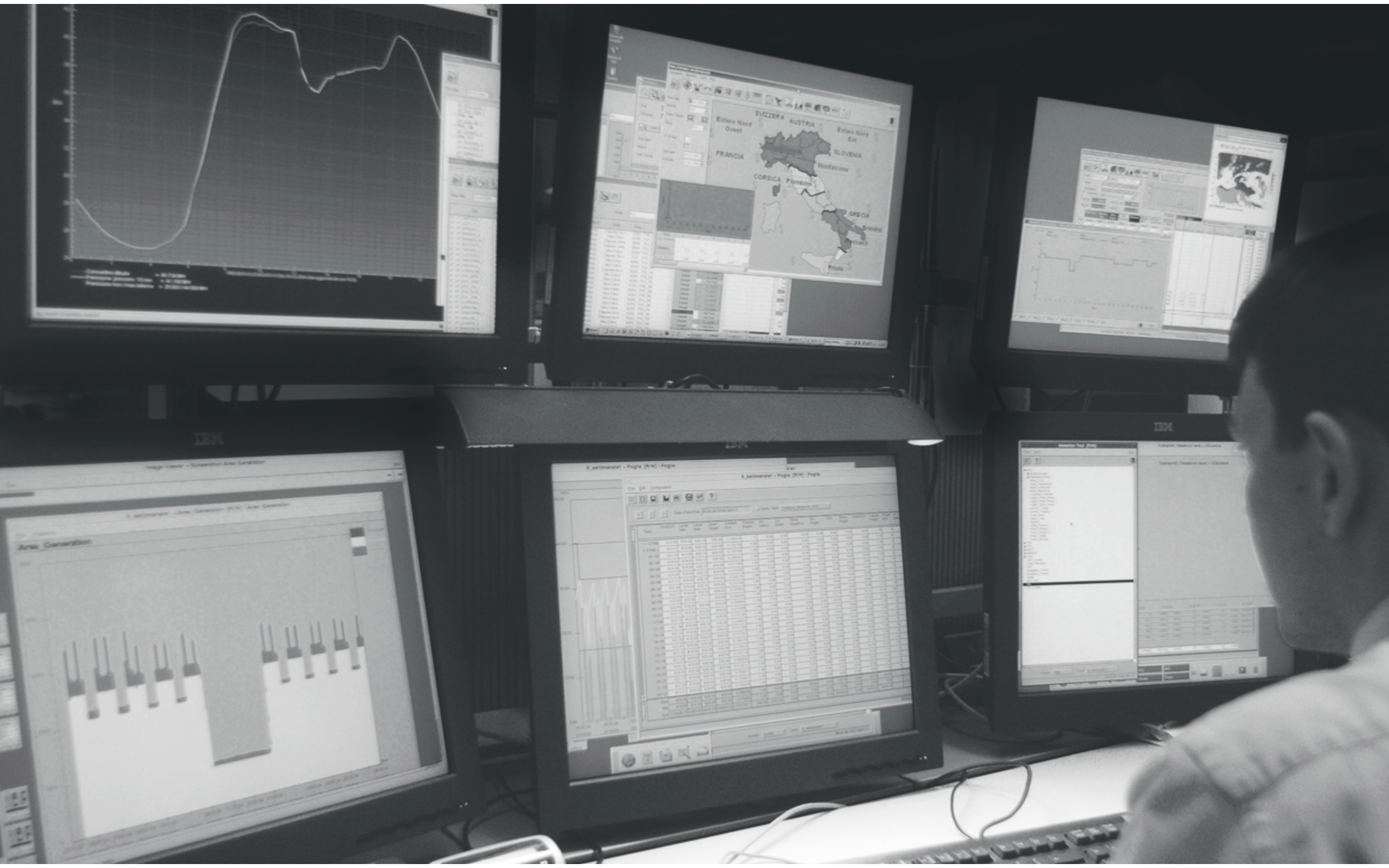
Quarterly Report at September 30, 2005



EDISON

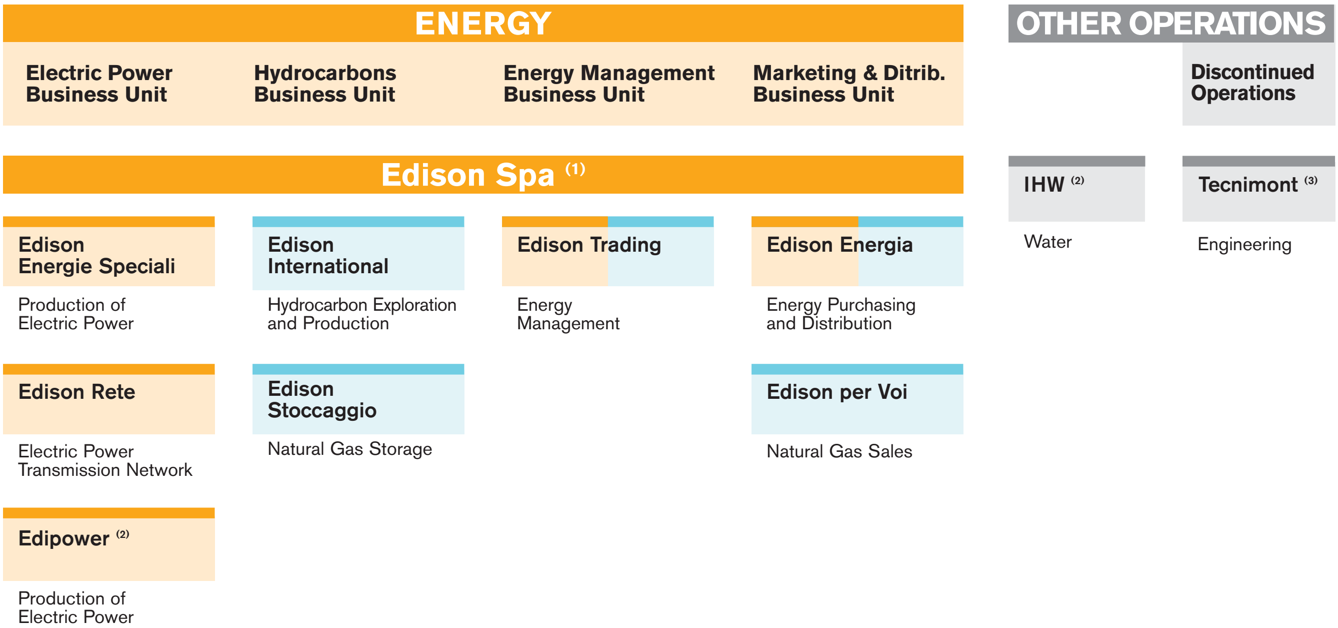
ENERGY FOR A NEW HORIZON

Contents

Quarterly Report at September 30, 2005

EDISON

Simplified Structure of the Edison Group at September 30, 2005



Electric Power operations

Hydrocarbons operations

(1) Edison Spa, working through its Business Units, is directly engaged in the production of electric power from hydroelectric and thermoelectric power plants, and produces, imports and distributes hydrocarbon products.

(2) Edipower and IWH are joint ventures consolidated at 50% by the proportional method.

(3) On July 20, 2005, Edison entered into an agreement to sell these operations. The sale closed on October 25, 2005.

Key Events

Third Quarter of 2005

Edison Sells Tecnimont to Maire Holding for More Than 180 Million Euros

On July 20, 2005, Edison Spa signed a contract to sell 100% of the Tecnimont Spa shares it owns to Maire Holding Spa. The price of the Tecnimont sale was 180 million euros, plus the finance charges that Edison will incur to monetize the deferred portion of the purchase price. A portion of the purchase price (150 million euros) will be paid in cash. Payment of the balance is due in 36 months.
Maire Holding will transfer its interest in Maire Engineering (formerly Fiat Engineering) to a newly established company that will purchase Tecnimont, thereby creating a hub of Italian engineering expertise. To support the growth of this new venture, Edison will underwrite up to 50 million euros of a capital increase issued by the company that is purchasing Tecnimont, acquiring, as a result, a 19.5% interest in that company. The remaining 80.5% will be held by Maire Holding. The transaction has been structured so that Edison's investment is assisted by a put-and-call option, exercisable within three years, with a minimum value of 50 million euros.
This transaction, which closed on October 25, 2005, generated a net gain of about 80 million euros in Edison's consolidated financial statements but will not have a material effect on the consolidated net financial position, since the company that is being sold and, therefore, deconsolidated has a positive net financial position.

Edison – Sale of a 5.1% interest in AEM to Mediobanca for 161.5 million euros

On July 29, 2005, Edison sold on the block market 91,807,000 AEM Spa shares to Mediobanca Spa. This block of shares, which is equal to 5.1% of AEM's share capital, was sold at a price of 1.7592 euros per share, generating total proceeds of 161.5 million euros.
This transaction will improve the Group's financial position by the same amount and generated a gain of about 23 million euros.

Transalpina di Energia Srl Acquires Control of Edison

On September 16, 2005, Transalpina di Energia Srl purchased 63.3% of the common shares of Edison Spa and 240,000 Edison warrants, which are convertible into Edison common shares, from Italenergia Bis Spa. The price paid was 1.55 euros per share and 0.59 euros per warrant. The entire share capital of Transalpina di Energia is owned in equal shares by WGRM Holding 4 Spa, a wholly-owned subsidiary of Electricité de France Sa (EDF), and Delmi, a subsidiary of AEM Spa.
This transaction was made possible by a framework agreement that WGRM, EDF, Delmi and AEM signed on May 12, 2005 in anticipation of their joint purchase of Edison Spa. Following its acquisition of Edison Spa, Transalpina di Energia Srl launched a mandatory tender offer for the Edison common shares and a voluntary tender offer for the Edison 2007 Common Share Warrants.

Financial Highlights

Edison Group – Cumulative Data at September 30, 2005

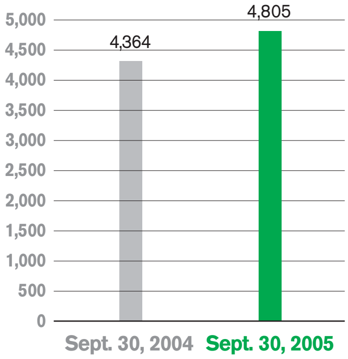
(in millions of euros)

2004 full year IAS/IFRS		**9 months 2005 IAS/IFRS**	9 months 2004 IAS/IFRS	% change	**3rd quarter 2005 IAS/IFRS**	3rd quarter 2004 IAS/IFRS	% change
5,627	Sales revenues	4,805	4,364	*10.1%*	*1,502*	*1,296*	*15.9%*
1,475	EBITDA	949	1,037	*(8.5%)*	*343*	*333*	*3.0%*
26.2%	*as a % of sales revenues*	*19.8%*	*23.8%*		*22.8%*	*25.7%*	
815	EBIT	528	625	*(15.5%)*	*203*	*192*	*5.7%*
14.5%	*as a % of sales revenues*	*11.0%*	*14.3%*		*13.5%*	*14.8%*	
510	Profit before taxes	410	353	*16.1%*	*167*	*80*	*n.m.*
354	Group interest net profit	340	186	*82.8%*	*142*	*33*	*n.m.*
608	Capital expenditures	356	340	*4.7%*	*101*	*121*	*(16.5%)*
25	Investments in exploration	13	16	*(18.8)*	*7*	*6*	*16.7%*
11,082	Net invested capital (1)	11,406	11,163	*2.9%*			
4,906	Net borrowings (1)	4,838	5,186	*(1.4)%*			
6,176	Shareholders' equity before minority interest (1)	6,568	5,978	*6.3%*			
5,707	Group interest in shareholders' equity (1)	6,099	5,492	*6.9%*			
4,536	Number of employees (1) (2)	4,453	4,598	*(1.8%)*			
	- including:						
	employees of discontinued operations	1,505					
7.15%	ROI (3)	6.39%	7.68%				
0.79	Debt/Equity ratio	0.74	0.84				
	Stock market prices (in euros) (4)						
1.5570	common shares	1.8511	1.3563				
1.5091	nonconvertible savings shares	1.7310	1.2473				
0.5530	warrants outstanding	0.8651	-				
	Profit (loss) per share (in euros) (5)						
0.0828	basic	0.0789	0.0432				
0.0767	diluted	0.0719	0.0401				

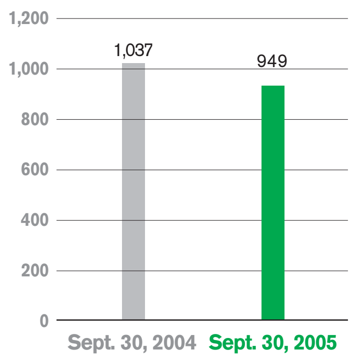
(1) End-of-period amounts. The changes are computed against the data at December 31, 2004.
(2) Companies consolidated on a line-by-line basis and Group interest in companies consolidated by the proportional method.
(3) On average net invested capital, computed after deducting the value of equity investments held as non-current assets. Rates for the first nine months of 2004 and 2005 are annualized.
(4) Simple arithmetic mean of the prices for the last calendar month of the period.
(5) Computed in accordance with IAS 33.

Overview of the Group's Performance (data in millions of euros)

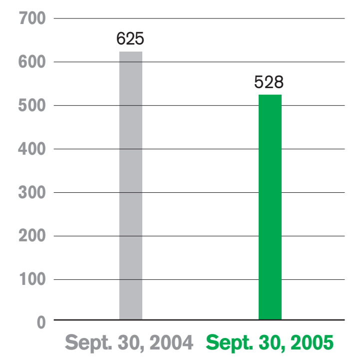
Sales Revenues



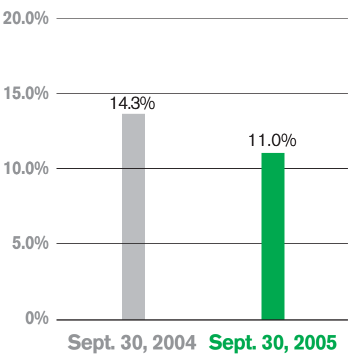
EBITDA



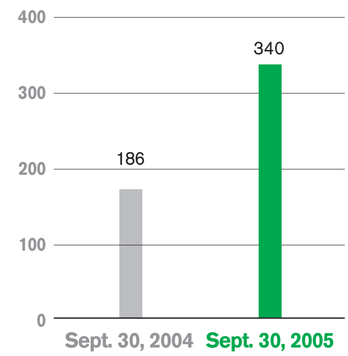
EBIT



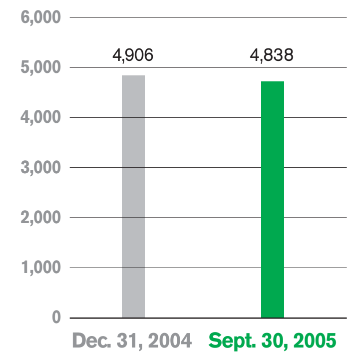
EBIT/Sales Revenues



Group Interest Net Profit



Net borrowings



Sales Revenues and EBITDA by Business

Edison Group – Cumulative Data at September 30, 2005

(in millions of euros)

2004 full year IAS/IFRS		9 months 2005 IAS/IFRS	9 months 2004 IAS/IFRS	% change	3rd quarter 2005 IAS/IFRS	3rd quarter 2004 IAS/IFRS	% change
	CORE BUSINESSES						
	Electric Power operations						
4,304	Sales revenues	3,572	3,087	15.7%	1,304	989	31.9%
1,205	EBITDA	735	846	(13.2%)	261	269	(3.0%)
28.0%	as a % of sales revenues	20.6%	27.4%		20.0%	27.2%	
	Hydrocarbons operations						
2,231	Sales revenues	2,251	1,526	47.5%	678	433	56.6%
335	EBITDA	259	238	8.8%	105	80	31.3%
15.0%	as a % of sales revenues	11.5%	15.6%		15.5%	18.5%	
	Corporate Activities						
62	Sales revenues	31	32	(3.1%)	11	1	n.m.
(89)	EBITDA	(61)	(65)	6.2%	(25)	(23)	n.m.
n.m.	as a % of sales revenues	n.m.	n.m.		n.m.	n.m.	
	Eliminations						
(1,253)	Sales revenues	(1,301)	(900)		(499)	(321)	
	TOTAL CORE BUSINESSES						
5,344	**Sales revenues**	**4,553**	**3,745**	**21.6%**	**1,494**	**1,102**	**35.5%**
1,451	**EBITDA**	**933**	**1,019**	**(8.4%)**	**341**	**326**	**4.6%**
27.2%	**as a % of sales revenues**	**20.5%**	**27.2%**		**22.8%**	**29.6%**	
	OTHER OPERATIONS AND DISCONTINUED OPERATIONS						
	Continuing operations						
	Water						
27	Sales revenues	23	20	15.0%	8	6	33.3%
4	EBITDA	5	2	n.m.	2	2	n.m.
14.8%	as a % of sales revenues	21.7%	10.0%		25.0%	33.3%	
	Discontinued operations						
	Engineering (six months)						
256	Sales revenues	229	599	(61.8%)	-	188	n.m.
20	EBITDA	11	16	(31.3%)	-	5	n.m.
7.8%	as a % of sales revenues	4.8%	2.7%		-	2.7%	
	Eliminations						
-	Sales revenues	-	-	n.m.	-	-	
	TOTAL OTHER OPERATIONS	**-**	**-**		**-**	**-**	
283	**Sales revenues**	**252**	**619**	**n.m.**	**8**	**194**	**n.m.**
24	**EBITDA**	**16**	**18**	**n.m.**	**2**	**7**	**n.m.**
8.5%	**as a % of sales revenues**	**6.3%**	**2.9%**		**25.0%**	**3.6%**	
	EDISON GROUP						
5,627	**Sales revenues**	**4,805**	**4,364**	**10.1%**	**1,502**	**1,296**	**15.9%**
1,475	**EBITDA**	**949**	**1,037**	**(8.5%)**	**343**	**333**	**3.0%**
26.2%	**as a % of sales revenues**	**19.8%**	**23.8%**		**22.8%**	**25.7%**	

Report on Operations

Performance and Results of the Group in the Third Quarter

Economic Framework

Demand for Electric Power in Italy

2004 full year	TWh	9 months 2005	9 months 2004	% change	3rd quarter 2005	3rd quarter 2004	% change
286.6	Net production	214.1	216.9	(1.3%)	72.4	73.8	(1.9%)
45.6	Imports	37.7	33.0	14.0%	10.9	9.7	12.3%
(10.3)	Surges	(6.9)	(7.7)	(10.2%)	(2.0)	(2.3)	(15.1%)
321.9	**Total demand**	**244.9**	**242.2**	**1.1%**	**81.3**	**81.1**	**0.2%**

In the third quarter of 2005, demand for electric power from the Italian grid totaled 81.3 TWh (TWh = 1 billion kWh), up slightly (+0.2%) from 81.1 TWh in the same period last year.

Cumulative demand for the first nine months of 2005 was also up, rising by 1.1% compared with the 242.2 TWh consumed as of September 30, 2004. In June, demand for power from the grid rose to an all-time high of 54,100 MW, or about 600 MW more than the summer peak reached in July 2004 and about 500 MW above the winter high, which was recorded in December 2004.

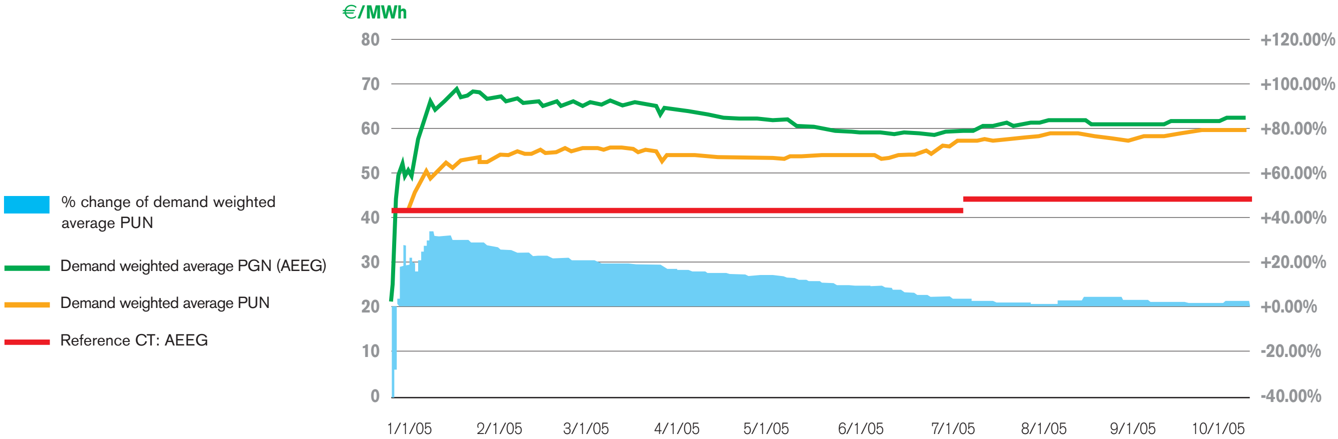
During the third quarter of 2005, net domestic production totaled 72.4 TWh, or 1.9% less than the 73.8 TWh generated in the same period last year. Overall, production was sufficient to meet 89% of demand for the period. Hydroelectric output decreased by 15.3% compared with the third quarter of 2004 due to a reduction in the availability of water resources. This reduction shows that the negative trend reported at the end of June 2005 (hydroelectric output was down 12.1% compared with the first six months of 2004) is continuing.

