,575,744	-	35,575,744				
(865,200)	(3,499,252)	-	(3,499,252)				
-	103,849	-	103,849				
7,931,000	32,180,341	-	32,180,341	22,982,976	12,640,637	3,438,387	1,891,113
199,900	226,732,571	(177,036,223)	49,696,348				
199,900	226,732,571	(177,036,223)	49,696,348	47,220,843	47,197,233	1,912,502	1,911,546

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LIST OF EQUITY INVESTMENTS (continued)

Company	Head office	Share capital			% interest held in share capital
		Currency	Amount	Par value per share	
Serene Spa	**Milan**				
Balance at 12/31/06		EUR	25,800,000	5.16	66.316
Disposal		EUR	(25,800,000)	(5.16)	(66.316)
Balance at 12/31/07		EUR	-	-	-
Società Generale per Progettazioni Consulenze e Partecipazioni Spa (under extraordinary administration)	**Rome**				
Balance at 12/31/06		LIT	300,000,000	10,000.00	59.333
Balance at 12/31/07		LIT	300,000,000	10,000.00	59.333
Stel Spa in liquidation	**Milan**				
Balance at 12/31/06		EUR	520,000	0.52	75.000
Dissolution		EUR	(520,000)	(0.52)	(75.000)
Balance at 12/31/07		EUR	-	-	-
Termica Cologno Srl (*)	**Milan**				
Balance at 12/31/06		EUR	9,296,220	-	65.000
Balance at 12/31/07		EUR	9,296,220	-	65.000
Termica Milazzo Srl (*)	**Milan**				
Balance at 12/31/06		EUR	23,241,000	-	60.000
Balance at 12/31/07		EUR	23,241,000	-	60.000
Thisvi Power Generation Plant Sa	**Athens (Greece)**				
Balance at 12/31/06		EUR	-	-	-
Acquisition		EUR	198,000	3.00	65.000
Loan as advance on future share capital increase		EUR	-	-	-
Conveyance to Edison International Holding NV		EUR	(198,000)	(3.00)	(65.000)
Balance at 12/31/07		EUR	-	-	-
Volta Spa	**Milan**				
Balance at 12/31/06		EUR	130,000	1.00	51.000
Balance at 12/31/07		EUR	130.000	1.00	51.000
Total A1 Equity investments in subsidiaries					

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

No. of shares or face value of capital interests held	Cost [1]	Writedowns	Net carrying value [1]	Sharehold. equity in last approved fin. statements	Pro rata interest in sharehold. equity	Net profit in last approved fin. statements	Pro rata interest in net profit
3,315,789	81,875,170	-	81,875,170				
(3,315,789)	(81,875,170)	-	(81,875,170)				
-	-	-	-	-	-	-	-
17,800	1		1				
17,800	1		1	-	-	-	-
750,000	388,625	(388,624)	1				
(750,000)	(388,625)	388,624	(1)				
-	-	-	-	-	-	-	-
6,042,543	6,069,782		6,069,782				
6,042,543	6,069,782		6,069,782	13,210,606	8,586,894	4,280,471	2,782,306
13,944,600	69,957,191		69,957,191				
13,944,600	69,957,191		69,957,191	58,456,058	35,073,635	20,878,059	12,526,835
-	-	-	-				
42,900	128,700	-	128,700				
-	487,500	-	487,500				
(42,900)	(616,200)	-	(616,200)				
-	-	-	-	-	-	-	-
66,300	107,406	(41,106)	66,300				
66,300	107,406	(41,106)	66,300	212,661	108,457	(33,532)	(17,101)
	967,586,776	**(289,843,336)**	**677,743,440**				

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LIST OF EQUITY INVESTMENTS (continued)

Company	Head office	Share capital Currency	Amount	Par value per share	% interest held in share capital

