Sogin

FINANCIAL STATEMENTS 2006

30 May 2007, Draft 1

Contents

DIRECTORS' REPORT ON OPERATIONS

GENERAL BACKGROUND

Renewal of the Board of Directors

Pursuant to art. 1, paragraph 459 of Law 296 of 27 December 2006, (the Finance Act), the Company's entire previous Board of Directors was removed effective 1 January 2007.

At the General Meeting of 31 January 2007, Sogin's sole shareholder consequently appointed new directors and designated a new Chairman.

The Board of Directors subsequently appointed the new Chief Executive Officer.

In accordance with art. 2386, paragraph 5 of the Italian Civil Code, the Board of Statutory Auditors was responsible for the Company's day to day affairs until the new Board of Directors took office on 14 February 2007.

Government guidelines

The regulations governing the decommissioning activities assigned to Sogin were not modified in 2006. The guidelines, which were issued by the Minister of Productive Activities in December 2004, provide for:

1. fulfilment of all the conditions established in the reprocessing contracts entered into with British Nuclear Fuels Ltd. (now BNG - British Nuclear Group);
2. the possibility to reprocess remaining irradiated fuel outside Italy and/or its temporary dry storage in special containers located at the power plants;
3. the unconditional release within 20 years of the sites where nuclear facilities (fuel cycle plants and plants for the generation of electrical energy) are located.

By ordinance of 16 December 2004 with respect to the storage of radioactive waste in conditions of maximum safety at sites in the Regions of Lazio, Campania, Emilia-Romagna, Basilicata and Piedmont[1], the Commissioner appointed to address the state of emergency regarding the short-term lack of a

---

[1] Ordinances 3267 of 7 March 2003 and 3355 of 7 May 2004 and the Decree of 4 March 2005, each issued by the President of the Council of Ministers.

national repository to accommodate additional radioactive waste, ordered that remaining irradiated fuels be sent for reprocessing[2], believing that such decision would quickly remove the main obstacle to the reinstatement of safe conditions at sites where this fuel is currently stored. The state of emergency ended on 31 December 2006.

Plant dismantling programmes and funding of the related costs

In implementation of government guidelines, a temporary association of French companies led by AREVA was identified as the potential provider of reprocessing services for irradiated fuels still located in Italy. An accord in that connection, between the Italian Minister of Economic Development and the French Minister of Industry has been signed, by which Italy agreed to accept the returned reprocessing residuals of this fuel between 1 January 2020 and 31 January 2005. All procedures will be implemented in accordance with a schedule contained in a road map will be announced at a later date. In April 2007, the parties finally agreed the definitive wording of the accord.

The revised programme for the decommissioning of nuclear power stations and facilities and the management of irradiated fuel was submitted to the Electricity and Gas Authority (the "Authority") on 31 March 2007, together with costs incurred in 2006 for those activities. The programme is similar in nature to the general structure of previous revisions particularly with respect to the reprocessing of irradiated fuels still located in Italy. A more detailed version of the programme will be prepared following the determination of a schedule for the authorisation and development of the Italian repository in accordance with the cited Franco-Italian accord.

With respect to the funding of costs pursuant to Legislative Decree 79/99 and regulated by Interministerial Decree of 26 January 2000, as amended by

---

[2] With the exception of a few bars of irradiated fuels from the American plant at Elk River currently stored a Enea's research centre at Trisaia, the special nature of which does not actually permit the bars to be sent for processing.

Interministerial Decree of 3 April 2006, the Authority passed Resolution 174/06 for the recognition of estimated 2006 costs. Out of total actual costs of €143.4 million in 2006, €143.2 million, net of taxes, were then recognised by Resolution 121 of 29 May 2007. A determination with respect to estimated 2007 costs is expected shortly.

In 2006 the Company received approximately € 28 million from the Electricity Equalisation Fund (Cassa Conguaglio per il Settore Elettrico) for costs incurred in 2001, through the SICN Consortium, relating to the dismantling of fuel cycle plants. As is the case for most of 2005, the Electricity Equalisation Fund has made no further distributions out of funds generated by the special A2 component of the electricity tariff. To meet its current cash requirements the Company has used funds mainly deriving from the original transfer of business.

This consequently reduced the Company's financial autonomy and its future operations will be more directly dependent on the timely disbursement of funds by the Authority.

The following information relating to the decommissioning of nuclear installations is provided for the sake of completeness:

1) art. 4 of Law 368/03 introduced a method to compensate municipalities where fuel cycle nuclear power stations and facilities are located, the costs of which have been incorporated in the electricity tariff;
2) the 2005 Finance Act[3] determined that taxes of approximately €70 million per year were to be levied on revenues generated by the A2 component;
3) the 2006 Finance Act[4] determined that additional taxes of approximately €35 million per year were to be levied on revenues generated by the A2 component;
4) by Resolutions 103/06 and 174/06, the Authority required Sogin to use funds previously transferred from Enel for recognised 2005 and 2006 costs;
5) by Resolution 321/06, the Authority revised the electricity tariffs for the quarter January-March 2007, by increasing component A2, which up to

---

[3] Article 1, paragraph 298 of Law 298/04.
[4] Article 1, paragraph 493 of Law 266/05.

December 2006 had only been sufficient to cover the costs cited in the 2005 and 2006 Finance Acts. The component has not subsequently been varied by Resolution 76/07 for the period April-June 2007.

Total costs for the decommissioning of nuclear installations and the storage of irradiated fuels from 2001 to the unconditional release of the sites has most recently been estimated to be approximately €4.3 billion.

Emergency measures

In 2006, the ordinances issued by the Commissioner appointed to manage the state of emergency related particularly to the approval of works to be carried out at the Saluggia, Latina and Garigliano sites.

An appeal requesting the suspension of the Commissioner's ordinances was made by local authorities to the Lazio Regional Administrative Court with respect to the works approved at Latina and by the Legambiente and other associations of the province of Vercelli to the Piedmont Regional Administrative Court with respect to the works approved for the EUREX site at Saluggia. Both appeals have been rejected by the relevant courts.

Radiation protection and conventional safety

Activities during the year regarding radiation protection had a negligible effect on the environment and, especially, inhabitants. In addition to regional controls, certain special inquiries have been instituted, some of which are still underway, regarding the Trisaia and Saluggia sites.

The control parameters regarding the radiation protection of persons involved in decommissioning were all well within statutory limits thus confirming the effectiveness of safeguards.

Finally, with respect to conventional safety of employees in 2006, statistics relating to accidents, both with respect to frequency as well as seriousness of accidents were satisfactory.

Exploitation of sites

In implementation of Resolutions 121 of 21 December 2001 and 144 of 2 December 2005 of the Interministerial Committee for Economic Planning, a preliminary contract was signed for the sale to Terna S.p.A. of land owned by Sogin in the municipality of Latina needed for the SAPEI project (an HVDC link between Sardinia and the Italian mainland pursuant to Law 443/2001, the "*Legge Obiettivo*") as well as land adjacent to the right of way of major long-distance power lines.

Contract work

Advisory work for the Italian public administration and the European Commission continued in 2006 and activities relating to the Global Partnership signed by the G8 at Kananaskis in June 2002 have grown in significance.

The revenues generated by these activities increased compared to 2005 and they have returned to profitability.

Company finances

As explained above with respect to the funding of costs for the decommissioning nuclear installations and storage of irradiated fuels, liquid funds decreased significantly during the year.

In light of expectations that the proceeds of the A2 component of the electricity tariff being accumulated at the Electricity Equalisation Fund will be paid to Sogin in time to fund the costs of the current programmes, no plans have been made to raise new debt.

Within the ambit of the international agreement relating to the Global Partnership, €30 million have been earmarked for Sogin, €8 million of which were paid on 7 March 2006 and €22 million on 30 May 2006, for the activities assigned to Sogin for the implementation of the cooperation agreement between Italy and the Russian Federation. This covers the dismantling of radiated Russian navy nuclear submarines and the management of radiated waste and spent nuclear fuel. The funds received have been invested in short-term Italian treasury notes and fixed term bank deposits.

Again in 2006, the investment of surplus cash has protected the Company's assets against inflation. The structure of these investments shows a significant reduction in percentage invested in short-term instruments thus making it possible to obtain an overall return of 3.4%, which was higher than the average annual rate of inflation of 2.1% and the average annual money market yields in the form of three month Euribor of 3.1%. High treasury flexibility, permitting unforeseen cash requirements to be quickly met, continues to be assured.