During the first nine months of 2005, cumulative net domestic production totaled 214.1 TWh, or 1.3% less than at September 30, 2004. Production was sufficient to meet 87.4% of demand. Net imports increased by 14% to 37.7 TWh, or 15.4% of domestic consumption (13.6% at September 30, 2004).

For the reasons explained above, cumulative hydroelectric output was 15% less than it was in the first nine months of 2004.

Ipex Prices

The chart below shows the trend of the average single national price (abbreviated PUN in Italian) through June 30, 2005, compared with that of the old benchmark, the National Power Generation Price (abbreviated PGN in Italian):



At September 30, 2005, the average PUN was 3.2% higher than the PGN (the wholesale benchmark price used before the launch of the Electric Power Exchange), as the large differentials that existed in the period from January to April 2005 were being absorbed. During the third quarter, the PUN was 1.2% lower than the PGN.

Emissions Trading

Law No. 62 of April 18, 2005 incorporated EU Directive No. 2003/87/EC (Emissions Trading Directive) into the Italian legal system. This law, which went into effect on January 1, 2005, is designed to reduce emissions of greenhouse gases.

The Italian government is in the process of drawing up the decree required to give full implementation to the new emissions trading law and proceed with the allocation of emissions quotas for the period from 2005 to 2007.

An update to the National Allocation Plan of July 2004 that was published on February 24, 2005 sets forth an initial allocation of quotas, but it was subject to revision based on comments and requests made by operators of specific facilities and had to be modified to reflect the new lower carbon dioxide emissions ceiling (23 M/ton CO_2) that the EU mandated for Italy. Emissions quota allocations to the various facilities should be made public soon.

While the Italian Ministries of the Environment and of Production Activities are finalizing the necessary regulatory tools, the Italian Environmental Protection and Technical Services Agency (APAT in Italian) has been developing an emissions quota registry in which accounts will be recorded and transactions entered. Recently, the Electricity Market Operator (GME in Italian) unveiled the structure and operating system of the

Emissions Quota Market, a trading venue that will become operational early in 2006. The Company has not recognized any charges in anticipation of this development.

Demand for Natural Gas in Italy

2004 full year	(billions of m^3)	9 months 2005	9 months 2004	% change	3rd quarter 2005	3rd quarter 2004	% change
28.2	Services and residential customers	19.4	19.2	1.3%	1.7	1.7	(0.8%)
18.6	Industrial users	13.2	13.6	(3.2%)	4.0	4.1	(1.4%)
32.1	Thermoelectric power plants	26.6	23.5	13.3%	9	8.1	11.1%
0.4	Transportation	0.3	0.3	4.6%	0.1	0.1	7.4%
79.3	**Total demand**	**59.6**	**56.7**	**5.1%**	**14.9**	**14.1**	**5.7%**

Total Italian demand for natural gas grew to 14.9 billion cubic meters in the third quarter of 2005, or 5.7% more than the 14.1 billion cubic meters consumed in the same period last year. Rising demand from thermoelectric power plants (up 11.1% over the third quarter of 2004) accounts for most of this increase.

Preliminary end-of-period data show that cumulative gas consumption through September 30, 2005 was 59.6 billion cubic meters, a gain of 5.1% compared with the same period in 2004.

The main reason for the year-over-year increase was higher consumption by thermoelectric power plants, which grew by about 3 billion cubic meters (+13.3%), reflecting the rising demand for energy. Shipments to industrial users were up a more modest 1.3%, and unit sales to industrial users decreased by 3.2%.

Benchmark Market

2004 full year	(billions of m^3)	9 months 2005	9 months 2004	% change	3rd quarter 2005	3rd quarter 2004	% change
38.2	Price of crude oil in US$/bbl	53.5	36.3	47.4%	61.5	41.5	48.2%
1.24	US$/euro exchange rate	1.260	1.226	2.8%	1.220	1.222	(0.2)%
30.7	Price of crude oil in euros/bbl	42.5	29.6	43.6%	50.4	34.0	48.2%

In the benchmark oil market, the price of Brent crude was extraordinarily high in the third quarter of 2005 (average price US$61.50/bbl). As a result, the average for the first nine months of the year rose to US$53.50/bbl, or about US$17.20/bbl higher (+47.4%) than it was in the first nine months of 2004.

After declining in the first six months of the year, the euro stabilized vis-à-vis the U.S. dollar (average exchange rate of $1.220 for one euro in the third quarter of 2005). As a result, the average for the first nine months of 2005 increased to $1.26 for one euro, compared with $1.226 for one euro in the same period last year (+2.8%).

The appreciation of the euro versus the U.S. dollar had the effect of mitigating the impact of the higher cost of Brent crude (when stated in euros, the average price was 50.4 euros/bbl in the third quarter of 2005). However, the average price for the first nine months of the year came to 42.5 euros/bbl, or 12.9 euros/bbl (+43.6%) more than in the same period in 2004.

Performance and Results of the Group

Core Businesses

The operating and financial results for the first half of 2005 and those for the period used for comparison purposes have been computed in accordance with the International Financial Reporting Standards (IAS/IFRS), which, among other changes, required the proportional consolidation of Edipower at 50% and do not allow the amortization of goodwill.

During the third quarter of 2005, sales revenues increased by 35.5% compared with the same period a year ago, thanks to positive performances by both the Hydrocarbons operations (+56.6%) and the Electric Power operations (+31.9%).
These businesses benefited from sharply higher unit sales (natural gas +17.7%, driven by demand from thermoelectric users, and electric power +12.8%, thanks to growth in the deregulated market) and an increase in the average prices charged, which was made possible by favorable changes in the benchmark oil market.

EBITDA grew by about 15 million euros (+4.6%), rising from 326 million euros in the third quarter of 2004 to 341 million euros in the same period this year. A surge in unit sales made possible by the completion of maintenance programs and the startup of the new Candela power plant more than offset the impact of negative factors that had already begun to affect results in the first half of the year, such as the expiration of CIP 6 incentives for certain facilities, a decrease in hydroelectric output caused by a reduction in the availability of water resources and the shutdown of the Brindisi power plant, which reduced Edipower's output.

The development discussed above had an equally beneficial impact on EBIT, which improved to 202 million euros in the third quarter of 2005 (186 million euros in the same period last year).

Cumulative results for the Group's core businesses in the first nine months of 2005 show that sales revenues increased to 808 million euros, or 21.6% more than in the first nine months of 2004. EBITDA, while improved compared with June 30, 2005, were about 86 million euros lower than at September 30, 2004 (-8.4%) due to the abovementioned expiration of CIP 6 incentives for certain facilities, shutdowns of some power plants for maintenance during the first half of the year, reduced hydroelectric output and, on the hydrocarbons side of the business, the charges recognized in connection with the use of strategic reserves during the periods of exceptional cold early in the year.

The decrease in EBITDA had a negative impact on EBIT, which decreased to 516 million euros, compared with 611 million euros in the first nine months of 2004.

Other Operations

Engineering – On July 20, 2005, Edison Spa signed a contract to sell 100% of its interest in Tecnimont Spa to Maire Holding Spa. The sale closed on October 25, 2005. As required by IFRS 5, revenues and expenses for the first half of 2005 were recognized line by line in the consolidated income statement. However, the result for the third quarter of 2005 was recognized in the income statement under Profit (Loss) from discontinued operations.

Water – In the third quarter of 2005, the Water operations reported EBITDA of about 2 million euros, about the same as in the corresponding period in 2004. EBITDA for the first nine months of 2005 were higher than the amount earned in the same period a year ago.

Results of the Group

The factors described in the review of the performance of the core businesses also caused the Group's total sales revenues and EBITDA to increase by 15.9% and 3%, respectively, compared with the third quarter of 2004. Sales revenues totaled 1,502 million euros and EBITDA amounted to 343 million euros, up from 1,296 million euros and 333 million euros, respectively, in the three months ended September 30, 2004.
Third-quarter EBIT were also up, rising from 192 million euros in 2004 to 203 million euros in 2005 (+5.7%).

In the first nine months of 2005, the Group reported a 10% gain in sales revenues, which rose to 4,805 million euros, generating EBITDA of 949 million euros and EBIT of 528 million euros, compared with EBITDA of 1,037 million euros and EBIT of 625 million euros in the first nine months of 2004. However, Tecnimont was consolidated for all nine months in 2004 but just six months in 2005. The reasons for the decrease in profitability were explained in the review of the performance of the Group's core businesses.

Group interest in profit rose to 340 million euros at September 30, 2005, up about 83% from the 186 million euros earned in the first nine months of 2004. This improvement was made possible by the progress made in strengthening the Company's organization and balance sheet through corporate reorganization transactions, which produced a decline in net financial expense of 51 million euros, a reduction of the Group's tax burden of 51 million euros and a decrease in minority interest of about 47 million euros.
Nonrecurring gains generated by the settlement of legal disputes (mainly the Cereol-Oleina case) and the gain earned on the sale of the investment in AEM Spa were also a factor.

At September 30, 2005, the Group's net borrowings totaled 4,838 million euros (5,186 million euros at September 30, 2004), down slightly from 4,906 million euros at the end of 2004, which reflects the consolidation of Edipower. The Group's pro rata share of Edipower's indebtedness amounts to 1,089 million euros.

Outlook for the Balance of 2005

The beginning of production at a new power plant in Candela and the expected start-up of the Altomonte facility in the fourth quarter of this year, coupled with the end of the maintenance programs for other power plants, should enable the Group to report improved results for all of 2005.

Performance of the Group's Businesses

Electric Power Operations

Quantitative Data

Sources

2004 full year IAS/IFRS	GWh (*)	9 months 2005 IAS/IFRS	9 months 2004 IAS/IFRS	% change	3rd quarter 2005 IAS/IFRS	3rd quarter 2004 IAS/IFRS	% change
34,705	**Net production Edison Group:**	**24,097**	**25,635**	**(6.0%)**	**8,528**	**8,437**	**1.1%**
30,890	- Thermoelectric power plants	21,628	22,670	(4.6%)	7,517	7,263	3.5%
3,411	- Hydroelectric power plants	2,185	2,679	(18.4%)	916	1,093	(16.2%)
404	- Wind farms	284	286	(0.7%)	95	81	17.3%
12,443	**Edipower**	**8,125**	**9,343**	**(13.0%)**	**2,537**	**3,279**	**(22.6%)**
1,111	**Imports**	**1,179**	**764**	**54.3%**	**279**	**194**	**43.8%**
2,265	**Other domestic purchases and swaps** (1)	**5,219**	**1,386**	**n.m.**	**2,065**	**(27)**	**n.m.**
50,524	**Total sources**	**38,620**	**37,128**	**4.0%**	**13,409**	**11,883**	**12.8%**

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

Uses

2004 full year IAS/IFRS	GWh (*)	9 months 2005 IAS/IFRS	9 months 2004 IAS/IFRS	% change	3rd quarter 2005 IAS/IFRS	3rd quarter 2004 IAS/IFRS	% change
21,914	CIP-6 dedicated	14,746	15,991	(7.8%)	5,350	5,294	1.1%
5,283	Captive and other industrial customers	3,756	3,958	(5.1%)	1,079	1,291	(16.4%)
23,327	Deregulated market	20,118	17,179	17.1%	6,980	5,298	31.7%
50,524	**Total uses**	**38,620**	**37,128**	**4.0%**	**13,409**	**11,883**	**12.8%**

Financial Highlights

(in millions of euros)

2004 full year IAS/IFRS		9 months 2005 IAS/IFRS	9 months 2004 IAS/IFRS	% change	3rd quarter 2005 IAS/IFRS	3rd quarter 2004 IAS/IFRS	% change
4,304	Sales revenues	3,572	3,087	15.7%	1,304	989	31.9%
1,205	EBITDA	735	846	(13.2%)	261	269	(3.0%)
28.0%	as a % of sales revenues	20.6%	27.4%		20.0%	27.2%	
535	Capital expenditures	303	301	0.7%	84	109	(22.9%)
1,996	Number of employees (1)	1,979	2,035	(0.8%)			

(1) End of period amounts. The changes are computed against the data at December 31, 2004.

Sales revenues grew to 1,304 million euros in the third quarter of 2005, for a gain of about 32% compared with the same period in 2004. This improvement reflects higher unit sales (+12.8%) and a significant increase in the average sales price, made possible by the rise in the cost of benchmark fuels, and the success of the pricing policy pursued by the Group in its target markets. EBITDA totaled 261 million euros, roughly in line with the 269 million euros earned in the third quarter of 2004 (-3%). Favorable seasonal factors and a positive operating performance, made possible in part by the startup of the Candela power plant, were offset by the expiration of CIP

6 incentives, lower hydroelectric output and the shutdown of the Brindisi power plant.
Revenues for the first nine months of 2005 grew to 3,572 million euros, or about 16% more than in the same period in 2004, but unit sales increased by a smaller percentage (+4%). An increase in average sales prices, made possible by the rise in the cost of benchmark fuels, coupled with the revenues generated in the dispatching services market, account for most of this improvement.

Revenues from the sale of steam and other utilities were up by about 11 million euros compared with the first nine months of 2004, benefiting from an increase in sales prices made possible by the rise in the cost of benchmark fuels.

At September 30, 2005, cumulative EBITDA totaled 735 million euros, or about 111 million euros less (-13.1%) than in the first nine months of 2004. As explained earlier in this Report in the review of the performance of the Group's core businesses, this decrease is mainly the result of the expiration of CIP 6 incentives for several power plants (about 100 million euros), downtime at other facilities due to scheduled or extraordinary maintenance and a lower hydroelectric output, offset in part by the increased availability of electric power, which, as explained below, enabled the Group to optimize allocation among its target markets.

Sales and Marketing

In the third quarter of 2005, sales of electric power totaled 13,409 GWh, up 12.8% from the third quarter of 2004. Sales in the deregulated market continued to grow (+31.7%) and CIP 6 sales increased by 1.1%, as the completion of maintenance programs at some facilities enabled the Group to reverse the negative trend that characterized the first half of the year.

During the first nine months of 2005, sales to customers in the deregulated market amounted to 20,118 million kWh, or 2,939 million kWh more than in the same period last year (+17.1%).
Deliveries to eligible customers continued to increase, rising by 37.2%. Sales on the Electric Power Exchange, which decreased by 41.6% to 2,376 GWh, correspond to sales made on the so-called STOVE market in the first quarter of 2004 and those made on the Electric Power Exchange in the second and third quarters of 2004, which together totaled 4,070 GWh.
Sales under CIP 6 contracts decreased by 7.8% due to the plant downtime mentioned above. Deliveries to industrial, captive and other customers were down slightly compared with the first nine months of 2004.

Total sales for the first nine months of 2005 amounted to 38,620 million kWh, or 4.0% more than in the same period a year ago.

Production and Procurement

Net production totaled 8,528 million kWh in the third quarter of 2005. The increase of 91 million kWh (+1.1%) compared with the third quarter of 2004 reflects mainly an increase in output from the Group's thermoelectric power plants (+3.5% thanks to the startup of the Candela facility) and wind farms (+17.3%). However, hydroelectric output was down 16.2% due to the reduction in the availability of water resources.
The energy generated by Edipower's plants was down 22.6% from the third quarter of 2004, due mainly to the shutdown of the Brindisi power plant and a decrease in hydroelectric output.
During the third quarter of 2005, Edison's internal production was supplemented with significant purchases of electric power from external sources, including supplies purchased on the Electric Power Exchange.

Production for the first nine months of 2005 was down by 1,538 million kWh (-5.6%) compared with the same period in 2004, reflecting primarily a decline in output from the thermoelectric power plants (-4.6%) due to the shutdown of facilities for maintenance, as mentioned above. The output of the Group's hydroelectric facilities was also down, due to the reduced availability of water resources. Hydroelectric output fell to 2,185 million kWh, compared with 2,679 million kWh at September 30, 2004 (-18.4%).

The Group's share of energy generated by Edipower's plants was 13.0% less than in the first nine months of 2004 due to the temporary shutdown of units at the Sermide and Piacenza power plants for maintenance and the complete shutdown of the Brindisi plant in connection with issues related to the use of the facility's coal bunker. The Brindisi facility went back on stream on October 18, 2005.

During the first nine months of 2005, Edison's internal production was supplemented by electric power purchased from external sources. These purchases, including imports, were up sharply, rising to 6,398 GWh, or 4,248 GWh more than in the same period in 2004.

Capital Expenditures

Capital expenditures in the first nine months of 2005 totaled 303 million euros (including about 63 million euros invested by Edipower), roughly the same as the 301 million euros invested during the same period last year. In the third quarter of 2005, work continued on the construction of the Torviscosa (UD), Altomonte (CS), Simeri Crichi (CZ) and Candela (FG) power plants. The Candela power plant went on stream on October 24, 2005. The amounts invested by Edipower (the Group's pro rata share is 50%) were used to continue the repowering of the Piacenza and Turbigo (MI) power plants. Work on the Chivasso (TO) power plant was completed in the first half of 2005.

Hydrocarbons Operations

Quantitative Data

Sources

2004 full year IAS/IFRS	millions of m³ of natural gas	9 months 2005 IAS/IFRS	9 months 2004 IAS/IFRS	% change	3rd quarter 2005 IAS/IFRS	3rd quarter 2004 IAS/IFRS	% change
1,309	Total net production:	945	970	(2.6%)	327	324	0.9%
1,027	- Production in Italy	691	777	(11.1%)	233	250	(6.8%)
282	- Production outside Italy	254	193	31.6%	94	74	27.0%
6,710	Pipeline imports	4,942	5,015	(1.5%)	1,328	1,642	(19.1%)
18	LNG imports	81	18	n.m.	-	-	n.m.
3,421	Domestic and other purchases (1)	3,733	2,019	84.9%	983	275	n.m.
11,458	**Total supply sources**	**9,701**	**8,022**	**20.9%**	**2,638**	**2,241**	**17.7%**

(1) Includes inventory changes and pipeline leaks.

Uses

2004 full year IAS/IFRS	millions of m³ of natural gas	9 months 2005 IAS/IFRS	9 months 2004 IAS/IFRS	% change	3rd quarter 2005 IAS/IFRS	3rd quarter 2004 IAS/IFRS	% change
3,186	Residential use	2,705	1,958	38.2%	278	209	33.0%
1,653	Residential use	1,116	1,259	(11.4%)	304	385	(21.0%)
6,156	Thermoelectric fuel use	5,202	4,548	14.4%	1,814	1,509	20.2%
282	Exports	254	193	31.6%	94	74	27.0%
181	Other sales	424	64	n.m.	148	64	n.m.
11,458	**Total uses**	**9,701**	**8,022**	**20.9%**	**2,638**	**2,241**	**17.7%**

Financial Highlights

(in millions of euros)

2004 full year IAS/IFRS		9 months 2005 IAS/IFRS	9 months 2004 IAS/IFRS	% change	3rd quarter 2005 IAS/IFRS	3rd quarter 2004 IAS/IFRS	% change
2,231	Sales revenues	2,251	1,526	45.7%	678	433	56.6%
335	EBITDA	259	238	8.8%	105	80	31.3%
15.0%	as a % of sales revenues	11.5%	15.6%		15.5%	18.5%	
60	Capital expenditures	44	33	33.3%	14	9	55.5%
25	Investments in exploration	13	16	(18.8%)	7	6	(16.7%)
416	Number of employees (1)	431	411	3.6%			

(1) End of period amounts. The changes are computed against the data at December 31, 2004.

Sales revenues totaled 678 million euros in the three months ended September 30, 2005, or 56.6% more than in the same period last year. This improvement is mainly the result of higher unit sales of natural gas (+17.7%) and an increase in average unit revenues made possible by a rise in the price of benchmark fuels.
Thanks to the increase in unit sales, EBITDA rose to 105 million euros, or 31% more than the 80 million euros earned in the third quarter of 2004.
Sales revenues for the first nine months of 2005 totaled 2,251 million euros, for a gain

of 45% over the 1,526 million euros booked in the same period last year. This improvement is the product of an increase in unit sales (+20.9%) and higher average unit sales prices, as compared with the first nine months of 2004.