A2 Equity Investments in Joint Ventures (*) and Affiliated Companies

Company	Head office	Currency	Amount	Par value per share	% interest held in share capital
Bluefare LTD (°)	**London (England)**				
Balance at 12/31/06		GBP	1,000	0.01	50.000
Balance at 12/31/07		GBP	1,000	0.01	50.000
Blumet Spa	**Reggio Emilia**				
Balance at 12/31/06		EUR	7,600,000	1.00	28.316
Full non-proportional demerger		EUR	(7,600,000)	(1.00)	(28.316)
Balance at 12/31/07		EUR	-	-	-
Coniel Spa in liquidation	**Rome**				
Balance at 12/31/06		EUR	1,020	0.51	35.250
Balance at 12/31/07		EUR	1,020	0.51	35.250
Edipower Spa (*)	**Milan**				
Balance at 12/31/06		EUR	1,441,300,000	1.00	40.000
Acquisition upon exercise of put-and-call options		EUR	-	-	5.000
Balance at 12/31/07		EUR	1,441,300,000	1.00	45.000
Eta 3 Spa	**Arezzo**				
Balance at 12/31/06		EUR	2,000,000	1.00	33.013
Balance at 12/31/07		EUR	2,000,000	1.00	33.013
Finsavi Srl	**Palermo**				
Balance at 12/31/06		EUR	18,698	-	50.000
Balance at 12/31/07		EUR	18,698	-	50.000
GASCO Spa	**Bressanone (BZ)**				
Balance at 12/31/06		EUR	350,000	1.00	40.000
Balance at 12/31/07		EUR	350,000	1.00	40.000
Ibiritermo Sa (pledged shares) (*)	**Ibiritè (Brazil)**				
Balance at 12/31/06		BRL	7,651,814	1.00	50.000
Balance at 12/31/07		BRL	7,651,814	1.00	50.000
Inica Sarl in liquidation	**Lisbon (Portugal)**				
Balance at 12/31/06		PTE	1,000,000	-	20.000
Balance at 12/31/07		PTE	1,000,000	-	20.000
International Water Holdings Bv (*)	**Amsterdam (Netherlands)**				
Balance at 12/31/06		EUR	40,000	10.00	50.000
Distribution of equity reserves		EUR	-	-	-
Writedown		EUR	-	-	-
Balance at 12/31/07		EUR	40,000	10.00	50.000
Kraftwerke Hinterrhein (KHR) Ag	**Thusis (Switzerland)**				
Balance at 12/31/06		CHF	100,000,000	1,000.00	20.000
Balance at 12/31/07		CHF	100,000,000	1,000.00	20.000

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

No. of shares or face value of capital interests held	Cost (1)	Writedowns	Net carrying value (1)	Sharehold. equity in last approved fin. statements	Pro rata interest in sharehold. equity	Net profit in last approved fin. statements	Pro rata interest in net profit
50,000	30,061	-	30,061				
50,000	30,061	-	30,061	10,424	5,212	(6,601)	(3,301)
2,151,982	2,151,982	-	2,151,982				
(2,151,982)	(2,151,982)	-	(2,151,982)				
-	-	-	-	-	-	-	-
705	308	-	308				
705	308	-	308	-	-	-	-
576,520,000	800,534,250	-	800,534,250				
72,065,000	127,028,402	-	127,028,402				
648,585,000	927,562,652	-	927,562,652	2,035,234,000	915,855,300	2,428,000	1,092,600
660,262	660,262	-	660,262				
660,262	660,262	-	660,262	-	-	-	-
9,349	1	-	1				
9,349	1	-	1	290,409	145,205	62,908	31,454
140,000	140,000	-	140,000				
140,000	140,000	-	140,000	-	-	-	-
3,825,907	1,161,904	-	1,161,904				
3,825,907	1,161,904	-	1,161,904	-	-	-	-
200,000	1	-	1				
200,000	1	-	1	-	-	-	-
2,000	19,858,497	(6,319,997)	13,538,500				
-	(300,000)	-	(300,000)				
-	-	(8,000,000)	(8,000,000)				
2,000	19,558,497	(14,319,997)	5,238,500	-	-	-	-
20,000	11,362,052	-	11,362,052				
20,000	11,362,052	-	11,362,052		-		-