Implementation of the provisions of Legislative Decree no. 231/2001

Pursuant to Legislative Decree no. 231/2001, the first revision/issuance during the year of company guidelines for areas prone to criminal activity were approved by the Supervisory Board that was created as required by the same decree.

HUMAN RESOURCES

Staff

The total number of staff at 31 December 2006 and at 31 December 2005 is shown in the table below.

Staff	At 31 Dec 2006	At 31 Dec 2005
Managers	32	32
Supervisors	190	189
White-collar	394	411
Blue-collar	145	152
Total	**761**	**784**

The number of staff shown in the table does not include 67 employees that were on secondment from Enea at 31 December 2006 and the 61 at 31 December 2005. The costs of this personnel in 2006 was €3.5 million, compared to €3.0 million for 2005.

44 employees have left the Company while 21 have joined.

Early retirement of 30 employees in 2006 and three in 2007 entailed the payment of supplements and bonuses of €3.7 million.

At 31 December 2006, four employees were on secondment to the Ministry of the Environment, Land and Sea, in accordance with existing agreements with that Ministry.

Industrial relations

On the conclusion of complex and multifaceted negotiations, an agreement with national Trade Unions relating to performance related bonuses for 2005 was signed on 19 June 2005. The bonuses will be paid in 2006.

Subsequently, on 23 November 2006, an agreement with the same national Unions was signed for the creation of an employee Joint National Safety Committee that is one of the joint company-employee bodies required by art. 20 of Legislative Decree 626/94.

The creation of the Committee is further proof of the importance to the Company of employee safety and health standards.

Another agreement was signed on 23 November 2006 relating to the payment of "nuclear indemnities" to Sogin employees working in fuel cycle plants. These indemnities were previously only paid to employees in nuclear power stations.

Staff development and planning

In 2006, job rotation initiated in 2005 continued together with the progressive availability of employee curricula vitae on-line. The purpose is to:

- ✓ rationalise the use of resources;
- ✓ increase the skills of participating personnel by providing the opportunity to integrate various corporate units and to exchange knowledge and skills;
- ✓ demonstrate individual skills/knowledge that do not always relate to positions currently held in the Company.

14 of the 21 new recruits in 2006 were technical and 7 managerial. Six of the new technical recruits have engineering related degrees.

With respect to educational qualifications, eleven employees are graduates, nine hold diplomas and one has another type of qualification.

Finally, with respect to location, 7 of these employees were assigned to head office and 14 to various sites.

Training

In 2006, 11,431 hours of staff training were provided, compared to 13,421 hours last year. The 15% decrease was due to organisational changes made during the year.

Data protection

Sogin has drawn up a plan that identifies the security measures needed to protect personal data, in accordance with Decree 196 of 30 June 2003. This plan is regularly updated each year.

FINANCIAL REVIEW

Overview

For accounting purposes, Sogin's activities are divided into:

a) nuclear-related activities: decommissioning of nuclear facilities and storage of nuclear fuels;
b) Contract work.

Activities pursuant to letter a) are regulated by specific legislation, based on the provisions of Decree 79/99 regarding liberalisation of the electricity market. Art. 3 (paragraphs 10 and 11) of that Decree specifies that expenses relating to the dismantling of plants and closure of the fuel cycle are to be included among the electricity system's general costs and covered by a specific corresponding amount paid to the company that manages Italy's national grid, by customers who access and utilise the grid.

On the basis of that article, the costs incurred by Sogin for these activities are completely covered by the aforementioned corresponding amount, taking account of the allowances received from Enel upon the transfer of nuclear-related activities (nuclear-related allowances) and reclassified in Sogin's financial statements as advances ("nuclear-related advances").

The method of calculating these charges was determined by the interministerial decree of 26 January 2000 which was subsequently amended by the interministerial decree of 3 April 2006.

In implementation of these decrees, the Electricity and Gas Authority approved the following resolutions relating to the determination of estimated and actual costs to be funded by the electricity tariff.

- Resolution 71/02 relating to the determination of estimated costs for the three year period 2002-2004;
- Resolution 66/05, by which the Authority recognised all but €4.8 million of actual costs for the three year period 2002-2004;
- Resolutions 103/06 and 107/06 by which the Authority recognised all but €3 million of 2005 actual costs;
- Resolution 174/06 relating to the determination of estimated costs for 2006.

By Resolution 290/06, the Authority cautioned Sogin to adhere strictly to the letter of these Resolutions with respect to the use of financial and non-financial income arising in connection with nuclear-related activities.

Starting in 2005, Sogin has appealed the parts of the Authority's resolutions relating to the non-recognition of actual costs and the restriction on using the allowances transferred by Enel and income earned on nuclear-related activities only for recognised costs. In December 2006, the Lombardy Regional Administrative Court rejected the first of the appeals, which contested Resolution 66/05, by upholding the legitimacy of the non-recognition of costs. Sogin then referred the matter to the Council of State.

With respect to Resolution 290/06, it will be remembered that Sogin, following the issuance of Resolutions 103/06 and 107/06, had decided to use the ISTAT all sector consumer price index to revalue advances received in order to maintain their purchasing power. This would have effectively meant that the surplus generated by the revaluation together with the profits on the sale of materials, which in the 2005 financial statements were included in nuclear-related advances ("residual advances"), could have been used to fund costs that were not recognised. In Resolution 290/06, the Authority stated that this approach was consistent with existing resolutions and explained that it was required "*for past and future years, to use all financial income generated by nuclear-related advances and all non-recurring income earned on the dismantling and exploitation of existing sites and infrastructure pursuant to article 1, paragraph 102 of Law 239/04, exclusively to fund costs recognised by the Authority*".

Based on that Resolution, Sogin, in March/April 2007, submitted a break-down to the Authority of all financial income earned up to 31 December 2005 in connection with nuclear-related activities, which consisted of nuclear-related advances and other related funds, being share capital and other longer term liabilities received at the time of the transfer (employee termination indemnities and provisions for risks and charges), in addition to nuclear-related advances received primarily from 2001 for activities other than dismantling.

In Resolution 117/07, the Authority stated that the breakdown of financial income was consistent with its resolutions.

As required by the Authority in Resolution 117/07, the amounts that were permitted to be allocated to fund non-recognised costs until 31 December 2005 totalled €7.86 million and, therefore, were €60 thousand in excess of the costs, which, at that date, had effectively not been recognised by Resolutions 66/05, 103/06 and 107/06.

With the exception of this excess, all nuclear-related advances reported at 31 December 2005, regardless of type, have, consequently, only been allocated to fund costs recognised by the Authority. For reasons of clarity, the €60 thousand excess has been reclassified from "nuclear-related advances" to "provisions for risks and charges".

The Authority subsequently passed Resolution 121/07 recognising €143.2 million of total actual 2006 costs of €143.4 million, net of taxes. Sogin is now only authorised to use nuclear-related advances to fund recognised costs less financial and non-financial income earned in connection with nuclear-related activities. Financial income, other than that earned relating to the international cooperation agreement pursuant to Law 160/05 ratifying the Global Partnership, in connection with 2006 nuclear-related activities was determined in a manner consistent with the breakdown of total financial income prior to and including 31 December 2005. Financial income calculated in this manner of €10.3 million, was reported to the Authority and has been taken into account when Resolution 121 of 29 May 2007 was formulated.

In conclusion, unlike previous years, revenue recognised in connection with nuclear-related activities is no longer determined in such a manner as to produce neither a profit or a loss after taxes but to report the amount of costs, after taxes, not recognised by the Authority. In 2006, therefore, the income statement for these activities shows a loss of €0.2 million.

The income statement relating to the activities shown in letter b) recognises revenue accrued for the year.

Estimation of nuclear-related costs

The programme submitted to the Authority in December 2006 and confirmed in March 2007, sets out the work considered necessary to achieve unconditional release of the sites consistent with the governmental accord between Italy and France stipulating the return to Italy of residuals of the reprocessing of irradiated fuels which is planned to be made at the facilities of the French company AREVA.