The higher EBITDA booked in the third quarter of the year helped boost EBITDA for the first nine months of the year to 259 million euros, or 21 million euros more (+8.8%) than the amount earned in the same period a year ago. EBITDA grew at a slower rate than sales revenues due to the sale of the gas transmission network in July 2004 (which contributed 11 million euros) and, more significantly, the charge recognized in connection with the use of the strategic reserve during the periods of unusually intense cold early in the year.
As was explained in the Semiannual Report, Edison filed a report with the Ministry of Production Activities with regard to this issue, outlining the events that made it necessary to use the strategic reserve, and concurrently applied for a permit to use the reserve, as required by the Decree dated September 26, 2001. The filing of the report will help reduce the cost of drawing from the reserve.

When stated in euros, the average price of non-fluxed oil increased significantly when compared with the first nine months of 2004, rising from 15.20 euros per barrel to 19.60 euros per barrel, mirroring changes in the price of benchmark fuels and oil products.

Sales and Marketing

In the third quarter of 2005, unit sales of natural gas increased by about 18% to 2,638 million cubic meters, due mainly to higher sales to thermoelectric users.

In the first nine months of 2005, sales of natural gas in Italy increased to 9,447 million cubic meters, up from 7,829 million cubic meters at September 30, 2004. When sales of natural gas abroad are added, the total rises to 9,701 million cubic meters, or about 21% more than the 8,022 million cubic meters sold in the first nine months of 2004.
Sales to residential users and thermoelectric power plants were up sharply compared with the data at September 30, 2004, rising from 1,958 million cubic meters to 2,705 million cubic meters (+38.2%) and from 4,548 million cubic meters to 5,202 million cubic meters (+14.4%), respectively, reflecting the Group's increased ability to supply its customers directly instead of relying on outside suppliers.

Other sales of 424 million cubic meters represent shipments of natural gas purchased by other wholesale operators.

At September 30, 2005, the Group served about 163,500 residential and industrial customers.

Production and Procurement

In the third quarter of 2005, net production of natural gas totaled 327 million cubic meters, roughly in line with the 324 million cubic meters produced in the same period last year (+0.9%), as a decrease in imports was offset by an increase in domestic purchases. For the first nine months of 2005, production of natural gas was about 25 million cubic meters less (-2.6%) than in the same period last year, due mainly to a decrease in output from fields in Italy due to the natural depletion of fields in Italy.
On the procurement side, imports increased during the first nine months of 2005. Specifically, imports of natural gas rose to 5,023 million cubic meters, about the same as the 5,033 million cubic meters imported in the same period last year. Domestic purchases grew by 1,714 million cubic meters (+84.9%), increasing from 2,019 million cubic meters in the first nine months of 2004 to 3,733 million cubic meters in the same period this year.
Overall, imports of natural gas accounted for 53% of the natural gas Edison sold in Italy, down slightly from the first nine months of 2004, when imports were equal to 64.3% of sales.
At 1,656,000 barrels, production of crude oil was lower (-9%) than in the first nine months of 2004 due to the normal depletion of the fields.

Capital Expenditures

Capital expenditures totaled about 44 million euros, compared with 33 million euros in the first nine months of 2004. The main projects pursued in Italy included an expansion of the Collalto (UD) gas storage facility and the development of the Naide (FC) field. Work carried out in Egypt focused on the installation of gas compressors for the Rashid-2 field in the Rosetta concession.

Investments in Exploration

In the first nine months of 2005, the Group invested more than 13 million euros in exploration, almost all of it outside Italy. These resources were used primarily to develop exploration programs in Algeria and Croatia.
New initiatives included evaluation work on three Algerian exploration blocks that the Group holds through a consortium established with Repsol-RWE and INA-Petrosa. In addition, the drilling of the Reggane-5 and Sali-1 wells got under way and the 2D seismic mapping of the Akhabli M'Sari permit was completed. In Croatia, the site survey has been completed and the drilling of the Isabella-2 well is expected to start in November 2005.
In Egypt, 2D and 3D mapping of the West Wadi El Rayan permit was completed in October.
With regard to the Rovigo LNG terminal, the process of awarding contracts for the construction of the facilities is continuing and suppliers in Spain and Korea have begun the production process.

Corporate Activities

Financial Highlights

(in millions of euros)

2004 full year IAS/IFRS		**9 months 2005 IAS/IFRS**	9 months 2004 IAS/IFRS	% change	**3rd quarter 2005 IAS/IFRS**	3rd quarter 2004 IAS/IFRS	% change
62	Sales revenues	31	32	(3.1%)	11	1	n.m.
(89)	EBITDA	(61)	(65)	6.2%	(25)	(23)	n.m.
n.m.	as a % of sales revenues	n.m.	n.m.		n.m.	n.m.	
1	Capital expenditures	2	1	n.m.	1	-	n.m.
539	Number of employees [1]	533	535	(1.1%)			

[1] End of period amounts. The changes are computed against the data at December 31, 2004.

Corporate Activities, which consist primarily of those operations of Edison Spa, the Group's Parent Company, that engage in activities that are not industrial in nature and of certain holding companies and real estate companies, had net revenues of 31 million euros, about the same as in the first nine months of 2004.

EBITDA were negative by 61 million euros, as the loss narrowed by about 4 million euros compared with the first nine months of 2004.

Real Estate Operations

During the third quarter of 2005, the Group continued to divest its investment properties, which were valued at 57 million euros at September 30, 2005, or 5 million euros less than at the beginning of the year. This decrease reflects the disposal of the following properties, which generated a gain of about one million euros:

- A building on Via Guerrini in Ravenna;
- A building on Via Massimo D'Azeglio in Ravenna.

In 2004, as part of the corporate restructuring process, most of the Group's real estate assets (other than those owned by Edison Spa) were transferred to the subsidiary Come Iniziative Immobiliari Srl, which then changed its name to Montedison Srl.

Capital Increases

The capital increases carried out during the first nine months of 2005 (6.9 million euros) reflect conversions of outstanding Edison warrants. These warrants can be exercised until December 31, 2007. At June 30, 2005, there were 1,018,710,803 warrants outstanding.

Other Continuing Operations

Water Distribution and Treatment (IWH)

Financial Highlights

(in millions of euros)

2004 full year IAS/IFRS		**9 months 2005 IAS/IFRS**	9 months 2004 IAS/IFRS	% change	**3rd quarter 2005 IAS/IFRS**	3rd quarter 2004 IAS/IFRS	% change
27	Sales revenues	23	20	15.0%	8	6	n.m.
4	EBITDA	5	2	n.m.	2	2	n.m.
14.8%	as a % of sales revenues	21.7%	10.0%		n.m.	n.m.	
10	Capital expenditures	6	4	n.m.	2	3	n.m.
7	Number of employees [(1)]	5	8	n.m.			

[(1)] End of period amounts. The changes are computed against the data at December 31, 2004.
Note: The data in the table above reflect the Group's interest in operations consolidated at 50% by the proportional method.

Revenues for the first nine months of 2005, which totaled more than 23 million euros, were generated by operations carried out in Guayaquil under license. Operating expenses for the same period came to about 18 million euros, of which 16 million euros are attributable to the Guayaquil license and about 2 million euros constitute overhead. At 5 million euros, EBITDA were significantly higher than in the first half of 2004.

Discontinued Operations

Engineering (Tecnimont)

Financial Highlights

(in millions of euros)

2004 full year IAS/IFRS		**9 months 2005 IAS/IFRS**	9 months 2004 IAS/IFRS	% change	**3rd quarter 2005 IAS/IFRS**	3rd quarter 2004 IAS/IFRS	% change
256	Sales revenues	229	599	(61.8%)	-	188	n.m.
20	EBITDA	11	16	n.m.	-	5	n.m.
7.8%	as a % of sales revenues	4.8%	2.7%		n.m.	2.7%	
2	Capital expenditures	1	1	n.m.	-	-	n.m.
568	Order backlog [(1)]	671	825	18.1%			
1,578	Number of employees [(1)]	1,505	1,609	(4.6%)			

[(1)] End of period amounts. The changes are computed against the data at December 31, 2004.
Note: Because these operations were divested, the data for the first nine months of 2005 reflect amounts for the first half of the year (IFRS-5).

As explained in the Performance and Results of the Group section of this Report, because these operations were divested, the data shown in the table above for the first nine months of 2005 reflect amounts for the first half of the year (IFRS-5).

REVIEW OF THE GROUP'S OPERATING PERFORMANCE AND FINANCIAL POSITION

The Quarterly Report at September 30, 2005 was prepared in accordance with Article 82 of Consob Regulation No. 11971 of May 14, 1999, as amended. This Report contains only consolidated data.

The principles of consolidation, the methods used to translate financial statements denominated in foreign currencies, the accounting principles and the valuation criteria followed in this Report are consistent with those applied in the preparation of the semiannual financial statements at June 30, 2005, which should be consulted for more information. More specifically, the valuation criteria are those set forth in the IAS/IFRSs, as published in the Official Gazette of the European Union.
Prior-period data that are provided for comparison purposes have also been computed in accordance with the IAS/IFRSs. With regard to this issue, the reconciliation schedules required by IFRS 1 and related notes are provided in a separate section of this Report.
IAS 32 and IAS 39 are being applied as of January 1, 2005 and, consequently, any data at December 31, 2004 and September 30, 2004 that are affected by these standards are not comparable.

The presentation formats that the Company has chosen for its balance sheet and income statement at September 30, 2005 are the same as those used for the semiannual report at June 30, 2005. They have the following characteristics:

Balance Sheet

Assets and liabilities are broken down by maturity. Current and non-current items, which are due within or after 12 months, respectively, are shown separately.

Income Statement

The Company has selected a step-by-step income statement, with the different components broken down by type.

Principal Changes in the Scope of Consolidation in the First Nine Months of 2005

The main changes in the scope of consolidation that occurred in the first nine months of 2005 are reviewed below:

Electric Power Operations

- The sale of 100% of Edison France Sarl, which controls 50% of Flandres Energie, to the Dalkia Investissement Group was completed on February 7, 2005. The resulting deconsolidation, which was booked as of January 1, 2005, reflected the sale of an investee company that operates a 40-MW thermoelectric power plant in Lille (France).

Hydrocarbons Operations

- A 90% interest in Edison LNG was sold to Qatar Petroleum (45%) and ExxonMobil (45%) on May 2, 2005. Following the sale, Edison LNG changed its name to Terminale GNL Adriatico Srl. The remaining 10% interest is valued at cost.
- Styrija Plin D.O.O. was placed in liquidation in September 2005 and deconsolidated as of July 1, 2005.

Engineering

- The Group acquired 34% of Sofregaz, which had been consolidated at 66%. This subsidiary was then consolidated at 100%.

On July 20, 2005, Edison Spa signed a contract to sell 100% of its interest in Tecnimont Spa to Maire Holding Spa at a price of 180 million euros. The sale closed on October 25, 2005.

As required by IFRS 5, the assets and liabilities of the Tecnimont Group at September 30, 2005 were recognized separately on the balance sheet under the captions Assets held for sale and Liabilities held for sale. Revenues and expenses for the first half of 2005 were recognized line by line in the consolidated income statement. However, the result for the third quarter of 2005 was recognized in the income statement under Profit (Loss) from discontinued operations.

A balance sheet and income statement for the Tecnimont Group at September 30, 2005 are provided in the section of this Report entitled Information About Discontinued Operations.

Consolidated Balance Sheet

(in millions of euros)

9/30/04		See Note	9/30/05	12/31/04
	ASSETS			
8,615	Property, plant and equipment	1	8,621	8,677
87	Investment property	2	57	62
3,506	Goodwill	3	3,505	3,507
387	Hydrocarbon concessions	4	332	361
17	Other intangible assets	5	37	25
177	Investments in associates	6	65	112
154	Available-for-sale investments	6	79	154
89	Other financial assets	7	71	76
94	Deferred-tax assets	8	105	96
348	Other assets	9	359	379
13,474	**Total non-current assets**		**13,231**	**13,449**
349	Inventories		444	302
854	Trade receivables		1,197	1,139
201	Due from customers for contract work		-	168
102	Current-tax assets		41	103
317	Other receivables		318	346
98	Current financial assets		107	87
404	Cash and cash equivalents		342	458
2,325	**Total current assets**	**10**	**2,449**	**2,603**
-	**Assets held for sale**		**436**	**-**
15,799	**Total assets**		**16,116**	**16,052**
	LIABILITIES AND SHAREHOLDERS' EQUITY			
4,237	Share capital		4,266	4,259
-	Equity reserves		-	-
1,440	Other reserves		1,548	1,465
-	Reserve for currency translations		3	-
(371)	Retained earnings (Loss carryforward)		(58)	(371)
186	Profit (Loss) for the period		340	354
5,492	**Total Group interest in shareholders' equity**		**6,099**	**5,707**
486	Minority interest in shareholders' equity		469	469
5,978	**Total shareholders' equity**	**11**	**6,568**	**6,176**
78	Provision for employee severance indemnities and provision for pensions	12	74	88
1,205	Provision for deferred taxes	13	1,166	1,208
1,180	Provision for risks and charges	14	952	1,114
2,825	Bonds	15	2,845	2,825
1,885	Long-term borrowings and other financial liabilities	16	1,960	1,821
40	Other liabilities	17	12	42
7,213	**Total non-current liabilities**		**7,009**	**7,098**
978	Short-term borrowings		664	805
649	Trade payables		923	857
198	Due to customers for contract work		-	311
131	Current taxes payable		69	114
652	Other liabilities		516	691
2,608	**Total current liabilities**	**18**	**2,172**	**2,778**
-	**Liabilities held for sale**		**367**	**-**
15,799	**Total liabilities and shareholders' equity**		**16,116**	**16,052**

Consolidated Income Statement

(in millions of euros)

9/30/04		See Note	1/1/05 9/30/05	1/1/04 9/30/04	3rd quarter 2005	3rd quarter 2004
5,627	Sales revenues	19	4,805	4,364	1,502	1,296
855	Other revenues and income, net	20	394	201	(18)	45
6,482	**Total net revenues**		**5,199**	**4,565**	**1,484**	**1,341**
(4,716)	Raw materials and services used (-)	21	(4,058)	(3,312)	(1,093)	(938)
(291)	Labor costs (-)	22	(192)	(216)	(48)	(70)
1,475	**EBITDA**	**23**	**949**	**1,037**	**343**	**333**
(660)	Depreciation, amortization and writedowns (-)	24	(421)	(412)	(140)	(141)
815	**EBIT**		**528**	**625**	**203**	**192**
(310)	Net financial income (expense)	25	(181)	(232)	(61)	(80)
(15)	Income from (Expense on) equity investments	26	30	14	19	7
20	Other income (expense), net	27	33	(54)	7	(39)
510	**Profit before taxes**		**410**	**353**	**168**	**80**
(88)	Income taxes	28	(54)	(105)	(18)	(35)
422	**Profit (Loss) from continuing operations**		**356**	**248**	**149**	**45**
-	Profit (Loss) from discontinued operations		-	-	-	-
422	**Profit (Loss)**		**356**	**248**	**149**	**45**
(68)	Minority interest in (profit) loss		(16)	(62)	(7)	(12)
354	**Group interest in profit (loss)**		**340**	**186**	**142**	**33**
	Earnings per share (in euros)	29				
0.0828	basic		0.0789	0.0432		
0.0767	diluted		0.0719	0.0401		

Cash Flow Statement

The statement below analyzes the **cash flow** for the first nine months of 2005 and provides a comparison with the data for the same period in 2004. The item Cash and cash equivalents of divested operations refers to the Engineering operations. The net cash flow of these operations is shown on this line.
The information provided below is supplemented by a separate statement that shows changes in net financial position and is designed to offer a better understanding of the Group's cash generation and utilization dynamics.

(in millions of euros)

2004 full year		1/1/05 to 9/30/05	1/1/04 to /9/30/04
354	Group interest in profit (loss)	340	186
68	Minority interest in profit (loss)	16	62
552	Amortization and depreciation	421	411
-	Interest in the result of companies valued by the equity method	(2)	(7)
1	Dividends received from companies valued by the equity method	-	-
(59)	(Gains) Losses on the sale of non-current assets	(24)	(8)
108	(Revaluations) Writedowns of non-current assets and other equity investments	(4)	1
(4)	Change in the provision for employee severance indemnities	3	2
196	Change in working capital (excluding financial assets) (Tecnimont reclassification)	(690)	(20)
1,216	**A. Cash flows from operating activities – Continuing operations**	**60**	**627**
(779)	Additions to intangibles and property, plant and equipment (-)	(392)	(432)
(204)	Additions to non-current financial assets (-)	(40)	(189)
16	Proceeds from the sale of intangibles and property, plant and equipment	6	10
226	Proceeds from the sale of non-current financial assets	215	183
(47)	Net change in other current assets	20	(26)
(788)	**B. Cash flows from investing activities**	**(191)**	**(454)**
116	Net change in medium-term and long-term debt	159	289
52	Capital contributions provided by controlling companies or other shareholders	7	25
-	Capital grants received during the period	1	-
(82)	Dividends paid to controlling companies or minority shareholders (-)	(11)	(82)
(730)	Net change in short-term debt and other changes	(141)	(666)
(644)	**C. Cash flows from financing activities**	**15**	**(434)**
-	**D. Cash and cash equivalents of divested operations**	**92**	**-**
7	**E. Change in the scope of consolidation**	**-**	**7**
-	**F. Net currency translation differences**	**-**	**-**
(209)	**G. Net decrease in cash and cash equivalents (A+B+C+D+E+F)**	**(24)**	**(254)**
667	**H. Cash and cash equivalents at beginning of period**	**458**	**667**
458	**I. Cash and cash equivalents at end of period (H+I)**	**434**	**413**
-	**L. Total cash and cash equivalents at end of period (I)**	**434**	**-**
-	**M. (-) Cash and cash equivalents of divested operations**	**(92)**	**-**
-	**N. Cash and cash equivalents of continuing operations (L-M)**	**342**	**-**

Statement of Changes in Net Financial Position

The data shown below include those of the Tecnimont Group.