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LIST OF EQUITY INVESTMENTS (continued)

Company	Head office	Share capital Currency	Amount	Par value per share	% interest held in share capital
Prometeo Spa	**Osimo (AN)**				
Balance at 12/31/06		EUR	1,938,743	1.00	21.000
Dilution due to reserved share capital increase		EUR	225,755	-	(2.190)
Balance at 12/31/07		EUR	2,164,498	1.00	18.810
Roma Energia Srl	**Rome**				
Balance at 12/31/06		EUR	50,000	-	35.000
Writedown		EUR	-	-	-
Balance at 12/31/07		EUR	50,000	-	35.000
SAT Finanziaria Spa	**Sassuolo (MO)**				
Balance at 12/31/06		EUR	1,000,000	1.00	40,000
Disposal		EUR	(1,000,000)	(1.00)	(40,000)
Balance at 12/31/07		EUR	-	-	-
Sel-Edison Spa (*)	**Castelbello (BZ)**				
Balance at 12/31/06		EUR	84,798,000	1.00	42.000
Balance at 12/31/07		EUR	84,798,000	1.00	42.000
Sistemi di Energia Spa	**Milan**				
Balance at 12/31/06		EUR	10,475,000	1.00	40.573
Balance at 12/31/07		EUR	10,475,000	1.00	40.573
Società Gasdotti Algeria Italia - Galsi Spa	**Milan**				
Balance at 12/31/06		EUR	838,000	1.00	18,000
Share capital increase		EUR	10,000,000	1.00	-
Balance at 12/31/07		EUR	10,838,000	1.00	18,000
Syremont Spa	**Messina**				
Balance at 12/31/06		EUR	750,000,00	1.00	40.000
Balance at 12/31/07		EUR	750,000,00	1.00	40.000
Utilità Spa	**Milan**				
Balance at 12/31/06		EUR	2,307,692	1.00	35.000
Balance at 12/31/07		EUR	2,307,692	1.00	35.000
Total A2 Equity investments in affiliated companies					
Total A Equity investments					

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

No. of shares or face value of capital interests held	Cost (1)	Writedowns	Net carrying value (1)	Sharehold. equity in last approved fin. statements	Pro rata interest in sharehold. equity	Net profit in last approved fin. statements	Pro rata interest in net profit
407,136	451,289	-	451,289				
-	-	-	-				
407,136	451,289	-	451,289	-	-	-	-
17,500	455,000	-	455,000				
-	-	(454,999)	(454,999)				
17,500	455,000	(454,999)	1	-	-	-	-
400,000	822,074	-	822,074				
(400,000)	(822,074)	-	(822,074)				
-	-	-	-	-	-	-	-
35,615,160	35,615,160	-	35,615,160				
35,615,160	35,615,160	-	35,615,160	-	-	-	-
4,250,057	4,249,906	(235,669)	4,014,237				
4,250,057	4,249,906	(235,669)	4,014,237	92,823,787	38,985,991	4,310,123	1,810,252
150,840	1,278,000	-	1,278,000				
1,800,000	4,500,000	-	4,500,000				
1,950,840	5,778,000	-	5,778,000	14,617,057	2,631,070	(10,799,325)	(1,943,879)
300,000	400	-	400				
300,000	400		400	-	-	-	-
807,692	807,692		807,692				
807,692	807,692		807,692	-	-	-	-
	1,007,833,185	**(15,010,665)**	**992,822,520**				
	1,975,419,961	**(304,854,001)**	**1,670,565,960**				

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LIST OF EQUITY INVESTMENTS (continued)

Company	Head office	Share capital Currency	Amount	Par value per share	% interest held in share capital

B. Equity Investments in Subsidiaries and Affiliated Companies

ASSETS HELD FOR SALE

Company	Head office	Currency	Amount	Par value per share	% interest held in share capital
Termica Boffalora Srl (*)	**Milan**				
Balance at 12/31/06		EUR	14,220,000	-	70.000
Balance at 12/31/07		EUR	14,220,000	-	70.000
Termica Celano Srl (*)	**Milan**				
Balance at 12/31/06		EUR	259,000	-	70.000
Balance at 12/31/07		EUR	259,000	-	70.000
Consorzio Montoro	**Narni (TR)**				
Balance at 12/31/06		EUR	4,000	-	25.000
Balance at 12/31/07		EUR	4,000	-	25.000
Total assets held for sale					