The estimated total cost of the programme submitted to the Authority is €4.3 billion including both costs incurred from 2001, in current terms, and costs to be incurred in the future in 2006 terms but excluding contingencies. Those costs are broken down in the following tables, showing costs relating to the decommissioning of nuclear power stations and equipment and storage of irradiated fuel.

Estimated plant decommissioning costs (€m)

Power plant	Overall costs	Costs incurred	
		since 1 Jan 2001	of which in 2006
Caorso	451	102.0	20.2
Garigliano	265	38.0	8.0
Latina	661	56.7	10.2
Trino	270	62.5	10.5
Total	1,647	259.2	48.9

Estimated costs for closure of the fuel cycle consist of three distinct items:

- the storage of irradiated fuel from the Trino, Caorso and Garigliano power stations, which is still in the Italian repository, but which is now to be sent to France for reprocessing, with the return of the resulting by-products to the national repository (in the table: the “new reprocessing procedure”);
- storage of the fuel from the Creys-Malville plant allocated to Sogin, which is intended to be sold to EdF, and the return to Sogin and subsequent sale of the plutonium separated by the reprocessing at AREVA's facilities (in the table: “Creys-Malville”);

- storage of irradiated fuel which has already been sent for reprocessing in the UK under previously negotiated contracts and whose by-products will be transferred directly to the national repository (in the table: the "former reprocessing procedure").

Estimate costs of closure of the fuel cycle (€m)

Fuel	Overall costs	Costs incurred	
		since 1 Jan 2001	of which in 2006
New reprocessing procedure	322	10.8	3.3
Creys-Malville	439	32.5	5.8
Former reprocessing procedure	432	120.0	9.3
Total	1,193	163.3	18.4

Estimated costs for the decommissioning of fuel cycle plant are summarised in the following table.

Estimated costs of decommissioning fuel cycle pants (€m)

Plant	Overall costs	Costs incurred (')	
		since 1 Jan 2001	of which in 2006
Trisaia (ITREC)	280	30.8	12.8
Casaccia (hot cells and Pu)	319	33.0	11.7
Saluggia (Eurex)	396	35.4	15.2
Bosco Marengo	47	24.0	11.7
Total	1,042	123.2	51.4

(') For these plants, costs incurred by the SICN Consortium amounted to additional charges of €90.1 million.

Additional costs relating to general technical activities, support, head office and taxes must be added to the above. These additional costs are summarised in the following table.

Estimated programme management costs (€m)

	Overall costs	Costs incurred	
		since 1 Jan 2001	of which in 2006
Programme management, extraordinary charges and taxes	447	152.7	26.4

The cost of the activities regulated by Ordinances 3267 and 3355, issued by the President of the Council of Ministers on 7 March 2003 and 7 May 2004, total €7.3 million, including €2.2 million incurred in 2006.

Income statement classified by activity

Pursuant to paragraph 103, Law no. 239 of 23 August 2004[5], Sogin is required to unbundle contract work accounts. In application of this provision, supplementary balance sheet and income information is provided in these financial statements relating to one or the other groups of activities.

In 2006, each amount posted was individually allocated to one of the two groups of accounts into which the Company's books has been divided: nuclear-related activities and contract work (designated as "Nuclear" and "Contract work" in the tables set out below). From 1 January 2007, the Company has fully separated its books into those two groups of activities.

It is underlined that this separation is made exclusively to comply with Law 239/04 and is not in any way related to currently effective provisions of the Italian Civil Code having regard to financial statements for joint-stock companies.

More information on the unbundling of accounts is provided in the Annex.

The operating results for the year are broken down by activity, as shown below, and the totals compared with the previous year.

Unbundled income statement	Nuclear		Contract work		Total	
(€000)	2005	2006	2005	2006	2005	2006
Revenue	**114,157**	**136,826**	**6,915**	**10,420**	**121,072**	**147,246**
Costs and expenses	**126,385**	**147,127**	**6,265**	**6,166**	**132,650**	**153,293**
Personnel costs	48,249	53,790	3,442	2,599	51,691	56,389
Materials	5,056	5,434	69	45	5,125	5,479
Services	55,178	67,943	2,528	3,157	57,706	71,100
Leases and rentals	11,034	10,998	163	157	11,197	11,155
Other operating costs	1,095	2,761	59	78	1,154	2,839
Amortisation, depreciation, write-downs and provisions	5,773	6,201	4	130	5,777	6,331
Net financial income (expense)	**13,011**	**10,792**	**0**	**142**	**13,011**	**10,934**
Adjustments to financial assets	**34**	**2**	**0**	**0**	**34**	**2**
Net extraordinary income (expense)	**-147**	**136**	**0**	**0**	**-147**	**136**
Income (expense) for interactivity services (')	**1,887**	**3,682**	**-1,902**	**-3,682**	**-15**	**0**
Income (expense) for interactivity transactions (')		**-506**	**15**	**506**	**15**	**0**

[5] Paragraph 103, Law 239 of 23 August 2004: In order to improve the exploitation and use of the structures and skills it has developed, SOGIN Spa shall engage in research, consultancy, assistance and services in all those sectors relevant to the Company's purpose, specifically including the energy, nuclear and environmental sectors, either in Italy or abroad. The Company shall prepare separate accounts with respect to the activities pursuant to this paragraph and including those performed as part of temporary consortia.

Income (loss) before taxes for the period	**2,557**	**3,805**	**-1,237**	**1,220**	**1,320**	**5,025**
Income taxes	**2,557**	**4,005**	**128**	**686**	**2,685**	**4,691**
Net income (loss) for the period	**0**	**-200**	**-1,365**	**534**	**-1,365**	**334**

(‘) As a result of the gradual unbundling, inter-activity items in the separated books in 2006 included costs of a general nature and, unlike 2005, also technical services.

Nuclear-related activities and the use of nuclear-related advances were, in previous years, determined in such as manner as to ensure that after tax results were neither a profit nor a loss. As of 2006, following the Authority’s resolutions described above, revenues recognised are equal to total costs and charges recognised by the Authority including accrued taxes for the period less financial and non-financial income relating to nuclear activities. The adoption of this accounting treatment means that after tax results reported in the income statement for nuclear-related activities are equal to costs that have not been recognised by the Authority. By Resolution 121/07, the Authority recognised costs, net of taxes, of €143.2 million out of total costs reported by Sogin of €143.4 million. Sogin’s after tax loss for 2006, is, therefore, €200,000.

Contract work revenues improved compared to last year due to the increase in activities relating to the Global Partnership.

The cost of nuclear-related activities in 2006 increased both for safety maintenance and decommissioning activities.

From 2005 to 2006, personnel costs, net of supplementary payments and bonuses for the early retirement scheme and lumpsum expense reimbursements, increased in absolute terms by approximately €1.4 million. The increase was primarily due to the following:

- renewal of the pay component of the Italian national collective labour agreement for the electricity sector;
- biannual automatic increases relating to seniority and contract-related career development for new graduate employees;
- the increase in costs caused by the subsidies provided to certain employees for electricity.

Net financial income relating to cash management decreased due to the reduction in the Company's cash balances.
The overall average annual returns on the Company's liquidity was 3.4%, compared to 3.0% last year.
Average 3-month Euribor for January-December 2006 was 3.1%, compared with 2.2% in 2004, while inflation in 2006 was 2.1%.
The above income was generated by a range of different financial transactions, which, as a whole, guaranteed a high degree of treasury management flexibility.

A profit was earned for contract work as a result of services provided to the nuclear sector. A loss was incurred on the provision of environmental engineering services due to the lack of growth of this business combined with their high fixed-cost structure. A contribution was also made to the positive results by financial income derived from investments of cash other than that related to nuclear activities.

During the year, no costs were incurred for research and development activities.

Transactions with the only subsidiary (Nucleco SpA) were all conducted on an arm's length basis.

Balance sheet

The balance sheet at 31 December 2006 is summarised below and compared with the balance sheet at 31 December 2005.