(in millions of euros)

2004 full year		1/1/05 to 9/30/05	1/1/04 to 9/30/04
(5,264)	**A. Net borrowings at beginning of period**	**(4,906)**	**(5,264)**
1,475	EBITDA	949	1,037
(16)	Change in operating working capital	(304)	(84)
(20)	Income taxes paid (-)	(40)	(11)
(231)	Changes in other assets (liabilities)	(161)	(218)
1,208	**B. Cash flow from operating activities**	**444**	**724**
(836)	Investments in property, plant and equipment, intangibles and non-current financial assets (-)	(430)	(565)
242	Proceeds from the sale of property, plant and equipment, intangibles and non-current financial assets	225	193
14	Dividends received	8	13
628	**C. Free cash flow**	**247**	**365**
(310)	Financial income (expense), net	(181)	(310)
52	Contributions of share capital and reserves	7	254
(82)	Dividends declared (-)	(11)	(82)
288	**D. Net cash flow from financial activities**	**62**	**(2)**
70	Change in the scope of consolidation	6	80
358	**E. Net cash flow for the period**	**68**	**78**
(4,906)	**F. Net borrowings at end of period**	**(4,838)**	**(5,186)**

Change in Consolidated Shareholders' Equity

(in millions of euros)

	Group interest in shareholders' equity				Minority interest in shareholders' equity	Total share-holders' equity
	Share capital	Reserves and retained earnings (loss carryforward)	Profit for the period	Total		
Balance at December 31, 2003	**4,212**	**857**	**144**	**5,213**	**800**	**6,013**
Change due to the first-time adoption of the IAS/IFRSs	-	63	-	63	(116)	(53)
Shareholders' equity upon transition to IAS/IFRSs on January 1, 2004	**4,212**	**920**	**144**	**5,276**	**684**	**5,960**
Share capital increase due to the conversion of warrants	25	-	-	25	-	25
Share capital increase	-	-	-	-	5	5
Appropriation of the 2003 profit	-	144	(144)	-	-	-
Dividend distribution	-	-	-	-	(82)	(82)
Change in the scope of consolidation	-	-	-	-	(193)	(193)
Other changes	-	5	-	5	10	15
Profit for the period	-	-	186	186	62	248
Balance at September 30, 2004	**4,237**	**1,069**	**186**	**5,492**	**486**	**5,978**
Share capital increase due to the conversion of warrants	22	-	-	22	-	22
Change in the scope of consolidation	-	-	-	-	(28)	(28)
Other changes	-	25	-	25	(7)	18
Profit for the period	-	-	168	168	18	186
Balance at December 31, 2004	**4,259**	**1,094**	**354**	**5,707**	**469**	**6,176**
Restatements for adoption of IAS 32 and 39	-	38	-	38	-	38
Balance at January 1, 2005	**4,259**	**1,132**	**354**	**5,745**	**469**	**6,214**
Share capital increase due to the conversion of warrants	7	-	-	7	-	7
Appropriation of the 2004 profit	-	354	(354)	-	-	-
Restatements in the first nine months of 2005 for the adoption of IAS 32 and 39	-	3	-	3	(1)	2
Change in the scope of consolidation	-	-	-	-	(3)	(3)
Dividend distribution	-	-	-	-	(11)	(11)
Difference from the translation of financial statements in foreign currencies and sundry differences	-	4	-	4	(1)	3
Profit for the period	-	-	340	340	16	356
Balance at September 30, 2005	**4,266**	**1,493**	**340**	**6,099**	**469**	**6,568**

Impact of the Transition to the IAS/IFRSs on the Comparative Data at September 30, 2004

(in millions of euros)

	In accordance with the old accounting principles	IAS/IFRS restatements	First 9 months 2004 in accordance with the IAS/IFRSs
Sales revenues	4,042	322	4,364
Other revenues and income, net	590	(389)	201
Total net revenues	**4,632**	**(67)**	**4,565**
Raw materials and services used (-)	(3,538)	226	(3,312)
Labor costs (-)	(185)	(31)	(216)
EBITDA	**909**	**128**	**1,037**
Depreciation, amortization and writedowns (-)	(470)	58	(412)
EBIT	**439**	**186**	**625**
Net financial income (expense)	(183)	(49)	(232)
Income from (Expense on) equity investments	30	(16)	14
Other income (expense), net	1	(55)	(54)
Profit before taxes	**287**	**66**	**353**
Income taxes	(141)	36	(105)
Profit (Loss) from continuing operations	**146**	**102**	**248**
Profit (Loss) from discontinued operations	-	-	-
Profit (Loss)	**146**	**102**	**248**
Minority interest in (profit) loss	65	(3)	62
Group interest in profit (loss)	**81**	**105**	**186**

The changes that occurred in the most significant components of the income statement for the first nine months of 2004 are attributable primarily to the consolidation of Edipower and reflect the impact of the use of fair value as deemed cost to value property, plant and equipment and the inability to amortize goodwill. More specifically:

- **Net revenues (IAS 27 and IAS 31):** The change in net revenues reflects a change in the scope of consolidation, due mainly to the consolidation of Edipower, which required a number of additional entries, including new eliminations of intra-Group transactions. Specifically, the portion attributable to the Group of tolling fees collected by Edipower under the tolling contract with Edison Trading was eliminated in full.
- **Raw materials and services used (IAS 27, IAS 31 and IAS 16):** The change in raw materials and services used reflects a change in the scope of consolidation, due mainly to the consolidation of Edipower. More specifically, the full amount of the fee paid by Edison Trading to Edipower under the tolling contract was eliminated. In addition, the provision that had been added to the provision for decommissioning of mineral properties was derecognized and, as required by IAS 16, these provisions were capitalized upon transition, added to the corresponding assets and amortized accordingly.
- **Labor costs (IAS 19):** In this case as well, the main reason for the change is the con-

solidation of Edipower. In addition, the provision for employee severance indemnities and the provisions for pensions were recomputed by an actuarial method, which produced a change in the charge recognized in earnings. The monetary revaluation of the provision, which IAS 19 considers a financial expense, was listed separately under "Net financial income (expense)."

- **Depreciation, amortization and writedowns (IFRS 1, IFRS 3, IAS 16 and IAS 38):** The main reason for the change in depreciation, amortization and writedowns is the derecognition of the amortization of goodwill as required by IFRS 3, which views goodwill as an asset with an indefinite life that should not be amortized. Instead, it should be tested each year for impairment to ascertain the existence of any loss in value. The rest of the change reflects differences in the scope of consolidation (due mainly to the consolidation of Edipower) and in the depreciation amount for property, plant and equipment. The difference in depreciation is the combined result of the following factors:
  - the use of fair value as deemed cost upon first-time adoption, which increased the value of assets and raised the corresponding depreciation amounts;
  - the need to depreciate significant components separately, as required by IAS 16, according to which the depreciation of land and residual values of assets is no longer allowed;
  - the amortization of decommissioning costs, which are capitalized and added to the carrying amount of the underlying asset.

  The restatement stemming from the reversal of the amortization for the period of no longer capitalized costs was also a factor. These costs were charged to income in the transitional financial statements.
- **Financial expense (IAS 27, IAS 31, IAS 16 and IAS 19):** The main reason for the change in financial expense is a change in the scope of consolidation, due mainly to the consolidation of Edipower. In addition, the theoretical financial expense that arose from applying actuarial computation methods to discount the provision for employee severance indemnities and the provision for pensions was also charged to income. This adjustment also includes the revaluation of the provision for industrial site decommissioning costs, which are discounted to their present value and added as a separate component to the carrying amount of the underlying asset.
- **Other income (expense), net (IFRS 1):** The main change stems from the derecognition of the gain on the sale of the natural gas transmission network (50 million euros), which in the transitional statements is recognized as increasing asset values.
- **Income taxes (IAS 27, IAS 31, IAS 12):** The reason for the change is the deferred-tax impact of the entries discussed above and, more importantly, the reversal of the provision for deferred taxes originally set aside upon the use of fair value as deemed cost to value non-current assets. The change in the scope of consolidation was also a factor, but its impact was less significant.

Reconciliation of Group Interest in Shareholders' Equity at September 30, 2004 Showing the Impact of the Transition to the IAS/IFRSs

The table below provides a reconciliation of Group interest in shareholders' equity and shows the main transition adjustments made to the line items in the financial statements at September 30, 2004.

(in millions of euros)

	Group interest in shareholders' equity
Group interest in shareholders' equity at September 30, 2004	**5,321**
1. Proportional consolidation of Edipower	(24)
2. Impact of change in the scope of consolidation (excluding Edipower)	39
3. Use of fair value to measure non-current assets for transition purposes	61
4. Derecognition of the amortization of goodwill	155
5. Derecognition of intangible assets	(16)
6. Derecognition of gain on the sale of the natural gas transmission network	(50)
7. Sundry adjustments and eliminations	6
Group interest in shareholders' equity at September 30, 2004, in accordance with the IAS/IFRSs	**5,492**

The individual adjustments, grouped by type of restatement, are reviewed below:

1. **Proportional consolidation of Edipower (IAS 31):** Under IAS/IFRS standards, joint ventures must be consolidated in accordance with IAS 31. Edison has chosen to value companies of this type by the proportional method. Specifically, Edipower is being consolidated at 50%, even though Edison owns 40% of the company. The 50% figure reflects Edison's interest in the tolling contract, the percentage of Edipower's indebtedness that is guaranteed by Edison and buy and sell rights secured by put-and-call options exchanged by Edison and Edipower's financial shareholders.
2. **Impact of change in the scope of consolidation (excluding Edipower) (IAS 27, IAS 28 and IAS 31):** In addition to Edipower, the main changes reflect the consolidation by the proportional method of Sel Edison (42%), which previously was valued by the equity method, and Serene (63%), which previously was consolidated line by line. Lastly, special purpose entities (SPEs) must be consolidated line by line when risks and benefits can be attributed primarily to the Group, irrespective of the size of the equity investment held in the SPE. This approach resulted in the line-by-line consolidation of ETS, a securitization company in which the Group does not hold an interest, and of its segregated portfolio under Italian securitization law. Associates are valued by the equity method.
3. **Use of fair value as deemed cost to measure non-current assets for transition purposes (IFRS 1):** As mentioned earlier in this document, the selective use of fair value as deemed cost exclusively in the transitional financial statements for the purpose of valuing items of property, plant and equipment and investment property resulted in an increase in the carrying amount of non-current assets and required recognition of the resulting deferred-tax liability. Consequently, the depreciation amount for property, plant and equipment for the period increased, due mainly to

the combined effect of the component approach to depreciate significant components separately, as introduced by IAS 16, which also states that land and the residual values of assets can no longer be depreciated, and the amortization of decommissioning costs, which are capitalized and added to the carrying amount of the underlying asset. The amount shown for this item reflects a reduction of unallocated goodwill, which was recognized because the use of fair value as deemed cost to measure a production facility of the Electric Power operations caused the carrying value of this asset to increase by the same amount.

4. **Derecognition of the amortization of goodwill (IFRS 3):** Starting on January 1, 2004, as required by IFRS 3 "Business Combinations," goodwill can no longer be amortized. Consequently, the amortization recognized in the consolidated financial statements for the third quarter of 2004 was derecognized, with a positive impact on earnings.
5. **Derecognition of intangible assets (IAS 38):** For the third quarter of 2004, this adjustment reflects the combined impact of the decision to derecognize certain capitalized costs upon transition and refrain from capitalizing them during the current year.
6. **Derecognition of the gain on the sale of the natural gas transmission network (IFRS 1):** This adjustment reflects the derecognition of the gain on the sale of the natural gas transmission network (50 million euros), which in the transitional statements is recognized as increasing asset values.
7. **Sundry adjustments and eliminations:** These items stem primarily from the revaluation of the provision for pensions and provision for employee severance indemnities in accordance with actuarial criteria and the derecognition of treasury stock reflected in the financial statements as a deduction from shareholders' equity.

Risk Management and Types of Financial Risks

The operations of the Edison Group are exposed to several types of financial risk, including fluctuations in interest rates, foreign exchange rates and prices, and cash flow risks. The Group minimizes these risks through the use of derivative contracts that are executed within the framework of its risk management activities. As a rule, derivatives and similar instruments are not used for trading purposes.

All such transactions are carried out in accordance with special organizational guidelines that govern risk management activities. In particular, the Group has adopted procedures designed to monitor all transactions that involve derivative instruments. More specifically, all risk management transactions are centrally managed. An exception is made for certain transactions of limited size that are executed by Tecnimont and Edipower. Both companies have independent risk management procedures.

Interest Rate Risk

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

At September 30, 2005, the Group's exposure to the risk of changes in interest rates was roughly equivalent to 40% of its total exposure.

The most significant medium- and long-term positions have been hedged, with special emphasis on transactions involving bond issues and project financing. The rest of the exposure is short term.

Currency Risk

With the exception of issues discussed in the paragraph that discusses price risk, the Group does not have a significant exposure to currency risks. Whatever exposure there is, it is limited to the translation of the financial statements of certain foreign subsidiaries, since most of the Group's operating companies use the same currency for invoices issued and invoices received.

Price Risk

The Group is exposed to price risk, including the related currency risk, for all of the energy commodities with which it is involved, including electric power, natural gas, coal, oil and refined products. This risk exists because both purchases and sales are affected by changes in the prices of energy commodities, either directly or through pricing formulas and indexing mechanisms.
In its management of price risk, the Group uses the financial markets for hedging purposes only to a limited degree, relying instead on exploiting the vertical and horizontal integrations of its different business operations.
The first step toward achieving this goal is to plan how to physically balance the volumes of the Group's actual market sales of energy commodities among the various delivery deadlines by using proprietary production assets and the existing portfolio of medium/long-term contracts and spot contracts.
In addition, the Group pursues a policy designed to achieve homogeneity of physical sources and uses, so that the formulas and indexing mechanisms that affect revenues from the sale of energy commodities reflect, as closely as possible, the formulas and indexing mechanisms that have an impact on the costs the Group incurs to purchase energy commodities in the market and acquire supplies for its production assets.
To manage the residual risk, the Group can use the structured hedges that are available in the financial markets, in accordance with a cash flow hedging strategy. Hedging transactions can be used to lock in the margin on an individual transaction or a limited number of like transactions (operational hedging), or to protect a maximum level of exposure to price risk, computed in a centralized manner for the Group's entire net portfolio, for a legal entity that is part of the Group or a group of physical and contractual assets that, taken as a whole, are significant for the Group (strategic hedging). Transactions in financial derivative hedges are executed in a manner consistent with the Group's risk management policy and procedures and with the support of a special internal deal capture system.

Credit Risk

A credit risk is the risk that one party to a contract that calls for a deferred cash settlement will fail to discharge a payment obligation and cause the other party to incur a financial loss.

This risk can arise from several 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.) or as a result of strictly financial issues that, in essence, reflect the credit standing of the counterparty.
Edison's exposure to credit risk is due mainly to its commercial activity as a seller of electric power and natural gas in the deregulated market.
To control this risk, the Group has adopted an organization and, having established credit management guidelines, implemented procedures and programs designed to evaluate customer credit worthiness (using specially designed scoring grids).
Lastly, when it comes to choosing counterparties for transactions to manage temporary excess liquidity, the Group deals only with top-flight, reliable entities that enjoy a high standing in the international markets.

Liquidity Risk

The Group follows a conservative policy in its management of liquidity risk, using a strategy designed to ensure that unexpected cash disbursements will not create a problem. The minimum goal is to make certain that, at all times, the Company has access to sufficient committed financing facilities to repay indebtedness that will come due over the following 12 months.
Consequently, given that the Group's funding needs are provided by long-term financing, consisting mainly of bond issues (about 65% of total indebtedness), a significant portion of the existing credit lines is used to provide the Group with the financial flexibility it requires and to minimize any unwanted impact from unexpected cash outlays.

Disclosure of Commodity Derivatives

The Edison Group uses financial derivatives as part of a cash flow hedge strategy to protect its physical and contractual assets from fluctuations in the price risk factors to which it is exposed, especially the prices of energy commodities (natural gas, oil and petroleum products, coal and electric power) and the euro/US dollar exchange rate.
When disclosing hedging transactions to the financial statements, care is used to ensure compliance with the requirements of IAS 39 for hedge accounting purposes. For all hedging transactions that comply with internal policies and procedures and qualify as cash flow hedges, realized results and expected value, computed on a fair-value basis, are recognized under the "Other income and expense" component of EBITDA. Differentials on trading transactions are recognized as financial income or expense. Absent a market forward curve, the fair value of financial derivatives related to electric power that are executed with the Single Buyer or the Independent Transmission System Operator (abbreviated as GRTN in Italian) are valued on the basis of internal estimates using models that incorporate best industry practices (so-called mark to model) for the sole purpose of identifying any losses that should be disclosed in the income statement. According to estimates, no latent losses had been generated by these contracts as of September 30, 2005.
The following table provides a breakdown of the amounts attributable to market derivatives executed by the Group's electric power and Hydrocarbon operations to manage the risk of fluctuation in the market price of certain raw materials. The table also analyzes the contracts executed to manage risk in connection with commodity transactions.

Edison Group – Disclosure Statement for Financial Statements at 9/30/05

(in millions of euros)

	Notional amount of contracts purchased	Notional amount of contracts sold	Fair market value of contracts recognized on the balance sheet (*)	Fair market value of contracts recognized on the income statement (*)
Derivatives executed to hedge price risk on fuel and electric power:				
- to hedge future cash flows (cash flow hedge)				
- CIP 6	39	-	-	- (**)
- CCC	3	-	-	- (**)
- CCCI	-	-	-	- (**)
- to hedge price risk on assets or liabilities recognized on the balance sheet (fair value hedge)				
- transactions that do not qualify as hedges in accordance with IAS 39 but which are executed by the Edison Group with the same intent (economic hedge)				
- Swaps	34	46	-	1
- 2005 Single Buyer options	-	30	-	- (**)
- 2006 Single Buyer options	-	91	-	- (**)
Total	**76**	**167**	**-**	**1**
Derivative trading	**48**	**45**	**-**	**(3)**
- Swaps	48	45	-	(3)
- Options	-	-	-	-
- Futures	-	-	-	-
Total commodity-based derivatives	**124**	**212**	**-**	**(2)**
Derivatives executed to hedge foreign exchange risk on commodities:	**95**	**77**	**-**	**3**
- Swaps	67	75	-	2
- Options	28	2	-	1

(*) if collected (+) / if paid (-)

(**) These can de defined as "hedge accounting" transactions in which the fair market value is zero. Valuations are made using the "mark-to-model method".

Segment Information

The table below provides information broken down by type of business operation.

(in millions of euros)

	Electric Power		Hydrocarbons		Corporate Activities		Adjustments		TOTAL CORE BUSINESSES	
	1/1/05 to 9/30/05	1/1/04 to 9/30/04	**1/1/05 to 9/30/05**	1/1/04 to 9/30/04	**1/1/05 to 9/30/05**	1/1/04 to 9/30/04	**1/1/05 to 9/30/05**	1/1/04 to 9/30/04	**1/1/05 to 9/30/05**	1/1/04 to 9/30/04
INCOME STATEMENT										
Sales revenues	3,572	3,087	2,251	1,526	31	32	(1,301)	(900)	4,553	3,745
- intra-Group revenues	2	1	1,272	873	27	26	(1,301)	(900)	-	-
EBITDA	735	846	259	238	(61)	(65)	-	-	933	1,019
as a % of net revenues	20.6%	27.4%	11.5%	15.6%	n.m.	n.m.	-	-	20.5%	27.2%
Depreciation, amortization and writedowns	(343)	(319)	(68)	(84)	(6)	(5)	-	-	(417)	(408)
EBIT	**392**	**527**	**191**	**154**	**(67)**	**(70)**	**-**	**-**	**516**	**611**
as a % of net revenues	11.0%	17.1%	8.5%	10.1%	n.m.	n.m.	-	n.m.	11.3%	16.3%
Profit (Loss)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**371**	**238**
Profit (Loss) from discontinued operations	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Minority interest in profit (loss)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**15**	**64**
Group interest in profit (loss)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**356**	**174**

	Electric Power		Hydrocarbons		Corporate Activities		Adjustments		TOTAL CORE BUSINESSES	
	9/30/05	12/31/04	**9/30/05**	12/31/04	**9/30/05**	12/31/04	**9/30/05**	12/31/04	**9/30/05**	12/31/04
BALANCE SHEET										
Net invested capital	10,124	9,974	1,583	1,464	1,917	1,951	(2,002)	(2,005)	11,622	11,384
Net borrowings	-	-	-	-	-	-	-	-	5,017	5,118
OTHER INFORMATION										
Capital expenditures	303	535	44	60	2	1	-	-	349	596
Investments in exploration	-	-	13	25	-	-	-	-	13	25
Total investments	**303**	**535**	**57**	**85**	**2**	**1**	**-**	**-**	**362**	**621**
Number of employees	1,979	1,996	431	416	533	539	-	-	2,943	2,951

Water		Engineering		Discontinued Operations	Adjustments		TOTAL OTHER OPERATIONS		EDISON GROUP	
1/1/05 to 9/30/05	1/1/04 to 9/30/04	**1/1/05 to 9/30/05**	1/1/04 to 9/30/04	From July 1, 2005 to September 30, 2005	**1/1/05 to 9/30/05**	1/1/04 to 9/30/04	**1/1/05 to 9/30/05**	1/1/04 to 9/30/04	**1/1/05 to 9/30/05**	1/1/04 to 9/30/04
23	20	229	599	-	-	-	252	619	4,805	4,364
5	2	11	16	-	-	-	16	18	949	1,037
21.7%	10.0%	4.8%	2.7%	n.m.	n.m.	n.m.	6.3%	2.9%	19.8%	23.8%
(2)	(1)	(2)	(3)	-	-	-	(4)	(4)	(421)	(412)
3	**1**	**9**	**13**	**-**	**-**	**-**	**12**	**14**	**528**	**625**
13.0%	5.0%	3.9%	2.2%	-	-	-	4.8%	2.3%	11.0%	14.3%
-	**-**	**-**	**-**	**-**	**(20)**	**-**	**5**	**10**	**356**	**248**
-	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
-	**-**	**-**	**-**	**-**	**-**	**-**	**1**	**(2)**	**16**	**62**
-	**-**	**-**	**-**	**-**	**(20)**	**-**	**4**	**12**	**340**	**186**

Water		Engineering	Discontinued Operations	Adjustments		TOTAL OTHER OPERATIONS		EDISON GROUP	
9/30/05	12/31/04	12/31/04	**9/30/05**			**9/30/05**	12/31/04	**9/30/05**	12/31/04
14	9	(121)	(103)	(127)	(190)	(216)	(302)	11,406	11,082
(7)	(19)	(193)	(172)	-	-	(179)	(212)	4,838	4,906
6	10	2	1	-	-	7	12	356	608
-	-	-	-	-	-	-	-	13	25
6	**10**	**2**	**1**	**-**	**-**	**7**	**12**	**369**	**633**
5	7	1,578	1,505	-	-	1,510	1,585	4,453	4,536

Notes to the Balance Sheet

Assets

Non-current Assets

1. Property, Plant and Equipment

Property, plant and equipment, which comprises the Group's production assets, totaled 8,621 million euros, or 56 million euros less than at December 31, 2004. A breakdown is provided below:

	Land and buildings	Plant and machinery	Manufact. and distrib. equipment	Other assets	Construc. in progress and advances	Total
Balance at 12/31/04 (A)	**928**	**6,298**	**16**	**20**	**1,415**	**8,677**
Changes through September 30, 2005:						
- Additions	2	36	2	1	315	356
- Disposals (-)	(5)	(1)	-	-	-	(6)
- Depreciation (-)	(16)	(357)	(1)	(3)	-	(377)
- Change in scope of consolidation	-	(10)	-	-	(21)	(31)
- Reclassification of divested assets	(2)	-	-	(4)	-	(6)
- Other changes	(7)	315	-	3	(303)	8
Total changes (B)	**(28)**	**(17)**	**1**	**(3)**	**(9)**	**(56)**
Balance at 9/30/05 (A+B)	**900**	**6,281**	**17**	**17**	**1,406**	**8,621**

The total value of the assets, virtually all of which are located in Italy, includes construction in progress and advances totaling 1,406 million euros for thermoelectric power plants that are in the final stages of construction, such as those that are being built in Torviscosa (UD), Altomonte (CS) and Simeri Crichi (CZ). The Candela (FG) power plant was commissioned during the third quarter of 2005.