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

No. of shares or face value of capital interests held	Cost (1)	Writedowns	Net carrying value (1)	Sharehold. equity in last approved fin. statements	Pro rata interest in sharehold. equity	Net profit in last approved fin. statements	Pro rata interest in net profit
9,954,000	22,971,331	(1,100,000)	21,871,331				
9,954,000	22,971,331	(1,100,000)	21,871,331	21,286,209	14,900,346	5,065,785	3,504,050
181,300	40,403,320	(57,630)	40,345,690				
181,300	40,403,320	(57,630)	40,345,690	54,908,197	38,435,738	13,907,338	9,735,137
1,000	1,000	-	1,000				
1,000	1,000	-	1,000	-	-	-	-
	63,375,651	**(1,157,630)**	**62,218,021**				

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LIST OF EQUITY INVESTMENTS (continued)

Company	Head office	Share capital Currency	Amount	Par value per share	% interest held in share capital
B. Equity Investments Held for Sale Valued at Cost					
Aquapur Multiservizi Spa	**Lucca**				
Balance at 12/31/06		EUR	1,073,677	5.16	0.010
Balance at 12/31/07		EUR	1,073,677	5.16	0.010
Associazione Nazionale per l'Enciclopedia della Banca e della Borsa	**Rome**				
Balance at 12/31/06		EUR	502,116	1.55	0.370
Disposal		EUR	(502,116)	(1.55)	(0.370)
Balance at 12/31/07		EUR	-	-	-
Bieffe Medital Spa	**Grossotto (So)**				
Balance at 12/31/06		EUR	10,749,195	0.52	-
Balance at 12/31/07		EUR	10,749,195	0.52	-
Cerset Srl	**Bari**				
Balance at 12/31/06		EUR	117,088	-	0.060
Balance at 12/31/07		EUR	117,088	-	0.060
Cesi Spa	**Milan**				
Balance at 12/31/06		EUR	8,550,000	2.50	1.055
Balance at 12/31/07		EUR	8,550,000	2.50	1.055
C.I.S.A. Spa (Pledged shares)	**Massafra (Ta)**				
Balance at 12/31/06		EUR	1,560,000	5.20	6.667
Cancellation of pledge		EUR	(1,560,000)	-	(6.667)
Balance at 12/31/07		EUR	-	-	-
Clark Imnmobiliare Srl in liquidation	**Rome**				
Balance at 12/31/06		EUR	110,000	1.00	-
Balance at 12/31/07		EUR	110,000	1.00	-
Compagnia Paramatti Finanziaria Spa	**Milan**				
Balance at 12/31/06 - common shares		LIT.	217,631,352	3.00	0.004
Balance at 12/31/07 - common shares		LIT.	217,631,352	3.00	0.004
Consorzio Industriale Depurazione	**Lucca**				
Balance at 12/31/06		EUR	45,695	-	7.303
Balance at 12/31/07		EUR	45.695	-	7.303
Costruttori Romeni Riuniti Grandi Opere Spa	**Rome**				
Balance at 12/31/06		EUR	3,274,429	8,186.07	0.500
Balance at 12/31/07		EUR	3,274,429	8,186.07	0.500
Emittenti Titoli Spa	**Milan**				
Balance at 12/31/06		EUR	4,264,000	0.52	3.890
Balance at 12/31/07		EUR	4,264,000	0.52	3.890
Enia Energia Spa	**Reggio Emilia**				
Balance at 12/31/06		EUR	-	-	-
Acquisition upon full, non-proportional demerger of Blumet Spa		EUR	2,240,000	1.00	9.134
Balance at 12/31/07		EUR	2,240,000	1.00	9.134

