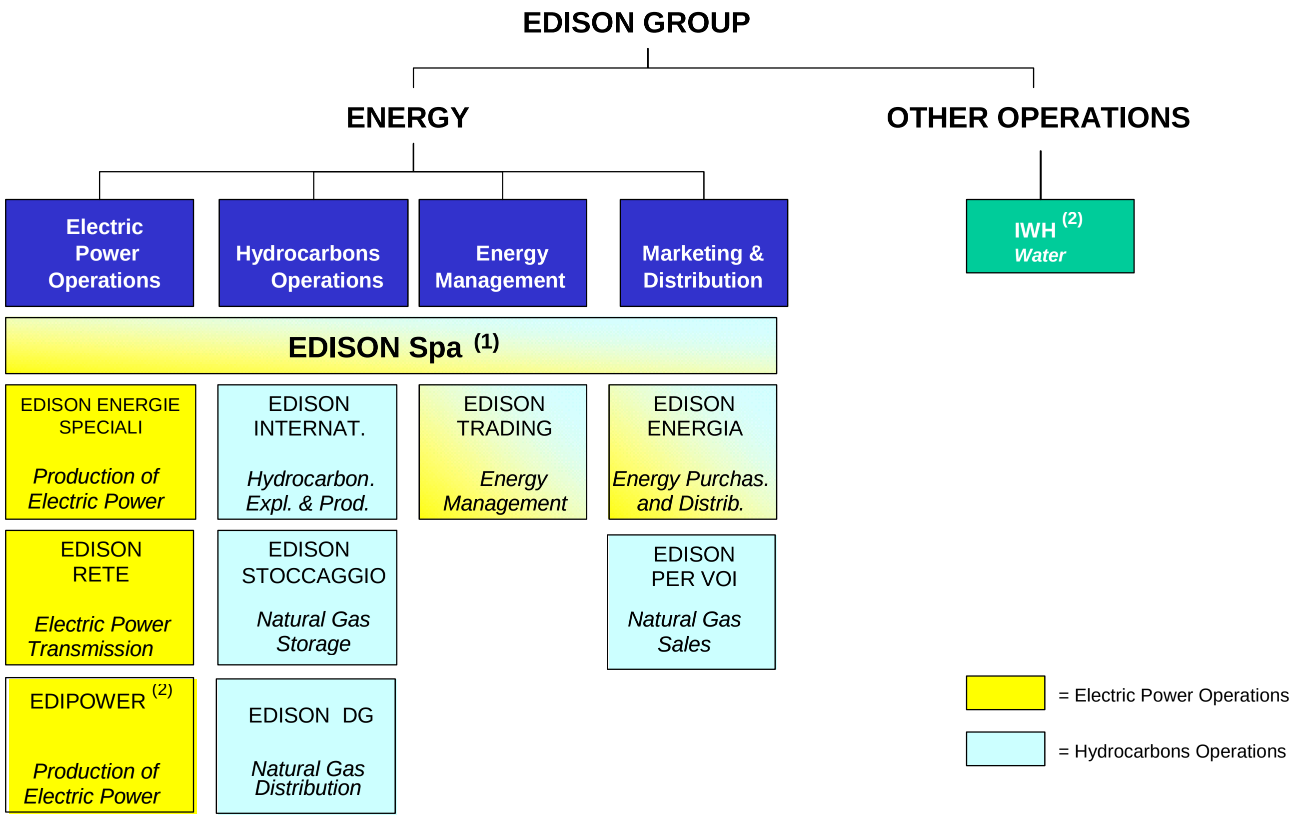
QUARTERLY REPORT AT MARCH 31, 2006

Quarterly Report At March 31, 2006

Simplified Structure of the Group at March 31, 2006



(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 by the proportional method at 50%.

Key Events

Growing Our Business

Inauguration of a New 16-MW Wind Farm in Ripabottoni (Campobasso)

Edison is moving forward with its plan to expand its renewable resource facilities.

On February 9, 2006, as part of this effort, the Ripabottoni Wind Farm started its activity. Located in the province of Campobasso, this new facility has 24 aerogenerators with a combined generating capacity of 16 MW that will produce 32 million kWh.

Acquisition of EDF Italia

At a meeting held on February 21, 2006, Edison's Board of Directors authorized the Chief Executive Officer to negotiate the acquisition of EdF Italia by Edison.

EdF Italia, a company that operates in the deregulated energy market, sold a total of 8 billion kWh hours of electric power to a broad portfolio of industrial and residential customers in 2005.

This acquisition is an integral part of Edison's strategy of maximizing commercial and structural synergies with its industrial shareholders. This transaction is expected to close around June 30, 2006, once the regulatory authorities provide the requisite approvals.

Agreement with the Bassano del Grappa Retailers' Association

On March 16, 2006, Edison and the Retailers' Association of Bassano del Grappa (Vicenza) signed a framework agreement that will enable the 1,700 commercial establishments that are members of the Association to buy electric power from Edison on favorable terms.

Other key events

Seven-year credit lines totaling 1.5 billion euros are secured on extremely advantageous terms

As part of a series of activities carried out to further enhance the Company's financial profile, Edison on March 29, 2006, agreed to sign a 1.5 billion euro loan agreement with a pool of international banks that will enable it to restructure its overall bank debt exposure on more advantageous terms. The loan agreement has been executed on April 12, 2006.

The credit lines will cover the Company's funding needs for the coming years and will shift the maturity of its bank exposure to 2013.

Financial Highlights

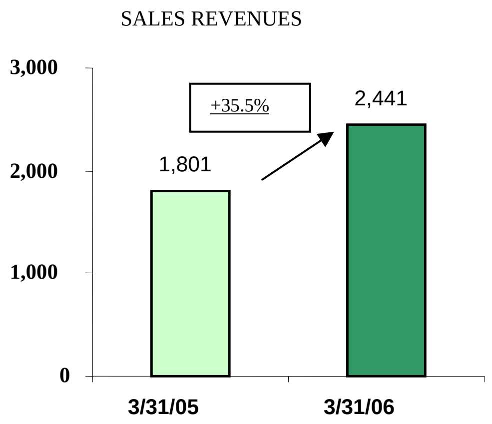
Edison Group

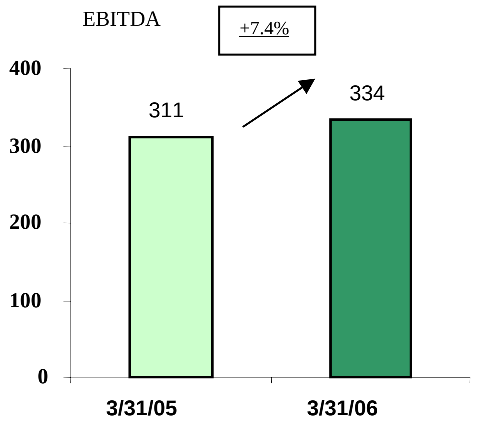
(in millions of euros)

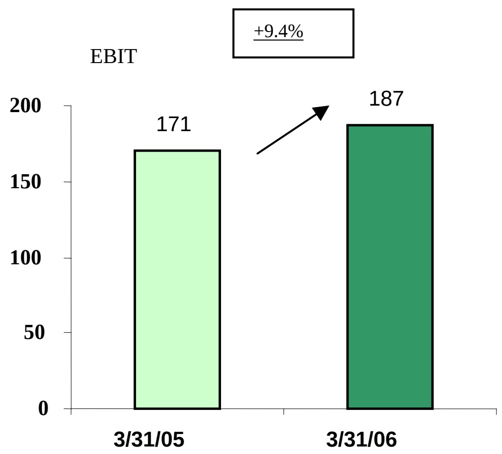
2005 full year		**First quarter 2006**	**First quarter 2005**	**% change**
6,650	Sales revenues	2,441	1,801	*35.5%*
1,306	EBITDA	334	311	*7.4%*
19.6%	*as a % of sales revenues*	*13.7%*	*17.3%*	
649	EBIT	187	171	*9.4%*
9.8%	*as a % of sales revenues*	*7.7%*	*9.5%*	
436	Profit before taxes	111	144	*(22.9%)*
500	Group interest in profit	67	99	*(32.3%)*
598	Capital expenditures	73	133	*(45.1%)*
22	Investments in exploration	11	6	*83.3%*
11,307	Net invested capital (A+B) (1)	11,406	11,271	*0.9%*
4,878	Net borrowings (A) (1)	4,916	4,939	*0.8%*
6,429	Shareholders' equity before minority interest (B) (1)	6,490	6,332	*0.9%*
6,270	Group interest in shareholders' equity (1)	6,337	5,865	*1,1%*
5.90%	ROI (3)	6.67%	6.28%	
8.35%	ROE (4)	4.25%	6.84%	
0.76	Debt/Equity ratio (A/B)	0.76	0.78	
2,963	Number of employees (1) (2)	2,957	4,482	*(0.2%)*
	Stock market prices (in euros) (5)			
1.7344	∉ common shares	1.6676	1.5720	
1.8303	∉ nonconvertible savings shares	2.0604	1.5834	
0.8334	∉ warrants outstanding	0.8704	0.5762	
	Profit (loss) per share (in euros)			
0.1165	∉ basic	0.0148	0.0224	
0.1060	∉ diluted	0.0135	0.0206	

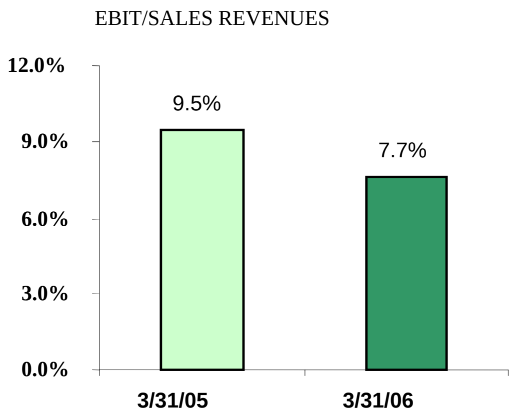
(1) *End-of-period amounts. The changes are computed against the data at December 31, 2005.*
(2) *Companies consolidated on a line-by-line basis and Group interest in companies consolidated by the proportional method.*
(3) *EBIT divided by average net invested capital, computed without including non-current equity investments [(2006 net NIC + 2005 net NIC)/2].*
(4) *Group interest in profit divided by average Group interest in shareholders' equity [(2006 SE + 2005 SE)/2].*
(5) *Simple arithmetic mean of the prices for the last calendar month of the period.*

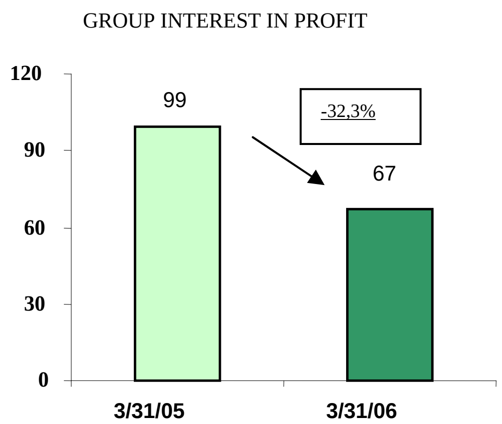
Overview of the Group's Performance

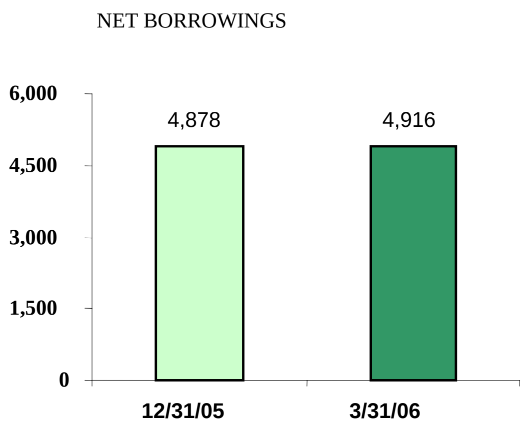












Sales Revenues and EBITDA by Business

(in millions of euros)

2005 full year		First quarter 2006	First quarter 2005	% change
	CORE BUSINESSES			
	Electric Power Operations (*)			
4,993	Sales revenues	1,795	1,127	*59.3%*
1,006	EBITDA	290	252	*15.1%*
20.1%	*as a % of sales revenues*	*16.2%*	*22.4%*	
	Hydrocarbons Operations (**)			
3,303	Sales revenues	1,256	923	*36.1%*
353	EBITDA	59	78	*(24.4%)*
10.7%	*as a % of sales revenues*	*4.7%*	*8.5%*	
	Corporate Activities			
42	Sales revenues	11	8	*37.5%*
(76)	EBITDA	(17)	(21)	*19.0%*
n.m.	*as a % of sales revenues*	*n.m.*	*n.m.*	
	Eliminations			
(1,940)	Sales revenues	(630)	(398)	*58.3%*
-	EBITDA	-	-	
	Total core businesses			
6,398	**Sales revenues**	**2,432**	**1,660**	***46.5%***
1,283	**EBITDA**	**332**	**309**	***7.4%***
20.1%	***as a % of sales revenues***	***13.7%***	***18.6%***	
	OTHER OPERATIONS			
	Continuing operations			
	Water			
31	Sales revenues	9	7	*28.6%*
8	EBITDA	2	1	*100.0%*
25.8%	*as a % of sales revenues*	*22.2%*	*14.3%*	
	Engineering			
221	Sales revenues	-	134	*n.m.*
15	EBITDA	-	1	*n.m.*
6.8%	*as a % of sales revenues*	-	*0.7%*	
	Eliminations			
-	Sales revenues	-	-	
-	EBITDA	-	-	
	Total other operations			
252	**Sales revenues**	**9**	**141**	***(93.6%)***
23	**EBITDA**	**2**	**2**	**-**
9.1%	***as a % of sales revenues***	***22.2%***	***1.4%***	
	Edison Group			
6,650	**Sales revenues**	**2,441**	**1,801**	***35.5%***
1,306	**EBITDA**	**334**	**311**	***7.4%***
19.6%	***as a % of sales revenues***	***13.7%***	***17.3%***	

(*) Operations of the following Business Units: Electric Power Asset, Electric Power Energy Management and Electric Power Marketing and Distribution.

(**) Operations of the following Business Units: Hydrocarbons Asset, Hydrocarbons Energy Management and Hydrocarbons Marketing and Distribution.

Report on Operations

Performance and Results of the Group in the First Quarter

Economic Framework

Demand for Electric Power in Italy

2005 full year	TWh	First quarter 2006	First quarter 2005	*% change*
289.7	Net production	80.4	71.9	*11.8%*
49.1	Imports	7.4	13.9	*(46.6%)*
(9.4)	Surges	(2.2)	(2.6)	*15.4%*
329.4	**Total demand**	**85.6**	**83.2**	***2.9%***

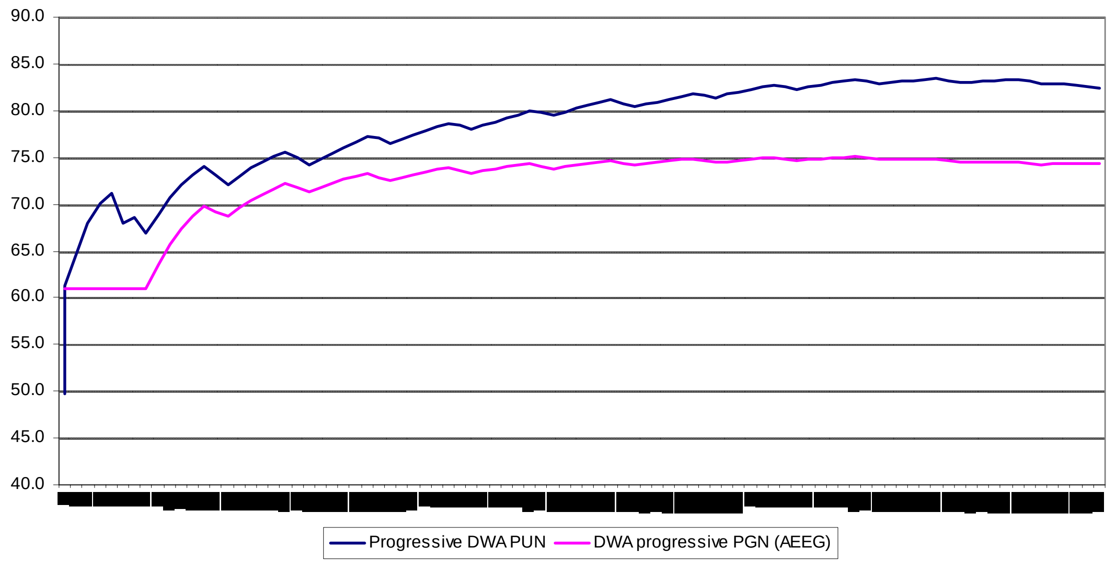
Source: Official GRTN data and projections based on data supplied by Terna and the Single Buyer.

In the first quarter of 2006, demand for electric power from the Italian grid totaled 85.6 TWh (TWh = 1 billion kWh), or 2.9% more than in the same period last year. The year-over-year increase is somewhat smaller (+2.2%) when the data are adjusted for the different number of business days in the two years.