Additions, which totaled 356 million euros, are mainly the result of the following capital expenditures:

- The investments of the Electric Power operations, which totaled 303 million euros, were primarily used for the construction of new thermoelectric power plants in Torviscosa (UD) (73 million euros), Altomonte (CS) (43 million euros) and Simeri Crichi (CZ) (42 million euros). In addition, Edipower invested 63 million euros for the repowering of the Piacenza, Turbigo (MI) and Chivasso (TO) power plants.
- The Hydrocarbons operations invested 44 million euros. Investments in Italy included 11 million euros to expand the Collalto gas storage facility and 9 million euros to complete the Naiade platform in the Adriatic. Investments outside Italy focused on the Rosetta concession in Egypt (7 million euros).

Depreciation of property, plant and equipment included 341 million euros for the Electric Power, 32 million euros for the Hydrocarbons operations and 4 million euros for other operations.

The negative **change in the scope of consolidation,** which amounted to 31 million euros, reflects the deconsolidation of Edison LNG (21 million euros), in which the

Group still has a 10% interest, and the disposal of Flandres Energie Sa (10 million euros).

The net carrying amount of property, plant and equipment at June 30, 2005 includes assets transferable at no cost valued at 707 million euros, compared with 756 million euros at December 31, 2004. This decrease reflects the depreciation booked during the period.
Property, plant and equipment includes assets acquired under finance leases totaling 173 million euros (228 million euros at December 31, 2004), which are recognized in accordance with the IAS 17 (revised) method. During the third quarter of 2005, the Group exercised the option of buying the Termica Boffalora facility, which it operated under a finance lease. The balance outstanding on finance leases, which is shown under "Long-term borrowings and other financial liabilities," amounts to 46 million euros.
No impairment indicators that would have required assets to be written down were detected during the first nine months of 2005.

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

2. Investment Property

The Group's investment property, which consists of land and buildings that are not used for production purposes, totaled 57 million euros, or 5 million euros less than a year ago. The main reason for this decrease was the sale of two buildings, which generated a gain of less than 1 million euros.

3. Goodwill

Goodwill decreased to 3,505 million euros, or 2 million euros less than at December 31, 2004, due to the reclassification of the goodwill attributable to the Engineering operations to Assets held for sale. The balance in the goodwill account represents an intangible asset with an indefinite useful life. As such, it cannot be amortized in regular installments. Since no impairment indicators were detected, its value did not change.

A breakdown of goodwill by type of business operation is as follows:

	9/30/05
- Electric Power operations	2,823
- Hydrocarbons operations	682
Total	**3,505**

4. Hydrocarbon Concessions

Concessions for the production of hydrocarbons, which include 79 mineral leases in Italy and abroad (including two storage concessions), were valued at 332 million euros. The amortization for the period accounts for the decrease of 29 million euros from the amount reported at December 31, 2004.
The value of these assets does not include capitalized financial expense.

5. Other Intangible Assets

The balance of 37 million euros refers to licenses and similar rights (11 million euros), work in progress (6 million euros) and miscellaneous intangibles (20 million euros). Additions include the costs incurred to acquire exclusive rights for 10 years to provide energy and steam produced by cogenerating power plants to flower greenhouses that are currently in the planning stage and 13 million euros in costs incurred to research and explore hydrocarbon deposits. Of this amount, 3 million euros were incurred for successful exploration projects and were capitalized.

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

The total includes 65 million euros in investments in associates, which are valued by the equity method, and 79 million euros in available-for-sale investments, which are carried at fair value. Available-for-sale investments include investments in publicly traded companies (44 million euros) and investments in unconsolidated subsidiaries that are subject to restrictions (35 million euros).
The following changes occurred during the first nine months of 2005:

- **Disposals,** which totaled 188 million euros, include 155 million euros from the sale of a 5.1% interest in AEM Spa, which generated a gain of 23 million euros (the corresponding fair value was already reflected in shareholders' equity at January 1, 2005), and 33 million euros from the sale of a 39% interest in Sidi Krir.
- **Changes in share capital** of 20 million euros include advances on capital contributions provided to IPSE 2000 (7 million euros) and Terminale GNL Adriatico Srl (12 million euros).
- **Revaluations,** which amounted to 45 million euros, refer to available-for-sale investments, which, as required by IAS 39, are valued at fair value. In the case of this account, revaluation included increases of 26 million euros for RCS Mediagroup, 16 million euros for AEM and 3 million euros for Gemina Spa.
- **Writedowns** totaling 5 million euros reflect primarily adjustments made to the carrying amounts of investments to reflect the value of the pro-rata interest in the underlying shareholders' equity.

7. Other Financial Assets

This item, which amounted to 71 million euros, includes loans receivable due in more than one year and long-term equity investments.
The main component of loans receivable is a receivable of 52 million euros owed by IPSE. This amount and the investment in IPSE, which is carried at 7 million euros, are offset by a provision amounting to 59 million euros. This account also includes 9 million euros in bank deposits established under project financing arrangements.

8. Deferred-tax Assets

Deferred-tax assets of 105 million euros reflect the recognition of a tax-loss carryforward (54 million euros) and taxed provisions for risks (24 million euros). Differences in the valuation of property, plant and equipment account for the balance. The largest of these differences (totaling 86 million euros) are attributable to Edipower. The retroactive adoption of IAS 39 resulted in the recognition of prepaid taxes totaling 7 million euros, the offset of which was posted to shareholders' equity.
With regard to the utilization of these assets, it is important to keep in mind that deferred-tax assets are valued based on the expectation that they will be actually used within the limited time horizons of the industrial plans approved by individual Group companies. Consequently, deferred-tax assets that arise from a tax-loss carryforward and reserves for risks were not fully recognized, particularly in the case of Edison Spa.

9. Other Assets

Other assets totaled 359 million euros. They consisted mainly of tax refunds receivable, which amounted to 350 million euros including accrued interest through September 30, 2005.

10. Current Assets

	9/30/05	12/31/04	Change
Inventories	444	302	142
Trade receivables	1,197	1,139	58
Due from customers for contract work	-	168	(168)
Current-tax assets	41	103	(62)
Other receivables	318	346	(28)
Current financial assets	107	87	20
Cash and cash equivalents	342	458	(116)
Total current assets	**2,449**	**2,603**	**(154)**

A review of the individual components is provided below:

- **Inventories** of 444 million euros include 344 million euros for stored natural gas and 35 million euros for green certificates. Consumable engineering materials account for the balance.
- **Trade receivables** totaled 1,197 million euros. A breakdown of this amount is as follows: Electric Power operations 956 million euros, Hydrocarbons operations 146 million euros, Water operations 7 million euros and Corporate activities for the balance.
- **Due from customers for contract work** has a zero balance due to the reclassification of the assets of the Engineering operations to the Assets held for sale account.
- The main components of **other receivables,** which amounted to 318 million euros, are receivables from the tax administration for VAT overpayments (58 million euros), amounts owed by partners and associates in hydrocarbon exploration projects (61 million euros), receivables from public institutions and local authorities (60

million euros) and credits arising mainly from the valuation of derivative contracts executed to equalize the price of CIP-6 electric power traded on the Electric Power Exchange (11 million euros).

- **Current financial assets,** which totaled 107 million euros, consist mainly of derivatives (49 million euros for receivables representing the fair value of interest rate and foreign exchange transactions), trading investments (33 million euros), the portion attributable to third parties of financing provided to associates (17 million euros) and receivables owed by Tecnimont Group companies (4 million euros).
- **Cash and cash equivalents** amounting to 342 million euros, which included 243 million euros in short-term bank deposits and 99 million euros in government securities.

Securitization Transactions Pursuant to Law No. 130/99

The turnover of assigned receivables amounted to 1,339 million euros in the first nine months of 2005.

Liabilities and Shareholders' Equity

11. Shareholders' Equity

	Group interest in shareholders' equity	Minority interest in shareholders' equity	Total
Share capital and reserves	5,353	401	5,754
2004 profit	354	68	422
Total at December 31, 2004	**5,707**	**469**	**6,176**
Changes through September 30, 2005:			
- Adoption of IAS 39, broken down as follows:			
- impact at January 1, 2005	38	-	38
- impact for the first nine months of 2005	3	(1)	2
- Change in the scope of consolidation	-	(3)	(3)
- Share capital increase	7	-	7
- Dividends paid	-	(11)	(11)
- Profit for the period	340	16	356
- Currency translations differences and other changes	4	(1)	3
Total at September 30, 2005	**6,099**	**469**	**6,568**
Broken down as follows:			
- Share capital and reserves	5,759	453	6,212
- Profit for the period	340	16	356

At September 30, 2005, the subscribed and paid-in capital stock of Edison Spa totaled 4,266 million euros. It consisted of shares with a par value of 1 euro, regular ranking for dividends, and was broken down as follows:

Share class	Number of shares	Millions of euros
Common shares	4,155,194,967	4,155
Nonconvertible savings shares	110,592,420	111
Total shares	**4,265,787,387**	**4,266**

The share capital increased by 7 million euros, as 6,899,421 shares were issued in connection with the exercise of warrants. A total of 1,018,710,803 warrants were outstanding at September 30, 2005. Each warrant can be exercised, between September 2003 and December 2007, to subscribe one new share at a price of 1 euro per share.

The change in the scope of consolidation, which had an impact on the minority interest in shareholders' equity, reflects the purchase of a 34% interest in Sofregaz by Tecnimont Spa in January 2005.

The Group adopted the IAS 39 standard as of January 1, 2005. A breakdown of the resulting 41-million-euro change in shareholders' equity is as follows:

- 29 million euros generated by marking to market available-for-sale investments (22 million euros booked as of January 1, 2005 and 7 million euros attributable to the first nine months of 2005);
- 12 million euros from the valuation of derivatives and the use of the amortized cost

method to value the financial liability represented by bonds issued (16 million euros booked as of January 1, 2005 and 4 million euros attributable to the first nine months of 2005).

Non-current Liabilities

12. Provision for Employee Severance Indemnities and Provision for Pensions

This reserve, which amounted to 74 million euros, reflects the accrued severance indemnities and other benefits owed to employees, computed in accordance with the actuarial guidelines provided in IAS 19. This computation method resulted in the recognition of financial expense totaling 1 million euros. A breakdown of this account shows that the provision for employee severance indemnities amounted to 65 million euros (down from the balance at December 31, 2004 due to the reclassification of the Engineering operations, which accounted for 14 million euros), while the provision for pensions totaled 9 million euros.

At September 30, 2005, the Group had 4,453 employees, including employees of operations later divested. A breakdown of the Group's payroll by type of business is as follows:

	9/30/05	12/31/04	Change
Electric Power operations	1,979	1,996	(17)
Hydrocarbons operations	431	416	15
Corporate activities	533	539	(6)
Core businesses	**2,943**	**2,951**	**(8)**
Water	5	7	(2)
Engineering – Divested operations	1,505	1,578	(73)
Edison Group	**4,453**	**4,536**	**(83)**

13. Provision for Deferred Taxes

The balance of 1,166 million euros, or 42 million euros less than at December 31, 2004, reflects mainly the deferred tax liability from the use during the transition process of fair value as deemed cost to value property, plant and equipment.

The table on the following page shows a breakdown of this reserve by type of underlying temporary difference, keeping in mind that certain Group companies that met the requirements of IAS 12 offset their deferred-tax liability against their deferred-tax assets:

	9/30/05
Deferred-tax liabilities:	
- Differences in the valuation of property, plant and equipment	1,160
- Adoption of the standard on finance lease (IAS 17)	45
- Adoption of the standard on derivatives (IAS 39) and sundry items	34
Total deferred-tax liabilities (A):	**1,239**
Deferred-tax assets:	
- Taxed provisions for risks	(46)
- Tax loss carryforward	(18)
- Adoption of the standard on derivatives (IAS 39) and sundry items	(9)
Total deferred-tax assets (B):	**(73)**
Provision for deferred taxes (A-B)	**1,166**

The deferred-tax liabilities deducted directly from shareholders' equity amounted to 10 million euros. They arise from the adoption of the amortized cost method to value financial liabilities and bonds issued and the valuation of derivatives.

14. Provisions for Risks and Charges

The provisions for risks and charges, which are established to cover contingent liabilities, totaled 952 million euros at September 30, 2005, a decrease of 162 million euros compared with 2004. This decrease was made possible by the settlement of certain legal disputes, which required the payment of compensation to the opposing parties but produced a positive impact of 50 million euros on the income statement.

	9/30/05
Balance at 12/31/04 (A)	**1,114**
Changes in the first nine months of 2005:	
- additions	48
- utilizations (-)	(171)
- other changes	3
- Reclassification of provisions of divested operations	(42)
Total changes (B)	**(162)**
Balance at 9/30/05 (A+B)	**952**

The main changes are reviewed below:

- The main components of **additions** of 48 million euros include 10 million euros set aside for disputed items; 16 million euros for future charges in connection with the remediation of industrial sites; 7 million euros for risks related to the investment in IPSE 2000; 7 million euros for accruals of statutory interest on existing provisions; 5 million euros for the capitalization of interest on the provision for the decommissioning and remediation of industrial sites, booked as an offset of a corresponding financial expense; and 3 million euros for contingent obligations from guarantees provided upon the sale of equity investments.
- **Utilizations,** which totaled 171 million euros, include 100 million euros used to settle any and all present and future claims arising from the guarantee obligations undertaken by Edison pursuant to a contract to sell Cereol under a settlement reached

with the buyer, 36 million euros for guarantees provided in connection with the sale of certain companies and 11 million euros related to the sale of a 90% interest in Edison LNG during the period.

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

	12/31/04	Additions	Utilizations	Other changes	Reclassifi. of divested operations	9/30/05
Disputed tax items	45	1	-	-	-	46
Charges for contractual guarantees on the sale of equity investments	321	3	(137)	-	-	187
Risks for disputes, litigation and contracts	188	16	(18)	-	-	186
Provisions for decommissioning and remediation of industrial sites	162	5	(2)	3	-	168
Environmental risks	180	-	-	-	-	180
Risks on equity investments	21	3	(7)	-	-	17
Other risks and charges	197	20	(7)	-	(42)	168
Total	**1,114**	**48**	**(171)**	**3**	**(42)**	**952**

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 this Report entitled Update of the Main Legal and Tax Disputes.

15. Bonds

Bonds, which totaled 2,845 million euros, include four issues floated by Edison Spa (2,649 million euros) and the bonds issued by Edison Treasury Services, a company specialized in securitization transactions (196 million euros).

16. Long-term Borrowings and Other Financial Liabilities

This account totaled 1,960 million euros (1,821 million euros at December 31, 2004), including 1,078 million euros owed by Edipower Spa. Its main components are 1,884 million euros in bank borrowings, 38 million euros owed to leasing companies, 18 million euros payable to other lenders and 20 million euros payable to subsidiaries in liquidation. At September 30, 2005, available and unused lines of credit, which totaled 1,810 million euros, included standby facilities that expire in 2009 (1,600 million euros) and in 2008 (150 million euros).

17. Other Liabilities

Other liabilities consist mainly of interest-bearing deposits provided by customers in connection with contracts for the supply of natural gas.

18. Current Liabilities

	9/30/05	12/31/04	Change
Short-term borrowings	664	805	(141)
Trade payables	923	857	66
Due to customers for contract work	-	311	(311)
Current taxes payable	69	114	(45)
Other liabilities	516	691	(175)
Total current liabilities	**2,172**	**2,778**	**(606)**

The main components of current liabilities are:

- **Short-term borrowings,** which include 539 million euros due to banks, including financial accrued expenses and deferred income; 91 million euros owed to Tecnimont, which is being divested; and 29 million euros due to other lenders (8 million euros owed to leasing companies and 5 million euros payable to associates and unconsolidated subsidiaries for deposits in intra-Group current accounts, which accrued interest of less than 1 million euros during the first nine months of 2005).
- **Due to customers for contract work,** which had a zero balance at September 30, 2005 due to the reclassification of the Engineering operations upon divestiture.
- **Current taxes payable,** which represent the tax liability at September 30, 2005, net of estimated tax payments made.
- **Other liabilities,** the main component of which is a liability stemming from the put-and-call option related to the purchase of a 10% interest in Edipower (232 million euros). Other items included in this account are amounts owed to joint holders of permits and concessions for the production of hydrocarbons (63 million euros), payables for consulting and other services (46 million euros), excise and other taxes payable (19 million euros), amounts payable to public agencies and local governments (18 million euros), amounts payable to the GRTN for green certificates (16 million euros), liabilities arising from the market valuation of derivatives (13 million euros), amounts payable to employees (15 million euros) and amounts owed to pension and social security institutions (12 million euros).

Net Borrowings

The table below provides an overview of the Group's net borrowings, including the amounts owed by the Engineering operations.

	at 9/30/05	at 12/31/04	Change
Medium-and long-term debt			
Bank borrowings	1,884	1,715	169
Bonds	2,845	2,825	20
Due to other lenders	76	106	(30)
Total medium-and long-term debt	**4,805**	**4,646**	**159**
Short-term borrowings			
Bank borrowings	549	645	(96)
Other borrowings	34	160	(126)
Current financial assets	(116)	(89)	(27)
Cash and cash equivalents	(434)	(456)	22
Other financial receivables	-	-	-
Net short-term borrowings	**33**	**260**	**(227)**
Net borrowings	**4,838**	**4,906**	**(68)**
which include			
Net borrowings (liquid assets) attributable to divested operations	**(172)**	**-**	**n.m.**

With regard to the Group's consolidated indebtedness, it is important to keep in mind than any downgrading of Edison's rating and the loss of rating will not trigger an automatic repayment obligation. This applies both to bonds and bank debt. No obligations to stay within minimum/maximum ranges of certain financial indicators (financial covenants) were included in the indenture of any bond issues, but do apply to about 300 million euros in bank debt owed by Edison and its subsidiaries. The financial ratios in question are the ratio of EBITDA to net borrowings and financial expense.

Insofar as the Edipower financing facility is concerned, a downgrading of Edison's rating below the minimum investment grade would not trigger an early repayment obligation for Edipower. Edison's only obligation would be to comply with certain financial covenants. If these financial covenants are not complied with, following a monitoring period, Edison would be required to pay the amounts it guarantees, in accordance with the Completion Equity Contribution Agreement and the Repowering Equity Contribution Agreement. Edipower's financial covenants have to do with the ratios of EBITDA to financial expense and EBITDA to net borrowings, and the maintenance of a minimum EBITDA level.

Notes to the Income Statement

After deducting the minority interest, the profit earned by the Edison Group in the first nine months of 2005 totaled 340 million euros, compared with a profit of 186 million euros in the same period last year. The main reasons for this improvement are:

- Healthy unit sales and the Group's ability to hold margins at a good level in the deregulated market, which offset the negative impact of a decrease in industrial margins caused mainly by the expiration of CIP 6 incentives for some power plants (about 100 million euros), a reduction in hydroelectric output and the shutdowns of some power plants.
- A decrease of net financial expense, which fell from 232 million euros to 181 million euros, reflecting lower indebtedness and a decline in the cost of money, and the impact of the adoption of IAS 32 and IAS 39.
- A significantly lower tax burden and a decrease in minority interest made possible by the corporate restructuring programs implemented in recent years.

The table below, which shows a breakdown of operating performance by quarter, is the designed to provide a clearer picture of the cumulative data at September 30, 2005:

	1st quarter 2005 (*)	2nd quarter 2005	3rd quarter 2005
Sales revenues	1,847	1,456	1,502
EBITDA	300	306	343
as a % of sales revenues	16.2%	21.0%	22.8%
Depreciation, amortization and writedowns	(140)	(141)	(140)
EBIT	160	165	203
as a % of sales revenues	8.7%	11.3%	13.5%
Group interest in profit (loss)	**86**	**112**	**142**

(*) The Group did not prepare its report for the first quarter in accordance withe IAS/IFRS guidelines. The data at March 31, 2005 are those shown in the disclosure statement included in the report on the first quarter of 2005.