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

No. of shares or face value of capital interests held	Cost (1)	Writedowns	Net carrying value (1)	Sharehold. equity in last approved fin. statements	Pro rata interest in sharehold. equity	Net profit in last approved fin. statements	Pro rata interest in net profit
2,080	1	-	1				
2,080	1	-	1	-	-	-	-
1,200	8,615	-	8,615				
(1,200)	(8,615)	-	(8,615)				
-	-	-	-	-	-	-	-
25	1	-	1				
25	1	-	1	-	-	-	-
70	222	-	222				
70	222	-	222	-	-	-	-
36,065	142,910	-	142,910				
36,065	142,910	-	142,910	-	-	-	-
20,000	-	-	-				
(20,000)	-	-	-				
-	-	-	-	-	-	-	-
0.15	1	-	1				
0.15	1	-	1	-	-	-	-
3,992	1	-	1				
3,992	1	-	1	-	-	-	-
3,357	1	-	1				
3,357	1	-	1	-	-	-	-
2	25,823	-	25,823				
2	25,823	-	25,823	-	-	-	-
319,000	164,263	-	164,263				
319,000	164,263	-	164,263	-	-	-	-
-	-	-	-				
204,602	1,076,582	-	1,076,582				
204,602	1,076,582	-	1,076,582	-	-	-	-

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LIST OF EQUITY INVESTMENTS (continued)

Company	Head office	Share capital Currency	Amount	Par value per share	% interest held in share capital
European Energy Exchange Ag - EEX	**Leipzig (Germany)**				
Balance at 12/31/06		EUR	40,050,000	1.00	0.749
Balance at 12/31/07		EUR	40,050,000	1.00	0.749
Finligure Spa (in bankruptcy)	**Genoa**				
Balance at 12/31/06		LIT.	6,261,874,080	3.135	0.035
Balance at 12/31/07		LIT.	6,261,874,080	3.135	0.035
Finutenti Spezia Srl in liquidation	**La Spezia**				
Balance at 12/31/06		EUR	575,841	-	0.448
Writedown		EUR	-	-	-
Balance at 12/31/07		EUR	575,841	-	0.448
Fornara Spa (under extraordinary administration)	**Turin**				
Balance at 12/31/06 - preferred shares		EUR	3,235,700	0.26	-
Writedown		EUR	-	-	-
Balance at 12/31/07 - preferred shares		EUR	3,235,700	0.26	-
Gerolimich Spa in liquidation	**Milan**				
Balance at 12/31/06 - common shares		EUR	62,417,088	0.30	-
Writedown		EUR	-	-	-
Balance at 12/31/07 - common shares		EUR	62,417,088	0.30	-
Idroenergia Scrl	**Chatillon (Ao)**				
Balance at 12/31/06		EUR	1,548,000	-	0.067
Balance at 12/31/07		EUR	1,548,000	-	0.067
Idrovia Ticino Milan Nord Venezia Spa in liquidation	**Brescia**				
Balance at 12/31/06		LIT.	509,370,000	10.000	2.146
Balance at 12/31/07		LIT.	509,370,000	10.000	2.146
Immobiliare Caprazucca Spa	**Parma**				
Balance at 12/31/06		EUR	7,517,948	0.43	0.003
Balance at 12/31/07		EUR	7,517,948	0.43	0.003
Istituto Europeo di Oncologia Srl	**Milan**				
Balance at 12/31/06		EUR	79,071,770	-	4.365
Balance at 12/31/07		EUR	79,071,770	-	4.365
Istituto Immobiliare di Catania Istica Spa	**Catania**				
Balance at 12/31/06		EUR	6,200,000	3.10	0.058
Balance at 12/31/07		EUR	6,200,000	3.10	0.058
I.SV.E.UR. Spa	**Rome**				
Balance at 12/31/06		EUR	2,500,000	1,000.00	1.000
Balance at 12/31/07		EUR	2,500,000	1,000.00	1.000
Mandelli Spa (under extraordinary administration)	**Piacenza**				
Balance at 12/31/06		EUR	10,200,000	0.51	-
Writedown		EUR	-	-	-
Balance at 12/31/07		EUR	10,200,000	0.51	-