(€000)	31 Dec 2006	31 Dec 2005	Increase/ (Decrease)
Fixed assets	**61,617**	**57,856**	**3,761**
Intangible assets	13,361	12,677	684
Tangible assets	44,700	41,505	3,195
Financial assets	3,556	3,674	-118
Current assets	**77,358**	**145,721**	**-68,363**
Inventories	583	57,134	-56,551
Trade receivables	26,106	18,712	7,394
Receivable from Electricity Equalisation Fund	0	27,966	-27,966
Italian and non-Italian tax receivables	47,185	37,879	9,306
Other assets	3,484	4,030	-546
Cash and cash equivalents	**298,282**	**373,210**	**-74,928**
Short-term financial assets	272,408	344,027	-71,619
Deposits, bank current accounts and cash	25,874	29,183	-3,309
Total assets	**437,257**	**576,787**	**-139,530**
Current liabilities	**122,465**	**72,895**	**49,570**
Advances from customers	2,927	1,570	1,357
Trade payables (')	70,768	53,078	17,690
Social security payables	2,780	2,574	206
Due to Ministry of Economic Development for Global Partnership	29,163	0	29,163
Other liabilities	16,827	15,673	1,154
Nuclear-related advances	**276,843**	**466,146**	**-189,303**
Provisions	**22,053**	**22,184**	**-131**
Provisions for employee termination indemnities	20,211	20,319	-108
Provisions for risks and charges	1,842	1,865	-23
Shareholders' equity	**15,896**	**15,562**	**334**
Total liabilities and shareholders' equity	**437,257**	**576,787**	**-139,530**

(‘) Includes amounts payable to subsidiaries

The balance sheet unbundled into nuclear-related activities and contract work is provided in an Annex.

The change in tangible assets is primarily due to additions to physical safety precautions at sites where Sogin’s nuclear materials are stored.

Inventories include work in progress in connection with contract work. Following the recognition of costs of nuclear-related activities and the consolidation of the procedure for the redetermination of the relevant estimated and actual costs by the Authority, there were no costs pending recognition at the time of preparing these financial statements including those costs incurred with respect to long-term contracts.

Trade receivables include the amount due from the Government Commissioner responsible for handling the waste emergency, clean-up and water protection activities being carried out in the Campania Region (€14.5 million). During the year, it was necessary for Sogin to take action, including the institution of legal proceedings, against the Commissioner for the recovery of this receivable. The remaining receivables predominantly relate to the Enel Group, the Ministry of Economic Development with respect to the Global Partnership, the Ministry for the Environment, Land and Sea and the President of the Council of Ministers. These have increased compared to last year due to the delay in the approval by these clients of the percentage of completion of the work reported.

The amount due from the Electricity Equalisation Fund has been fully paid.

Cash and cash equivalents decreased due to disbursements which became necessary as a result of the suspension of payments by the Electricity Equalisation Fund caused by the Authority, which, in December 2006, required that the A2 component of the electricity tariff be adjusted to set-aside funds additional to the amount strictly required for tax payments in accordance with the 2005 and 2006 Finance Acts. The adjustment was not varied when the electricity tariff was revised in March 2007.
It is believed that the amount being accumulated by the Electricity Equalisation Fund will be paid to Sogin in sufficient time to meet the current programme's cash requirements.

The amount payable to the Ministry of Economic Development relates to a loan made pursuant to a cooperation agreement concluded by the governments of Italy and the Russian Federation which was ratified by Law 160/2005. The funds received are treated under Italian law as a *deposito irregolare* as defined by art. 1782 of the Italian Civil Code, and which is effectively a bailment of fungible assets on which remuneration at the legal rate of interest is computed unless otherwise agreed by the parties.

The following factors have influenced the use of nuclear-related advances. First, with respect to the Authority's requirements pursuant to Resolution 290/06 regarding the funding of all costs incurred for nuclear-related activities prior to and including 31 December 2005:

- prior to 2005, nuclear-related advances were at all times used to assure after tax break-even of the nuclear-related activities income statement;
- the breakdown of financial income derived from the Company's investments of cash derived from nuclear-related activities was definitively determined by Resolution 117/07;
- based on that Resolution, total financial income of €7.86 million prior to and including 31 December 2005 was assigned to the Company's own investments;
- that financial income exceeded costs not recognised by the Authority through 31 December 2005 by €7.80 million

In light of the above, there was a reduction in nuclear-related advances of €60,000 for which the contra entry was an increase of the provision for risks and charges.

The amount of nuclear-related advances used in 2006 was equal to recognised costs net of financial and non-financial income in connection with nuclear-related activities. As previously mentioned, the Authority, by Resolution 121/07, recognised all but €0.2 million of 2006 costs.

The change in shareholders' equity is equal to income for the year.

The Company's share capital is entirely held by the Ministry of the Economy and Finance. No transactions involving the Company's own shares were carried out, either directly or indirectly, during the year.

Statement of cash flows

Cash flows generated in 2006 are shown in the following statements of cash flows and compared with prior year amounts. The first shows cash flows broken down by category of debtor and creditor. The second analyses cash flows in relation to income statement items and changes in balance sheet items.

Statement of cash flows broken down by category of debtor and creditor

(€000)	**2006**	**2005**
TOTAL CASH AT BEGINNING OF YEAR	**373,210**	**465,114**
CASH FLOWS FOR THE PERIOD		
Cash provided		
Electricity Equalisation Fund	27,996	32,140
Global Partnership *deposito irregolare*	30,000	0
Banks and financial institutions	10,506	13,290
Customers	8,499	7,958
Other	1,521	1,360
tax authorities (taxes and duties)	*1,105*	*1,070*
insurance institutions	*31*	*5*
personnel (various)	*304*	*253*
other	*81*	*32*
Total cash provided	**78,522**	**54,748**
Cash used		
Personnel	54,079	50,607
wages, salaries and employee termination indemnities	*28,892*	*25,521*
Social security institutions	*11,590*	*11,812*
IRPEF withholding tax	*10,525*	*10,061*
employee associations	*2,676*	*2,490*
sundry	*396*	*723*
Suppliers	91,788	87,882
Other	7,583	8,163
tax authorities (taxes and duties)	*2,914*	*3,092*
insurance institutions	*525*	*611*
banks and financial institutions	*184*	*156*
Global Partnership suppliers	*1,276*	*0*
other	*2,684*	*4,304*
Total cash used	**153,450**	**146,652**
TOTAL CASH FLOW FOR THE PERIOD	**-74,928**	**-91,904**
TOTAL CASH AT END OF YEAR	**298,282**	**373,210**

Statement of cash flows broken down by balance sheet item

(€000)	2006	2005
TOTAL CASH AT BEGINNING OF YEAR		
Cash	14	14
Banks – Current accounts	1,269	1458
Banks – Short-term deposits	27,900	28,150
Short-term financial assets	344,027	435,492
TOTAL CASH AT BEGINNING OF YEAR	**373,210**	**465,114**
CASH FLOWS FOR THE PERIOD		
Operating cash flow		
Net income	334	-1365
Depreciation of tangible fixed assets	4,647	3,756
Amortisation of intangible fixed assets	1,451	1,788
Net change in provisions for risks and charges	-23	926
Net change in provision for employee termination indemnities	-108	2,860
Total operating cash flow	**6,301**	**7,965**
Cash flows from (for) operating activities		
Net investment in tangible assets	-7,842	-18,170
Investment in intangible assets	-2,135	-225
Net change in working capital	117,933	22,551
Total cash flows from (for) operating activities	**107,956**	**4,156**
Change in nuclear-related advances	**-189,303**	**-103,816**
Financial requirements for the period	**-75,046**	**-91,695**
Change in long-term financial assets	**118**	**-209**
TOTAL CASH FLOW FOR THE PERIOD	**-74,928**	**-91,904**
CASH AT END OF YEAR		
Cash	12	14
Banks – Current accounts	4,662	1,269
Banks – Short-term deposits	21,200	27,900
Short-term financial assets	272,408	344,027
TOTAL CASH AT END OF YEAR	**298,282**	**373,210**

In 2006, the Electricity Equalisation Fund settled the remaining amount due at 31 December 2005 relating to 2001 costs incurred by the SICN Consortium for the dismantling of fuel cycle plants. Other payments to Sogin are still pending new resolutions by the Authority.

Disbursements during the period that were not funded by the Electricity Equalisation Fund, financial income or other revenues, including those relating to contract work, were funded by the Company's cash flow.

Other disbursements during 2006 included the payment of €1.3 million to the Russian beneficiary of the international cooperation agreement, which was ratified by Law no. 160/05 (Global Partnership), for services rendered in connection with the government-owned Russian naval shipyard, NERPA. Other cash used includes the consideration paid for the acquisition of the FN division.