19. Sales revenues

Sales revenues totaled 4,805 million euros, for a gain of 441 million euros (+10.1%) compared with the first nine months of 2004. The Group's core businesses reported an increase of 808 million euros (+21.6%), thanks to higher unit sales of natural gas and a rise in the average prices charged for natural gas and electric power. This item also reflects the valuation by the percentage of completion of contract work performed by the Engineering operations, which are being divested and contracted by 370 million euros (from 599 million euros in 2004 to 229 million euros this year) owing to the fact that the data for 2005 cover only six months.

The table below provides a breakdown of sales revenues:

	1/1/05 to 9/30/05	1/1/04 to 9/30/04	Change
Revenues from the sales of:			
- Electric power	3,153	2,731	422
- Natural gas	959	652	307
- Oil	42	36	6
- Steam	98	87	11
- Water to residential users	25	26	(1)
- Other revenues	47	45	2
Recovery of excise taxes	89	83	6
Contract work in progress	229	599	(370)
Recovery of transmission fees	153	93	60
Recovery of costs of work done on behalf of outsiders	10	12	(2)
Total	**4,805**	**4,364**	**441**

Sales Revenues by Business

	1/1/05 to 9/30/05	1/1/04 to 9/30/04	Change	% change
- Electric Power operations	3,572	3,087	485	15.7%
- Hydrocarbons operations	2,251	1,526	725	47.5%
- Corporate activities	31	32	(1)	(3.1%)
- Eliminations	(1,301)	(900)	(401)	44.6%
Core businesses	**4,553**	**3,745**	**808**	**21.6%**
- Water	23	20	3	15.0%
- Engineering – Divested operations	229	599	(370)	(61.8%)
Other operations	**252**	**619**	**(367)**	**(59.3%)**
Edison Group	**4,805**	**4,364**	**441**	**10.1%**

The 21.6% rise in sales revenues reported by the Group's core businesses reflects primarily gains by the Electric Power operations (+15.7% compared with the first nine months of 2004), which expanded unit sales to deregulated customers. An additional boost was provided by the higher prices that could be charged to customers. These gains offset the negative impact of lower CIP 6 sales and of such nonrecurring factors as the shutdown of certain facilities for maintenance.
The sales revenues reported by the Hydrocarbons operations jumped 47.5% compared with the first nine months of 2004, thanks to a rise in unit sales (+20.9%, compared with about +5% for the market as a whole) and a substantial increase in the price of benchmark fuels.

20. Other Revenues and Income, Net

Other revenues and income, net, totaled 394 million euros, or 193 million euros more than in the same period last year (201 million euros). This item includes 192 million euros in differentials on derivatives used to manage the risk of fluctuations in the price of fuels and electric power, which can be defined as hedges in accordance with IAS 39 (in the first nine months of 2004, they were treated as financial items in accordance with the old accounting principles).

21. Raw Materials and Services Used

The cost of raw materials used totaled 4,058 million euros, up 22.5% compared with the first nine months of 2004. A breakdown is as follows:

	1/1/05 to 9/30/05	1/1/04 to 9/30/04	Change
Natural gas	1,904	1,411	493
Electric power	428	289	139
Blast furnace, recycled and coke furnace gas	187	150	37
Oil and other fuels	242	234	8
Industrial and demineralized water	21	21	-
Purchases of other materials and utilities	161	204	(43)
Facilities design, construction and maintenance	201	302	(101)
Transmission of electric power	304	232	72
Transmission and treatment of natural gas	194	152	42
Professional services	71	59	12
Insurance services	24	27	(3)
Excise taxes on natural gas and electric power	89	83	6
Commodity derivatives	155	-	155
Sundry charges	77	148	(71)
Total	**4,058**	**3,312**	**746**

Breakdown by Business

	1/1/05 to 9/30/05	1/1/04 to 9/30/04	Change
- Electric Power operations	3,081	2,296	785
- Hydrocarbons operations	1,793	1,303	490
- Corporate activities	69	64	5
- Eliminations	(1,085)	(895)	(190)
Core businesses	**3,858**	**2,768**	**1,090**
- Water	11	13	(2)
- Engineering – Divested operations	189	531	(342)
Other operations	**200**	**544**	**(344)**
Edison Group	**4,058**	**3,312**	**746**

This expense item consists mainly of purchases of natural gas, electric power and other raw materials used in the production processes.
The amount shown for excise taxes paid is offset by a corresponding item included in "Sales and service revenues." The value shown for commodity transactions corresponds to the amount of the transactions that can be classified as hedges in accordance with IAS 39. In the first nine months of 2004, when the old accounting principles were in effect, they were treated as financial items.

22. Labor Costs

At 192 million euros, labor costs were 24 million euros less than in the first nine month of 2004, due mainly to the reclassification of the Engineering operations as divested operations and a reduction in payroll, as explained in the note to the corresponding items on the balance sheet.

23. EBITDA

As shown in the table below, EBITDA amounted to 949 million euros, or 8.4% less than in the same period last year. A breakdown by business is as follows:

	1/1/05 to 9/30/04	as a % of sales revenues	1/1/04 to 9/30/04	as a % of sales revenues
Core businesses				
Electric Power operations	735	20.6%	846	27.4%
Hydrocarbons operations	259	11.5%	238	15.6%
Corporate activities	(61)	n.a.	(65)	n.a.
Core businesses	**933**	**20.5%**	**1,019**	**27.2%**
Other operations				
Water	5	21.7%	2	10.0%
Engineering – Divested operations	11	2.3%	16	6.5%
Other operations	**16**	**3.2%**	**18**	**6.7%**
Edison Group	**949**	**18.8%**	**1,037**	**25.8%**

The EBITDA amount reflects the positive impact of higher unit sales and the Group's ability to hold relatively steady the margin it earns on sales. On the other hand, the higher prices paid for raw materials could not be reflected fully in the prices charged.

The decrease in EBITDA reported by the Group's core businesses (-8.4%) reflects a 13.1% decline by the **Electric Power operations,** which, as expected, were affected by the expiration of CIP 6 incentives for some power plants, scheduled and extraordinary maintenance at some facilities and a reduction in hydroelectric output, offset in part by a rise in unit sales, made possible by the commissioning of the Candela power plant, and improved margins.

The **Hydrocarbons operations** reported higher EBITDA (+8.8%) thanks to increases in unit sales and in the average unit price charged, which more than offset the cost of using strategic reserves during the periods of unusually intense cold that occurred during the first three months of 2005.

24. Depreciation, Amortization and Writedowns

A breakdown of depreciation, amortization and writedowns is provided below:

	1/1/05-9/30/05	1/1/04-9/30/04	Change
Depreciation of property, plant and equipment	377	363	14
Depreciation of investment property	1	1	-
Amortization of hydrocarbon concessions	25	26	(1)
Amortization of other intangible assets	18	22	(4)
Total	**421**	**412**	**9**

A breakdown by type of business of the depreciation of property, plant and equipment is as follows: Electric Power operations 341 million euros (317 million euros in the first nine months of 2004) and Hydrocarbons operations 32 million euros (41 million euros in the first nine months of 2004), with the Group's other operations accounting for the balance. No item of property, plant and equipment was written down, but the useful lives of certain thermoelectric power plants were modified to reflect extensions of their operating licenses. The impact on depreciation was not material.

25. Net Financial Income (Expense)

Net financial expense came to 181 million euros, for a decrease of 51 million euros compared with the first nine months of 2004.

This decrease reflects a reduction in indebtedness and a reduction in the cost of funds. This year's gain is also the result of a different presentation of the results of derivative transactions, which are now shown as part of the industrial margin, as required by the adoption of IAS 39 as of January 1, 2005.

Net financial expense is the result of the following components:

- Financial income of 101 million euros, which includes 84 million euros from the valuation of interest-rate derivatives;
- Financial expense of 271 million euros, which includes 98 million euros from interest-rate derivatives and commodity trading instruments, 97 million euros in interest paid on bonds and 58 million euros in interest paid to banks;
- Net foreign exchange losses of 10 million euros.

26. Income from (Expense on) Equity Investments

A breakdown of the positive balance of 30 million euros is as follows:

Income:

- 23 million euros for a gain earned on the sale of a 5.1% interest in AEM Spa;
- 7 million euros in dividends received from publicly traded companies;
- 4 million euros for a gain earned on the sale of a 90% interest in Edison LNG;
- 4 million euros generated by marking to market held-for-sale investments.

Expense:

- 3 million euros for losses generated by the sale of a 39% interest in Sidi Krir Generating Company Ltd (2 million euros) and the divestiture of Edison France (1 million euros);
- 5 million euros representing the negative impact of using the equity method to value investments in associates.

27. Other Income (Expense), Net

Other income of 33 million euros is the net result of certain residual items that are not related directly to the Group's industrial or financial operations. The main items included in this account are:

Income:

- 50 million euros from the recognition in earnings of the portion of certain reserves that exceeded the amount paid out, the largest of which had to do with the settlement of the Cereol/Oleina dispute (32 million euros), the Iniziativa Edilizia litigation (7 million euros) and of the Ferrocemento Cambogi dispute (5 million euros);
- 20 million euros in miscellaneous income.

Expense:
- 29 million euros for additions to the provisions for risks, broken down as follows: 7 million euros to fund new contingent risks on the investment in IPSE 2000, 7 million euros for accrued statutory interest and 15 million euros for new provisions, including 5 million euros for the Val di Stava litigation, 5 million euros for future charges to carry out remediation projects at non-industrial sites and 3 million euros for contingent liabilities for guarantees provided upon the sale of equity investments.;
- 8 million euros for miscellaneous charges.

28. Income Taxes

Income taxes amounted to 54 million euros (105 million euros at September 30, 2004) broken down as follows:

	1/1/05-9/30/05	1/1/04-9/30/04
Current taxes	98	178
Net deferred-tax liabilities (assets)	(44)	(73)
Total	**54**	**105**

Current taxes include liabilities of 63 million euros for corporate income taxes (IRES) and 32 million euros for local taxes (IRAP). Other taxes account for the balance.

The balance shown for **deferred taxes** is the result of the following items:
- Booking of deferred-tax liabilities of 52 million euros attributable as follows: 14 million euros for taxes arising from the adoption of IAS 39 to value financial instruments held by Group companies, 26 million euros for nondeductible depreciation and amortization booked by the Edipower subsidiary and 4 million euros for the impact of accounting for finance leases in accordance with IAS 17, with sundry items accounting for the balance;
- Utilization of 72 million euros in deferred-tax liabilities related mainly to depreciation of property, plant and equipment that is not tax deductible because it results from the use of the fair value method to value industrial facilities;
- Booking of deferred-tax assets of 50 million euros attributable mainly to the recognition of a tax carryforward of 38 million euros and to taxed provision and property, plant and equipment valuation differences for the balance;
- Utilization of 26 million euros in deferred-tax assets mainly due to the recognition of tax deductible amortization of goodwill (15 million euros attributable to the Edipower subsidiary).

The impact of income taxes recognized directly in shareholders' equity is discussed in the sections of the Notes to the balance sheet that discuss deferred-tax assets and the provisions for deferred taxes.

Information About Discontinued Operations (IFRS 5)

On October 25, 2005, Edison completed the sale of 100% of the share capital of Tecnimont Spa to Maire Tecnimont Spa, a company of the Maire Group.
Concurrently with the sale, Edison paid 50 million euros for a 19.5% interest in Maire Tecnimont Spa. The remaining 80.5% of this company is owned by Maire Holding Spa. Edison's investment is assisted by a put-and-call option that can be exercised within three years.
Edison has chosen to exercise its put option immediately. As a result, the shares covered by the option will be transferred to Maire Holding within three years of today's date, unless an earlier exercise becomes possible pursuant to the terms of the contract or Maire Holding exercises its call option.
The sales price for Tecnimont was set at 180 million euros, net of the finance charges that Edison has incurred to monetize the deferred portion of the price (30 million euros) and the receivable of 50 million euros generated by the exercise of the put option. These assets were monetized, when Edison signed a contract assigning these receivables to a bank.
With regard to the guarantees that Edison has provided on behalf of Tecnimont to secure the performance of outstanding orders, Maire Tecnimont has undertaken a blanket obligation to release Edison from these guarantees as quickly as possible and has provided, or has caused others to provide, certain guarantees on Edison's behalf.
In Edison's consolidated financial statements, the sale of Tecnimont generated a gain of about 80 million euros, net of the amounts set aside in the provisions for guarantees, but did not have a material effect on the net consolidated financial position, since the company that is being sold, and therefore deconsolidated, has a positive net financial position.

Balance Sheet of the Engineering Operations

(in millions of euros)

	9/30/05
Non-current assets	33
Current assets	403
Total assets	**436**
Group interest in shareholders' equity	**69**
Minority interest in shareholders' equity	-
Shareholders' equity	**69**
Non-current liabilities	58
Current liabilities	309
Total liabilities and shareholders' equity	**436**

Income Statement of the Engineering Operations

(in millions of euros)

	1/1/05-9/30/05
Sales revenues	313
EBITDA	14
Depreciation and amortization	(3)
EBIT	11
Net financial expense	(3)
Profit before taxes	8
Profit for the period	**1**

The profit generated by the discontinued operations between July 1, 2005 and September 30, 2005 amounted to 109,000 euros.

Contingent Commitments and Risks

	9/30/05
Guarantees provided	2,829
Collateral provided	2,434
Other commitments and risks	5,408
Total	**10,671**

Guarantees Provided

Guarantees provided totaled 2,829 million euros. This item, which represents the undiscounted amount of contingent obligations at September 30, 2005, includes the following:

- 726 million euros for guarantees provided by Edison Spa to customers of Tecnimont Spa (704 million euros) and Protecma Srl (22 million euros) for the performance of supply contracts. Both of these companies are being divested.
- 777 million euros in guarantees provided by Edison Spa to the Milan Office of Internal Revenues on behalf of subsidiaries for offsetting VAT credits and those provided to subsidiaries in connection with the intra-Group assignment of tax credits.
- 229 million euros in sureties provided by Edison Spa to credit institutions in connection with project financing, loans and lines of credit provided to Group companies.
- 25 million euros for a commitment to contribute capital and/or provide the subordinated financing needed by the Edipower Spa affiliate for its repowering program (Repowering Equity Contribution Agreement).

In addition, as part of the refinancing of Edipower Spa, Edison Spa has agreed to provide this affiliate with sufficient additional capital and/or subordinated financing to guarantee the successful implementation of Edipower's repowering program in terms of capital expenditure overruns, delays in implementation and power, efficiency and performance of the power plants upon completion of the repowering program (coverage of cost overruns, defects liability and underperformances) that Edipower Spa may incur in connection with its repowering program (100 million euros) – (Completion Equity Contribution Agreement).
Moreover, pursuant to a tolling contract and a power purchasing agreement, Edison Spa is responsible for the commercial obligations undertaken by its Edison Trading Spa subsidiary toward Edipower Spa, but only in the event of serious default or insolvency by Edison Trading Spa (300 million euros).

Collateral Provided

Collateral provided, which came to 2,434 million euros, reflects the carrying amounts of the assets or rights pledged as collateral at September 30, 2005. This account includes collateral provided for liabilities listed on the balance sheet, including the value of Edipower shares (797 million euros) and Serene shares (110 million euros) pledged to a pool of banks to secure financing facilities. Serene's debt has been refinanced and the Group has asked that the share pledge obligation be cancelled.
It also includes additional collateral for liabilities listed on the balance sheet (1,527

million euros), which generally consist of mortgages granted on thermoelectric facilities to secure financing. A total of 523 million euros refers to mortgages that are in the process of being cancelled.

Other Commitments and Risks

The main components of other commitments and risks are:

- 3,317 million euros, in notional amounts of forward financial transactions and derivatives. These transactions refer to foreign exchange hedges (186 million euros) and interest rate hedges (3,131 million euros).
- 1,022 million euros for commitments to purchase new equipment and in connection with existing capital investment programs.
- 336 million euros for commodity based derivatives that hedge the value of rights to receive and obligations to deliver goods.

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

- The Group's **Hydrocarbons** operations have entered into contracts for the importation of natural gas. As is usually the case, contracts of this magnitude and of these durations contain take-or-pay clauses that obligate the buyer to pay for any shortage between the stipulated maximum quantities and the quantity actually used (unless the shortage is due to causes not provided for in the contract), with the option for the buyer to make up, at certain conditions, the paid but unused volume over the life of the contract. When fully operational, the import contracts that are currently being implemented with Russia, Libya and Norway will provide total annual supplies of 7.4 billion cubic meters of natural gas a year. In addition, the Group signed an import contract with Qatar that calls for deliveries to start upon completion of an LNG terminal in the Northern Adriatic, which is currently being built and is expected to go on stream in 2007. When this agreement is fully operational, Qatar will supply a total of 6.6 billion cubic meters of natural gas a year. Payments required as a result of the take-or-pay clause are made on the basis of a price that reflects the contract price but is indexed to current market terms. These contracts have terms ranging between 10 and 25 years. When all of the contracts are fully operational, the annual supply of natural gas will amount to 14 billion cubic meters a year.

- Insofar as the **Electric Power** operations are concerned, the agreements governing loans received by Parco Eolico San Giorgio and Parco Eolico Foiano, which are secured by a special lien on existing equipment and facilities, entail additional commitments. These commitments and risks include the assignment to the Agent, who acts as representative of the assignee banks, of existing or future receivables generated by supply contracts and a special lien for the benefit of the lending banks on assets of any kind that may be owned by the borrower companies in the future and on any receivables generated by the sale of such assets. Loans received by Termica Milazzo and Termica Celano are secured by a negative pledge of Edison Spa shares and, for Termica Celano, a pledge commitment toward the lender bank, should certain noncompliance conditions occur. Termica Celano granted to its lender banks a special pledge on the equipment of its cogenerating power plant. Termica Milazzo granted to its lender banks a mortgage and special pledge on all of the production facilities it owns.

- Pursuant to a stockholder agreement relative to **Finel Spa,** which governs the relationship between EDF International SA (EDFI), a subsidiary of EDF SA that owns 40% of Finel Spa, and Edison Spa, which owns the remaining 60%, starting on July 1, 2005 and until December 31, 2006, EDFI has the right to sell its Finel shares to Edison for a consideration that can be paid either with Edison shares (if Edison's Stockholders' Meeting allows it) or with cash. In any case, the value of the Edison shares paid as consideration for the interest in Finel may not be less than 300 million euros (after deducting any dividends and any reserves or capital distributed after the date of the relevant agreement). If EDFI and Edison fail to reach an agreement on the terms of sale, upon a request by EDFI, Edison will be required to grant EDFI a put option exercisable at any time.

- 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.

- Under a contract executed in connection with the subscription of shares issued by Utilità Spa, Edison has options to either purchase an additional 16% of this company’s share capital or sell its entire investment. Both options must be exercised by and not later than July 31, 2007. The value of the call option is equal to the subscription price of the shares plus accrued interest computed from the share subscription date to the option exercise date. The value of the put option is equal to the pro rata interest in shareholders’ equity at book value, less any reserves that existed on September 28, 2005.

- In addition, the agreement executed in connection with the sale of Terminale GNL Adriatico Srl this past May include 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% interest upon the occurrence of certain events, for which the two majority shareholders are responsible, that would prevent the construction of the terminal (put-and-call clause);

- For the two majority shareholders, the right to buy the 10% interest held by Edison if the supply contract with RasGas should be cancelled for reasons for which Edison is responsible (call clause);
- A price for the sale of shares if the put or call options are exercised, which will be determined based on the value of the company's shareholders' equity at the time of sale;
- 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 is 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.

Update of the Status of the Main Legal and Tax Disputes Since the Publication of the Semiannual Report at June 30, 2005

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

In the proceedings pending before the Court of Brindisi for injuries caused by exposure to monovinyl chloride and polyvinyl chloride and for damage to the environment, in which the Office of the Public Prosecutor asked that the case be dropped and some of the plaintiffs filed briefs opposing this request, a new hearing in chambers has been scheduled to discuss the opposing briefs.

Brindisi, Novara and Verbania Petrochemical Facilities - Criminal Proceedings for Injuries Caused by Exposure to Asbestos Dust

In the criminal proceedings for injuries caused by exposure to asbestos dust at the Novara plant, the indictments have been dismissed.

In the criminal proceedings for injuries caused by exposure to asbestos dust at the Verbania plant, the preliminary hearing judge indicted 11 former directors and managers of Montedison (now Edison) and dismissed all charges against seven others.