Domestic production was sufficient to meet 91.3% of demand, compared with 83.2% in the first quarter of 2005. The coverage provided by net imports decreased from 16.8% to 8.7%.

On the consumption side of the equation, demand from captive customers amounted to 42.5 TWh (43.7 TWh in the first three months of 2005), accounting for 49.6% of total domestic consumption. At the same time, demand from the deregulated market grew by more than 10%, accounting for 44.3% of total consumption. Internal usage accounts for the remaining 6.1% of national consumption.

The chart below shows the trend of the demand weighted single national price (abbreviated PUN in Italian), compared with that of the old benchmark, the National Power Generation Price (abbreviated PGN in Italian), based on time-of-usage rates determined by the AEEG:



DWA: Demanded Weighted Average

Demand for Natural Gas in Italy

2005 full year	(billions of m^3)	First quarter 2006	First quarter 2005	*% change*
30.1	Services and residential customers	14.6	14.5	*0.7%*
21.7	Industrial users	6.3	6.8	*(7.4%)*
32.9	Thermoelectric power plants	8.4	7.3	*15.1%*
0.5	Transportation	0.1	0.1	-
85.2	**Total demand (*)**	**29.4**	**28.7**	***2.4%***

(*) Net of system usage and leaks.

Source: MAP data for 2005 and January and February 2006. Edison estimates for March 2006.

In the Italian market, demand for natural gas is estimated to have grown to about 29.4 billion cubic meters in the first quarter of 2006, a gain of 0.7 billion cubic meters (+2.4%) compared with the same period last year. Higher consumption by thermoelectric power plants accounts for most of this increase.

The limited magnitude of the increase is due in part to the impact of emergency measures that the Ministry of Production Activities put into effect in mid-January to restrict domestic consumption of natural gas. These measures involved cutting off supplies of natural gas to dual-fuel thermoelectric users, which caused them to revert to fuel oil, and curtailing consumption for home heating purposes. Despite these efforts, in order to keep supply and demand in balance, the Italian natural gas system was forced to utilize the strategic reserve for the second consecutive year, drawing about 1.3 billion cubic meters.

With regard to supply, a reduction in domestic production (7% less than in 2005, in line with the trend in recent years) was offset by a rise in imports from all supplier countries with the exception of Russia, which reduced deliveries by 0.5 billion cubic meters due to transit issues in the Ukraine and exceptional cold weather in Russia and continental Europe.

Benchmark Market

2005 full year		First quarter 2006	First quarter 2005	*% change*
54.4	Price of crude oil in US$/bbl	61.8	47.5	*30.0%*
1.24	US$/euro exchange rate	1.20	1.31	*(8.3%)*
43.7	Price of crude oil in euros/bbl	51.4	36.2	*41.8%*

In the first quarter of 2006, the price of Brent crude rose even higher than the already lofty level it had achieved in the first three months of 2005. As a result, the average for the first three months of the year rose to US$61.80/bbl, or about US$14.30/bbl higher (+30%) than it was in the first quarter of 2005.

On the other hand, in the first three months of 2006, the euro lost about 8.3% of its value versus the U.S. dollar compared with the same period last year, with the average exchange rate settling at $1.20 for one euro. The lower value of the euro versus the greenback had the effect of exacerbating the impact of the higher cost of Brent crude in the first three months of 2006 (+41.8%). When stated in euros, the average price was 51.40 euros/bbl, compared with 36.20 euros/bbl in the first quarter of 2005.

As for refined products, the price of crude oil increased faster than prices of distilled products, as compared with the last quarter of 2005, with the crack spread decreasing both for diesel fuel (-US$4.20/bbl) and low-sulfur fuel oil (-US$3.20/bbl). Only the crack spread for high-sulfur fuel oil bucked the trend, increasing by US$0.35/bbl.

Performance and Results of the Group

The operating and financial results for the first quarter of 2006 and those for the period used for comparison purposes have been computed in accordance with the International Financial Reporting Standards (IAS/IFRSs).

Core Businesses

During the first three months of 2006, sales revenues increased by 46.5% compared with the same period last year, with the electric power operations and the hydrocarbons operations growing by 59.3% and 36.1%, respectively.

Both businesses benefited from significantly higher average sales prices, due mainly to an increase in raw material costs. In addition, the electric power operations reported a sharp gain in unit sales (+28.3%) due mainly to steady growth in the deregulated market (+46.5%) made possible in part by the availability of the new Candela, Altomonte and Piacenza power plants.

The unit sales for the hydrocarbons operations increased by a more modest 1.1%.

EBITDA grew by about 23 million euros (+7.4%), rising from 309 million euros in the first three months of 2005 to 332 million euros in the same period this year. This improvement was made possibly by a strong performance by the electric power operations, which, thanks to higher unit sales and the successful hedging strategies it implemented to stabilize procurement costs, were able to counter the impact of the expiration of CIP-6 incentives for some of the Group's power plants, the charges incurred in connection with CO_2 emission requirements and the decrease in hydroelectric output caused by a reduction in the availability of water resources. The margins earned by the hydrocarbons operations decreased due also to the conservative decision to set aside a provision to cover the costs that are expected to result from the enactment of Resolution No. 298/05, by which the AEEG updated customer gas rates for the first quarter of 2006 in accordance with Resolution No. 248/05 (Edison has challenged both the Resolutions).

The increase in EBITDA had a positive impact on EBIT, which grew to 185 million euros, compared with 169 million euros in the first quarter of 2005.

Other Continuing Operations

Water – EBITDA totaled about 2 million euros in the first three months of 2006, a gain of 1 million euros over the same period last year.

Results of the Group

The Group's total sales revenues and EBITDA increased by 35.5% despite the elimination of the contribution of Tecnimont, sold during the second half of 2005, and 7.4%, respectively, compared with the first quarter of 2005. Sales revenues totaled 2,441 million euros and EBITDA amounted to 334 million euros, up from 1,801 million euros and 311 million euros, respectively, in the three months ended March 31, 2005.
First-quarter EBIT were also up, rising from 171 million euros in 2005 to 187 million euros in 2006 (+9.4%).

Profit before taxes amounted to 111 million euros, or 33 million euros less than in the first three months of 2005 (144 million euros). The main reason for this decrease is the conservative decision to set aside a provision to cover penalties imposed by the European Commission on the "old" Montedison for alleged actions in restraint of competition by Ausimont, a former subsidiary that was sold to Solvay SA in 2002.
As a result, the profit for the period decreased to 67 million euros, down from 99 million euros in the first quarter of 2005.

At March 31, 2006, the Group's net borrowings totaled 4,916 million euros (4,939 million euros at March 31, 2005), little changed from the end of 2005, when it amounted to 4,878 million euros.

The table that follows presents, in abbreviated form, a breakdown of the Group's net borrowings:

12/31/05	*(in millions of euros)*	3/31/06	3/31/05
	Long-term debt		
2,838	Bonds	2,858	2,845
1,757	Bank debt	1,640	1,776
65	Amounts owed to other lenders	62	44
4,660	**Total net long-term debt**	**4,560**	**4,665**
	Short-term debt		
655	Current loans payable	900	814
(76)	Current financial assets	(66)	(80)
(361)	Cash and cash equivalents	(478)	(460)
218	**Total net short-term debt**	**356**	**274**
4,878	**NET BORROWINGS**	**4,916**	**4,939**

The schedule below shows a breakdown of the changes in the Group's net borrowings:

2005 full year		*(in millions of euros)*	1/1/06 to 3/31/06	1/1/05 to 3/31/05
(4,906)	**A.**	**Net borrowings at the beginning of the period**	**(4,878)**	**(4,906)**
1,306		EBITDA	334	311
(192)		Change in operating working capital	(139)	44
(131)		Income taxes paid (-)		
(141)		Changes in other assets (liabilities)	(90)	(218)
842	**B.**	**Cash flow from operating activities**	**105**	**137**
(883)		Investments in property, plant and equipment, intangibles and non-current financial assets (-)	(96)	(151)
470		Proceeds from the sale of property, plant and equipment, intangibles and non-current financial assets	9	7
8		Dividends received		
437	**C.**	**Free cash flow**	**18**	**(7)**
(219)		Net financial income (expense)	(50)	(30)
18		Contributions of share capital and reserves		7
(11)		Dividends declared (-)	(6)	(3)
225	**D.**	**Net cash flow from financial activities**	**(38)**	**(33)**
(197)		Change in the scope of consolidation		
28	**E.**	**Net cash flow for the period**	**(38)**	**(33)**
(4,878)	**F.**	**Net borrowings at the end of the period**	**(4,916)**	**(4,939)**

Outlook for the Balance of 2006

The beginning of production at a new power plant in Torviscosa in the second half of 2006 and the availability of the Candela and Altomonte facilities for the full year should help the Group report improved results for all of 2006.

Performance of the Group's Businesses

Electric Power Operations

Quantitative Data

Sources

2005 full year	GWh (*)	First quarter 2006	First quarter 2005	% change
33,369	**Net production Edison Group:**	**9,239**	**8,035**	***15.0%***
30,205	*- Thermoelectric power plants*	8,611	7,387	*16.6%*
2,757	*- Hydroelectric power plants*	470	564	*(16.7%)*
407	*- Wind farms*	158	84	*88.6%*
11,320	**Edipower**	**3,972**	**3,072**	***29.3%***
1,580	**Imports**	**290**	**509**	***(43.0%)***
6,424	***Other domestic purchases and swaps*** (1)	**3,057**	**1,285**	***137.9%***
52,693	**Total sources**	**16,558**	**12,901**	***28.3%***

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

Uses

2005 full year	GWh (*)	First quarter 2006	First quarter 2005	% change
20,375	CIP-6 dedicated	5,586	4,985	*12.1%*
5,082	Captive and other industrial customers	1,289	1,328	*(2.9%)*
27,086	Deregulated market	9,635	6,575	*46.5%*
150	Exports	48	13	*n.m.*
52,693	**Total uses**	**16,558**	**12,901**	***28.3%***

Financial Highlights

(in millions of euros)

2005 full year		First quarter 2006	First quarter 2005	% change
4,993	**Sales revenues**	**1,795**	**1,127**	***59.3%***
1,006	EBITDA	290	252	*15.1%*
20.1%	*as a % of sales revenues*	*16.2%*	*22.4%*	
511	Capital expenditures	60	118	*(49.2%)*
1,992	Number of employees (1)	1,989	1,960	*(0.2%)*

(1) End of period amounts. The changes are computed against the data at December 31, 2005.

Sales revenues grew to 1,795 million euros in the first quarter of 2006, for a gain of about 59% compared with the same period in 2005. This large improvement reflects higher unit sales (+28.3%) and a significant increase in the average unit revenues, which were indexed to reflect the rise in fuel costs.
At March 31, 2006, EBITDA totaled 290 million euros, or 15.1% more than the 252 million euros earned in the first three months of 2005.
This positive performance was made possible by steady growth in unit sales to customers in the deregulated market (+46.5%). Greater management efficiency and improved commercial results more than offset the negative impact of the expiration of CIP-6 incentives for some of the Group's power plants (14 million euros), the charges related to CO_2 emissions issues and a decrease in hydroelectric output caused by a reduction in the availability of water resources.

Sales and Marketing

In the first three months of 2006, sales of electric power totaled 16,558 GWh, up 28.3% from the first quarter of 2005. As mentioned above, growing sales in the deregulated market (+46.5%) provided a significant contribution, and CIP-6 sales increased by 12.1% also because, unlike what happened during the first quarter of 2005, no plant had to interrupt its activity.
More specifically, deliveries to eligible customers rose by 45.8%, and sales on the Electric Power Exchange reached 1,083 GWh, or 29.7% more than in the first three months of 2005.

The Company also carried out a series of profitable foreign-based international transactions that generated a margin of about 11 million euros in the first quarter of 2006. The quantity of electric power involved (about 0.4 TWh) is not reflected in the Sources and Uses schedules provided above because they refer to purchases made exclusively for resale on foreign power exchanges.

Production and Procurement

Net production totaled 9,239 GWh in the first three months of 2006. The gain of 15% compared with the first quarter of 2005 reflects an increase in output from the Group's thermoelectric facilities (+16.6% thanks to the startup of Candela, Altomonte and Piacenza power plants) and wind farms. Moreover, no extraordinary plant stops occurred. On the other hand, the hydroelectric power plants produced 16.7% less electric power due to the reduction in the availability of water resources.
Moreover an additional output was made possible by the restarting of fuel-oil fired facilities, which were put back into production in response to the natural gas shortages that developed during the period.
Lastly, as part of its portfolio optimization strategy, Edison increased to 3,309 GWh (+119%) the electric power purchased in the first quarter of 2006.

Capital Expenditures

Capital expenditures in the first three months of 2006 totaled 60 million euros (including 17 million euros invested by Edipower). They were used primarily for construction of the Torviscosa (UD), Altomonte (CS) and Simeri Crichi (CZ) power plants (3 million euros, 4 million euros and 22 million euros, respectively). Edipower's capital expenditures, which the Group recognizes at 50%, were earmarked primarily for the repowering of the Turbigo facility.

Hydrocarbons

Quantitative Data

Sources

2005 full year	millions of m^3 of natural gas	First quarter 2006	First quarter 2005	*% change*
1,248	**Total net production:**	**298**	**301**	***(1.0%)***
902	*- Production in Italy*	187	227	*(17.6%)*
346	*- Production outside Italy*	111	74	*50.0%*
6,601	**Pipeline imports**	**2,188**	**1,957**	***11.8%***
80	**LNG imports**	**62**	**44**	***40.9%***
5,714	**Domestic and other purchases (1)**	**1,866**	**2,064**	***(9.6%)***
13,643	**Total supply sources**	**4,414**	**4,366**	***1.1%***

(1) Includes inventory changes and pipeline leaks.

Uses

2005 full year	millions of m^3 of natural gas	First quarter 2006	First quarter 2005	*% change*
4,012	Residential use	1,778	1,902	*(6.5%)*
1,471	Industrial use	337	475	*(29.0%)*
7,307	Thermoelectric fuel use	2,088	1,748	*19.4%*
346	Exports	111	74	*50.0%*
507	Other sales	100	167	*(40.0%)*
13,643	**Total uses**	**4,414**	**4,366**	***1.1%***

Financial Highlights

(in millions of euros)

2005 full year		First quarter 2006	First quarter 2005	% change
3,303	**Sales revenues**	**1,256**	**923**	***36.1%***
353	EBITDA	*59*	*78*	*(24.4%)*
10.7%	*as a % of sales revenues*	*4.7%*	*8.5%*	
73	Capital expenditures	11	13	*(15.4%)*
22	Investments in exploration	11	6	*83.3%*
441	Number of employees (1)	437	416	*(0.9%)*

(1) End of period amounts. The changes are computed against the data at December 31, 2005.

Sales revenues totaled 1,256 million euros in the first three months of 2006, or 36.1% more than in the same period last year. This improvement is mainly the result of an increase in average unit revenues made possible by a rise in the price of benchmark fuels.
EBITDA totaled 59 million euros, down 24.4% from the 78 million euros earned in the first quarter of 2005.

The decrease in profitability is mainly the result of a conservative decision to set aside a provision to cover the estimated cost (about 27 million euros) that will result from the enactment of Resolution No. 298/05, by which the AEEG updated customer gas rates for the first quarter of 2006 in accordance with Resolution No. 248/05, and from a reduction in sales margins caused by a narrowing of the price-cost spread that resulted from changes in the benchmark fuel markets.

When stated in euros, the average price of non-fluxed oil increased significantly when compared with the first three months of 2005, rising from 19.00 euros per barrel to 31.20 euros per barrel, mirroring changes in the price of benchmark fuels and oil products.

Sales and Marketing

Total unit sales amounted to 4,414 million cubic meters, roughly the same as in the first three months of 2005, when unit sales totaled 4,366 million cubic meters.

Sales to residential users decreased by 6.5% and deliveries to industrial customers were down by 29%. On the other hand, sales to thermoelectric power plants were up sharply compared with the data at March 31, 2005, rising from 1,748 million cubic meters to 2,088 million cubic meters (+19.4%). This improvement reflects an increase in thermoelectric production.

Shipments to wholesale operators totaled 100 million cubic meters, compared with 167 million cubic meters in the first quarter of 2005.

Production and Procurement

In the first quarter of 2006, net production of natural gas totaled 298 million cubic meters, roughly in line with the 301 million cubic meters produced in the same period last year, as a decrease in domestic output (-17.6%), due to the natural depletion of fields in Italy, was offset by a rise in foreign production (+50%).

On the procurement side, purchases of natural gas increased during the first three months of 2006. Specifically, imports of natural gas rose to 2,250 million cubic meters, compared with 2,001 million cubic meters imported in the first quarter of 2005. Domestic purchases decreased by 9.6%, falling from 2,064 million cubic meters in the first quarter of 2005 to 1,866 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, up slightly from the first three months of 2005, when imports were equal to 47% of sales.

At 529,000 barrels, production of crude oil was lower (-5.5%) than it was in the first quarter of 2005 due to the normal depletion of the fields.

Capital Expenditures

In the first three months of 2006, capital expenditures totaled about 11 million euros. The main projects pursued in Italy included development of the Candela lean-gas field and the Rospo field. Work carried out in Egypt included the Phase 3 FEED at the Rosetta concession and production tests for the Khalouche II well in Algeria.