SUBSEQUENT EVENTS AND OUTLOOK

As explained above:

- in April 2007, a contract for the reprocessing of irradiated fuels still located in Italy was signed with a temporary association of French companies led by AREVA. The contract excludes certain spent fuel from the American Elk River installation, the technical specifications of which mean that it cannot be treated in the same manner;
- by Resolution 117 of 16 May 2007, the Authority:
  1. *declared the ex post breakdown submitted by Sogin as consistent with the Authority's resolutions thus permitting the identification of financial income to be used as a make-up for nuclear-related advances for the period from 1 November 1999 to 31 December 2005;*
  2. *permitted Sogin to use financial income earned during the period 1 November 1999 – 31 December 2005, other than that referred to in the above sub-paragraph, to remunerate its funding sources.*
- by Resolution 121/07, the Authority:
  - *recognised costs of €143.2 million, net of taxes, incurred by Sogin in 2006 for the dismantling of decommissioned nuclear power stations, the closure of the fuel cycle and related and consequential activities;*
  - *recognised taxes incurred by Sogin in 2006 relating to the dismantling of decommissioned nuclear power stations, the closure of the fuel cycle and related and consequential activities;*
  - *authorised the use of nuclear-related advances to pay the costs set out in the above two sub-paragraphs that were incurred in 2006, net of 2006 disposals and non-recurring income and financial income in connection with nuclear-related activities, which amount to a total of €14.1 million.*

On 24 April 2007, Legislative Decree no. 52 of 6 February 2007 "*Attuazione della direttiva 2003/122/CE Euratom sul controllo delle sorgenti radioattive sigillate ad alta attività e delle sorgenti orfane*" [Implementation of Council

Directive 2003/122/Euratom on the control of high-activity sealed radioactive sources and orphan sources" was published in the *Gazzetta Ufficiale* [Official Gazette]. The decree identified Sogin as the Italian operator required to:

a) guarantee long-term safety of disused radioactive sources for future disposal though the provision of secure storage facilities for a period of at least fifty years;
b) comply with the safety requirements for the storage of radioactive waste generated though energy production;
c) keep separate books for the operations under letter *a)*.

Given the increase in the A2 component of the electricity tariff determined by Authority Resolution 231/06 and the consequent accumulation of funds by Electricity Equalisation Fund, it is estimated that, based on 2007 energy consumption, approximately €180 million will be made available and it is believed that the disbursement to Sogin will be in sufficient time to meet the current programme's cash requirements. The Company, therefore, does not feel that it will be necessary to incur debt although it may need to liquidate existing financial investments prior to maturity thus reducing the yields on those investments as a result of penalties that gradually reduce over time.

In addition to assuring the safety of nuclear installations, which includes non-routine maintenance caused by the gradual aging of plant components and systems, it is planned in 2007 to continue waste management and dismantling activities and to begin the transportation of irradiated fuels to France.

The plans specifically include the transfer of Saluggia's highly radioactive liquid wastes to new tanks and to complete the removal of irradiated fuels held at the Avogadro plant pool. The pool at the Eurex plant will then be emptied and decontaminated.

In addition, the following has also been programmed:

- at Caorso, the manufacture and the commencement of assembly of equipment for the centralised materials handling unit, the demolition of the RHR towers, the creation of storage areas for dismantled materials and the rewiring of the turbine building as well as commissioning the treatment outside Italy of existing waste.

- at Garigliano, the upgrading of the former diesel building, the removal of asbestos from the reactor building, the construction plans for the temporary repository for radioactive waste and the upgrading of access controls;
- at Latina, the award of a contract for the construction of a sludge extraction and treatment plant, the commencement of the demolition of structures in the turbine building and the removal of the upper primary circuit ducts and, following the relevant approval by APAT, the award of the contract and, consequently, construction of the temporary storage facilities for radioactive waste;
- at Trino, the continuation of the dismantling of mechanical components and the award of a contract for the modification of electric systems in the turbine building and the completion of controls and, therefore, the disposal of insulation removed from the controlled area;
- at Bosco Marengo, the completion of the hot testing of machinery for decontamination by shot-peening and, after approval of the relevant general decommissioning plan submitted in 2003, the commencement of the final phase of decommissioning;
- at Casaccia, commencement of the upgrading of the repository of the OPEC 2 building (following APAT approval of the relevant plans), the completion of the restructuring of the OPEC 1 building and ongoing treatment of existing waste. A study of the condition of the Glove Boxes has also been programmed as well as the dismantling of liquid waste tanks;
- at Saluggia, in addition to the work described above, ongoing activities relating to the new water supply system with APAT supervision until the authorisation has been obtained;
- at Trisaia, ongoing design and supply of containment boxes and casks for the dry storage of Elk River fuel, the construction of water shield and the start of irreversible trench decontamination; ongoing design and qualification of the treatment system for spent fuel and the characterisation and supercompacting of existing waste; the completion of non-routine maintenance of the sea duct.

BALANCE SHEET AND INCOME STATEMENT

BALANCE SHEET						(euro)
	at 31 December 2006			at 31 December 2005		
ASSETS		Sub-total	Total		Sub-total	Total
B) FIXED ASSETS						
I. Intangible assets						
4) Concessions, licenses, trademarks and similar rights		362,150			210,380	
7) Other		12,999,077	13,361,227		12,467,230	12,677,610
II. Tangible assets						
1) Land and buildings		8,581,861			8,734,452	
2) Plant and machinery		20,274,341			21,432,534	
3) Industrial and commercial equipment		7,864,934			5,588,400	
4) Other assets		3,534,327			3,106,693	
5) Work in progress and advances		4,443,991	44,699,454		2,642,565	41,504,644
III. Financial assets						
1) Equity investments in:						
a) subsidiaries		2,200,000			2,200,000	
d) other companies		387,885	3,556,223		387,885	3,673,547
		2,587,885			2,587,885	
		968,338			1,085,662	
2) Receivables	Due within 12 months			Due within 12 months		
d) from others	93,724			98,854		
Total fixed assets (B)			**61,616,904**			**57,855,801**
C) CURRENT ASSETS	Due within 12 months			Due within 12 months		
I. Inventories						
1) Raw, ancillary and consumable materials		2,459			2,459	
3) Contract work in progress		580,753	583,212		57,131,951	57,134,410
II. Receivables						
1) Trade		26,105,937			18,711,759	
2) From subsidiaries		174,440			214,890	
5) From others	24,363,179	47,957,894	74,238,271	10,448,053	67,672,811	86,599,460
III. Short-term financial assets						
6) Other securities		272,407,930	272,407,930		344,027,390	344,027,390
IV. Cash and cash equivalents						
1) Bank and post office deposits		25,861,809			29,168,982	
3) Cash		12,443	25,874,252		13,577	29,182,559
Total current assets (C)			**373,103,665**			**516,943,819**
D) ACCRUED INCOME AND PREPAID EXPENSES						
Accrued income			2,173,200			1,764,819
Prepaid expenses			363,361			222,775
Total accrued income and prepaid expenses (D)			**2,536,561**			**1,987,594**
TOTAL ASSETS			**437,257,130**			**576,787,214**

BALANCE SHEET						(euro)
LIABILITIES AND SHAREHOLDERS' EQUITY	at 31 December 2006			at 31 December 2005		
A) SHAREHOLDERS' EQUITY		Sub-total	Total		Sub-total	Total
I. Share capital			15,100,000			15,100,000
IV. Legal reserve			564,762			564,762
VII. Other reserves:						
Reserve for currency conversion adjustments		1	1		-2	-2
VIII. Retained earnings			-102,623			1,262,514
IX. Net income for the year			334,202			-1,365,137
Total shareholders' equity (A)			**15,896,342**			**15,562,137**
B) PROVISIONS FOR RISKS AND CHARGES						
1) Retirement benefits		485,810			479,703	
2) Taxation		569,226			351,677	
3) Other		787,200			1,033,200	
Total provisions for risks and charges (B)			**1,842,236**			**1,864,580**
C) PROVISIONS FOR EMPLOYEE TERMINATION INDEMNITIES						
			20,211,158			**20,318,793**
D) PAYABLES						
	Due within 12 months			Due within 12 months		
5) Advances received:						
a) nuclear-related advances		276,843,079		315,200,000	466,146,000	
b) advances for other activities		2,926,756	279,769,835 64,732,788		1,570,467	467,716,467 50,303,908
8) Amounts due to subsidiaries			6,035,409			2,774,520
11) Taxes payable			3,425,674			4,210,591
12) Social security payables			2,780,171			2,573,823