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

No. of shares or face value of capital interests held	Cost (1)	Writedowns	Net carrying value (1)	Sharehold. equity in last approved fin. statements	Pro rata interest in sharehold. equity	Net profit in last approved fin. statements	Pro rata interest in net profit
300,000	660,000	-	660,000				
300,000	660,000	-	660,000	-	-	-	-
700	1	-	1				
700	1	-	1	-	-	-	-
2,582	1,937	-	1,937				
-	-	(1,936)	(1,936)	-	-	-	-
2,582	1,937	(1,936)	1	-	-	-	-
63	77	-	77				
-	-	(76)	(76)				
63	77	(76)	1	-	-	-	-
20	4	-	4				
-	-	(3)	(3)	-	-	-	-
20	4	(3)	1	-	-	-	-
1,032	1,032	-	1,032				
1,032	1,032	-	1,032	-	-	-	-
1,093	1	-	1				
1,093	1	-	1	-	-	-	-
546	1	-	1				
546	1	-	1	-	-	-	-
3,451,632	4,074,528	(550,686)	3,523,842				
3,451,632	4,074,528	(550,686)	3,523,842	-	-	-	-
1,150	1	-	1				
1,150	1	-	1	-	-	-	-
25	5,620	-	5,620				
25	5,620	-	5,620	-	-	-	-
11	13	-	13				
-	-	(12)	(12)				
11	13	(12)	1	-	-	-	-

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LIST OF EQUITY INVESTMENTS (continued)

Company	Head office	Share capital Currency	Amount	Par value per share	% interest held in share capital
Nomisma - Società di studi economici Spa	**Bologna**				
Balance at 12/31/06		EUR	5,345,328	0.37	2.215
Balance at 12/31/07		EUR	5,345,328	0.37	2.215
Pro.Cal Scrl (in bankruptcy)	**Naples**				
Balance at 12/31/06		LIT	500,000,000	-	4.348
Writedown		LIT	-	-	-
Balance at 12/31/07		LIT	500,000,000	-	4.348
R.E.A. (Regional Energy Agency) Spa in liquidation	**Florence**				
Balance at 12/31/06		EUR	518,000	518.00	1.000
Payment for subscribed shares		EUR	-	-	-
Writedown		EUR	-	-	-
Balance at 12/31/07		EUR	518,000	518.00	1.000
Reggente Spa	**Lucera (FG)**				
Balance at 12/31/06		EUR	260,000	0.52	5.209
Balance at 12/31/07		EUR	260,000	0.52	5.209
Sago Spa (in liquidation)	**Florence**				
Balance at 12/31/06		EUR	1,162,961	2.07	0.997
Writedown		EUR	-	-	-
Balance at 12/31/07		EUR	1,162,961	2.07	0.997
Sirio - Sicurezza Industriale Scpa - Sirio Scpa	**Turin**				
Balance at 12/31/06		EUR	120,000	1.00	0.259
Balance at 12/31/07		EUR	120,000	1.00	0.259
Sistemi Formativi Confindustria Scpa	**Rome**				
Balance at 12/31/06		EUR	236,022	516.46	6.565
Balance at 12/31/07		EUR	236,022	516.46	6.565
Sistema Permanente di Servizi Spa (in bankruptcy)	**Rome**				
Balance at 12/31/06		EUR	154,950	51.65	12.600
Balance at 12/31/07		EUR	154,950	51.65	12.600
Trentino Servizi Spa - T.S. Spa	**Rovereto (TN)**				
Balance at 12/31/06		EUR	224,790,159	1.00	0.010
Balance at 12/31/07		EUR	224,790,159	1.00	0.010
Unione Manifatture Spa in liquidation	**Milan**				
Balance at 12/31/06		EUR	117,248,793	1.57	-
Writedown		EUR	-	-	-
Balance at 12/31/07		EUR	117,248,793	1.57	-
Terminale GNL Adriatico Srl	**Rome**				
Balance at 12/31/06		EUR	200,000,000	-	10.000
Advance on future capital contributions		EUR	-	-	-
Balance at 12/31/07		EUR	200.000.000	-	10.000