In addition, construction of the facilities needed for the LNG terminal in Rovigo continued during the first three months of 2006.

Investments in Exploration

A total of 11 million euros was invested in exploration during the first quarter of 2006. Foreign projects, which absorbed 6 million euros, included development of exploration programs in Croatia (drilling of the Irena 1 well) and Algeria (drilling of the the Khalouche II well).
In Italy, the Argo 1 well was drilled.

Corporate Activities

Financial Highlights

(in millions of euros)

2005 full year		First quarter 2006	First quarter 2005	*% change*
42	**Sales revenues**	11	8	*37.5%*
(76)	EBITDA	(17)	(21)	*(19.0%)*
n.m.	*as a % of sales revenues*	*n.m.*	*n.m.*	
2	Capital expenditures	-	-	-
526	Number of employees (1)	527	535	*0.2%*

(1) End of period amounts. The changes are computed against the data at December 31, 2005.

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 11 million euros (8 million euros in the first quarter of 2005).

EBITDA were negative by 17 million euros, as the loss narrowed slightly compared with the first three months of 2005.

Capital Increases

The capital increases carried out during the first quarter of 2006 (totaling 4,999 euros) reflect conversions of outstanding Edison warrants. These warrants can be exercised at any time until December 31, 2007. At March 31, 2006, there were 1,018,643,624 warrants outstanding.

Other Continuing Operations

Water Distribution and Treatment (IWH)

Financial Highlights

(in millions of euros)

2005 full year		First quarter 2006	First quarter 2005	*% change*
31	**Sales revenues**	**9**	**7**	*28.6%*
8	EBITDA	2	1	*100.0%*
25.8%	*as a % of sales revenues*	*22.2%*	*14.3%*	
11	Capital expenditures	2	2	-
4	Number of employees (1)	4	7	-

(1) End of period amounts. The changes are computed against the data at December 31, 2005.

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 three months of 2006, which totaled 9 million euros, were generated by operations carried out in Guayaquil (Ecuador) under license. EBITDA were positive by 2 million euros, marking a slight improvement over the same period last year.

Consolidated Financial Statements

Consolidated Balance Sheet

(in millions of euros)

3/31/05		See note	3/31/06	12/31/05
	ASSETS			
8.670	Property, plant and equipment	1	8.581	8.637
62	Investment property	2	48	49
3.507	Goodwill	3	3.505	3.505
355	Hydrocarbon concessions	4	332	339
26	Other intangible assets	5	36	38
96	Investments in associates	6	59	59
216	Available-for-sale investments	6	85	74
89	Other financial assets	7	66	65
108	Deferred-tax assets	8	121	104
281	Other assets	9	282	297
13.410	**Total non-current assets**		**13.115**	**13.167**
143	Inventories		172	315
1.363	Trade receivables		2.068	1.593
129	Due from customers for contract work		-	-
83	Current-tax assets		6	38
481	Other receivables		350	337
73	Current financial assets		66	76
460	Current financial assets		478	361
2.732	**Total current assets**	10	**3.140**	**2.720**
-	**Assets held for sale**		-	-
16.142	**Total assets**		**16.255**	**15.887**
	LIABILITIES AND SHAREHOLDERS' EQUITY			
4.266	Share capital		4.273	4.273
-	Equity reserves		-	-
1.871	Other reserves		1.554	1.552
-	Reserve for currency translations		1	3
(371)	Retained earnings (Loss carryforward)		442	(58)
99	Profit (Loss) for the period		67	500
5.865	**Total Group interest in shareholders' equity**		**6.337**	**6.270**
467	Minority interest in shareholders' equity		153	159
6.332	**Total shareholders' equity**	11	**6.490**	**6.429**
90	Provision for employee severance indemnities and provision for pensions	12	75	74
1.286	Provision for deferred taxes	13	1.090	1.096
1.049	Provision for risks and charges	14	948	1.002
2.845	Bonds	15	2.858	2.838
1.820	Long-term borrowings and other financial liabilities	16	1.702	1.822
232	Other liabilities	17	246	242
7.322	**Total non-current liabilities**		**6.919**	**7.074**
814	Short-term borrowings		900	655
990	Trade payables		1.468	1.275
248	Due to customers for contract work		-	-
116	Current taxes payable		58	16
320	Other liabilities		420	438
2.488	**Total non-current liabilities**	18	**2.846**	**2.384**
-	**Liabilities held for sale**		-	-
16.142	**Total liabilities and shareholders' equity**		**16.255**	**15.887**

Consolidated Income Statement

(in millions of euros)

	See note	**1/1/06 - 3/31/06**	1/1/05 - 3/31/05
Sales revenues	19	2.441	1.801
Other revenues and income	20	192	97
Total revenues		**2.633**	**1.898**
Raw materials and services used (-)	21	(2.249)	(1.518)
Labor costs (-)	22	(50)	(69)
EBITDA	23	**334**	**311**
Depreciation, amortization and writedowns (-)	24	(147)	(140)
EBIT		**187**	**171**
Net financial income (expense)	25	(50)	(30)
Income from (Expense on) equity investments	26	2	1
Other income (expense), net	27	(28)	2
Profit before taxes		**111**	**144**
Income taxes	28	(39)	(40)
Profit (Loss) from continuing operations		**72**	**104**
Profit (Loss) from discontinued operations		-	-
Profit (Loss)		**72**	**104**
Broken down as follows:			
Minority interest in profit (loss)		5	5
Group interest in profit (loss)		**67**	**99**
Earnings per share (in euros)	29		
basic		0,0148	0,0224
diluted		0,0135	0,0206

Cash Flow Statement for the First Quarter of 2006

The schedule below presents a consolidated **cash flow** statement for the first three months of 2006 and provides a comparison with the corresponding data for the same period in 2005.

The information provided below is supplemented by the data presented in a separate statement, included in the Report on Operations, which shows the changes in net financial position. The latter statement is designed to offer a better understanding of the Group's cash generation and utilization dynamics.

2005 full year		*(in millions of euros)*	**1/1/06 - 3/31/06**	1/1/05 - 3/31/05
500		Group interest in profit (loss)	67	99
6		Minority interest in profit (loss)	5	5
579		Amortization and depreciation	147	140
(3)		Interest in the result of companies valued by the equity method (-)	(1)	(1)
-		Dividends received from companies valued by the equity method	-	-
(137)		(Gains) Losses on the sale of non-current assets	-	1
78		(Revaluations) Writedowns of intangibles and property, plant and equipment	-	-
(2)		Change in the provision for employee severance indemnities	1	-
(478)		Change in other operating assets and liabilities	(144)	(142)
543	**A.**	**Cash flows from continuing operations**	**75**	**102**
(644)		Additions to intangibles and property, plant and equipment (-)	(85)	(140)
(239)		Additions to non-current financial assets (-)	(11)	(11)
21		Proceeds from the sale of intangibles and property, plant and equipment	9	-
452		Proceeds from the sale of non-current financial assets	-	7
2		Capital grants received during the year	-	-
(92)		Change in the scope of consolidation	-	-
(11)		Other current assets	(10)	(14)
(511)	**B.**	**Cash used in investing activities**	**(97)**	**(158)**
279		Receipt of new medium-term and long-term loans	-	29
(265)		Redemption of new medium-term and long-term loans and reclassification of short-term installments (-)	(100)	(6)
18		Capital contributions provided by controlling companies or other shareholders	-	7
(11)		Dividends paid to controlling companies or minority shareholders (-)	(6)	(3)
(150)		Change in short-term debt	245	31
(129)	**C.**	**Cash flow from (used in) financing activities**	**139**	**58**
-	**D.**	**Net currency translation differences**	-	-
(97)	**E.**	**Net decrease in cash and cash equivalents (A+B+C+D)**	**117**	**2**
458	**F.**	**Cash and cash equivalents at beginning of period**	**361**	**458**
361	**G.**	**Cash and cash equivalents at end of period (E + F)**	**478**	**460**

Changes in Consolidated Shareholders' Equity for the First Quarter of 2006

	Group interest in shareholders' equity						
(in millions of euros)	Share capital (a)	Reserves and ret. earnings (loss carryforward) (b)	Reserve for currency translations (c)	Profit for the period (d)	Total (a+b+c+d)=(e)	Minority inter. in sharsehold. equity (f)	Total shareholders' equity (e)+(f)
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***
Restatements for the adoption of IAS 32 and 39	-	10	-	-	***10***	-	***10***
Dividend distribution	-	-	-	-	-	(3)	***(3)***
Change in the scope of consolidation	-	-	-	-	-	(3)	***(3)***
Appropriation of the 2004 profit	-	354	-	(354)	-	-	-
Difference from translation of financial statements in foreign currencies	-	-	(1)	-	***(1)***	-	***(1)***
Sundry items	-	5	-	-	***5***	(1)	***4***
Profit for the period	-	-	-	99	***99***	5	***104***
Balance at March 31, 2005	***4.266***	***1.501***	***(1)***	***99***	***5.865***	***467***	***6.332***
Share capital increase due to the award of stock options	7	4	-	-	***11***	-	***11***
Restatements for the adoption of IAS 32 and 39	-	1	-	-	***1***	-	***1***
Change in the scope of consolidation	-	-	-	-	-	(301)	***(301)***
Dividend distribution	-	-	-	-	-	(8)	***(8)***
Difference from translation of financial statements in foreign currencies	-	-	4	-	***4***	-	***4***
Sundry items	-	(12)	-	-	***(12)***	-	***(12)***
Profit for the period	-	-	-	401	***401***	1	***402***
Balance at December 31, 2005	***4.273***	***1.494***	***3***	***500***	***6.270***	***159***	***6.429***
Share capital increase due to the conversion of warrants	-	-	-	-	-	-	-
Appropriation of the 2005 profit	-	500	-	(500)	-	-	-
Restatements for the adoption of IAS 32 and 39	-	9	-	-	***9***	-	***9***
Change in the scope of consolidation	-	-	-	-	-	(5)	***(5)***
Dividend distribution	-	-	-	-	-	(6)	***(6)***
Currency translation differences	-	-	(2)	-	***(2)***	-	***(2)***
Other entires	-	(7)	-	-	***(7)***	-	***(7)***
Profit for the period	-	-	-	67	***67***	5	***72***
Balance at March 31, 2006	***4.273***	***1.996***	***1***	***67***	***6.337***	***153***	***6.490***

Impact of the Transition to the IAS/IFRSs on the Comparative Data at March 31, 2005

The impact of the transition to the IAS/IFRSs on the comparative data at March 31, 2005 is reviewed below.

In any case, the quarterly report at March 31, 2005, which was prepared in accordance with the old accounting principles, included, in a separate chapter, a pro forma income statement restated in accordance with the IFRSs, except for the impact of IAS 32 and IAS 39, which is reflected in the scheduled provided below:

(in millions of euros)	In accordance with the old accounting principles	IAS/IFRS restatements	In accor-dance with the IAS/IFRSs at 3/31/05
Sales revenues	1,804	(3)	1,801
Other revenues and income, net	48	49	97
Total revenues	**1,852**	**46**	**1,898**
Raw materials and services used (-)	(1,498)	(20)	(1,518)
Labor costs (-)	(66)	(3)	(69)
EBITDA	**288**	**23**	**311**
Depreciation, amortization and writedowns	(189)	49	(140)
EBIT	**99**	**72**	**171**
Net financial income (expense)	(21)	(9)	(30)
Income from (Expense on) equity investments	2	(1)	1
Other income (expense), net	1	1	2
Profit before taxes	**81**	**63**	**144**
Income taxes	(48)	8	(40)
Profit (Loss) from continuing operations	**33**	**71**	**104**
Profit (Loss) from discontinued operations	-	-	-
Profit (Loss)	**33**	**71**	**104**
Broken down as follows:			
Minority interest in (profit) loss	8	(3)	5
Group interest in profit (loss)	**25**	**74**	**99**

The changes that occurred in the most significant components of the income statement for the first three months of 2005 are attributable primarily to the proportional consolidation of the Edipower joint venture at 50%, instead of 40%, and reflect the impact of the use of fair value as deemed cost to value property, plant and equipment, the inability to amortize goodwill and the adoption of IASs 32 an IAS 39. 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 at 50%, instead of 40%, 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. This item is also affected by the first-time adoption of IAS 32 and IAS 39.

- **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 consolidation of Edipower from 40% to 50%. 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. This item is also affected by the first-time adoption of IAS 32 and IAS 39, which required the reclassification to this account of amounts previously recognized as financial income and expense.

- **Labor costs (IAS 19):** In this case as well, the main reason for the change is the consolidation 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 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):** In addition to Edipower, the main reason for the change in financial expense is the first-time adoption of IAS 32 and IAS 39 principles. 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.

- **Income taxes (IAS 27, IAS 31, IAS 12):** The reasons for the change are the deferred-tax impact of the entries discussed above and, more importantly, the reversal of the provision for deferred taxes recognized upon transition. 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 March 31, 2005 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 March 31, 2005. These adjustments include the changes made both to the annual financial statements at December 31, 2004 and to the quarterly financial statements at March 31, 2005.

(in millions of euros)		**Group interest in share-holders' equity**
Group interest in shareholders' equity at March 31, 2005		**5,452**
1. Proportional consolidation of Edipower		(2)
2. Impact of change in the scope of consolidation (excluding Edipower)		37
3. Use of fair value to measure non-current assets for transition purposes		50
4. Derecognition of the amortization of goodwill		273
5 .Derecognition of intangible assets		(10)
6. Adoption of IAS 32 and IAS 39:		
a) Adoption of the amortized cost method to value financial liabilities and bond issues	30	
b) Recognition of gains (losses) from valuation of derivatives that do not qualify as hedges under IAS 39	13	
c) Revaluations (Writedowns) of cash flow hedges	(4)	
d) Investments in other companies classified as available-for-sale financial assets	21	60
7. Sundry adjustments and eliminations		5
Group interest in shareholders' equity at March 31, 2005, in accordance with the IAS/IFRSs		**5,865**

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

1. **Proportional consolidation of Edipower at 50% instead of 40% (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):** The main changes reflect the consolidation by the proportional method of Sel Edison (42%), which previously was valued by the equity method, and Serene (66%), 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. The impact on net borrowings was negligible. 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 was derecognized, with a positive impact on earnings.

5. **Derecognition of intangible assets (IAS 38):** This adjustment reflects the combined impact of the decision to derecognize certain capitalized costs upon transition and the decision to refrain from capitalizing the costs incurred during the period.

6. **Adoption of IAS 32 and IAS 39:** The adoption of these standards as of January 1, 2005, affected primarily the following items:

   a) **Application of amortized cost to the valuation of loans payable and bond issues:** IAS 39 introduces a new criterion in the determination of the cost of financing. The costs incurred to secure loans (transaction costs) and any issue premiums or discounts must now be posted directly as adjustments to the face value of the loan. The net financial expense for the period is determined by using the effective interest rate method (amortized cost). For all loans outstanding at January 1, 2005, the period interest from the time the loan was obtained (initial recognition) until the transition date (i.e., December 31, 2004) was recomputed as if IAS 39 had been applied since the inception of the loans.

b) **Recognition of gains (losses) from the valuation of derivatives that cannot be defined as hedging instruments pursuant to IAS 39:** IAS 39 requires that all derivatives be recognized at their fair value in the financial statements. Gains and losses that arise from the fair value valuation of interest rate and foreign exchange derivatives that cannot be defined as hedging instruments pursuant to IAS 39 must also be recognized. The Group enters into these derivative contracts solely for the purpose of hedging interest rate and foreign exchange fluctuation risks (economic hedges).

c) **Revaluation (Writedown) of derivatives that hedge future cash flows:** This item reflects the valuation at fair value of derivatives outstanding at January 1, 2005 that can be defined as hedging future cash flows pursuant to IAS 39. The Edison Group applied the alternative method allowed under IAS 39 (cash flow hedge) to these derivatives. In the case of these derivatives, the hedging relationship was determined and their effectiveness verified. The transactions in question involve interest rate derivatives.

d) **Equity investments in other companies that constitute held-for-sale financial assets:** The IFRSs require that these investments be valued at fair value (if determinable). Any resulting gains or losses are recognized directly in shareholders' equity until the investments are sold or their value is impaired. Upon any such occurrence, the cumulative gains and losses previously recognized in shareholders' equity are reflected in the income statement for the period.

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 miscellaneous items.

Notes to the Consolidated Financial Statements at March 31, 2006

The Edison Group's Quarterly Report at March 31, 2006, which consists of a balance sheet, an income statement, a statement of cash flow, a statement of changes in shareholders' equity and the accompanying notes, 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 annual financial statements at December 31, 2005, which should be consulted for more information. More specifically, the valuation criteria are those set forth in the IFRSs, as published in the Official Gazette of the European Union.

The comparative data for the corresponding period in 2005 have been restated in accordance with international accounting principles. With regard to this issue, the reconciliation schedules required by IFRS 1 are provided in a separate section of this Report. This publication marks the completion of the transition to the IAS/IFRSs, which was carried out in accordance with IFRS 1.