13) Other payables			42,563,005	5,709,454		11,374,389
Total payables (D)			**399,306,882**			**538,953,698**
Accrued liabilities			512			5,818
Deferred income						82,188
Total accrued liabilities and deferred income (E)			**512**			**88,006**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES			**437,257,130**			**576,787,214**
MEMORANDUM ACCOUNTS						
Guarantees given		7,726,579			4,065,006	
Other memorandum accounts		157,805,054	**165,531,633**		141,763,191	**145,828,197**

INCOME STATEMENT				(euro)
	2006		2005	
	Sub-total	Total	Sub-total	Total
A) REVENUE				
1) Revenues from sales and services				
a) Revenues from nuclear-related activities		189,242,921		103,815,833
3) Change in contract work in progress		-56,551,199		7,698,174
5) Other revenues and income		14,554,540		9,558,692
Total revenues (A)		**147,246,262**		**121,072,699**
B) OPERATING COSTS				
6) Raw, ancillary and consumable materials and goods for resale		5,479,284		5,124,714
7) Services		71,099,614		57,706,300
8) Leases and rentals		11,155,016		11,197,765
9) Personnel costs:				
a) Wages and salaries	37,647,844		36,741,928	
b) Social security contributions	9,982,197		9,956,646	
c) Employee termination indemnities	2,957,640		2,905,597	
d) Retirement benefits	269,403		173,226	
e) Other costs	5,532,102	56,389,186	1,913,307	51,690,704
10) Amortisation, depreciation and write-downs:				
a) Amortisation of intangible fixed assets	1,450,777		1,788,246	
b) Depreciation of tangible fixed assets	4,647,421		3,756,034	
d) Provisions for doubtful accounts	132,361	6,230,559	93,526	5,637,806
11) Change in inventories of raw, ancillary and consumable materials and goods for resale				
12) Other provisions for risks		100,000		139,168
14) Other operating costs		2,839,420		1,153,839
Total operating costs (B)		**153,293,079**		**132,650,296**
Operating loss (A-B)		**-6,046,817**		**-11,577,597**
C) FINANCIAL INCOME AND EXPENSE				
16) Other financial income:				
a) From long-term receivables	23,873		59,721	
d) Other revenues	11,488,300	11,512,173	13,145,478	13,205,199
17) Interest expense and other charges		577,415		194,052
Total financial income (expense), net (C)		**10,934,758**		**13,011,147**
D) ADJUSTMENTS TO FINANCIAL ASSETS				
18) Revaluations				
c) of marketable securities	1,500	1,500	33,550	33,550
19) Write-downs:				
c) of marketable securities				
Total adjustments to financial assets (D)		**1,500**		**33,550**
E) EXTRAORDINARY ITEMS				
20) Revenues		135,876		
21) Expenses				-146,710
Currency conversion adjustments				1
Total extraordinary income (expense), net (E)		**135,876**		**-146,709**
Income before taxes (A-B+C+D+E)		**5,025,317**		**1,320,391**
22) Income taxes for the year		-4,691,115		-2,685,528
Net income (loss)		**334,202**		**-1,365,137**

NOTES TO THE FINANCIAL STATEMENTS

Form and content of the financial statements

The form, content and classification of items in the balance sheet, income statement and Notes to the financial statements are in compliance with the provisions of Legislative Decree no. 127 of 9 April 1991 and the requirements of the Italian Civil Code. They are based on the accounting standards promulgated by the Italian Accounting Profession, as amended and integrated by the Italian Accounting Standards Setter (the OIC).

The financial statements, consisting of the above documents, are accompanied by the Board of Directors' Report on Operations prepared in accordance with the provisions of art. 2428 of the Italian Civil Code and to which reference should be made for the information required by such regulations.

No exceptional circumstances arose during the year requiring application of the exception permitted by the fourth paragraph of art. 2423 of the Italian Civil Code.

In addition to the disclosures required by art. 2427 of the Italian Civil Code and other statutes, these Notes to the financial statements provide all complementary information for a true and fair view of the Company's financial position and results of operations even though not required by specific legislation. The Statement of cash flows is included in the Report on Operations.

The reporting standards used comply with those required by art. 2423 *bis* of the Italian Civil Code and, in particular, the measurement of financial statement items was made in accordance with the prudence and going-concern principles.

All items reported as assets and liabilities and shareholders' equity at 31 December 2006, as well as those presented in the income statement for the year ended 31 December 2006, are compared with the corresponding items in the financial statements for the year ended 31 December 2005.

The balance sheet and income statement are stated in euros, without decimal points, pursuant to art. 2423, paragraph 5 of the Italian Civil Code.

Amounts reported in the notes to the balance sheet and income statement are stated in euros.

Accounting policies

The policies adopted in the preparation of the financial statements for the year ended 31 December 2005 are those provided for in art. 2426 of the Italian Civil Code, supplemented by the accounting standards established by the Italian Accounting Profession. The most significant accounting policies adopted are described below.

Intangible assets

Intangible assets are recorded in the financial statements at purchase or production cost, inclusive of all attributable incidental charges. Such assets are amortised each year.

Amortisation is calculated on a straight-line basis over the expected useful lives of the assets. Should there be a permanent impairment in the above value of such assets at year end, the assets are accordingly written down. The original value of the assets is reinstated in future years should the reasons for the write-down cease to apply.

In particular, leasehold improvements are amortised over the duration of property lease contracts. Intellectual property rights, on the other hand, are amortised on a straight-line basis over 3 years.

The extraordinary contribution resulting from the winding up of the Electricity Industry Pension Fund, in compliance with Law 488 of 23 December 1999 (the 2000 Finance Act) is amortised over a period of 20 years, as expressly required by law. This treatment, moreover, complies with the relevant accounting standards.

Tangible assets

Tangible assets are recorded in the financial statements at purchase or production cost inclusive of all directly attributable incidental charges. Tangible assets are depreciated on a straight-line basis in accordance with the rates shown below, which are held to be representative of their expected useful lives. Should there be a permanent impairment in the above value of such assets at year end, the assets are accordingly written down. The original value of the assets is reinstated in future years should the reasons for the write-down cease to apply.

The rates applied are as follows:

	Rate
Industrial buildings	3.5% - 4.5%
Plant and machinery	10%
Industrial equipment	10%
Furniture and fixtures	12%
Computers	20%
Office equipment	20%
Means of transport	25%

The cost of any routine maintenance modifying the size and efficiency of fixed assets is charged in full to the income statement in the year in which such costs are incurred. The cost of any maintenance enhancing the value of an asset is allocated to the asset to which they relate and depreciated over the remaining useful life of that asset.

Financial assets

"Equity investments in subsidiaries, associates and other companies" are recorded at the cost of acquisition or subscription.

The cost of such equity investments is reduced in the event of impairment as a result of the investee Company having incurred losses, which, it is believed, are too great to be offset against expected future income in the immediate future. The original value will be reinstated in subsequent years in the event that the reasons giving rise to the write-down cease to exist.

Financial assets also include amounts receivable from personnel in connection with loans to employees and are recorded at their nominal outstanding value.

Receivables

Receivables are recorded at their expected realisable value, obtained by adjusting the nominal value of receivables via provisions for doubtful accounts, and are classified under "Financial assets" and "Current assets" according to their nature and purpose. Provisions for doubtful accounts cover the estimated losses to be incurred on existing receivables, taking account of both the specific and generic risks of non-collection of the receivables.

Receivables include deferred tax assets if there is reasonable certainty of their future recovery.

Fuel inventories

Nuclear fuel inventories are made up of irradiated fuel, plutonium and depleted uranium.

Irradiated fuel to be reprocessed or placed in dry storage, plutonium and depleted uranium are valued by convention at €0.52 per unit of measurement (g – kg).

Contract work in progress

Non nuclear-related activities

Contract work is valued in line with the value of the amount completed when accrued with reasonable certainty, according to the percentage of completion method. This is determined on the basis of the costs so far incurred as a proportion of the total estimated cost of the work to be carried out. The book value of contract work in progress is adjusted by specific provision in the event of any contract risks. Any losses on contracts, the value of which may be reasonably estimated, are fully expensed as incurred.