Sale of Ausimont: Solvay Arbitration

On May 11, 2005, Solvay Sa and Solvay Solexis Spa, acting through the International Chamber of Commerce (ICC) - International Arbitration Chamber, served Edison with a notice of request for arbitration in connection with certain disputes that have arisen between the parties with respect to the representations and warranties contained in the contract covering Edison's sale of its interest in Agorà Spa (parent company of Ausimont Spa). A Board of Arbitrators has been impaneled and a Chairman of the Board of Arbitrators has been appointed.

Priolo Gargallo Factory – Criminal Proceedings for Waste Dumping

The Office of the Public Prosecutor at the Court of Syracuse, in Sicily, has begun a preliminary investigation of the roles played by certain former Montedison executives in events related to the operation of a petrochemical plant in Priolo Gargallo. Specifically, it is being alleged that liquid waste containing mercury was dumped into the sea, poisoning the water and causing the death of marine fauna and flora, miscarriages and other extremely serious injuries. The actions for which the former Montedison executives may be charged date back to the period from 1983 to 1989, before the factory was conveyed to Enimont together with other chemical businesses owned by Montedison.

Transactions with Related Parties

Transactions between Edison Spa and its subsidiaries, affiliated companies and parent 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.

Transactions with the parent company include the amounts rebilled by Italenergia Bis Spa for seconded employees and interest on balances in intra-Group current accounts until September 16, 2005.

On that date, Italenergia Bis Spa sold its controlling interest in Edison Spa to Transalpina di Energia Srl, a company owned in equal shares by WGRM Holding 4 Spa and Delmi Spa. WGRM Holding 4 is a wholly owned subsidiary of EDF Sa; Delmi is a subsidiary (51%) of AEM Spa.

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 section of this Report that deals with on contingent commitments and risks.

Tecnimont – In 2003, Tecnimont, acting through a temporary business combination with another company, was awarded by Edison Spa a contract valued at 170 million euros (Tecnimont's share is 60 million euros). This contract, which is currently being implemented, is for the construction in Altomonte (CS) of a cogenerating, combined-cycle power plant with a capacity of about 760 MW.

Tecnimont Spa is also carrying out three contracts with Edison Spa with an aggregate value of 10 million euros to supply engineering services in connection with the construction of three combined-cycle thermoelectric power plants, in Candela (FG), Torviscosa (UD) and Simeri Crichi, with installed capacities of 380 MW, 760 MW and 800 MW, respectively.

Consolidated VAT Return – Edison Spa files a consolidated VAT return (so-called VAT Pool) that includes those companies of the Edison Group that meet the requirements of Article 73, Section 3, of Presidential Decree No. 633/72, as amended, and of the Ministerial Decree dated December 13, 1979. Under the consolidated return system, Group companies transfer to Edison Spa, either monthly or quarterly, VAT payable and receivable positions in order to allow Edison Spa to offset these positions and pay only the resulting debit balance, if any. At September 30, 2005, the Group had a VAT credit of 58 million euros.

Intra-Group Assignment of Tax Credits – In 2005, in order to optimize the use of financial resources within the Group as allowed by Article 43 *Ter* of Presidential Decree No. 602/73, as amended, which permits intra-Group transfers of credits for corporate income taxes (IRES), Edison Spa transferred to several Group subsidiaries the surplus IRES credit generated in the 2004 fiscal year, which became available as of January 1, 2005. The credit totaled 69.7 million euros, all collectible during the year.

Consolidated Corporate Income Tax (IRES) Return – Edison Spa, as allowed by Article 117 and following of Presidential Decree No. 917/86 (Uniform Income Tax Code, abbreviated as TUIR in Italian), as amended and integrated by Legislative Decree No. 344/2003, opted to file a consolidated corporate income tax return together with its domestic subsidiaries (direct or indirect ownership greater than 50%) for three years from 2005 to 2007.
Accordingly, once the Boards of Directors of all of the companies involved gave their approval and before officially informing the tax administration of the chosen filing status, Edison Spa and each subsidiary signed a bilateral agreement governing their mutual relationship for the purposes of the abovementioned filing status. The terms of these agreements are identical for all consolidated subsidiaries.

Other Transactions with Related Parties

In 2005, Edison Spa and its subsidiaries engaged in a number of commercial and financial transactions with some of its current stockholders and/or companies controlled by them. 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, is provided below. It is important to keep in mind that a change in the Company's stock ownership that occurred in September produced a corresponding change in the parties that are related to the Group. The overview provided below details both business transactions executed with related parties until September 16, 2005 and transactions with the Group's current related parties.

Commercial Transactions

Electric Power Operations – The Electric Power operations supplied 673 GWh of electric power, corresponding to revenues of 54 million euros, to the following companies of the Fiat Group: CNH Italia Spa, Comau Spa, Centro Ricerche Fiat Spa, Elasis Spa, Ferrari Spa, Fiat Auto Spa, Fiat Avio Spa, New Holland Kobelco Construction Machinery Spa, Se.Co.Sv.Im. Srl, Global Value Services Spa, Isvor Fiat Spa, Iveco Fiat Spa, La Stampa Spa, Magneti Marelli Powertrain Spa, Sistemi e Sospensioni Spa, Teksid Aluminium Srl, Teksid Spa, Maserati Spa and Maserati Spa a Socio Unico.
The Electric Power operations executed the following additional transactions with the EDF Group:

- A contract for the supply of electric power, which resulted in the purchase of electric power worth about 24 million euros (819 GWh) in France and the purchase of electric power worth about 11 million euros (213 GWh) in Italy and the sale of more than 2,253 Gwh of electric power valued at 133 million euros.
- Operation and maintenance contracts with Fenice Spa (EDF Group) for the Rivalta, Cassino, Sulmona, Termoli, Melfi and Pomigliano D'Arco thermoelectric power plants valued at 4 million euros.
- The EDF Group provides technical, engineering and management services at power plants in Taranto and Piombino, and at the Milan headquarters.

In addition, the Electric Power operations sold industrial-grade steam valued at about 8 million euros to Sata Spa, Fiat Auto, Sistemi e Sospensioni Spa, FA Powertrain Spa and Fiat Gesco Spa.
Edison also sold to the Multiutility Group (Carlo Tassara Finanziaria Spa Group) electric power worth about 48 million euros and bought about 1 million euros worth of electric power (19.7 GWh).
As part of its electric power procurement strategy, the Group purchased electric power valued at 6 million euros from Sel Edison Spa, a SEL Spa associated company.

Acting within the framework of the Tolling Contract with Edipower Spa, Edison Trading Spa agreed to act as agent for the other Toller with regard to the supply of fuel to certain power plants. This arrangement produced a receivable of 9 million euros owed by AEM Trading Srl for deliveries of fuel oil.

Hydrocarbons Operations – The Hydrocarbons operations sold industrial-grade steam valued at about 5 million euros to Sata Spa, Fiat Auto, Sistemi e Sospensioni Spa, FA Powertrain Spa and Fiat Gesco Spa.
The Hydrocarbons operations also sold 63 million cubic meters of natural gas valued at about 13 million euros to Fiat-GM Powertrain Italia, Sata Spa and Sevel Spa.
An additional 35 million cubic meters of natural gas, valued at about 9 million euros, were sold to Fenice Spa (EDF Group). The Hydrocarbons operations also purchased about 51 million standard cubic meters of natural gas from ENBW Trading GmbH (EDF Group) at a cost of 9.1 million euros. At September 30, 2005, the Hy-

drocarbons operations also owed 1 million euros for purchases of natural gas to Blumet, an associated company that is part of the Enia Group.

Corporate Activities – Edison Spa purchased goods and services from and incurred other costs in transactions with Fiat Group companies (Savarent, Trantor, Ingest Facility, Sirio, Orione, Fiat Media Center and Fast Buyer Spa) totaling 4 million euros and incurred costs of about 2 million euros for site remediation together with Fenice Spa (EDF Group).

Financial Transactions

The main financial transactions executed by Edison Spa in which banks that were its stockholder until September 16, 2005 played a significant role are reviewed below:

- Banca Intesa is providing advisory financial services to Edison and DEPA in matters related to the Italy-Greece Interconnection (IGI) project.
- Banca Intesa provided a revolving financing facility in the amount of 100 million euros, which will mature on October 26, 2006.
- Banca Intesa and Capitalia were the Group's counterparts in the restructuring of Edipower's indebtedness.
- Sanpaolo IMI Spa, acting as agent, and Mediobanca, a new Company shareholder, were involved in providing Serene Spa with a loan of 70 million euros and a revolving credit line of 30 million euros.

The total fees paid amounted to less than 1 million euros.

Significant Events Occurring After September 30, 2005

Edison Inaugurates the Candela Power Plant

On October 24, 2005, Edison inaugurated a thermoelectric power plant in Candela, a town in the province of Foggia. This new 380-MW facility is the most efficient and environmentally compatible power plant in Italy and the first of the projects in the Edison industrial plan to be completed. The inauguration of this facility and the upcoming commissioning of the Altomonte and Torviscosa power plants are bringing the Group closer to achieving the objective of 14,000 MW of installed capacity by 2008 and increasing its share of the Italian electric power market to about 20%.

Edison Closes the Sale of Tecnimont to the Maire Group

On October 25, 2005, Edison completed the sale of 100% of the share capital of Tecnimont Spa to Maire Tecnimont Spa, a company of the Maire Group. This transaction was cleared by the relevant antitrust agencies.
Additional information is provided in the section of this Report entitled Information About Discontinued Operations (IFRS 5).

Edison – The Tender Offer Launched by Transalpina di Energia Srl Is Completed

The period during which the tender offer launched on October 6, 2005 could be accepted ended on October 26, 2005 with the following results:

- A total of 1,218,816,750 common shares, equal to 93.01% of the securities covered by the offer, were tendered, raising the total investment held by Transalpina di Energia and EDF to 4,070,985,988 shares, or 97.80% of the common share capital.
- A total of 371,389,001 warrants, equal to 40.23% of the securities covered by the offer, were tendered, raising the total number of warrants held by Transalpina di Energia and EDF to 491,562,016, or 48.25% of all warrants outstanding. These figures include the 24,679,354 Edison warrants that EDF, acting through subsidiaries, bought from Capitalia, IMI Investimenti and Banca Intesa on October 25, 2005 as part of a settlement of a dispute that existed between EDF and the banks with regard to warrants covered by put and call options executed on September 1, 2005.

On November 4, 2005, in implementation of the allocation mechanism (as defined and described in Paragraph H.3.1 of the Offering Prospectus) and as indicated in the notice published on November 3, 2005 to announce the outcome of the Tender Offer, Transalpina di Energia sold 9.24% of Edison's common share capital, equal to 384,439,112 common shares, to Mediobanca and JP Morgan Securities, which bought 192,219,556 common shares (4.62%) each.
As a result, the total investment held by Transalpina di Energia and EDF at November 4, 2005 had decreased to 3,686,546,876 commons shares, equal to 88.56% of the Company's share capital.

Edison Elects a New Board of Directors

On October 28, 2005, the shareholders of Edison Spa, having been informed that all of the members of the Board of Directors had resigned effective as of the date of the Shareholders' Meeting, set the number of members of the new Board at 12 and, consistent with the provision of the shareholder agreement executed by EdF and Delmi, elected the following Directors: Marc Boudier, Daniel Camus, Uris Cantarelli, Giovanni De Censi, Pierre Gadonneix, Gian Maria Gros Pietro, Mario Mauri, Umberto Quadrino, Renato Ravanelli, Klaus Stocker, Gerard Wolf and Giuliano Zuccoli. It then elected Giuliano Zuccoli Chairman of the Board of Directors. The Board of Directors then asked Umberto Quadrino to continue serving as Chief Executive Officer.

Edison – EDF International Exercises a Put Option to Sell its 40% Interest in Finel Spa

On November 7, 2005, EDF International (EDFI) informed Edison that it intended to exercise its put option to sell its 40% interest in Finel Spa, as allowed under the Finel Spa shareholder agreement. The option exercise method is described in the section of this Report entitled Contingent Commitments and Risks.

Milan, November 11, 2005

The Board of Directors
by Giuliano Zuccoli
Chairman

SCOPE OF CONSOLIDATION AT SEPTEMBER 30, 2005

List of Equity Investments

(including those disclosed pursuant to Article 126 of Consob Resolution 11971 of 5/14/1999)

Name	Head office	Currency	Share capital	Consolidated Group interest % (a) 9/30/05	12/31/04
A) Equity investments in companies included in the scope of consolidation					
A.1) Companies consolidated line by line					
Parent Company					
Edison Spa	Milan (IT)	EUR	4,265,787,387		
Core Businesses – Electric Power Operations					
Electric Power Business Unit					
Consorzio di Sarmato Soc. Cons. Pa	Milan (IT)	EUR	200,000	52.500	52.500
Ecofuture Srl (single shareholder)	Milan (IT)	EUR	10,200	100.000	100.000
Edison Rete Spa (single shareholder)	Milan (IT)	EUR	106,778,200	100.000	100.000
Gever Spa	Milan (IT)	EUR	10,500,000	51.000	51.000
Jesi Energia Spa	Milan (IT)	EUR	5,350,000	70.000	70.000
Sarmato Energia Spa	Milan (IT)	EUR	14,420,000	61.000	61.000
Sondel Dakar Bv	Rotterdam (NL)	EUR	18,200	100.000	100.000
Stel Spa	Milan (IT)	EUR	1,000,000	75.000	75.000
Termica Boffalora Srl	Milan (IT)	EUR	14,220,000	70.000	70.000
Termica Celano Srl	Milan (IT)	EUR	259,000	70.000	70.000
Termica Cologno Srl	Milan (IT)	EUR	9,296,220	65.000	65.000
Termica Milazzo Srl	Milan (IT)	EUR	23,241,000	60.000	60.000
Renewable Sources					
Edison Energie Speciali Spa (single shareholder)	Milan (IT)	EUR	4,200,000	100.000	100.000
Parco Eolico Faeto Srl (single shareholder)	Milan (IT)	EUR	11,300	100.000	100.000
Parco Eolico Foiano Srl (single shareholder)	Milan (IT)	EUR	683,000	100.000	100.000
Parco Eolico San Bartolomeo Srl (single shareholder)	Milan (IT)	EUR	10,200	100.000	100.000
Parco Eolico San Giorgio Srl (single shareholder)	Milan (IT)	EUR	8,911,200	100.000	100.000
Core Businesses – Hydrocarbons Operations					
Hydrocarbons Business Unit					
Edison D.G. Spa (single shareholder)	Selvazzano Dentro (PD) (IT)	EUR	460,000	100.000	100.000
Edison International Spa	Milan (IT)	EUR	17,850,000	100.000	100.000
Edison Stoccaggio Spa (single shareholder)	Milan (IT)	EUR	81,497,301	100.000	100.000
Euroil Exploration Ltd	London (GB)	GBP	9,250,000	100.000	100.000
Core Businesses – Energy Management					
Energy Management Business Unit					
Edison Hellas Sa	Athens (GR)	EUR	263,700	100.000	100.000
Edison Trading Spa (single shareholder)	Milan (IT)	EUR	30,000,000	100.000	100.000
Volta Spa	Milan (IT)	EUR	130,000	51.000	51.000

Interest held in share capital % (b)	by	Voting securities held % (c)	Exercisable voting rights % (d)	Investment relationship (e)
				I
52.500	Edison Spa	-	-	SUB
100.000	Edison Spa	-	- h	SUB
100.000	Edison Spa	-	- h	SUB
51.000	Edison Spa	-	-	SUB
70.000	Edison Spa	-	-	SUB
61.000	Edison Spa	-	-	SUB
100.000	Montedison Finance Europe Nv	-	-	SUB
75.000	Edison Spa	-	-	SUB
70.000	Edison Spa	-	- h	SUB
70.000	Edison Spa	-	- h	SUB
65.000	Edison Spa	-	- h	SUB
60.000	Edison Spa	-	- h	SUB
100.000	Edison Spa	-	- h	SUB
100.000	Edison Energie Speciali Spa (single shareholder)	-	- h	SUB
100.000	Parco Eolico San Giorgio Srl (single shareholder)	-	- h	SUB
100.000	Edison Energie Speciali Spa (single shareholder)	-	- h	SUB
100.000	Edison Energie Speciali Spa (single shareholder)	-	- h	SUB
100.000	Edison Spa	-	- h	SUB
70.000 30.000	Edison Spa Selm Holding International Sa	-	- h	SUB
100.000	Edison Spa	-	- h	SUB
0.000 100.000	Edison Spa Selm Holding International Sa	-	-	SUB
100.000	Edison Spa	-	-	SUB
100.000	Edison Spa	-	- h	SUB
51.000	Edison Spa	-	-	SUB

List of Equity Investments (continued)

Name	Head office	Currency	Share capital	Consolidated Group interest % (a) 9/30/05	12/31/04
Core Businesses – Marketing and Distribution					
Marketing and Distribution Business Unit					
Asep Gas Srl (single shareholder)	Porto Mantovano (MN) (IT)	EUR	221,000	100.000	80.000
Edison Energia Spa (single shareholder)	Milan (IT)	EUR	22,000,000	100.000	100.000
Edison Per Voi Spa (single shareholder)	Selvazzano Dentro (PD) (IT)	EUR	3,592,000	100.000	100.000
Core Businesses – Corporate Activities					
Italian and Foreign Holding Companies					
Atema Limited	Dublin (IE)	EUR	1,500,000	100.000	100.000
Finanziaria di Partecipazioni Elettriche Finel Spa	Milan (IT)	EUR	194,000,000	60.000	60.000
Montedison Finance Europe Nv	Amsterdam (NL)	EUR	4,537,803	100.000	100.000
Selm Holding International Sa	Luxembourg (LU)	EUR	24,000,000	100.000	100.000
Real Estate Companies					
Montedison Srl (single shareholder) form. Come Iniziative Immobiliari Srl (single shareholder)	Milan (IT)	EUR	2,583,000	100.000	100.000
Nuova Alba Srl (single shareholder)	Milan (IT)	EUR	2,016,457	100.000	100.000
Dormant and Other Companies					
Edison Treasury Services Srl	Conegliano (TV) (IT)	EUR	10,000	0.000	0.000
Other Operations					
Engineering – Divested Operations					
Emp. Madrilena de Ing. Y Costr. Sa	Madrid (ES)	EUR	60,110	100.000	100.000
Finewell Limited	Nicosia (CY)	CYP	1,000	100.000	100.000
Icogas Tecnologia 2000 Sl	Donastia (E)	ESP	500,000	100.000	66.000
Imm. Lux. Sa	Luxembourg (LU)	EUR	780,000	100.000	100.000
Protecma Srl (single shareholder)	Milan (IT)	EUR	3,000,000	100.000	100.000
Sofregaz Sa	Paris (FR)	EUR	17,500,000	100.000	66.000
Tecnimont Arabia Limited	Jeddah (SA)	SAR	5,500,000	51.000	51.000
Tecnimont Benelux Sa	Bruxelles (BE)	EUR	250,000	100.000	100.000
Tecnimont Chile Ltda	Santiago (CL)	CLP	277,934,149	100.000	100.000
Tecnimont do Brasil Ltda	São Paulo (BR)	BRL	1,000,000	100.000	100.000
Tecnimont International Sa	Luxembourg (LU)	EUR	200,000	100.000	100.000
Tecnimont Nigeria Ltd	Lagos (NG)	NGN	5,000,000	70.000	70.000
Tecnimont Poland Sp.zo.o	Warsaw (PL)	PLZ	50,000	100.000	100.000
Tecnimont Spa (single shareholder)	Milan (IT)	EUR	52,000,000	100.000	100.000
TPI - Tecnimont Planung und Industrieanlageibau Gmbh	Grimma (DE)	EUR	260,000	100.000	100.000
Tws Sa	Lugano (CH)	CHF	100,000	100.000	100.000

Interest held in share capital % (b)	by	Voting securities held % (c)	Exercisable voting rights % (d)	Investment relationship (e)
100.000	Edison Per Voi Spa (single shareholder)	-	- h	SUB
100.000	Edison Spa	-	- h	SUB
100.000	Edison D.G. Spa (single shareholder)	-	- h	SUB
100.000	Edison Spa	-	-	SUB
60.000	Edison Spa	-	- h	SUB
100.000	Edison Spa	-	-	SUB
99.950	Edison Spa	-	-	SUB
0.050	Montedison Srl (single shareholder)	-	-	
100.000	Edison Spa	-	- h	SUB
100.000	Edison Spa	-	- h	SUB
0.000	Edison Spa	-	-	SUB
100.000	Tecnimont Spa (single shareholder)	-	-	SUB
100.000	Tecnimont International Sa	-	-	SUB
100.000	Sofregaz Sa	-	-	SUB
100.000	Tecnimont International Sa	-	-	SUB
100.000	Tecnimont Spa (single shareholder)	-	-	SUB
100.000	Tecnimont Spa (single shareholder)	-	-	SUB
51.000	Tecnimont Spa (single shareholder)	-	-	SUB
100.000	Tecnimont Spa (single shareholder)	-	-	SUB
100.000	Tecnimont Spa (single shareholder)	-	-	SUB
100.000	Tecnimont Spa (single shareholder)	-	-	SUB
100.000	Tecnimont Spa (single shareholder)	-	-	SUB
70.000	Tecnimont Spa (single shareholder)	-	-	SUB
100.000	Tecnimont Spa (single shareholder)	-	-	SUB
100.000	Edison Spa	-	-	SUB
100.000	Tecnimont Spa (single shareholder)	-	-	SUB
100.000	TPI - Tecnimont Planung und Industrieanlageibau Gmbh	-	-	SUB