The effects of the introduction of IFRIC, which is applicable as of January 1, 2006 and requires that certain types of contracts be recognized as finance leases are still being assessed. In any case, the impact on the financial statement data, in reference to the quarter, is not expected to be material. IFRIC 5 and IFRIC 6 are not applicable to the Edison Group and, consequently, had no impact on its consolidated financial statements.

The presentation formats that the Company has chosen for its balance sheet, income statement and cash flow statement at March 31, 2006 are the same as those used for the annual report at December 31, 2005. They have the following characteristics:

Balance Sheet

Assets and liabilities are analyzed by maturity. Current and non-current items, which are due within or after 12 months from the date of the financial statements, respectively, are shown separately.

Income Statement

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

Cash Flow Statement

The cash flow statement was prepared in accordance with the indirect method.

Changes in the Scope of Consolidation Compared with December 31, 2005

The main changes in the Group's scope of consolidation that occurred in the first three months of 2006 are reviewed below:

Electric Power Operations

- STEL Spa, which previously was consolidated line by line, has been placed in liquidation and deconsolidated as of January 1, 2006.

Water

- The IWH Group and International Water (Tunari) Sarl, which previously was consolidated by the proportional method, and its Aguas del Tunari SA subsidiary were deconsolidated following their sale in January 2006.

Corporate Activities

- Edison Treasury Services is being consolidated on a line-by-line basis following the recognition of a call option that requires the purchase of a 100% interest in this company. A liability of equal amount is also reflected on the balance sheet.

Risk, Management, Types of Financial Risks and Hedging Strategies

The operations of the Edison Group are exposed to several types of 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 Edipower, which has independent risk management procedures, mainly in the financial area.

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 March 31, 2006, the Group's exposure to the risk of changes in interest rates was roughly equivalent to 44% of its total exposure, despite the fact that some of the existing hedges entail the use of variable interest rates.

The most significant medium- and long-term positions have been hedged, with special emphasis on transactions involving bond issues and project financing. In the case of Edipower, the main purpose of hedging transactions is to minimize the risk component. Accordingly, the Group implemented a structure of financial derivatives based on an interest-rate corridor with rates ranging between about 3% and 4.20%.

Currency Risk

With the exception of issues discussed below 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 growing 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), monitor subsequent flows of funds and take any collection actions that may be necessary.

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, the Group's funding needs are provided by long-term financing, consisting mainly of bond issues (about 58% of total indebtedness).

Default Risk and Loan Agreement Covenants

With regard to the Group's consolidated indebtedness, it is important to note that a deterioration of Edison's credit rating or the loss of rating would not trigger automatically a repayment obligation.
This applies both to bonds and bank debt. As for the obligations to maintain certain financial indicators above or below maximum or minimum levels (financial covenants), they do not apply to any of the Group's bond issues but do apply to about 300 million euros in bank debt owed by Edison and its subsidiaries. The financial statement ratios that are taken into account have to do with the relationship between EBITDA and net borrowings and financial expense.
Lastly, specifically insofar as Edipower's financing is concerned, a lowering of Edison's credit rating below the minimum investment grade level would not trigger an early repayment obligation for Edipower. Edison would simply be required to achieve compliance with the abovementioned financial covenants, following a monitoring period. If Edison should be in violation of the financial covenants, following a monitoring period, it would be required to pay the amount it guaranteed in accordance with the Completion Equity Contribution Agreement and the Repowering Equity Contribution Agreement. Edipower's financial covenants have to do with the relationship between EBITDA and financial expense, net borrowings and EBITDA, and the maintenance of a minimum level of EBITDA.

Analysis of Forward Transactions and Derivatives

Instrument Outstanding at March 31, 2006

A) Interest Rates and Foreign Exchange Rates

The data shown in the quantitative analysis table provided below are derivatives that were outstanding at March 31, 2006, classified by maturity. The value at which these contracts are reflected on the balance sheet, which is their fair value at March 31, 2006, is shown in a separate column. The last column shows the fair value of the positions from the date of execution that was recognized on the income statement. With regard to the data presented in the last two columns of the schedules provided below, it is important to note that the difference between balance sheet carrying amounts and income statement fair values represents the fair value of cash flow hedges, which is posted directly to reserves.

(in millions of euros)	Notional amount		Notional amount (*)	Notional amount (*)	Balance sheet value (**)	Cumulative impact on the income statement at 3/31/06 (***)
	due within 1 year		due between 1 and 5	due after 5 years		
	receivable	payable				
Interest rate risk management						
- cash flow hedge in accordance with IAS 39			1.475	16	(6)	(1)
- contracts that do not qualify as hedges in accordance with IAS 39			6.107	99	3	3
Total interest-rate derivatives			**7.582**	**115**	**(3)**	**2**
Foreign exchange rate risk management						
- contracts that qualify as hedges in accordance with IAS 39						
. On commercial transactions	-	-			-	-
. On financial transactions	-	12			-	-
- contracts that do not qualify as hedges in accordance with IAS 39						
. On commercial transactions	301	34			(2)	(2)
. On financial transactions	-	-			-	-
Total foreign exchange rate derivatives	**301**	**46**			**(2)**	**(2)**

(*) Represents the sum of the notional amount of the basic contracts that would result from the unbundling of complex contracts.
(**) Represents the net receivable (+) or payable (-) recognized on the balance sheet upon fair value measurement of derivatives.
(***) Reflects the cumulative fair value adjustment of derivatives recognized in the income statement from the date the contract was executed until the date of the financial statements.

B) Commodities

The table below analyzes commodity derivatives outstanding at March 31, 2006 that the electric power and hydrocarbons operations executed to manage risks associated with fluctuations in market prices of certain commodities.

	Unit of measure of notional amount	Notional amount due within one year (*)	Balance sheet value (**) (millions of euros)	Cumulative impact on the income statement at 3/31/06 (***) (millions of euros)
Price risk management for energy products				
A. Cash flow hedges pursuant to IAS 39, broken down as follows:			**21**	-
- Electric power	TWh	10	21	-
- Other commodities	-	-	-	-
B. Contracts that qualify as fair value hedges pursuant to IAS 39			-	-
C. Contracts that do not qualify as fair value hedges pursuant to IAS 39, broken down as follows:			**9**	**9**
C.1 Margin hedges			**3**	**3**
- Electric power	TWh	1	2	2
- LNG and oil	Barrels	(2.136.458)	1	1
- Coal	Million tons	-	-	-
C.2 Trading contracts			**6**	**6**
- Electric power	TWh	(2)	6	6
- LNG and oil	Barrels	1.000	-	-
TOTAL			**30**	**9**

(*) + for net purchases, - for net sales.
(**) Represents the net receivable (+) or payable (-) recognized on the balance sheet upon fair value measurement of derivatives
(***) Reflects the cumulative fair value adjustment of derivatives recognized in the income statement from the date the contract was executed until the date of the financial statements.

The Edison Group uses financial derivatives as part of a cash flow hedging 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 in the financial statements, care is used to ensure compliance with the requirements of IAS 39 for hedge accounting purposes.

More specifically:

1) <u>Transactions that qualify as hedges pursuant to IAS 39</u>: These transactions are classified as cash flow hedges or fair value hedges. Realized results of cash flow hedge, which are the only derivatives currently outstanding, are included in EBITDA. Their expected value is recognized in shareholders' equity.
2) <u>Transactions that do not qualify as hedges pursuant to IAS 39</u>:
    a. Margin hedges: For all hedging transactions that comply with internal risk policies and procedures, realized results and expected value are included in EBITDA.

b. Trading transactions: For all trading transactions, realized results and expected value are included in EBITDA as financial income or expense.

Absent a market forward curve, the fair value of financial derivatives related to electric power is computed on the basis of internal estimates using models that incorporate best industry practices.

Operating Results Generated by Derivative Transactions Executed in the First Quarter of 2006

The table below provides an analysis of the operating results generated by derivative transactions in the first quarter of 2006.

(in millions of euros)	Realized	Change in fair value for the period	Amounts recognized in earnings
Other revenues and income			
A. Price risk hedges for energy products			
- definable as hedges pursuant to IAS 39 (CFH)	72	-	72
- not definable as hedges pursuant to IAS 39	5	4	9
Total (A)	**77**	**4**	**81**
Raw materials and services used			
Price risk hedges for energy products			
- definable as hedges pursuant to IAS 39 (CFH)	(55)	-	(55)
- not definable as hedges pursuant to IAS 39 (margin hedges)	(5)	1	(4)
Total (B)	**(60)**	**1**	**(59)**
TOTAL INCLUDED IN EBITDA (A+B)	**17**	**5**	**22**
Net financial income (expense)			
Price risk hedges for energy products			
- Gains on trading transactions (A)	8	1	9
- Losses on trading transactions (B)	(8)	(4)	(12)
Margin on commodity trading transactions (A+B)	**-**	**(3)**	**(3)**
Interest rate hedges, broken down as follows:			
A. Financial income			
- definable as hedges pursuant to IAS 39	-	1	1
- not definable as hedges pursuant to IAS 39	-	22	22
Total financial income (A)	**-**	**23**	**23**
B. Financial expense			
- definable as hedges pursuant to IAS 39	(1)	(2)	(3)
- not definable as hedges pursuant to IAS 39	(4)	(4)	(8)
Total financial expense (B)	**(5)**	**(6)**	**(11)**
Margin on interest rate hedging transactions (A+B)	**(5)**	**17**	**12**
Foreign exchange rates hedges, broken down as follows:			
A. Foreign exchange gains			
- definable as hedges pursuant to IAS 39	-	-	-
- not definable as hedges pursuant to IAS 39	1	(2)	(1)
Total foreign exchange gains (A)	**1**	**(2)**	**(1)**
B. Foreign exchange losses			
- definable as hedges pursuant to IAS 39	-	-	-
- not definable as hedges pursuant to IAS 39	(1)	(1)	(2)
Total foreign exchange losses (B)	**(1)**	**(1)**	**(2)**
Margin on foreign exchange hedging transactions (A+B)	**-**	**(3)**	**(3)**
TOTAL INCLUDED IN NET FINANCIAL INCOME (EXPENSE)	**(5)**	**11**	**6**

Segment Information

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

INCOME STATEMENT	*Electric Power*		*Hydrocarbons*		*Corporate Activities*		*Adjustm. and elimin.*		*TOTAL CORE BUSINESSES*	
	1/1/06-3/31/06	*1/1/05-3/31/05*	*1/1/06-3/31/06*	*1/1/05-3/31/05*	*1/1/06-3/31/06*	*1/1/05-3/31/05*	*1/1/06-3/31/06*	*1/1/05-3/31/05*	*1/1/06-3/31/06*	*1/1/05-3/31/05*
Sales revenues	1,795	1,127	1,256	923	11	8	(630)	(398)	2,432	1,660
intra-Group revenues	1	1	620	392	9	5	(630)	(398)		
EBITDA	**290**	**252**	**59**	**78**	**(17)**	**(21)**			**332**	**309**
as a % of revenues	*16.2%*	*22.4%*	*4.7%*	*8.5%*	*n.m.*	*n.m.*			*13.7%*	*18.6%*
Depreciation, amortization and writedowns	(118)	(108)	(27)	(28)	(2)	(4)			(147)	(140)
EBIT	**172**	**144**	**32**	**50**	**(19)**	**(25)**			**185**	**169**
as a % of revenues	*9.6%*	*12.8%*	*2.5%*	*5.4%*	*n.m.*	*n.m.*			*7.6%*	*10.2%*
Financial income (expense), net									**(50)**	**(35)**
Results from investments valued by the equity method									**2**	**1**
Income taxes									**(38)**	**(38)**
Profit for the period									**70**	**101**
Minority interest in profit (loss) for the period									**5**	**4**
Group interest in profit (loss) for the period									**65**	**97**

BALANCE SHEET	*Electric Power*		*Hydrocarbons*		*Corporate Activities*		*Adjustments*		*TOTAL CORE BUSINESSES*	
	3/31/06	*12/31/05*	*3/31/06*	*12/31/05*	*3/31/06*	*12/31/05*	*3/31/06*	*12/31/05*	*3/31/06*	*12/31/05*
Total current and non-current assets	**13,086**	**12,611**	**2,424**	**2,451**	**3,794**	**3,679**	**(3,085)**	**(2,885)**	**16,219**	**15,856**
Total current and non-current liabilities	**4,565**	**4,321**	**1,005**	**928**	**5,253**	**5,077**	**(1,076)**	**(883)**	**9,747**	**9,443**
Net borrowings									**4,927**	**4,889**
OTHER INFORMATION										
Capital expenditures	60	511	11	73		2			71	586
Investments in intangibles	1	21				3			1	24
Investments in exploration			11	22					11	22
Total capital investments	**61**	**532**	**22**	**95**		**5**			**83**	**632**
Number of employees	**1,989**	**1,992**	**437**	**441**	**527**	**526**			**2,953**	**2,959**

Water		Engineering	Adjustments and eliminations		TOTAL OTHER OPERATIONS		EDISON GROUP	
1/1/06-3/31/06	1/1/05-3/31/05	1/1/05-3/31/05	1/1/06-3/31/06	1/1/05-3/31/05	1/1/06-3/31/06	1/1/05-3/31/05	1/1/06-3/31/06	1/1/05-3/31/05
9	**7**	**134**			**9**	**141**	**2,441**	**1,801**
2	**1**	**1**			**2**	**2**	**334**	**311**
22.2%	*14.3%*	*0.7%*	*n.m.*	*n.m.*	*22.2%*	*1.4%*	*13.7%*	*17.3%*
							(147)	(140)
2	**1**	**1**			**2**	**2**	**187**	**171**
22.2%	*14.3%*	*0.7%*			*22.2%*	*1.4%*	*7.7%*	*9.5%*
						5	**(50)**	**(30)**
							2	**1**
(1)					**(1)**	**(2)**	**(39)**	**(40)**
					2	**3**	**72**	**104**
						1	**5**	**5**
					2	**2**	**67**	**99**

Water		Engineering	Adjustments and eliminations		TOTAL OTHER OPERATIONS		EDISON GROUP	
1/1/06-3/31/06	1/1/05-3/31/05	1/1/05-3/31/05	1/1/06-3/31/06	1/1/05-3/31/05	1/1/06-3/31/06	1/1/05-3/31/05	1/1/06-3/31/06	1/1/05-3/31/05
44	**39**		**(8)**	**(8)**	**36**	**31**	**16,255**	**15,887**
18	**15**				**18**	**15**	**9,765**	**9,458**
					(11)	**(11)**	**4,916**	**4,878**

2	11	1			**2**	**12**	**73**	**598**
							1	**24**
							11	**22**
2	**11**	**1**			**2**	**12**	**85**	**644**
4	**4**				**4**	**4**	**2,957**	**2,963**

NOTES TO THE BALANCE SHEET

Assets

Non-current Assets

1. Property, Plant and Equipment

Property, plant and equipment, which comprise the Group's production assets, totaled 8,581 million euros, or 56 million euros less than at December 31, 2005. A breakdown is provided below:

(in millions of euros)	Land and buildings	Plant and machinery	Manufact. and distrib. equipment	Other assets	Constr. in progress and advances	Total
Balance at 12/31/05 (A)	**885**	**6,191**	**21**	**12**	**1,528**	**8,637**
Changes as of 3/31/06:						
- Additions	2	5	1	-	65	73
- Disposals (-)	-	(9)	-	-	-	(9)
- Depreciation (-)	(10)	(115)	(1)	(1)	-	(127)
- Other changes	29	751	1	1	(775)	7
Total changes (B)	**21**	**632**	**1**	**-**	**(710)**	**(56)**
Balance at 3/31/06 (A+B)	**906**	**6,823**	**22**	**12**	**818**	**8,581**

The total value of the assets, virtually all of which are located in Italy, includes Construction in progress and advances totaling 818 million euros for thermoelectric power plants that are under construction, such as those that are being built in Torviscosa (UD) and Simeri Crichi (CZ). During the first quarter of 2006, the Altomonte (CS) power plant and Edipower's Piacenza facility were put into service, which explains the decrease in Construction in progress and advances.

Additions, which totaled 73 million euros, are mainly the result of the following capital expenditures:

- The investments of the electric power operations, which totaled 60 million euros, were primarily used for the construction of new thermoelectric power plants in Simeri Crichi (CZ) (22 million euros), Torviscosa (UD) (4 million euros) and Altomonte (CS) (4 million euros). In addition, Edipower invested 17 million euros (Edison's pro rata share) for the repowering of the Turbigo (MI) and Mese power plants. The wind power operations invested 6 million euros and inaugurated a wind farm in Ripabottoni (CB).
- The hydrocarbons operations invested 11 million euros. Investments in Italy were used to develop the Candela gas field and build the Caverzere-Minerbio gas pipeline.

Disposals refer exclusively to the Edipower Spa subsidiary, which sold certain power plant components at a price equal to their book value, with no impact on the income statement.

Depreciation of property, plant and equipment included 117 million euros for the electric power operations (106 million euros at March 31, 2005) and 10 million euros for the hydrocarbons operations (16 million euros at March 31, 2005).

Other changes include an addition of 11 million euros to the carrying value of production facilities due to the recognition of decommissioning costs. The decrease in Construction in progress reflects mainly the commissioning of the Altomonte power plant and the completion of repowering work at the Piacenza facility.