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

No. of shares or face value of capital interests held	Cost (1)	Writedowns	Net carrying value (1)	Sharehold. equity in last approved fin. statements	Pro rata interest in sharehold. equity	Net profit in last approved fin. statements	Pro rata interest in net profit
320,000	479,473	(372,000)	107,473				
320,000	479,473	(372,000)	107,473	-	-	-	-
21,739,000	11,228	-	11,228				
-	-	(11,227)	(11,227)				
21,739,000	11,228	(11,227)	1	-	-	-	-
10	1,295	-	1,295				
-	3,885	-	3,885				
-	-	(5,179)	(5,179)				
10	5,180	(5,179)	1	-	-	-	-
26,043	13,450	-	13,450				
26,043	13,450	-	13,450	-	-	-	-
5,600	15,260	-	15,260				
-	-	(15,259)	(15,259)				
5,600	15,260	(15,259)	1	-	-	-	-
311,00	27	-	27				
311,00	27	-	27	-	-	-	-
30	15,494	-	15,494				
30	15,494	-	15,494	-	-	-	-
378	1	-	1				
378	1	-	1	-	-	-	-
22,250	25,823	-	25,823				
22,250	25,823	-	25,823	-	-	-	-
12	7	-	7				
-	-	(6)	(6)				
12	7	(6)	1	-	-	-	-
20,000,000	84,437,688	-	84,437,688				
-	66,936,793	-	66,936,793				
20,000,000	151,374,481	-	151,374,481	-	-	-	-

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LIST OF EQUITY INVESTMENTS (continued)

Company	Head office	Share capital			% interest
		Currency	Amount	Par value per share	held in share capital
3 R Associati Srl in liquidation	**Bergamo**				
Balance at 12/31/06		EUR	10,000	-	0.180
Balance at 12/31/07		EUR	10,000	-	0.180
Total B.1 Equity investments held for sale valued at cost					

B. Equity Investments Held for Sale Valued at Fair Value

Company	Head office	Currency	Amount	Par value per share	% interest held in share capital
RCS Mediagroup Spa	**Milan**				
Balance at 12/31/06 common shares		EUR	732,669,457	1.00	1.011
Stock dividend		EUR	-	-	-
Adjustment to market value		EUR	-	-	-
Balance at 12/31/07		EUR	732,669,457	1.00	1.031
Total B.2 Equity investments held for sale valued at fair value					
Total B. Equity investments held for sale					

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

No. of shares or face value of capital interests held	Cost (1)	Writedowns	Net carrying value (1)	Sharehold. equity in last approved fin. statements	Pro rata interest in sharehold. equity	Net profit in last approved fin. statements	Pro rata interest in net profit
17,98	387,343	(387,342)	1				
17,98	387,343	(387,342)	1	-	-	-	-
	158,469,558	**(1,332,499)**	**157,137,059**				
7,406,487	29,781,484	(1,614,614)	28,166,870				
148,129	591,623	-	591,623				
-	-	(6,253,292)	(6,253,292)				
7,554,616	30,373,107	(7,867,906)	22,505,201	-	-	-	-
	30,373,107	**(7,867,906)**	**22,505,201**				
	188,842,665	**(9,200,405)**	**179,642,260**				

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LIST OF EQUITY INVESTMENTS (continued)

Company	Head office	Share capital Currency	Amount	Par value per share

C. Equity Investments Held for Trading

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

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

% interest held in share capital	No. of shares or capital interests held	Cost	Adjustment to market value	Net carrying value
1.298	712,000	7,466,306	(1,405,050)	6,061,256
-	-	-	(1,312,216)	(1,312,216)
1.298	712,000	7,466,306	(2,717,266)	4,749,040
3.175	1,488,000	5,360,000	(1,669,760)	3,690,240
-	-	-	(1,038,624)	(1,038,624)
3.175	1,488,000	5,360,000	(2,708,384)	2,651,616
0.836	160,000	4,975,111	(3,783,312)	1,191,800
-	-	-	1,779,737	1,779,737
0.836	160,000	4,975,111	(2,003,575)	2,971,537
		17,801,416	**(7,429,224)**	**10,372,193**