Short-term financial assets

Short-term financial assets are valued at the lower of cost and their estimated realisable value based on market trends.

Short-term financial assets also include amounts investments made in connection with repurchase agreements involving securities. The income from the investments, consisting of accrued interest on the securities and the differential between their spot and forward prices, is recorded under “Financial income and expense”.

Cash and cash equivalents

Cash and cash equivalents are recorded at face value and accounted for at the date of the transaction.

Accruals and deferrals

Accruals and deferrals are recorded on an accruals basis.

Provisions for risks and charges

- Provision for retirement benefits

  The provision for retirement benefits mainly includes compensation accrued by employees in lieu of notice in accordance with union agreements and collective labour contracts in force.

- Other provisions for risks and charges
  These are accrued against known or probable losses and charges whose amount or timing is cannot be determined at the balance sheet date. Provisions are determined on the basis of the best estimate made according to the information available.

Provision for employee termination indemnities

The provision for employee termination indemnities covers amounts due to employees upon retirement in accordance with union agreements and collective labour contracts in force, net of advances paid pursuant to the law and amounts allocated to the pension fund.

Payables

Payables are recorded at face value, deemed representative of their redemption value.

Nuclear-related advances

These balances include the remaining nuclear advances transferred by Enel SpA in accordance with Legislative Decree 79/99 and additional estimated amounts recognised by the Authority and which the Authority has authorised the Electricity Equalisation Fund to pay. They, consequently, represent future revenues in connection with nuclear-related activities equal to costs, including accrued taxes, recognised by the Authority, net of financial income, non-recurring income and other revenues in connection with non-nuclear operations and extraordinary nuclear-related activities.

Memorandum accounts

The accounting treatment of memorandum accounts is in compliance with the Italian Accounting Profession's accounting principle no. 22. Such accounts refer to guarantees, risks and commitments assumed by the Company.

Nuclear-related revenues

Nuclear-related revenues are equal to costs, including accrued taxes, recognised by the Authority, net of financial income and other revenues in connection with non-nuclear operations and extraordinary nuclear-related activities. This means that the after tax results for these activities is equal to costs not recognised by the Authority.

Other revenues

Revenue relating to other services and the sale of goods is recognised on the completion of the service provided or the transfer of title to goods. Revenue derived from long-term contract work is accrued in accordance with the terms and conditions of the relevant contract.

Costs

Costs are reported in accordance with the accruals principle, independently of the date of payment.

Income taxes

Current income taxes for the period are recorded among taxes payable and calculated according to applicable regulations and tax rates.

Deferred tax assets and liabilities, deriving from temporary differences between the book value of an asset or liability in the balance sheet and its tax base, are recorded on the basis of the tax rate applicable at the moment the difference arises.

Deferred tax assets are recorded subject to verification of their recoverability.

Deferred tax liabilities are not posted to provisions for taxes when it is unlikely that the payable will arise.

Translation of foreign currency items

Receivables and payables originally expressed in foreign currencies are translated into euros on the basis of the exchange rate in force at the time of the related transaction. Differences are recorded in the income statement among financial income and expense, with the exception of those relating to derivative instruments hedging exchange rate risk.

NOTES TO THE BALANCE SHEET

FIXED ASSETS - €61,616,904 *(€57,855,801 at 31 December 2005)*

Intangible assets - €13,361,227

(€12,677,610 at 31 December 2005)

Such assets break down as follows:

	Concessions, licenses, trademarks and similar rights	Other intangible assets		
		Extraord. pension contrib.	Leasehold improvements	Total
Original cost	3,410,206	17,707,781	3,599,531	24,717,518
Accumulated amortisation	-3,199,826	-5,240,551	-3,599,531	-12,039,908
Value at 1 January 2006	**210,380**	**12,467,230**	**0**	**12,677,610**
Changes during the year				
Purchases/increases	430,186		1,704,208	2,134,394
Amortisation	-278,415	-890,517	-281,845	-1,450,777
Total changes	**151,771**	**-890,517**	**1,422,363**	**683,617**
Balance at 31 Dec 2006				
Original cost	3,840,392	17,707,781	5,303,739	26,851,912
Accumulated amortisation	-3,478,241	-6,131,068	-3,881,376	-13,490,685
Balance at 31 Dec 2006	**362,151**	**11,576,713**	**1,422,363**	**13,361,227**

The item 'Concessions, licenses, trademarks and similar rights' includes software costs for individual work stations and for protecting the company's internal network. Amortisation is calculated over three years.

The item 'Extraordinary pension contributions' refers to the extraordinary contribution made on the winding-up of the Electricity Industry Pension Fund, paid in compliance with Law 488 of 23 December 1999 (the 2000 Finance Act).
As expressly required by law, this item is amortised over a period of 20 years. This treatment, moreover, complies with the relevant accounting standards.

'Leasehold improvements' relate to:

- restructuring of the OPEC 1 building at Casaccia (€1,004,440);
- improvement of fire prevention equipment (€535,803) and roof repairs (€30,000) at the Casaccia plutonium plant;
- upgrading of the offices at the Company's headquarters at via Torino, 6 in Rome (€133,965).

Tangible assets - €44,699,454 *(€41,504,644 at 31 December 2005)*

Such assets break down as follows:

	Work in progress	Land	Industrial buildings	Other equipment	Industrial and commercial equipment	Other assets	Total
Original cost	2,642,565	5,282,513	3,602,900	24,347,454	7,769,129	6,020,337	49,664,898
Accumulated depreciation			-150,961	-2,914,920	-2,180,729	-2,913,644	-8,160,254
Value at 1 January 2006	**2,642,565**	**5,282,513**	3,451,939	**21,432,534**	**5,588,400**	**3,106,693**	**41,504,644**
Changes during the year							
Purchases/increases - cost	2,560,003			585,162	3,193,002	1,504,464	7,842,631
Reclassification on commissioning	-758,577			758,577			0
Disposals/decreases - cost						-104,406	-104,406
Depreciation			-152,591	-2,501,932	-916,468	-1,076,430	-4,647,421
Disposals - depreciation						104,006	104,006
Total changes	**1,801,426**	**0**	**-152,591**	**-1,158,193**	**2,276,534**	**427,634**	**3,194,810**
Balance at 31 Dec 2006							
Original cost	4,443,991	5,282,513	3,602,900	25,691,193	10,962,131	7,420,395	57,403,123
Accumulated depreciation			-303,552	-5,416,852	-3,097,197	-3,886,068	-12,703,669
Balance at 31 Dec 2006	**4,443,991**	**5,282,513**	**3,299,348**	**20,274,341**	**7,864,934**	**3,534,327**	**44,699,454**

The movements in 'Work in progress' relate to the construction radioactive liquid waste tanks (€2,335,413), the construction of a gantry crane at the Caorso railway station (€224,590) and the commissioning of the Italian security network. Work in progress at year-end consists of €4,169,181 for the tank farm and €274,810 for the gantry crane.

The increase in other equipment relates to integrated safety equipment (€585,162) and the commissioning of the Italian security network (€758,577).

Purchases of 'Industrial and commercial equipment' refer to equipment for normal operations (€1,882,362), certain machinery for radiological characterisation (€749,650), laboratory dosimetric instrumentation (€314,290) and radiation protection instruments (€246,700).

A detailed breakdown of the item ‘Other assets’ is shown in the table below:

Location	**Book values**		
	1° Jan 2006	**additions**	**31 Dec 2006**
Integrated security system			
Head office	876,774	8,675	885,449
Trino site	2,201,616	6,962	2,208,578
Caorso site	2,999,241	6,973	3,006,214
Latina site	3,285,920	6,962	3,292,882
Garigliano site	1,185,289	6,418	1,191,707
Hot cells	3,102,252	50,674	3,152,926
Nucleco plant	1,474,495	270,321	1,744,816
Avogardo plant	1,128,666	7,508	1,136,174
Bosco Marengo plant	2,150,409	6,963	2,157,372
ITREC plant	3,364,690	123,756	3,488,446
Saluggia plant	2,555,538	89,950	2,645,488
sub-total	**24,324,890**	**585,162**	**24,910,052**
BM elec. and anti-incind.	**10,800**		**10,800**
ITREC Satellite surveillance system		**758,577**	**758,577**
National security network	**11,764**		**11,764**
Total	**24,347,454**	**1,343,739**	**25,691,193**

A detailed breakdown of the item ‘Other assets’ is shown in the table below:

	Value at 31 Dec 2006	**Value at 31 Dec 2005**	**Increase/ (Decrease)**
Furniture and fixtures	826,930	646,900	180,030
Operating equipment	649,759	504,105	145,654
Vehicles	91,886	131,747	-39,861
Technical and administrative equipment	20,479	28,808	-8,329
IT equipment	1,945,273	1,795,133	150,140
Total	**3,534,327**	**3,106,693**	**427,634**

Total depreciation of tangible assets for 2006 has been calculated by applying rates that are deemed representative of the useful lives of the assets.