No impairment indicators were detected in the first three months of 2006. Consequently, no writedown of property, plant and equipment was required.

The net carrying amount of property, plant and equipment includes assets transferable at no cost with an aggregate value of 686 million euros (704 million euros at December 31, 2005). The assets transferable at no cost are held by the Group's hydroelectric operations, which hold 70 concessions (including Edipower's concessions). The decrease reflects primarily the depreciation taken in the first quarter of 2006.

Property, plant and equipment includes assets acquired under finance leases totaling 169 million euros (171 million euros at December 31, 2005), which are recognized in accordance with the IAS 17 (revised) method. The balance outstanding on finance leases, which is shown under Long-term borrowings and other financial liabilities, amounts to 39 million euros.

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

2. Investment Property

The Group's investment property, which consists of land and buildings that are not used for production purposes, totaled 48 million euros, or 1 million euros less than at December 31, 2005. Depreciation for the period is the reason for this decrease.

3. Goodwill

Goodwill totaled 3,505 million euros, the same as at December 31, 2005. Goodwill is an intangible asset with an indefinite useful life. As such, it cannot be amortized in regular installments.

The allocation of goodwill by type of business is as follows:

Allocation of goodwill (in millions of euros)	**3/31/06**	12/31/05
- Electric power operations	2,823	2,823
- Hydrocarbons operations	682	682
Total	**3,505**	**3,505**

4. Hydrocarbons Concessions

Concessions for the production of hydrocarbons, which include 79 mineral leases in Italy and abroad (including 2 storage concessions), were valued at 332 million euros. The amortization for the period accounts for the entire decrease of 7 million euros from the amount reported at December 31, 2005. The value of these assets does not include capitalized financial expense.

Information About the Group's Concessions

The table below provides detailed information about the concessions held by the Group. The value of these concessions has been disclosed in the notes to Property, plant and equipment and Hydrocarbon concessions.

	Number of concessions	**Residual life from**	**to**
Storage concessions	2	9	19
Hydroelectric concessions	70	3	26
Distribution concessions	56	2	14
Hydrocarbon concessions	77	(*) "unit of production"	

(*) The amortization and, consequently, the remaining lives of hydrocarbon deposits are computed based on the ratio of extracted quantity to proven reserves.

5. Other Intangible Assets

The balance of 36 million euros refers to licenses and similar rights (34 million euros) and work in progress (2 million euros).

Additions include 11 million euros in hydrocarbon research and exploration costs. Research and exploration costs are charged in full to income in the year they are incurred. None of the costs incurred during the period met the requirement for capitalization of IFRS 6.

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

The total includes 59 million euros in investments in associates valued by the equity method and 85 million euros in available-for-sale investments. These investments, which are valued at fair value, consist of minority positions in publicly traded companies (33 million euros) and investments in subsidiaries that were not consolidated due to ownership restrictions (52 million euros).

The table below shows the main changes that occurred in the first quarter of 2006:

(in millions of euros)	Investments in associates	Available-for-sale investments
Balance at 12/31/05 (A)	**59**	**74**
Changes in the first quarter of 2006:		
- Changes in share capital	-	11
- Revaluations	1	3
- Writedowns (-)	-	(3)
- Other	(1)	-
Total changes (B)	**-**	**11**
Balance at 3/31/06	**59**	**85**

An analysis of the changes is as follows:

- **Changes in share capital** of 11 million euros refer to the investment in Terminale GNL Adriatico;
- **Revaluations,** which amounted to 4 million euros**,** refer to the investment in RCS Mediagroup, which was classified as an available-for-sale investment. As required by IAS 39, this investment is being valued at fair value, with any resulting gains or losses posted to equity reserves, net of the impact of deferred taxes.
- **Writedowns** of 3 million euros, which refer mainly to IPSE 2000, were covered by an existing provision for risks.

7. Other Financial Assets

Other financial assets of 66 million euros include loans receivable due in more than one year and long-term equity investments.

The main component of loans receivable is a receivable of 47 million euros owed by IPSE 2000, which is offset by a corresponding provision for risks. This account also includes 9 million euros in bank deposits established with lender banks in connection with project financing facilities to secure commitments to repay on time short-term and long-term loan installments.

8. Deferred-tax Assets

Deferred-tax assets of 121 million euros reflect a tax-loss carryforward (46 million euros), differences in the valuation of property, plant and equipment (30 million euros) and tax-deductible provisions for risks (34 million euros). Other differences stemming mainly from the adoption of IAS 39, account for the balance. The contribution of Edipower amounted to 89 million euros. The adoption of IAS 39 resulted in the utilization of prepaid taxes totaling 3 million euros, the offset of which was posted to shareholders' equity.

With regard to the recognition of these assets, their valuation was made based on expectations of actual utilization over the limited time horizon of the industrial plans approved by the Company. As a result, the deferred-tax assets computed on the provisions for risks were not recognized.

9. Other Assets

Other assets totaled 282 million euros. They consisted mainly of tax refunds receivable, which amounted to 272 million euros including accrued interest through March 31, 2006, and 2 million euros in advance tax payments on future distributions of employee severance benefits paid pursuant to law.

10. Current Assets

(in millions of euros)	**3/31/06**	12/31/05	Change
Inventories	172	315	(143)
Trade receivables	2,068	1,593	475
Current-tax assets	6	38	(32)
Other receivables	350	337	13
Current financial assets	66	76	(10)
Cash and cash equivalents	478	361	117
Total current assets	**3,140**	**2,720**	**420**

A review of the individual components is provided below:

Inventories

A breakdown among the Group's various activities is provided below:

(in millions of euros)	Engineering consumables	Stored natural gas	Green certificates	Fuel oil	Other materials	**Total at 3/31/06**	Total at 12/31/05	Change
Electric power operations	26	-	58	39	12	135	152	(17)
Hydrocarbons operations	6	29	-	-	-	35	161	(126)
Corporate activities	-	-	-	-	-	-	-	-
Total core businesses	**32**	**29**	**58**	**39**	**12**	**170**	**313**	**(143)**
Water	-	-	-	-	2	2	2	-
Total for the Group	**32**	**29**	**58**	**39**	**14**	**172**	**315**	**(143)**

The decrease of 143 million euros, compared with December 31, 2005, reflects primarily a reduction of 126 million euros in the inventory of natural gas held in storage caused by seasonal factors.

Trade Receivables

Trade receivables totaled 2,068 million euros, or 475 million euros more than at December 31, 2005. A breakdown among the Group's various activities is provided below:

(in millions of euros)	**3/31/06**	12/31/05	Change
Electric power operations	1,632	1,133	499
Hydrocarbons operations	560	385	175
Corporate activities (*) and eliminations	(136)	65	(201)
Total core businesses	**2,056**	**1,583**	**473**
Water	12	10	2
Total trade receivables	**2,068**	**1,593**	**475**

(*) Including Edison Treasury Services for 64 million euros at December 31, 2005.

The above amounts are net of an allowance for doubtful accounts of 43 million euros.

Current-tax Assets

The balance of 6 million euros includes mainly a refund owed by the tax authorities following the filing of a national consolidated corporate income tax (IRES) return and 4 million euros in local income taxes (IRAP) overpayments. The IRAP receivable stems from estimated IRAP payments made in 2005, net of the accrued tax liability recognized in 2005 and the first quarter of 2006.

Other Receivables

The main components of other receivables, which amounted to 350 million euros, are receivables from the tax administration for VAT overpayments (18 million euros), amounts owed by partners and associates in hydrocarbon exploration projects and royalty advances (78 million euros), advances paid to suppliers (31 million euros), receivables from public institutions and local entities (44 million euros), insurance premiums and settlements (27 million euros) and credits arising from the valuation of commodity derivative contracts (41 million euros).

Current Financial Assets

A breakdown of current financial assets, which totaled 66 million euros, is as follows:

(in millions of euros)	**3/31/06**	12/31/05	Change
Equity investments held for trading	32	29	3
Loans receivable	4	3	1
Derivatives	30	44	(14)
Total current financial assets	**66**	**76**	**(10)**

All of the items listed above have an impact on the Group's net financial position. A review of these financial assets is provided below:

Equity Investments Held for Trading

These investments in publicly traded companies are classified as held for trading, as required by the IFRSs. They include the following: AMGA Spa (18 million euros), ACEA Spa (4 million euros), ACEGAS Spa (5 million euros) and ACSM Spa (4 million euros). The valuation of these investments at fair value produced a gain of 3 million euros.

Derivatives Recognized as Current Assets

The table below provides a breakdown of receivables recognized on the balance sheet to reflect the fair value measurement in accordance with IAS 39 of derivatives outstanding at March 31, 2006:

(in millions of euros)	**3/31/06**	12/31/05
Foreign exchange transactions	1	3
Interest rate transactions	29	31
Commodities transactions	41	33
Fair value recognized in current assets	**71**	**67**
allocated as follows:		
- to Other receivables	41	23
- to Current financial assets	30	44

A portion of these receivables amounting to 23 million euros represents cash flow hedges and is offset by a reserve included in shareholders' equity.

Cash and Cash Equivalents

Cash and cash equivalents of 478 million euros include short-term bank and postal account deposits totaling 359 million euros and 118 million euros in readily marketable securities held by Edison Treasury Services.

Liabilities and Shareholders' Equity

11. Group Interest and Minority Interest in Shareholders' Equity

The Group's interest in shareholders' equity increased to 6,337 million euros, or 67 million euros more than at December 31, 2005, due mainly to the profit for the period (67 million euros).

A breakdown of Group interest and minority interest in shareholders' equity and the changes that occurred in these accounts are shown in the Statement of Changes in Consolidated Shareholders' Equity at March 31, 2006:

At March 31, 2006, the subscribed and paid-in capital stock of Edison Spa totaled 4,273 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	4,162,520,333	4,162
Nonconvertible savings shares	110,592,420	111
Total shares	**4,273,112,753**	**4,273**

The aggregate value of share capital and additional paid-in capital was virtually the same as at the end of 2005. A total of 1,018,643,624 warrants were outstanding at March 31, 2006. Each warrant can be exercised until December 2007, to subscribe one new share at a price of 1 euro per share. No change affected the savings shares.

Subsequent to March 31, 2006, upon the approval of the 2005 financial statements, the Shareholders' Meeting authorized the replenishment of the loss carryforward and the distribution of dividends totaling 182 million euros.

The table below provides a breakdown of the reserve for cash flow hedges, which is included in shareholders' equity:

Reserve for cash flow hedge transactions

(in millions of euros)	Gross reserve	Taxes	Net reserve
- Reserve at January 1, 2006	6	(3)	3
- Change in the first quarter of 2006	10	(3)	7
- Reserve at March 31, 2006	16	(6)	10

Non-current Liabilities

12. Provision for Employee Severance Indemnities and Provision for Pensions

This reserve, which amounted to 75 million euros, reflects the accrued severance indemnities and other benefits owed to employees, computed in accordance with the actuarial guidelines provided in IAS 19.

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

- Technical annual discount rate	min. 4.00%, max. 4.50%
- Annual inflation rate	min. 1.90%, max. 2.00%
- Estimated annual increase of the provision for severance indemnities	min. 2.00%, max. 2.95%
- Estimated annual increase of the wages used to compute the provision	min. 2.00%, max. 3.50%%

The computation process also resulted in the recognition of financial expense totaling 1 million euros.

The table below shows the changes that occurred in the first quarter of 2006:

(in millions of euros)	Provision for sever. indemn.	Provision for pensions	Total
Balance at 12/31/05 (A)	**65**	**9**	**74**
Changes in the first quarter of 2006:			
- Additions	1	-	1
- Financial expense (+)	1	-	1
- Discounting gains (losses) (+/-)	-	-	-
- Utilizations (-)	(1)	-	(1)
Total changes (B)	**1**	**-**	**1**
Balance at 3/31/06 (A+B)	**66**	**9**	**75**

As shown in the table below, the Group and the companies that are consolidated line by line or by the proportional method had 2,957 employees at March 31, 2006, about the same as at the end of 2005.

(number of employees)	**3/31/06**	12/31/05	Change
Electric Power operations	1,989	1,992	(3)
Hydrocarbons operations	437	441	(4)
Corporate activities	527	526	1
Total core businesses	**2,953**	**2,959**	**(6)**
Water	4	4	-
Total for the Group	**2,957**	**2,963**	**(6)**

The Group's average payroll totaled 2,961 employees. The sale of Tecnimont accounts for the decrease compared with the first quarter of 2005.

13. Provision for Deferred Taxes

The balance of 1,090 million euros reflects mainly the deferred tax liability from the use during the transition process of fair value as deemed cost to value property, plant and equipment.

The following table 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 prepaid taxes:

(in millions of euros)	**3/31/06**	12/31/05	Change
Deferred-tax liabilities:			
- Differences in the valuation of property, plant and equipment	1.120	1.141	(21)
- Adoption of the standard on finance leases (IAS 17)	48	47	1
- Adoption of the standard on financial instruments (IAS 39), allocated as follows:			
'- to the income statement	16	8	8
'- to shareholders' equity	14	14	-
- Other deferred taxes	11	7	4
Total deferred-tax liabilities (A)	**1.209**	**1.217**	**(8)**
Deferred-tax assets:			
- Tax loss carryforward	61	59	2
- Taxed provisions for risks	49	54	(5)
- Adoption of the standard on financial instruments (IAS 39)	6	4	2
- Other prepaid taxes	3	4	(1)
Total deferred-tax assets (B)	**119**	**121**	**(2)**
Totale fondo imposte differite (A-B)	**1.090**	**1.096**	**(6)**

14. Provisions for Risks and Charges

At March 31, 2006, the reserves for risks and charges, which are established to cover contingent liabilities, totaled 948 million euros, a decrease of 54 million euros compared with the same period last year. This decrease was made possible by the settlement of certain legal disputes, which required the payment of compensation to the opposing parties. The table below shows the changes that occurred in 2006:

(in millions of euros)	**12/31/05**	**Additions**	**Utiliz.**	**Other**	**3/31/06**
- Disputed tax items	35	-	-	-	35
- Risks for disputes, litigation and contracts	172	2	(2)	-	172
- Charges for contractual guarantees on the sale of equity investments	208		(10)	-	198
- Provisions for decommissioning and remediation of industrial sites	173	2	-	11	186
- Environmental risks	180	-	(111)	-	69
- Risks on the sale of equity investments	15	-	-	-	15
- Other risks and charges	219	67	(3)	(10)	273
Total for the Group	**1.002**	**71**	**(126)**	**1**	**948**

The main changes that occurred in the first quarter of 2006 are reviewed below:

- **Additions** of 71 million euros reflect the costs recognized in connection with emissions trading issues, the cost of 32 million euros put in a conservative way to cover penalties imposed by the European Commission on the “old” Montedison for alleged actions in restraint of competition in the chemical sector over the period 1995-2000 by Ausimont, a former subsidiary that was sold to Solvay SA in 2002. They also include 5 million euros added to cover liabilities for pending disputes and statutory interest on existing provisions and 2 million euros for the capitalization of interest on the provision for the decommissioning and remediation of industrial sites.
- The main components of **utilizations,** which totaled 126 million euros, is a reduction of 111 million euros of the provision set aside to cover contractual obligations undertaken in connection with the Porto Marghera power plant and 15 million euros that became available upon the expiration of guarantees provided in connection with the sale of equity investments.

More detailed information about the entries that resulted in the current composition of the provisions for risks and charges at March 31, 2006 is provided in the section of this Report entitled “Changes in the Main Legal and Tax Disputes at March 31, 2006.”

15. Bonds

The balance of 2,858 million euros includes 33 million euros in amortized cost (IAS 39). The table below shows the main features and amounts of the individual bond issues:

(in millions of euros)	Market where traded	Currency	Par value outstanding	Coupon	Rate	Maturity	Ammortized cost	Fair value
Euro Medium Term Notes:								
Edison Spa	Luxembourg Securities Exch	EUR	600	Annual in arrears	7,375%	7/20/07	630	660
Italenergia	Retail	EUR	830	Semiannual in arrears	3,504%	8/26/07	820	838
Edison Spa	Luxembourg Securities Exch	EUR	700	Annual in arrears	5,125%	12/10/10	708	744
Edison Spa	Luxembourg Securities Exch	EUR	500	Quarterly in arrears	3,108%	7/19/11	503	511
Edison Treasury Services Srl	Luxembourg Securities Exch	EUR	195	Quarterly in arrears	2,838%	7/20/09	197	197
Total for the Group			**2.825**				**2.858**	**2.950**

16. Long-term Borrowings and Other Financial Liabilities

This account totaled 1,702 million euros (1,822 million euros at December 31, 2005), including 1,049 million euros owed by Edipower Spa. Its main components are as follows:

(in millions of euros)	**3/31/06**	12/31/05	Change
Due to banks	1,640	1,757	(117)
Due to leasing companies	27	30	(3)
Due to subsidiaries in liquidation	26	25	1
Due to other lenders	9	10	(1)
Total for the Group	**1,702**	**1,822**	**(120)**

At March 31, 2006, available and unused lines of credit totaled about 1,500 million euros.