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CERTIFICATION

as required by Article 81-ter of Consob Regulation No. 11971

1. We, the undersigned Umberto Quadrino, in my capacity as "Chief Executive Officer," and Marco Andreasi, in my capacity as "Corporate Accounting Documents Officer," employees of Edison Spa, taking into account the provisions of Article 154-bis, Sections 3 and 4, of Legislative Decree No. 58 of February 24, 1998, certify that the administrative and accounting procedures applied in 2007 to prepare the separate financial statements:
   a) were adequate in light of the Company's characteristics; and
   b) were properly applied.

2. We further certify that the separate financial statements as at December 31, 2007:
   a) are consistent with the data in the accounting records and other corporate documents;
   b) were prepared in accordance with International Accounting Standards (IAS/IFRS), as required by Article 154-bis, Section 5, of the Uniform Financial Code (Legislative Decree No. 58/1998) and, to the best of our knowledge, provide a truthful and fair presentation of the balance sheet, income statement and financial position of the issuer.

Milano, February 12, 2008

Umberto Quadrino	Marco Andreasi
Chief Executive Officer	Corporate Accounting Documents Officer

REPORT OF INDEPENDENT AUDITORS

PricewaterhouseCoopers SpA

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

To the shareholders of
EDISON SpA

1 We have audited the financial statements of EDISON SpA as of 31 December 2007, comprising the balance sheet, income statement, changes in shareholders' equity, cash flow statement and related notes. These financial statements are the responsibility of EDISON's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

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

For the opinion on the financial statements of the prior period, which are presented for comparative purposes as required by law, reference is made to our report dated 8 March 2007.

3 In our opinion, the financial statements of EDISON SpA as of 31 December 2007 comply with the International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/2005; accordingly, they have been drawn up clearly and give a true and fair view of the financial position, results of operations, changes in shareholders' equity and cashflows of EDISON SpA for the year then ended.

Sede legale e amministrativa: Milano 20149 Via Monte Rosa 91 Tel. 0277851 Fax 0277785240 Cap. Soc. 3.754.400,00 Euro i.v., C.F. e P.IVA e Reg. Imp. Milano 12979880155 Iscritta al n. 43 dell'Albo Consob – Altri Uffici: **Bari** 70125 Viale della Repubblica 110 Tel. 0805429863 – **Bologna** 40122 Via delle Lame 111 Tel. 051526611 – **Brescia** 25123 Via Borgo Pietro Wuhrer 23 Tel. 0303697501 – **Firenze** 50129 Viale Milton 65 Tel. 055471747 **Genova** 16121 Piazza Dante 7 Tel. 01029041 **Napoli** 80121 Piazza dei Martiri 30 Tel. 08136181 – **Padova** 35138 Via Vicenza 4 Tel. 049873481 – **Palermo** 90141 Via Marchese Ugo 60 Tel. 091349737 – **Parma** 43100 Viale Tanara 20/A Tel. 0521242848 – **Roma** 00154 Largo Fochetti 29 Tel. 06570251 – **Torino** 10129 Corso Montevecchio 37 Tel. 011556771 – **Trento** 38100 Via Grazioli 73 Tel. 0461237004 - **Treviso** 31100 Viale Felissent 90 Tel. 0422696911 – **Trieste** 34125 Via Cesare Battisti 18 Tel. 0403480781 - **Udine** 33100 Via Poscolle 43 Tel. 043225789 – **Verona** 37122 Corso Porta Nuova 125 Tel. 0458002561

PRICEWATERHOUSECOOPERS

Milan, 29 February 2008

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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VAT No. 08263330014
REA Milan No. 1698754

EDISON SPA
Foro Buonaparte 31
20121 Milan, Italy
Ph +39 02 6222.1
www.edison.it

EDISON