List of Equity Investments (continued)

Name	Head office	Currency	Share capital	Consolidated Group interest % (a) 9/30/05	12/31/04
A.2) Companies consolidated by the proportional method					
Core Businesses – Electric Power Operations					
Electric Power Business Unit					
Bluefare Ltd	London (GB)	GBP	1,000	50.000	50.000
Ibiritermo Sa	Ibirite' Estado De Minas Gerais (BR)	BRL	7,651,814	50.000	50.000
Sel - Edison Spa	Castelbello (BZ) (IT)	EUR	84,798,000	42.000	42.000
Sel - Edison Net Srl	Castelbello - Ciardes (BZ) (IT)	EUR	200,000	42.000	42.000
Serene Spa	Milan (IT)	EUR	25,800,000	66.320	66.320
Renewable Sources					
Parco Eolico Castelnuovo Srl	Castelnuovo di Conza (SA) (IT)	EUR	10,200	50.000	50.000
Other Electric Power Assets					
Edipower Spa	Milan (IT)	EUR	1,441,300,000	50.000	50.000
Core Businesses – Hydrocarbons Operations					
Hydrocarbons Business Unit					
ED - Ina D.O.O.	Zagreb (HR)	HRK	20,000	50.000	50.000
Soc. Stud. Prom. Gasdot. Alg-Ita V. Sardeg. Galsi Spa	Milan (IT)	EUR	3,850,000	18.000	18.000
Other Operations					
Water					
Internat. Water Serv. (Guayaquil) Interagua C. Ltda	Guayaquil (EC)	USD	17,820,000	26.550	26.550
International Water (Adelaide I) Sarl	Luxembourg (LU)	EUR	15,098	50.000	50.000
International Water (Adelaide II) Sarl	Luxembourg (LU)	EUR	36,295	50.000	50.000
International Water (Mwc) Sarl	Luxembourg (LU)	EUR	13,248,194	50.000	50.000
International Water (Tunari) Bv	Amsterdam (NL)	EUR	20,000	50.000	50.000
International Water (Tunari) Sarl	Luxembourg (LU)	EUR	559,157	50.000	50.000
International Water (UK) Limited	Londra (GB)	GBP	1,001	50.000	50.000
International Water Holdings Bv	Amsterdam (NL)	EUR	40,000	50.000	50.000
International Water Services (Guayaquil) Bv	Amsterdam (NL)	EUR	20,000	29.500	29.500
International Water Services Limited	George Town - Grand Cayman (KY)	USD	45,100	49.890	49.890
International Water Services Ltd	Zug (CH)	CHF	100,000	50.000	50.000
IWL (Asia Pacific) PTE Ltd	Singapore (SG)	SGD	2	50.000	50.000
IWL Adelaide PTY Ltd	Chippendale (AU)	AUD	1,020,460	50.000	50.000
IWL Corporate Limited	London (GB)	GBP	1	50.000	50.000
IWL Services (USA) Inc.	Wilmington - Delaware (USA)	USD	1	50.000	50.000
IWL Services Holdings (UK) Limited	London (GB)	GBP	2	50.000	50.000

Interest held in share capital % (b)	by	Voting securities held % (c)	Exercisable voting rights % (d)	Investment relationship (e)
50.000	Edison Spa	-	-	JV
50.000	Edison Spa	-	-	JV
42.000	Edison Spa	-	-	JV
100.000	Sel - Edison Spa	-	-	JV
66.320	Edison Spa	-	- n	JV
50.000	Edison Energie Speciali Spa (single shareholder)	-	-	JV
40.000	Edison Spa	-	-	JV
50.000	Edison International Spa	-	-	JV
18.000	Edison Spa	-	-	JV
90.000	International Water Services (Guayaquil) Bv	-	-	JV
100.000	International Water Holdings Bv	-	-	JV
100.000	International Water Holdings Bv	-	-	JV
100.000	International Water Holdings Bv	-	-	JV
100.000	International Water Holdings Bv	-	-	JV
100.000	International Water (Tunari) Bv	-	-	JV
0.100 99.900	International Water Services Limited Iwl Corporate Limited	0.000 100.000	0.000 100.000	JV
50.000	Edison Spa	-	-	JV
59.000	International Water Holdings Bv	-	-	JV
99.780	International Water Holdings Bv	-	-	JV
100.000	International Water Holdings Bv	-	-	JV
100.000	International Water Holdings Bv	-	-	JV
1.000 99.000	International Water (Adelaide I) Sarl International Water (Adelaide II) Sarl	-	-	JV
100.000	IWL Services Holdings (UK) Limited	-	-	JV
100.000	International Water Holdings Bv	-	-	JV
100.000	International Water Holdings Bv	-	-	JV

List of Equity Investments (continued)

Name	Head office	Currency	Share capital	Consolidated Group interest % (a) 9/30/05	12/31/04
Engineering – Divested Operations					
Engineering & Designs Tecnimont ICB PVT Ltd	Mumbai (IN)	IDR	100,000	50.000	50.000
Fos	Parigi (F)	EUR		50.000	-
Guandong Contractor	Montigny-Le-Bretonneux (F)	EUR	1,000	40.000	34.900
Hazira	Paris (FR)	EUR		45.000	-
JTS Contracting Company Limited	Floriana, La Valletta (MT)	EUR	100,000	45.000	41.600
Revithoussa	Paris (FR)	EUR		50.000	-
STTS	Montigny-Le-Bretonneux (F)	EUR	1,000	40.000	34.900
Tecnimont ICB Private Limited	Kalina - Mumbay (IN)	IDR	13,886,700	50.000	50.000

Interest held in share capital % (b)	by	Voting securities held % (c)	Exercisable voting rights % (d)	Investment relationship (e)
100.000	Tecnimont ICB Private Limited	-	-	JV
50.000	Sofregaz Sa	-	-	JV
25.000 15.000	Emp. Madrilena de Ing. Y Costr. Sa Icogas Tecnologia 2000 Sl	-	-	JV
15.000 30.000	Sofregaz Sa Tecnimont Spa (single shareholder)	-	-	JV
10.000 35.000	Sofregaz Sa Tecnimont Spa (single shareholder)	-	-	JV
50.000	Sofregaz Sa	-	-	JV
15.000 25.000	Sofregaz Sa Tecnimont Spa (single shareholder)	-	-	JV
50.000 0.000	Tecnimont Spa (single shareholder) TPI - Tecnimont Planung und Industrieanlagenbau Gmbh	-	- g	JV

List of Equity Investments (continued)

Name	Head office	Currency	Share capital	Consolidated Group interest % 12/31/04
B) Equity investments in companies valued by the equity method				
Core Businesses – Electric Power Operations				
Electric Power Business Unit				
Consorzio Barchetta	Jesi (AN) (IT)	EUR	2,000	
Consorzio Montoro	Narni (IT)	EUR	4,000	
Consorzio Vicenne	Celano (IT)	EUR	1,000	
GTI Dakar Ltd	George Town - Gran Cayman (KY)	EUR	14,686,479	
Kraftwerke Hinterrhein Ag	Thusis (CH)	CHF	100,000,000	
Roma Energia Srl	Rome (IT)	EUR	50,000	
Renewable Sources				
Sistemi di Energia Spa	Milan (IT)	EUR	6,950,000	
Core Businesses – Hydrocarbons Operations				
Hydrocarbons Business Unit				
Nile Valley Gas Company (NVGC) Sae	Cairo (EG)	EGP	50,000,000	
Core Businesses – Marketing and Distribution				
Marketing and Distribution Business Unit				
Blumet Spa	Reggio Emilia (IT)	EUR	7,600,000	
EstGas Spa	Udine (IT)	EUR	495,000	
Eta 3 Spa	Arezzo (IT)	EUR	2,000,000	
Gasco Spa	Bressanone (BZ) (IT)	EUR	350,000	
Prometeo Spa	Osimo (AN) (IT)	EUR	1,938,743	
S.A.T. - Servizi Ambiente Territorio Spa	Sassuolo (MO) (IT)	EUR	27,752,560	
S.A.T. - Patrimonio Spa	Sassuolo (MO) (IT)	EUR	1,000,000	
Core Businesses – Corporate Activities				
Real Estate Companies				
Iniziativa Universitaria 1991 Spa	Varese (IT)	EUR	16,120,000	
Soc. per la Gest. del Palazzo Centro Congressi Srl	Assago (MI) (IT)	EUR	10,200	
Dormant and Other Companies				
Syremont Spa	Messina (IT)	EUR	750,000	
Other Operations				
Water				
Aguas Del Tunari Sa	La Paz (BO)	BOB	146,500,000	
Engineering – Divested Operations				
Consorzio Progetti Trasporto	Rome (IT)	LIT	100,000,000	
Polymer Technology Inc.	Wilmington - Delaware (USA)	USD	200	
Studio Geotecnico Italiano Srl	Milan (IT)	EUR	1,550,000	
Total				

Interest held in share capital % (b)	by	Voting securities held % (c)	Exercisable voting rights % (d)	Carrying amount (millions of euros) (f)	Investment relationship (e)
50.000	Jesi Energia Spa	-	-		ASS
25.000	Edison Spa	-	-		ASS
50.000	Termica Celano Srl	-	-		ASS
30.000	Sondel Dakar Bv	-	-	5	ASS
20.000	Edison Spa	-	-	17	ASS
35.000	Edison Spa	-	-	1	ASS
37.890	Edison Spa	-	-	3	ASS
37.500	Edison International Spa	-	-	4	ASS
25.790	Edison Spa	-	-	4	ASS
33.330	Edison Spa	-	-		ASS
33.010	Edison Spa	-	-	1	ASS
40.000	Edison Spa	-	-		ASS
21.000	Edison Spa	-	-	1	ASS
40.000	Edison Spa	-	-	22	ASS
40.000	Edison Spa	-	-	1	ASS
32.260	Montedison Srl (single shareholder)	-	- m	4	ASS
44.820	Montedison Srl (single shareholder)	-	-		ASS
40.000	Edison Spa	-	-		ASS
55.000	International Water (Tunari) Sarl	-	-	2	ASS
40.000	Tecnimont Spa (single shareholder)	-	-		ASS
30.000	Tecnimont Spa (single shareholder)	-	-		ASS
25.500	Tecnimont Spa (single shareholder)	-	-		ASS
				65	

List of Equity Investments (continued)

Name	Head office	Currency	Share capital	Consolidated Group interest % 12/31/04
C) Equity investments in companies valued at cost because subject to long-term restrictions				
Core Businesses – Electric Power Operations				
Electric Power Business Unit				
Biomasse Emilia Romagna Srl (in liquid.)	Cesena (FO) (IT)	EUR	10,000	
Core Businesses – Hydrocarbons Operations				
Hydrocarbons Business Unit				
Auto Gas Company Sae (in liquid.)	Cairo (ET)	EGP	1,700,000	
Styrija Plin D.O.O. (in liquid.)	Slovenska Bistrica (SI)	SIT	7,000,000	100.000
Core Businesses – Marketing and Distribution				
Marketing and Distribution Business Unit				
Edison Gas Espana Sa (single shareholder company in liquid.)	Barcelona (ES)	EUR	60,200	100.000
Core Businesses – Corporate Activities				
Dormant and Other Companies				
Codest Srl	Pavia di Udine (UD) (IT)	EUR	15,600	
Consorzio Friulano per il Tagliamento	Udine (IT)	EUR	10,330	
In Liquidation or Subject to Restrictions				
C.F.C. Consorzio Friulano Costruttori (in liquid.)	Udine (IT)	LIT	100,000,000	
Calbiotech Srl (in bankruptcy)	Ravenna (IT)	LIT	90,000,000	
Calcestruzzi Palermo Spa (in receiversh.) (single sharehold.)	Palermo (IT)	EUR	108,360	
Calcestruzzi Pozzallo Srl (in liquid.)	Pozzallo (RG) (IT)	EUR	26,000	
Cempes Scrl (in liquid.)	Villa Adriana - Tivoli (RM) (IT)	EUR	15,492	
Ci.far. Scarl (iin bankruptcy)	Udine (IT)	LIT	20,000,000	
Compo Chemical Company (in liquid.)	Wilmington, Delaware (USA)	USD	1,000	
Compo Shoe Machinery Corp. of Canada (in liquid.)	Montreal - Quebec (CA)	CAD	500	
Coniel Spa (in liquid.)	Rome (IT)	EUR	1,020	
Consorzio Carnia (in liquid.)	Sesto San Giovanni (MI) (IT)	EUR	51,645	
Consorzio Carnia Scrl (in liquid.)	Rome (IT)	EUR	45,900	
Convolci Scnc (in liquid.)	Sesto San Giovanni (MI) (IT)	EUR	5,165	
Ferruzzi Trading France Sa (in liquid.)	Paris (FR)	EUR	7,622,451	
Finimeg Spa (single shareholder) (in liquid.)	Milan (IT)	EUR	2,425,200	100.000
Finsavi Srl (in receivership)	Palermo (IT)	EUR	18,698	
Frigotecnica Srl (single shareholder) (in receiver.) (in liquid.)	Palermo (IT)	EUR	76,500	
Gerinia Srl (in liquid.)	Milan (IT)	EUR	52,132	
Groupement Gambogi-Cisa (in liquid.)	Dakar (SN)	XAF	1,000,000	
Inica Sarl (in liquid.)	Lisbon (PT)	PTE	1,000,000	
La Generale Finanz. e Imm. Srl (single sharehold.) (in liquid.)	Milan (IT)	EUR	130,000	
Montecatini Srl (single shareholder) (in liquid.)	Milan (IT)	EUR	60,000	

Interest held in share capital % (b)	by	Voting securities held % (c)	Exercisable voting rights % (d)	Carrying amount (millions of euros) (f)	Investment relationship (e)
51.000	Edison Spa	-	- (h)		SUB
30.000	Edison International Spa	-	-		ASS
100.000	Edison D.G. Spa (single shareholder)	-	- i		SUB
100.000	Edison Spa	-	-		SUB
33.330	Nuova C.I.S.A. Spa (in liquid.) (single shareholder)	-	-		ASS
16.300	Nuova C.I.S.A. Spa (in liquid.) (single shareholder)	-	-		TPC
20.000	Nuova C.I.S.A. Spa (in liquid.) (single shareholder)	-	-		ASS
55.000	Edison Spa	-	-		SUB
100.000	Edison Spa	-	I 0.000		SUB
50.000	Edison Spa	-	i		ASS
33.330	Nuova C.I.S.A. Spa (in liquid.) (single shareholder)	-	-		ASS
60.000	Nuova C.I.S.A. Spa (in liquid.) (single shareholder)	-	-		SUB
100.000	Nuova Alba Srl (single shareholder)	-	-		SUB
100.000	Nuova Alba Srl (single shareholder)	-	-		SUB
35.250	Edison Spa	-	-		ASS
17.000	Nuova C.I.S.A. Spa (in liquid.) (single shareholder)	-	-		TPC
17.000	Nuova C.I.S.A. Spa (in liquid.) (single shareholder)	-	-		TPC
27.370	Nuova C.I.S.A. Spa (in liquid.) (single shareholder)	-	-		ASS
100.000	Edison Spa	-	-		SUB
100.000	Edison Spa	-	- h		SUB
50.000	Edison Spa	-	I 0.000		ASS
100.000	Edison Spa	-	I 0.000		SUB
31.000	Montedison Srl (single shareholder)	-	-		ASS
50.000	Nuova C.I.S.A. Spa (in liquid.) (single shareholder)	-	-		ASS
20.000	Edison Spa	-	-		ASS
100.000	Montedison Finance Europe Nv	-	- h		SUB
100.000	Edison Spa	-	- h		SUB

List of Equity Investments (continued)

Name	Head office	Currency	Share capital	Consolidated Group interest % 12/31/04
Nuova C.I.S.A. Spa (single shareholder) (in liquid.)	Milan (IT)	EUR	1,549,350	
Nuova I.S.I. Impianti Selez. Inerti Srl (in bankruptcy)	Vazia (RI) (IT)	LIT	150,000,000	
Poggio Mondello Srl (single shareholder) (in receiver.)	Palermo (IT)	EUR	364,000	
Rosfid Srl (in liquid.)	Milan (IT)	LIT	46,000,000	
Rumianca Spa (single shareholder) (in liquid.)	Milan (IT)	EUR	100,000	
Sistema Permanente di Servizi Spa (in bankruptcy)	Rome (IT)	EUR	154,950	
Soc. Gen. per Progr. Cons. e Part. Spa (und. extraord. adm.)	Rome (IT)	LIT	300,000,000	
Sorrentina Scarl (in liquid.)	Rome (IT)	EUR	46,480	
Trieste Tre Srl (in liquid.)	Ravenna (IT)	EUR	10,400	
Other Operations				
Engineering – Divested Operations				
Consorzio Demm (in liquid.)	Aquaviva delle Fonti (BA) (IT)	EUR	2,066	
Consorzio per l'ambiente rurale (in liquid.)	Rome (IT)	EUR	5,165	
Svincolo Taccone Scarl (in liquid.)	Bari (IT)	LIT	20,000,000	

Interest held in share capital % (b)	by	Voting securities held % (c)	Exercisable voting rights % (d)	Carrying amount (millions of euros) (f)	Investment relationship (e)
100.000	Edison Spa	-	- h		SUB
33.330	Montedison Srl (single shareholder)	-	-		ASS
100.000	Finimeg Spa (single shareholder) (in liquid.)	-	-		SUB
42.280	Edison Spa	-	- i		ASS
100.000	Edison Spa	-	- h		SUB
12.600	Edison Spa	-	-		TPC
59.330	Edison Spa	-	-		SUB
25.000	Nuova C.I.S.A. Spa (in liquid.) (single shareholder)	-	-		ASS
50.000	Nuova C.I.S.A. Spa (in liquid.) (single shareholder)	-	-		ASS
25.000	Tecnimont Spa (single shareholder)	-	-		ASS
40.000	Tecnimont Spa (single shareholder)	-	-		ASS
80.000	Tecnimont Spa (single shareholder)	-	-		SUB

List of Equity Investments (continued)

Name	Head office	Currency	Share capital	Consolidated Group interest % 12/31/04
D) Equity investments in other companies valued at fair value				
D.1) Trading				
ACEA Spa				
ACEGAS Spa				
ACSM Spa				
American Superconductor Corp.				
AMGA Spa				
D.2) Available-for-sale investments				
Publicly traded				
Gemina				
RCS				
Other unlisted companies				
Total				

Interest held in share capital % (b)	by	Voting securities held % (c)	Exercisable voting rights % (d)	Carrying amount (millions of euros) (f)	Investment relationship (e)
				3	TPC
				7	TPC
				3	TPC
				2	TPC
				18	TPC
0.925	Edison Spa			7	
0.982	Edison Spa			37	
				35	
				177	

Notes

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

(b) The interest in the capital stock is equivalent to the ratio between the aggregate par value of all equity securities held directly and the total capital stock. In this computation, the denominator (total capital stock) is net of any treasury shares held.

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

(d) The percentage of securities with exercisable voting rights is the ratio between the number of votes that can be effectively cast by the investor company attending an Ordinary Stockholders' Meeting and the total number of votes that can be cast at an Ordinary Stockholders' Meeting. The percentage is shown only if it is different from the overall interest held.

(e) SUB = subsidiary; JV = joint venture; ASS = associate; TPC = third-party company.

(f) The carrying value is shown only for companies valued by the equity method or at cost, owned directly by the Parent Company. For other companies consolidated on a line-by-line basis or by the proportional method, it is shown only if it is equal to or greater than one million euros.

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

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

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

(l) The assets, partnership interests or shares of this company were seized on July 7, 1998 and the respective voting rights attributed to a Receiver appointed by the Court of Palermo – Protective Measures Section.

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

(n) Classified as a subsidiary pursuant to Article 2359 of the Italian Civil Code.

Edison Spa
Foro Buonaparte, 31
20121 Milan

Share capital: 4,273,045,574.00 euros fully paid-in
Milan Company Register and Tax I.D. No. 06722600019
VAT No. 08263330014
REA Milan No. 1698754

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