17. Other Liabilities

Other liabilities of 246 million euros include the liability that arises from the put-and-call option for the purchase of a 10% interest in Edipower (238 million euros) and interest-bearing deposits provided by customers in connection with contracts for the supply of natural gas.

Breakdown of Indebtedness by Maturity

The table below provides a breakdown of indebtedness due after one year:

(in millions of euros)	**3/31/08**	**3/31/09**	**3/31/10**	**3/31/11**	**After 5 years**	**Total**
Bonds	1.450	-	197	708	503	2.858
Borrowings and other financial liab.:						
- Bank debt	247	1.050	50	38	255	1.640
- Due to other lenders	11	12	8	1	30	62
Other liabilities	246	-	-	-	-	246
Total	**1.954**	**1.062**	**255**	**747**	**788**	**4.806**

18 Current Liabilities

The main current liability accounts are reviewed below:

(in millions of euros)	**3/31/06**	12/31/05	Change
Short-term borrowings	900	655	245
Trade payables	1,468	1,275	193
Current taxes payable	58	16	42
Other liabilities	420	438	(18)
Total current liabilities	**2,846**	**2,384**	**462**

- **Short-term borrowings** include 884 million euros due to banks for principal and accrued interest and 16 million euros due to other lenders, most of which are owed to leasing companies. The bank debt includes 35 million euros generated by measuring at fair value interest rate and foreign exchange derivatives.

- **Trade payables**

(in millions of euros)	**3/31/06**	12/31/05	Change
Electric power operations	1.064	789	275
Hydrocarbons operations	464	450	14
Corporate activities and eliminations	(63)	33	(96)
Total hydrocarbons operations	**1.465**	**1.272**	**193**
Water	3	3	-
Total trade payables	**1.468**	**1.275**	**193**

As explained in the corresponding paragraph, the higher price of raw materials is the main reason for the increase in trade payables.

- **Current taxes payable** represent the liability for income taxes payable, less estimated payments made.

- The main components of **other liabilities** of 420 million euros include the following: the liability related to the purchase of a 20% interest in Finel Spa (135 million euros), amounts owed to joint holders of permits and concessions for the production of hydrocarbons (77 million euros), payables owed for miscellaneous consulting and other services (86 million euros), amounts owed to shareholders of subsidiaries that are not wholly owned (8 million euros), excise taxes payable (21 million euros), liabilities stemming from the measurement of commodity derivatives at fair value (11 million euros), advances (25 million euros), amounts payable to employees (22 million euros) and amounts owed to pension and social security institutions (12 million euros).

Disclosure of Derivative Positions on the Liability Side of the Balance Sheet

The table below provides a breakdown of the liabilities recognized on the balance sheet upon measurement at fair value of derivative positions outstanding at the end of 2005, as required by IAS 39.

(in millions of euros)	**3/31/06**	12/31/05
Foreign exchange transactions	3	2
Interest rate transactions	32	64
Commodity transactions	11	9
Fair value recognized under current liabilities	**46**	**75**
Allocated as follows:		
- to other liabilities	11	9
- to short-term borrowings	35	66

The portion of these liabilities that represents cash flow hedges, which amounts to 7 million euros, is offset by a reserve included in shareholders' equity.

NOTES TO THE INCOME STATEMENT

After allocating minority interest, the profit earned by the Edison Group in the first three months of 2006 totaled 67 million euros (99 million euros in the same period last year). Even if the Group's industrial operations have reached a very positive performance, the net profit for the period is penalized by the extraordinary items. The factors that determined the Group's performance are discussed in the notes to the individual components of the income statement.

19. Sales Revenues

Sales revenues totaled 2,441 million euros, for an overall gain of 640 million euros (+35.5%) compared with the same period in 2005. The Group's core businesses increased sales revenues by 772 million euros (+46.5%).

The table below provides a breakdown of sales revenues:

(in millions of euros)	**1/1/06 - 3/31/06**	1/1/05 - 3/31/05	Change	% change
Revenues from the sales of:				
- *Electric power*	*1,602*	*994*	*608*	61.2%
- *Natural gas*	*620*	*545*	*75*	13.8%
- *Steam*	*46*	*31*	*15*	48.4%
- *Oil*	*22*	*12*	*10*	83.3%
- *Green certificates*	*43*	*23*	*20*	87.0%
- *Water and other utilities*	*10*	*8*	*2*	25.0%
- *Other items*	*10*	*4*	*6*	150.0%
Total sales revenues	2,353	1,617	736	45.5%
Revenues from contract work in progress	-	134	(134)	(100.0%)
Electric grid management revenues	9	10	(1)	(10.0%)
Revenues from serv. provided to outsiders	3	3	-	0.0%
Storage services	1	1	-	0.0%
Transmission revenues	75	36	39	n.m.
Total for the Group	**2,441**	**1,801**	**640**	**35.5%**

Sales revenues were generated mainly in Italy. The revenues from contract work in progress shown for the first quarter of 2005 reflect sales of the Tecnimont Group (divested in the second half of 2005), which were accounted for in accordance with IAS 11.

A breakdown of revenues by type of business is provided below:

Sales Revenues by Type of Business

(in millions of euros)	**1/1/06 - 3/31/06**	1/1/05 - 3/31/05	Change	% change
Electric power operations	1,795	1,127	668	59.3%
Hydrocarbons operations	1,256	923	333	36.1%
Corporate activities	11	8	3	37.5%
Eliminations	(630)	(398)	(232)	58.3%
Core businesses	**2,432**	**1,660**	**772**	**46.5%**
Water	9	7	2	28.6%
Other operations	**9**	**7**	**2**	**28.6%**
Engineering	-	134	(134)	*n.m.*
Divested operations	**-**	**134**	**(134)**	**(100.0%)**
Total for the Group	**2,441**	**1,801**	**640**	**35.5%**

At 2,441 million euros, sales revenues were 640 million euros higher (+35.5%) than in the first three months of 2005, when the revenues figure included the engineering operations (Tecnimont Group), which booked revenues of 134 million euros. The Group's core businesses increased revenues by 772 million euros (+46.5%) owing to positive contributions by both businesses, as follows:

- The electric power operations (+59.3% compared with the first quarter in 2005) reported higher unit sales both in the deregulated market and under CIP-6 contracts and benefited from an higher average sales price made possible by a rise in the fuel cost component.
- The hydrocarbons operations also performed well, boosting sales revenues by 36.1%. Higher average unit revenues made possible by favorable developments in the benchmark oil markets account for most of this improvement.

20. Other Revenues and Income

Other revenues and income totaled 192 million euros, or 95 million euros more than in the first three months of 2005.

(in millions of euros)	**1/1/06 - 3/31/06**	1/1/05 - 3/31/05	Change	% change
Commodity derivatives	81	50	31	62.0%
Recovery of costs incurred for Edipower power plants under the Tolling Agreement	50	26	24	92.3%
Recovery of costs incurred on behalf of partners in hydrocarbon exploration projects	4	3	1	33.3%
Utilizations of reserves for risks	4	3	1	33.3%
Swaps and exchanges of natural gas	16	-	16	n.m.
Out-of-period income	28	9	19	n.m.
Sundry items	9	6	3	50.0%
Total for the Group	**192**	**97**	**95**	**97.9%**

Out-of-period income includes the lower penalties paid for using the strategic gas reserve in the first quarter of 2005.

21. Raw Materials and Services Used

The cost of raw materials and services used, which increased in unison with revenues, totaled 2,249 million euros, up 48.2% compared with the first quarter of 2005. A breakdown is as follows:

(in millions of euros)	**1/1/06 - 3/31/06**	1/1/05 - 3/31/05	Change	% change
Purchases of:				
- Natural gas	1.023	628	395	62,9%
- Electric power	292	121	171	141,3%
- Dispatching and balancing services	76	27	49	181,5%
- Blast furnace, recycled and coke furnace gas	94	61	33	54,1%
- Oil and other fuels	111	63	48	76,2%
- Demineralized industrial water	8	7	1	14,3%
- Green certificates	44	23	21	91,3%
- Other materials and utilities	34	75	(41)	(54,7%)
Total purchases	1.682	1.005	677	67,4%
- Facilities design, construction and	56	103	(47)	(45,6%)
- Transmission of electric power	105	96	9	9,4%
- Transmission and treatment of natural gas	78	88	(10)	(11,4%)
- Professional services	18	9	9	100,0%
- Insurance services	7	9	(2)	(22,2%)
- Commodity derivatives	59	33	26	78,8%
- Additions to the provisions for risks	36	1	35	n.m.
- Writedowns of trade receivables	4	2	2	100,0%
- Change in inventory of work in progress, semifinished goods and finished goods	126	121	5	4,1%
- Sundry items	78	51	27	52,9%
Total for the Group	**2.249**	**1.518**	**731**	**48,2%**

The amounts added to the provisions for risks refer mainly to charges arising from the need to comply with emissions trading regulations.

Breakdown by Type of Business

(in millions of euros)	**1/1/06 - 3/31/06**	1/1/05 - 3/31/05	Change	% change
Electric Power operations	1,624	929	695	74.8%
Hydrocarbons operations	1,119	845	274	32.4%
Corporate activities	19	20	(1)	(5.0%)
Eliminations	(518)	(398)	(120)	30.2%
Core businesses	**2,244**	**1,396**	**848**	**60.7%**
Water	5	5	-	n.m.
Other operations	**5**	**5**	**-**	**n.m.**
Engineering	-	117	(117)	*n.m.*
Divested operations	**-**	**117**	**(117)**	***n.m.***
Total for the Group	**2,249**	**1,518**	**731**	**48.2%**

This expense item consists mainly of purchases of natural gas, electric power and other raw materials used in production processes. It also reflects the costs of goods held for resale, such as green certificates and non-gaseous fuel.

The sale of the Tecnimont Group in the second half of 2005 accounts for most of the decrease shown by Other materials and utilities and by Facilities design, construction and maintenance.

The impact of commodity derivatives is disclosed in a separate note.

22. Labor Costs

At 50 million euros, labor costs were 19 million euros less than in the first quarter of 2005. The sale of the Tecnimont Group and the corresponding reduction in average staff discussed in the note to the Provision for employee severance indemnities and provision for pensions account for most of this decrease.

23. EBITDA

At March 31, 2006, EBITDA amounted to 334 million euros, or 7.4% more than a year ago.

A breakdown by type of business is as follows:

(in millions of euros)	**1/1/06 - 31/31/06**	as a % of sales revenues	1/1/05 - 31/31/05
Electric Power operations	290	16,2%	252
Hydrocarbons operations	59	4,8%	78
Corporate activities	(17)	n.s.	(21)
Eliminations	-	n.s.	-
Core businesses	**332**	**13,7%**	**309**
Water	2	22,2%	1
Other operations	**2**	**22,2%**	**1**
Engineering	-	n.m.	1
Divested operations	**-**	**n.m.**	**1**
Total for the Group	**334**	**13,7%**	**311**

The increase in EBITDA reported by the Group's core businesses (+7.4% compared with 2005) is due to a positive performance by the **electric power operations** (+15.1%), as steady growth in unit sales to customers in the deregulated market, the optimization of the sales channels mix and a rise in power plant output more than offset the negative impact of the expiration of CIP-6 incentives for some of the Group's power plants (17 million euros), the charges incurred to comply with emissions trading regulations and a decrease in hydroelectric output caused by a reduction in the availability of water resources.

The EBITDA decrease of 24.4% reported by the **hydrocarbons operations** is mainly the result of a provision set aside conservatively to cover the cost that will result from the enactment of Resolution No. 298/05 by which the AEEG updated customer gas rates for the first quarter of 2006 in accordance with Resolution No. 248/05. Edison is challenging this Resolution.

24. Depreciation, Amortization and Writedowns

A breakdown of depreciation, amortization and writedowns, which totaled 147 million euros, is provided below:

(in millions of euros)	**1/1/06 - 3/31/06**	1/1/05 - 3/31/05	Change	% change
Depreciation of property, plant and equipment	127	125	2	1.60%
Depreciation of investment property	1	-	1	n.m.
Amortization of hydrocarbon concessions	7	6	1	16.67%
Amortization of other intangible assets	12	9	3	33.33%
Total for the Group	**147**	**140**	**7**	**5.00%**

Breakdown by Type of Business

(in millions of euros)	**1/1/06 - 3/31/06**	1/1/05 - 3/31/05	Change	% change
Electric power operations	118	108	10	9,3%
Hydrocarbons operations	27	28	(1)	(3,6%)
Corporate activities	2	3	(1)	(33,3%)
Core businesses	**147**	**139**	**8**	**5,8%**
Water	-	1	(1)	n.m.
Other operations	**-**	**1**	**(1)**	**n.m.**
Total for the Group	**147**	**140**	**7**	**5,0%**

The increase in depreciation of property, plant and equipment reported by the electric power operations, compared with the first three months of 2005, reflects the commissioning of two new power plants: Altomonte in the first quarter of 2006 and Candela in the second half of 2005.

The amortization of other intangible assets refers almost entirely to hydrocarbon exploration costs (11 million euros).

25. Net Financial Income (Expense)

Net financial expense amounted to 50 million euros, or 20 million euros more than in the first three months of 2005. The valuation of outstanding derivatives accounts for this increase.

A breakdown of net financial expense is as follows:

(in millions of euros)	**1/1/06 - 3/31/06**	1/1/05 - 3/31/05
Proventi finanziari		
Interest earned on commodity derivatives	9	41
Interest earned on financial derivatives	23	34
Interest earned on bank and postal accounts	3	1
Interest earned on amounts due from the tax administration	1	2
Other financial income	8	4
Total financial income	**44**	**82**
Financial expense		
Interest paid on bond issues	(37)	(33)
Charges paid on commodity derivatives	(12)	(29)
Charges paid on financial derivatives	(11)	(24)
Interest paid to banks	(21)	(20)
Bank fees	(4)	(3)
Capitalized interest paid on decommissioning projects	(2)	(2)
Interest paid to other lenders	(2)	(2)
Interest paid in connection with employee severance benefits	(1)	(1)
Other financial expense	(1)	(1)
Total financial expense	**(91)**	**(115)**
Foreign exchange translation gains (losses)		
Foreign exchange translation gains	2	11
Foreign exchange translation losses	(5)	(8)
Net foreign exchange translation gain (loss)	**(3)**	**3**
Net consolidated financial income (expense)	**(50)**	**(30)**

The financial income and expense data shown for the first quarter of 2005 reflect the financial impact of commodity derivatives classified as economic hedges (about 15 million euros), to which IAS 32 and IAS 39 were not fully applicable as of the date of the corresponding financial statements.

Financial expense also includes a charge of 2 million euros that has as its offset a provision for risks related to the decommissioning and remediation of industrial sites by the hydrocarbons operations and a charge of 1 million euros related to the provision for employee severance benefits recognized as a result of the adoption of IAS 19.

As explained earlier in a separate disclosure contained in these notes, the financial impact of exchange rate differentials includes a negative balance of 3 million euros attributable to derivatives that hedge the risk of changes in the prices of raw materials.

26. Income from (Expense on) Equity Investments

A breakdown of the credit balance of 2 million euros is as follows:

Income:

- 3 million euros generated by marking to market equity investments held for trading.
- 1 million euros generated by a new valuation of certain investee companies.

Expense:

- 2 million euros attributable mainly to a writedown of the investment in IPSE 2000,

27. Other Income (Expense), Net

Other expense net of 28 million euros is the net result of certain residual items that are not related directly to the Group's industrial operations or financial transactions. The main items included in this account are:

Income:

- 12 million euros from the recognition in earnings of the portion of certain provisions, most of which had been established to cover guarantees provided upon the sale of equity investments.

Expense:

- 40 million euros, mainly relating to the increase of provisions for risks due to cover the penalties imposed by the European Commission on the "old" Montedison (today Edison) for alleged actions in restraint of competition over the period 1995-2000 by Ausimont, a former subsidiary that was sold to Solvay SA in 2002; they also include 2 million euros added to the provisions for risks for accrued statutory interest and 6 million euros for miscellaneous charges.

28. Income Taxes

Income taxes recognized on the income statement amounted to 39 million euros (40 million euros at March 31, 2005), broken down as follows:

(in millions of euros)	**1/1/06 - 3/31/06**	1/1/05 - 3/31/05	Change	% change
Current taxes	67	44	23	34,3%
Net deferred-tax liabilities (assets)	(28)	(4)	(24)	85,7%
Total for the Group	**39**	**40**	**(1)**	**n.m.**

Current taxes include liabilities of 54 million euros for corporate income taxes (IRES) and 10 million euros for local income taxes (IRAP). Other taxes due outside Italy account for the balance.

The balance shown for **deferred taxes** (deferred-tax assets of 28 million euros) is the result of the following items: utilization of 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 measurement method upon transition, and recognition of deferred-tax assets computed assuming utilization of the tax loss carryforward and reversals of provisions for risks within a limited time horizon.

29. Profit (Loss) per Share

The table below provides a breakdown of the computation of earnings or loss per share in accordance with IAS 33, which are shown at the bottom of the income statement.

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

2005 full year	*(in millions of euros)*	**3/31/06**	3/31/05
500	Group interest in profit (loss)	67	99
(3)	Net income attributable to convertible and nonconvertible savings shares [1]	(3)	(3)
497	Group interest in net income attributable to the common shares (A)	64	96
	Weighted average number of shares outstanding (common and savings) determined for the purpose of computing earnings per share:		
4.266.333.515	- basic (B)	4.273.111.031	4.263.246.984
4.688.483.256	- diluted (C) [2]	4.692.129.629	4.635.595.030
	Profit (Loss) per share (in euros)		
0,1165	- basic (A/B)	0,0148	0,0224
0,1060	- diluted (A/C) [2]	0,0135	0,0206

(1) 3% of par value for the higher dividend paid to the savings shares compared with the common shares. Savings shares are treated as common shares, since the portion of net income attributable to the savings shares has been deducted from Group interest in net income.

(2) When the Group reports a loss, the potential shares are deemed to have no dilutive effect.

Contingent Commitments and Risks

(in millions of euros)	**3/31/06**
Guarantees provided	2,733
Collateral provided	2,358
Other commitments and risks	715
Total for the Group	**5,806**

Guarantees Provided

Guarantees provided totaled 2,733 million euros. This figure is equal to the undiscounted amount of potential commitments on the balance sheet date. It includes the following:

- 607 million euros for guarantees provided by Edison Spa to customers of Tecnimont Spa (585 million euros) and Protecma Srl (22 million euros) for the performance of supply contracts.
- 772 million euros in guarantees provided by Edison Spa to the Milan tax office on behalf of subsidiaries for offsetting VAT credits and those provided to subsidiaries in connection with the intra-Group assignment of tax credits.
- 147 million euros in sureties provided by Edison Spa to banks to secure project financing, facilities and credit lines 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 costs and underperformances) that Edipower Spa may incur in connection with its repowering program (100 million euros) – (Completion Equity Contribution Agreement).

Moreover, pursuant to the Tolling and Power Purchasing Agreements, Edison 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 (300 million euros).

Collateral Provided

Collateral provided, which came to 2,358 million euros, reflects the carrying amounts of the assets or rights pledged as collateral on the balance sheet date. This account includes collateral provided for liabilities listed on the balance sheet, including the value of Edipower shares (800 million euros) and Serene shares (98 million euros) pledged to a pool of banks to secure financing facilities. Following the refinancing of Serene's debt, the Group has requested the cancellation of the corresponding pledge.

Collateral provided also includes additional collateral for liabilities listed on the balance sheet (1,460 million euros), which generally consist of mortgages and encumbrances granted on thermoelectric facilities to secure financing. A total of 657 million euros refers to mortgages that secured loans since repaid and are currently in the process of being cancelled.

Other Commitments and Risks

Other commitments and risks of 715 million euros reflect commitments undertaken to complete construction of the Simeri Crichi and Torviscosa thermoelectric power plants and other ongoing projects (for a total of 285 million euros) and commitments of Edipower toward suppliers for purchase and construction contracts (Edison's pro rata share was 313 million euros).

In addition, the Group is 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 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 begin 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 Srl granted to its lender banks a special pledge on the equipment of its cogenerating power plant. Termica Milazzo Srl granted to its lender banks a mortgage and special pledge on all of the production facilities it owns.

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

∉ Pursuant to the contract for the purchase through subscription of Utilità Spa shares, Edison has options to either buy an additional 16% interest in the share capital of Utilità Spa or sell its entire interest in that company. These options may be exercised by and not later than July 31, 2007. The value of the buy option is equal to the subscription price of the shares plus an amount equal to the interest accrued between the date of subscription of the shares and the date the option is exercised. The value of the sell option is equal to the corresponding interest in the underlying shareholders' equity, less reserves, at September 28, 2005.

∉ In addition, the agreement executed in connection with the sale of Edison LNG, now Terminale GNL Adriatico Srl (May 2005), includes the following conditions:

- For all shareholders, the obligation not to transfer their equity interest until 36 months have passed from the startup of the terminal, but, in any case, not later than July 1, 2011 (lockup clause);
- For Edison, the right to buy the 90% it does not own or sell its 10% 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 has been completed, Edison, while owning just 10% of the infrastructure, will become its main user and will have access to about 80% of the terminal's gasification capacity for 25 years.

Changes in the Main Legal and Tax Disputes at March 31, 2006

With respect to the changes occurred since the situation presented in the financial statements at December 31, 2005 on the principal **legal disputes** that have arisen from past events and that are likely to result in a cash outlay of an amount that can reasonably be estimated as a result of obligations that existed on the balance sheet date and for which provisions have been established, we point out that on May 3th the European Commission provided Edison with the taxt of its decision on the proceedings regarding violations of Article 81 of the Treaty in the hydrogen peroxide and sodium perborate markets. The decision established that a past agreement between 17 companies restrained competition in the abovementioned businesses and imposed penalties on 16 companies, one of which is Edison Spa, as heir of Montedison Spa which controlled Ausimont Spa during the period of the alleged unlawful conduct. Based on the information available in the record of the proceedings, the abovementioned fine was imposed on Montedison (today Edison) because it controlled 100% of Ausimont's share capital during the period of the alleged unlawful conduct (1995-2000). Ausimont was sold in 2002 to Solvay SA. As known by Edison, no evidence has been found that Montedison was directly involved in the abovementioned agreement. Therefore, given that Montedison (today Edison) was totally extraneous to and completely unaware of Ausimont's actions, Edison reserves the right to study the reasoning of the Commission's decision and evaluate the most appropriate judicial response.

No significant developments that affected the status of the main **tax disputes** occurred in the first quarter of 2006.

Transactions Among Group Companies and with Related Parties

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

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

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

In addition, Edison Spa issued sureties and other guarantees to credit institutions to secure loans and lines of credit provided to subsidiaries and affiliated companies, chief among them the facilities provided to Edipower, which are discussed in detail in the Notes to the financial statements.

Consolidated VAT Return – Edison Spa files a consolidated VAT return (so-called VAT Pool) that includes those companies of the Edison Group that meet the requirements of Article 73, Section 3, of Presidential Decree No. 633/72, as amended, and of the Ministerial Decree dated December 13, 1979. Under the consolidated return system, Group companies transfer to Edison Spa, either monthly or quarterly, VAT payable and receivable positions in order to allow Edison Spa to offset these positions and pay only the resulting debit balance, if any. The Group VAT return for March 2006 shows that the Group has a credit balance of 18.2 million euros.

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 the three-year period 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 subsidiaries.

Other Transactions with Related Parties Within the Edison Group

In the first quarter of 2006, Edison Spa and some of its subsidiaries engaged in a number of commercial and financial transactions with some of its current shareholders and/or companies controlled by them. An overview of these transactions, which were carried out in the normal course of business based on contractual terms mutually agreed upon by the parties, is provided below.

(in millions of euros)

Analysis of transactions	***AEM GROUP***	***EDF GROUP***	***ENIA GROUP***	***SEL GROUP***	***BANCA POPOLARE DI MILANO***	***MEDIOBANCA***
Balance sheet transactions						
Value of trade receivables	36	49	89			
Value of trade payables	24	9	11			
Value of loans receivables						
Value of loans payable					16	85
Income statement transactions						
Sales of goods and services	56	74	165			
Purchases of goods and services	23	25	13	1		
Financial income						
Financial expense						1

Commercial Transactions

The **Electric Power Operations** executed the following additional transactions with the EDF Group:

- A contract for the supply of electric power in France, which resulted in the purchase of electric power worth about 7 million euros (227 GWh); the purchase of about 9 million euros worth of electric power (143 GWh) in Italy; and the sale of about 1,098 GWh of electric power valued at 72 million euros. In addition, revenues from transmission services amounted to 1 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 generated revenues of 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 the first quarter of 2006, Edison Spa supplied AEM Spa with steam valued at about 2 million euros from its Sesto San Giovanni power plant. In addition, Consorzio di Sarmato booked revenues of about 3 million euros (corresponding to about 33.3 million KWh) from the sale of electric power generated by the Sarmato power plant to the Enia consortium affiliate.

Acting within the framework of the Tolling Agreement with Edipower Spa, Edison Trading Spa agreed to work on behalf of other Tollers in supplying fuel to certain production facilities. As a result, it generated revenues of 20 million euros from the sale of fuel oil to Aem Trading Srl.

In addition, as part of the electric power procurement operations, Edison Trading made the following purchases of electric power: 3 million euros from Sel Edison Spa (SEL Group) and 10 million euros from Enia Spa.

Electric power transmission costs totaling 2 million euros were attributed to Aem Eletttricità.

The **Hydrocarbons Operations** purchased slightly more than 160 million standard cubic meters of natural gas from ENBW Trading GmbH (EDF Group) at a cost of 3 million euros.
Transactions with the Blumet affiliate, a company of the Enia Group, generated revenues of 162 million euros from the sale of natural gas and receivables totaling 87 million euros. The hydrocarbons operations also purchased 3 million euros worth of natural gas from Blumet.

Corporate Activities – Edison Spa paid Fenice Spa (EDF Group) about 1 million euros for environmental remediation costs at Company locations.

Financial Transactions

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

- The Group executed foreign exchange transactions with an aggregate notional amount of about US$200 million with JPMorganChase. Transactions outstanding at March 31, 2006 totaled US$96 million
- Banca Popolare di Milano provided the Group with a revocable line of credit of 30 million euros and a committed line of credit of 40 million euros, both accruing interest at market rates. At March 31, 2006, the amounts drawn down on these two credit lines were 10 million euros and 40 million euros, respectively. The same bank also provided a bank surety of about 14 million euros.

Significant Events Occurring Since March 31, 2006

Edison – The Shareholders' Meeting Approves the 2005 Annual Report and Declare a Dividend

On April 6, 2006, Edison's Shareholders' Meeting approved the 2005 Annual Report, which shows a net profit of 351 million euros. The Shareholders' Meeting then voted to replenish the remaining loss carryforward of about 58 million euros and distribute a dividend of 0.038 euros to each common share (3.8% of par value) and 0.218 euros to each savings share. This allocation takes into account the right of the holders of savings shares to receive past-due preferred dividends for the past three years (5% of par value) and a 3% preference premium on any dividend distributed to the common shares.

Edison – Natural Gas Find in Algeria

In April 2006, Edison, working through a joint venture with Repsol YPF, RWE Dea and Sonatrach, completed the first two exploratory wells drilled in the Reggane Basin in Algeria. Both wells yielded natural gas, flowing at more than 630,000 and 100,000 cubic meters a day, respectively.

Edison Is Awarded a Gas Distribution Franchise for Five Municipalities in the Abruzzo Region

In April, 2006, working through its Edison DG subsidiary, Edison was awarded a gas distribution franchise for five municipalities (Canistro, Civitella Roveto, Civita D'Antino, San Vincenzo Valle Roveto and Balsorano) in the province of L'Aquila.

The contract for the provision of gas distribution services gives Edison DG the right to distribute natural gas for 12 years to a market with 4,400 potential new customers and projected consumption of 8 million cubic maters a year.

Milan, May 9, 2006

The Board of Directors
by: Giuliano Zuccoli
Chairman

SCOPE OF CONSOLIDATION AT MARCH 31, 2006

EDISON Group
Financial Statements at March 31, 2006

List of Equity Investments

Name	Head office	Curr.	Share capital	Consolidated Group interest % (a)		Interest held in share capital		Voting securities held	Exercisable voting rights	Type of investment relationship
				3/31/05	12/31/05	% (b)	by	% (c)	% (d)	(e)
A) Investments in Companies Included in the Scope of Consolidation										
A.1) Companies Consolidated Line by Line										
PARENT COMPANY										
EDISON SPA	MILAN	EUR	4.273.112.753							
CORE BUSINESSES – ELECTRIC POWER OPERATIONS										
ELECTRIC POWER BUSINESS UNIT										
CONSORZIO DI SARMATO SOC. CONS. P.A.	MILAN (IT)	EUR	200.000	52,500	52,500	52,500	EDISON SPA	-	-	SUB
ECOFUTURE SRL (SINGLE SHAREHOLDER)	MILAN (IT)	EUR	10.200	100,000	100,000	100,000	EDISON SPA	-	- h	SUB
EDISON RETE SPA (SINGLE SHAREHOLDER)	MILAN (IT)	EUR	106.778.200	100,000	100,000	100,000	EDISON SPA	-	- h	SUB
GEVER SPA	MILAN (IT)	EUR	10.500.000	51,000	51,000	51,000	EDISON SPA	-	-	SUB
HYDRO POWER ENERGY SRL - HPE SRL (SINGLE SHAREHOLDER)	BOLZANO (IT)	EUR	50.000	100,000	100,000	100,000	EDISON SPA	-	- h	SUB
JESI ENERGIA SPA	MILAN (IT)	EUR	5.350.000	70,000	70,000	70,000	EDISON SPA	-	-	SUB
SARMATO ENERGIA SPA	MILAN (IT)	EUR	14.420.000	61,000	61,000	61,000	EDISON SPA	-	-	SUB
SONDEL DAKAR BV	ROTTERDAM (NL)	EUR	18.200	100,000	100,000	100,000	MONTEDISON FINANCE EUROPE NV	-	-	SUB
TERMICA BOFFALORA SRL	MILAN (IT)	EUR	14.220.000	70,000	70,000	70,000	EDISON SPA	-	- h	SUB
TERMICA CELANO SRL	MILAN (IT)	EUR	259.000	70,000	70,000	70,000	EDISON SPA	-	- h	SUB
TERMICA COLOGNO SRL	MILAN (IT)	EUR	9.296.220	65,000	65,000	65,000	EDISON SPA	-	- h	SUB
TERMICA MILAZZO SRL	MILAN (IT)	EUR	23.241.000	60,000	60,000	60,000	EDISON SPA	-	- h	SUB
RENEWABLE SOURCES										
EDISON ENERGIE SPECIALI SPA (SINGLE SHAREHOLDER)	MILAN (IT)	EUR	4.200.000	100,000	100,000	100,000	EDISON SPA	-	- h	SUB
MONSEI ESCO SRL (SINGLE SHAREHOLDER)	MILAN (IT)	EUR	100.000	100,000	100,000	100,000	EDISON SPA	-	- h	SUB
PARCO EOLICO FAETO SRL (SINGLE SHAREHOLDER)	MILAN (IT)	EUR	11.300	100,000	100,000	100,000	EDISON ENERGIE SPECIALI SPA (SINGLE SHAREHOLDER)	-	- h	SUB
PARCO EOLICO FOIANO SRL (SINGLE SHAREHOLDER)	MILAN (IT)	EUR	683.000	100,000	100,000	100,000	PARCO EOLICO SAN GIORGIO SRL (SINGLE SHAREHOLDER	-	- h	SUB
PARCO EOLICO SAN GIORGIO SRL (SINGLE SHAREHOLDER)	MILAN (IT)	EUR	8.911.200	100,000	100,000	100,000	EDISON ENERGIE SPECIALI SPA (SINGLE SHAREHOLDER)	-	- h	SUB
CORE BUSINESSES – HYDROCARBONS OPERATIONS										
HYDROCARBONS BUSINESS UNIT										
EDISON D.G. SPA (SINGLE SHAREHOLDER)	SELVAZZANO DENTRO (PD) (IT)	EUR	460.000	100,000	100,000	100,000	EDISON SPA	-	- h	SUB
EDISON INTERNATIONAL SPA	MILAN (IT)	EUR	17.850.000	100,000	100,000	70,000	EDISON SPA	-	- h	SUB
						30,000	SELM HOLDING INTERNATIONAL SA			
EDISON STOCCAGGIO SPA (SINGLE SHAREHOLDER)	MILAN (IT)	EUR	81.497.301	100,000	100,000	100,000	EDISON SPA	-	- h	SUB
EUROIL EXPLORATION LTD	LONDON (GB)	GBP	9.250.000	100,000	100,000	0,000	EDISON SPA	-	-	SUB
						100,000	SELM HOLDING INTERNATIONAL SA			
CORE BUSINESSES – ENERGY MANAGEMENT										
ENERGY MANAGEMENT BUSINESS UNIT										
EDISON TRADING SPA (SINGLE SHAREHOLDER)	MILAN (IT)	EUR	30.000.000	100,000	100,000	100,000	EDISON SPA	-	- h	SUB
VOLTA SPA	MILAN (IT)	EUR	130.000	51,000	51,000	51,000	EDISON SPA	-	-	SUB
CORE BUSINESSES – MARKETING AND DISTRIBUTION										
MARKETING AND DISTRIBUTION BUSINESS UNIT										
EDISON ENERGIA SPA (SINGLE SHAREHOLDER)	MILAN (IT)	EUR	22.000.000	100,000	100,000	100,000	EDISON SPA	-	- h	SUB
EDISON PER VOI SPA (SINGLE SHAREHOLDER)	SELVAZZANO DENTRO (PD) (IT)	EUR	3.592.000	100,000	100,000	100,000	EDISON D.G. SPA (SINGLE SHAREHOLDER)	-	- h	SUB
CORE BUSINESSES – CORPORATE ACTIVITIES										
ITALIAN AND FOREIGN HOLDING COMPANIES										
ATEMA LIMITED	DUBLIN 2 (IE)	EUR	1.500.000	100,000	100,000	100,000	EDISON SPA	-	-	SUB
EDISON HELLAS SA	ATHENS (GR)	EUR	263.700	100,000	100,000	100,000	EDISON SPA	-	-	SUB
FINANZIARIA DI PARTECIPAZIONI ELETTRICHE FINEL SPA	MILAN (IT)	EUR	194.000.000	100,000	100,000	80,000	EDISON SPA	-	- h	SUB
MONTEDISON FINANCE EUROPE NV	AMSTERDAM (NL)	EUR	4.537.803	100,000	100,000	100,000	EDISON SPA	-	-	SUB
SELM HOLDING INTERNATIONAL SA	LUXEMBOURG (LU)	EUR	24.000.000	100,000	100,000	99,950	EDISON SPA	-	-	SUB
						0,050	MONTEDISON SRL (SINGLE SHAREHOLDER)	-	-	
REAL ESTATE COMPANIES										
MONTEDISON SRL (SINGLE SHAREHOLDER)	MILAN (IT)	EUR	2.583.000	100,000	100,000	100,000	EDISON SPA	-	- h	SUB
NUOVA ALBA SRL (SINGLE SHAREHOLDER)	MILAN (IT)	EUR	2.016.457	100,000	100,000	100,000	EDISON SPA	-	- h	SUB
DORMANT COMPANIES AND OTHER COMPANIES										
EDISON TREASURY SERVICES SRL	CONEGLIANO (TV) (IT)	EUR	10.000	100,000		0,000	EDISON SPA	-	-	SUB
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	50,000	EDISON SPA	-	-	JV
IBIRITERMO SA	IBIRITE' - ESTADO DE MINAS GERAIS (BR)	BRL	7.651.814	50,000	50,000	50,000	EDISON SPA	-	-	JV
SEL - EDISON SPA	CASTELBELLO (BZ) (IT)	EUR	84.798.000	42,000	42,000	42,000	EDISON SPA	-	-	JV
SELEDISON NET SRL	CASTELBELLO - CIARDES (BZ) (IT)	EUR	200.000	42,000	42,000	100,000	SEL - EDISON SPA	-	-	JV
SERENE SPA	MILAN (IT)	EUR	25.800.000	66,320	66,320	66,320	EDISON SPA	-	-	JV
RENEWABLE SOURCES										
PARCO EOLICO CASTELNUOVO SRL	CASTELNUOVO DI CONZA (SA) (IT)	EUR	10.200	50,000	50,000	50,000	EDISON ENERGIE SPECIALI SPA (SINGLE SHAREHOLDER)	-	-	JV
OTHER ELECTRIC POWER OPERATIONS										
EDIPOWER SPA	MILAN (IT)	EUR	1.441.300.000	50,000	50,000	40,000	EDISON SPA	-	-	JV
CORE BUSINESSES – HYDROCARBONS OPERATIONS										
CORE BUSINESSES – HYDROCARBONS BUSINESS UNIT										
ED-INA D.O.O.	ZAGREB (HR)	HRK	20.000	50,000	50,000	50,000	EDISON INTERNATIONAL SPA	-	-	JV
SOC.STUD.PROM.GASDOT.ALG-ITA V.SARDEG. GALSI SPA	MILAN (IT)	EUR	3.850.000	18,000	18,000	18,000	EDISON SPA	-	-	JV
OTHER OPERATIONS										
WATER										
INTERNAT. WATER SERV.(GUAYAQUIL) INTERAGUA C. LTDA	GUAYAQUIL (EC)	USD	17.820.000	26,550	26,550	90,000	INTERNATIONAL WATER SERVICES (GUAYAQUIL) BV	-	-	JV
INTERNATIONAL WATER (TUNARI) BV	AMSTERDAM (NL)	EUR	20.000	50,000	50,000	100,000	INTERNATIONAL WATER HOLDINGS BV	-	-	JV
INTERNATIONAL WATER (UK) LIMITED	LONDON (GB)	GBP	1.001	50,000	50,000	0,100	INTERNATIONAL WATER SERVICES LIMITED	0,000	0,000	JV
						99,900	IWL CORPORATE LIMITED	100,000	100,000	

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List of Equity Investments

Name	Head office	Curr.	Share capital	Consolidated Group interest %	Interest held in share capital		Voting securities held	Exercisable voting rights	Carrying value (in millions of euros)	Type of investment relationship	Criterio di consolidamento o di valutazione
				31/12/2005	% (b)	by	voto % (c)	% (d)	(f)	(e)	
B) 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		50,000	JESI ENERGIA SPA	-	-		ASS	Pn
CONSORZIO MONTORO	NARNI (IT)	EUR	4.000		25,000	EDISON SPA	-	-		ASS	Pn
CONSORZIO VICENNE	CELANO (IT)	EUR	1.000		50,000	TERMICA CELANO SRL	-	-		ASS	Pn
GTI DAKAR LTD	GEORGE TOWN -GRAN CAIMAN (GBC)	EUR	14.686.479		30,000	SONDEL DAKAR BV	-	-	3,7	ASS	Pn
KRAFTWERKE HINTERRHEIN AG	THUSIS (CH)	CHF	100.000.000		20,000	EDISON SPA	-	-	15,6	ASS	Pn
ROMA ENERGIA SRL	ROME (IT)	EUR	50.000		35,000	EDISON SPA	-	-	0,5	ASS	Pn
									21,5		
RENEWABLE SOURCES											
SISTEMI DI ENERGIA SPA	MILAN (IT)	EUR	10.475.000		40,570	EDISON SPA	-	-	4,2	ASS	Pn
CORE BUSINESSES – HYDROCARBONS OPERATIONS											
HYDROCARBONS BUSINESS UNIT											
NILE VALLEY GAS COMPANY (NVGC) S.A.E.	CAIRO (EG)	EGP	50.000.000		37,500	EDISON INTERNATIONAL SPA	-	-	3,8	ASS	Pn
CORE BUSINESSES – MARKETING AND DISTRIBUTION											
MARKETING AND DISTRIBUTION BUSINESS UNIT											
BLUMET SPA	REGGIO EMILIA (IT)	EUR	7.600.000		25,790	EDISON SPA	-	-	3,3	ASS	Pn
ESTGAS SPA	UDINE (IT)	EUR	495.000		33,330	EDISON SPA	-	-	0,2	ASS	Pn
ETA 3 SPA	AREZZO (IT)	EUR	2.000.000		33,010	EDISON SPA	-	-	1,3	ASS	Pn
GASCO SPA	BRESSANONE (BZ) (IT)	EUR	350.000		40,000	EDISON SPA	-	-	0,1	ASS	Pn
PROMETEO SPA	OSIMO (AN) (IT)	EUR	1.938.743		21,000	EDISON SPA	-	-	0,5	ASS	Pn
S.A.T. - SERVIZI AMBIENTE TERRITORIO SPA	SASSUOLO - (MO) (IT)	EUR	27.752.560		40,000	EDISON SPA	-	-		ASS	Pn
UTILITA' SPA	MILAN (IT)	EUR	2.307.692		35,000	EDISON SPA	-	-	0,8	ASS	Pn
CORE BUSINESSES – CORPORATE ACTIVITIES											
REAL ESTATE COMPANIES											
INIZIATIVA UNIVERSITARIA 1991 SPA	VARESE (IT)	EUR	16.120.000		32,260	MONTEDISON SRL (SINGLE SHAREHOLDER)	-	- m	3,9	ASS	Pn
SOC.PER LA GEST. DEL PALAZZO CENTRO CONGRESSI SRL	ASSAGO (MI) (IT)	EUR	10.200		44,820	MONTEDISON SRL (SINGLE SHAREHOLDER)	-	-		ASS	Pn
DORMANT COMPANIES AND OTHER COMPANIES											
SYREMONT SPA	MESSINA (IT)	EUR	750.000		40,000	EDISON SPA	-	-		ASS	Pn

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List of Equity Investments

Name	Head office	Curr.	Share capital	Consolidated Group interest % 31/12/2005	Interest held in share capital % (b)	by	Voting securities held voto % (c)	Exercisable voting rights % (d)	Carrying value (in millions of euros) (f)	Type of investment relationship (e)
C) Companies Valued at Cost Because Ownership Subject to Lasting Restrictions										
CORE BUSINESSES – ELECTRIC POWER OPERATIONS										
ELECTRIC POWER BUSINESS UNIT										
BIOMASSE EMILIA ROMAGNA SRL (IN LIQUID.)	CESENA (FO) (IT)	EUR	10.000		51,000	EDISON SPA	-	- h n		SUB
CORE BUSINESSES – HYDROCARBONS OPERATIONS										
HYDROCARBONS BUSINESS UNIT										
AUTO GAS COMPANY S.A.E. (IN LIQUID.)	CAIRO (ET)	EGP	1.700.000		30,000	EDISON INTERNATIONAL SPA	-	-		ASS
CORE BUSINESSES – MARKETING AND DISTRIBUTION										
MARKETING AND DISTRIBUTION BUSINESS UNIT										
EDISON GAS ESPANA SA (SOCIEDAD UNIPERSONAL EN LIQ.)	BARCELONA (ES)	EUR	60.200		100,000	EDISON SPA	-	-		SUB
CORE BUSINESSES – CORPORATE ACTIVITIES										
DORMANT COMPANIES AND OTHER COMPANIES										
CODEST SRL	PAVIA DI UDINE (UD) (IT)	EUR	15.600		33,330	NUOVA C.I.S.A. SPA (IN LIQ.) (SINGLE SHAREHOLDER)	-	-		ASS
CONSORZIO FRIULANO PER IL TAGLIAMENTO	UDINE (IT)	EUR	10.330		16,300	NUOVA C.I.S.A. SPA (IN LIQ.) (SINGLE SHAREHOLDER)	-	-		OC
IN LIQUIDATION OR SUBJECT TO RESTRICTIONS										
C.F.C. CONSORZIO FRIULANO COSTRUTTORI (IN LIQUID.)	UDINE (IT)	LIT	100.000.000		20,000	NUOVA C.I.S.A. SPA (IN LIQ.) (SINGLE SHAREHOLDER)	-	-		ASS
CALBIOTECH SRL (IN BANKRUPTCY)	RAVENNA (IT)	LIT	90.000.000		55,000	EDISON SPA	-	-		SUB
CALCESTRUZZI PALERMO SRL (IN LIQUID.) (IN RECEIV.) SING. S	PALERMO (IT)	EUR	108.360		100,000	EDISON SPA	-	- l 0,000		SUB
CEMPES SCRL (IN LIQUID.)	VILLA ADRIANA - TIVOLI (RM) (IT)	EUR	15.492		33,330	NUOVA C.I.S.A. SPA (IN LIQ.) (SINGLE SHAREHOLDER)	-	-		ASS
CI.FAR. SCARL (IN BANKRUPTCY)	UDINE (IT)	LIT	20.000.000		60,000	NUOVA C.I.S.A. SPA (IN LIQ.) (SINGLE SHAREHOLDER)	-	-		SUB
COMPO CHEMICAL COMPANY (IN LIQUID.)	WILMINGTON, DELAWARE (US)	USD	1.000		100,000	NUOVA ALBA SRL (SINGLE SHAREHOLDER)	-	-		SUB
COMPO SHOE MACHINERY CORP. OF CANADA (IN LIQUID.)	MONTREAL - QUEBEC (CA)	CAD	500		100,000	NUOVA ALBA SRL (SINGLE SHAREHOLDER)	-	-		SUB
CONIEL SPA (IN LIQUID.)	ROME (IT)	EUR	1.020		35,250	EDISON SPA	-	-		ASS
CONSORZIO CARNIA (IN LIQUID.)	SESTO SAN GIOVANNI (MI) (IT)	EUR	51.645		17,000	NUOVA C.I.S.A. SPA (IN LIQ.) (SINGLE SHAREHOLDER)	-	-		OC
CONSORZIO CARNIA SCRL (IN LIQUID.)	ROME (IT)	EUR	45.900		17,000	NUOVA C.I.S.A. SPA (IN LIQ.) (SINGLE SHAREHOLDER)	-	-		OC
CONVOLCI SCNC (IN LIQUID.)	SESTO SAN GIOVANNI (IT)	EUR	5.165		27,370	NUOVA C.I.S.A. SPA (IN LIQ.) (SINGLE SHAREHOLDER)	-	-		ASS
FERRUZZI TRADING FRANCE SA (IN LIQUID.)	PARIGI (F)	EUR	7.622.451		100,000	EDISON SPA	-	-		SUB
FINIMEG SPA (SOCIO UNICO) (IN LIQUID.)	MILAN (IT)	EUR	2.425.200		100,000	EDISON SPA	-	- h		SUB
FINSAVI SRL IN RECEIVERSHIP	PALERMO (IT)	EUR	18.698		50,000	EDISON SPA	-	- l 0,000		ASS
FRIGOTECNICA SRL (SING. SHAREH.) IN RECEIV. (IN LIQUID.)	PALERMO (IT)	EUR	76.500		100,000	EDISON SPA	-	- l 0,000		SUB
GROUPEMENT GAMBOGI-CISA (IN LIQUID.)	DAKAR (SN)	XAF	1.000.000		50,000	NUOVA C.I.S.A. SPA (IN LIQ.) (SINGLE SHAREHOLDER)	-	-		ASS
INICA SARL (IN LIQUID.)	LISBON (PT)	PTE	1.000.000		20,000	EDISON SPA	-	-		ASS
NUOVA C.I.S.A. SPA (IN LIQUID.) (SINGLE SHAREHOLDER)	MILAN (IT)	EUR	1.549.350		100,000	EDISON SPA	-	- h		SUB
NUOVA I.S.I. IMPIANTI SELEZ. INERTI SRL (IN BANKRUPTCY)	VAZIA (RI) (IT)	LIT	150.000.000		33,330	MONTEDISON SRL (SINGLE SHAREHOLDER)	-	-		ASS
POGGIO MONDELLO SRL (SINGLE SHAREH.) IN RECEIVERSHIP	PALERMO (IT)	EUR	364.000		100,000	FINIMEG SPA (SINGLE SHAREHOLDER) (IN LIQUIDATION)	-	- l 0,000		SUB
ROSFID SRL (IN LIQUID.)	MILAN (IT)	LIT	46.000.000		42,280	EDISON SPA	-	- i		ASS
SISTEMA PERMANENTE DI SERVIZI SPA (IN BANKRUPTCY)	ROME (IT)	EUR	154.950		12,600	EDISON SPA	-	-		OC
SOC.GEN.PER PROGR.CONS.E PART.SPA(IN EXTRAORD. ADMIN.)	ROME (IT)	LIT	300.000.000		59,330	EDISON SPA	-	-		SUB
SORRENTINA SCARL (IN LIQUID.)	ROME (IT)	EUR	46.480		25,000	NUOVA C.I.S.A. SPA (IN LIQUID.) (SINGLE SHAREHOLDER)	-	-		ASS
STEL SPA (IN LIQUID.)	MILAN (IT)	EUR	520.000	75,000	75,000	EDISON SPA	-	-		SUB
TRIESTE TRE SRL (IN LIQUID.)	RAVENNA (IT)	EUR	10.400		50,000	NUOVA C.I.S.A. SPA (IN LIQUID.) (SINGLE SHAREHOLDER)	-	-		ASS

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List of Equity Investments

Name	Head office	Curr.	Share capital	Consolidated Group interest %	Interest held in share capital		Voting securities held	Exercisable voting rights	Carrying value (in millions of euros)	Type of investment relationship
				31/12/2005	% (b)	by	voto % (c)	% (d)	(f)	(e)
D) Investments in Other Companies Valued at Fair Value										
D.1) Trading Investments										
PUBLICLY TRADED SECURITIES										
ACEA SPA	ROME (I)	EUR	1.098.898.884		0,170	EDISON SPA	-	-	3,8	OC
ACEGAS-APS-S.P.A.	TRIESTE (I)	EUR	282.983.213		1,300	EDISON SPA	-	-	5,4	OC
ACSM SPA	COMO (I)	EUR	37.496.500		3,970	EDISON SPA	-	-	3,7	OC
AMSC - AMERICAN SUPERCONDUCTOR	N/A (USA)	USD	19.128.000		0,840	EDISON SPA	-	-	1,5	OC
AZIENDA MEDITERRANEA GAS E ACQUA SPA	GENOA (I)	EUR	180.974.079		2,810	EDISON SPA	-	-	17,7	OC
D.2) Available-for-sale Investments										
PUBLICLY TRADED SECURITIES										
RCS MEDIAGROUP SPA	MILAN (I)	EUR	762.019.050		0,970	EDISON SPA	1,010	1,010	32,6	OC
Other available-for-sale investments that are not publicly traded									52,2	
Total									**176,3**	

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

(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

(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

(d) The percentage of securities with exercisable voting rights is the ratio between the number of votes which can be effectively cast by the investor company attending an Ordinary Shareholders'

(e) SUB = subsidiary; JV = joint venture; ASS = associate; OC = other 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

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

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

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

(m) Investment encumbered by an attachment ordered by the Court of Varese on 2/13/06 pursuant to a decision handed down by the Court of Salerno. The voting rights are held by the attachment trustee.

(n) This company has filed the final liquidation financial statements required by Article 2493 of the It