At 31 December 2006, accumulated depreciation represents 26.65% of the gross value of assets.

There were, at that date, no mortgages, encumbrances or charges of other kinds that limited rights with respect to Company-owned assets.

Financial assets - €3,556,223 *(€3,673,547 at 31 December 2005)*

	Value at 1 January 2006	Increases	Decreases	Value at 31 Dec 2006
Equity investments	**2,587,885**			**2,587,885**
Other receivables:				
Loans to staff	945,864	101,193	217,909	829,148
Sundry guarantee deposits	139,798	3,425	4,033	139,190
Total	**1,085,662**	**104,618**	**221,942**	**968,338**
Total	**3,673,547**	**104,618**	**221,942**	**3,556,223**

Such assets break down as follows:

Equity investments – €2,587,885 (€2,587,885 at 31 December 2005)

Unchanged with respect to last year, they include

- €2,200,000 deriving from the acquisition of 60,000 shares in Nucleco SpA, representing 60% of the Company's share capital, from Eni Ambiente SpA on 16 September 2004, in accordance with the Board of Directors' resolution of 23 June 2004. The investment is accounted for at cost, which corresponds to the price paid. Detailed information is contained in the consolidated financial statements. The difference between the purchase cost of the equity investment and the value of Sogin's share of Nucleco SpA's shareholders' equity at 31 December 2006 (€848,830) of €1,351,170 is attributable to goodwill, which is currently not considered to be impaired.

- €387,885 relating to the purchase of a holding in CESI SpA (Centro Elettrotecnico Sperimentale Italiano), represented by 68,400 shares and corresponding to 1.95% of the total share capital.

The following table shows summary information for equity investments at 31 December 2006.

NAME	REG-ISTERED OFFICE	SHARE CAPITAL	SHARE-HOLDERS' EQUITY	INCOME/(LOSS) FOR THE YEAR	PERCENT-AGE INTEREST	BOOK VALUE
Nucleco SpA	Rome	0.5	1.4	0.2	60%	2.2
CESI SpA	Milan	8.5	26.3	0.2	1.95%	0.39

Amounts due from others - €968,338 (€1,085,662 at 31 December 2005)

This item refers to "Loans to staff", totalling €829,148, and granted to 55 members of staff at market interest rates. The loans were granted either to finance the purchase of a principal home (€712,443) or to face exceptional family needs (€116,705). The remaining amount of €139,190 refers to various guarantee deposits in favour of public and private bodies.

CURRENT ASSETS - €373,103,665 *(€516,943,819 at 31 December 2005)*
Inventories – *€583,212* *(€57,134,410 at 31 December 2005)*

€56,073,776 of the significant reduction in work in progress is due to nuclear-related work in progress, which was originally inventoried on 31 December 2005 and refers to costs recognised by resolution of the Authority. The Authority's procedures for recognising costs that were initiated with Resolution 66/05 for 2002-2004 costs, were consolidated by Resolutions 103/06 and 107/06 relating to 2005 costs and by the judgment handed down in December 2006 by the Lombardy Regional Administrative Court which rejected the appeal brought by Sogin against Resolution 66/05.

Inventories at 31 December 2006 consist of nuclear fuel, which by convention is valued at the reminder amount of €2,459, and work-in-progress (€580,753) relating to contract work, the bulk of which relates to Community programmes for safety precautions at eastern European nuclear power plants and financed by the European Commission: *Kola (€150,282),* Kymelnitsky 3 *(€86,924), Beloyarsk 4 (€325,390) and other smaller plants*. Advances relating to contract work are recorded as liabilities and amount to €1,926,756.

Changes in this item are analysed below:

	Value at 31 Dec 2006	Value at 31 Dec 2005	Increase/ (Decrease)
Raw, ancillary and consumable materials	**2,459**	**2,459**	
Contract work in progress	**580,753**	**57,131,951**	**-56,551,198**
nuclear-related activities:		56,073,776	-56,073,776
Other contract work	580,753	1,058,175	-477,422
Total	**583,212**	**57,134,410**	**-56,551,198**

Receivables - €74,238,271 *(€86,599,460 at 31 December 2005)*

These break down as follows:

Trade receivables - €26,105,937 (€18,711,759 at 31 December 2005)

The most important item is the €14,479,875 owed to the Company by the Government Commissioner responsible for handling the waste emergency, clean-up and water protection activities in the Region of Campania for services provided during the period August 2000 - March 2005 under a contract between Sogin and the Commissioner.

Legal proceedings have been instituted for the recovery of that amount.

Given the fact that the debtor is a government body and that the debt is certain, due and payable, it was not considered necessary to write-down the receivable.

In accordance with prudence, all penalty interest on the receivable estimated at 31 December 2006 to total €1,197 thousand, will be recognised in the financial statements for the accounting period in which they are paid. If the penalty interest had been recorded in these financial statements, it would have had no effect either on income or the balance sheet since the receivable would have increased by the amount of the penalty interest and then would have been written down by the same amount. It should also be noted that there are no tax implications of this treatment.

Trade receivables also include amounts owed by the Enel Group (approximately €3.9 million), the Ministry of Economic Development regarding Global Partnership activities (approximately €3.7 million), the European Commission and European companies with respect to European Commission programmes (€1.6 million), the President of the Council of Ministers (approximately €0.8 million) and the Ministry for the Environment, Land and Sea (approximately €0.7 million). These have increased compared to last year due to the delay in the approval by these clients of the percentage of completion of the work reported.

Receivables are reported net of provisions for doubtful accounts (€398,086), intended to adjust amounts to reflect their estimated realisable value.

Such receivables break down as follows:

	Value at 31 Dec 2006	**Value at 31 Dec 2005**	**Increase/ (Decrease)**
Amounts invoiced	20,719,922	17,152,908	3,567,014
Amounts to be invoiced	5,784,101	1,824,576	3,959,525
Total	**26,504,023**	**18,977,484**	**7,526,539**
Provisions for doubtful accounts	-398,086	-265,725	-132,361
Total	**26,105,937**	**1 8,711,759**	**7,394,178**

All invoices to be issued with respect to receivables reported at 31 December 2006 were issued in early 2007 with exception of the invoice relating to the receivable for work performed for the Ministry of Economic Development in connection with the Global Partnership (approximately €3.7 million) and the amount due from the President of the Council of Ministers for the operation of the Italian national accelerometric network (approximately €0.3 million).

Receivable from subsidiaries - €174,440 (€214,890 at 31 December 2005)

The item includes a residual advance (€25,212), an amount of €28,525 relating to services provided in 2006 but not yet invoiced and €120,703 relating to the transfer of VAT payable, which is paid by Sogin under the Group's VAT payment procedure.

Amounts due from others - €47,957,894 (€67,672,811 at 31 December 2005)

At 31 December 2004 such receivables break down as follows:

	Value at 31 Dec 2006	Value at 31 Dec 2005	Increase/ (Decrease)
Due from Electricity Equalisation Fund/Authority		27,966,172	-27,966,172
Tax receivables	44,847,184	37,876,569	6,970,615
Due from French tax authorities	1,144,486		
Due from Belgian tax authorities	1,194	1,157	37
Deferred tax assets:	994,209	804,172	190,037
Due from employees	107,772	74,878	32,894
Other	863,049	949,863	-86,814
Total	**47,957,894**	**67,672,811**	**-19,714,917**

Due from Electricity Equalisation Fund/Authority: The receivable at 31 December 2005 was fully collected during 2006.

Tax receivables: These receivables essentially refer to VAT refundable to Sogin of €43,818,201, of which €9,667,384 relates to 2006 and €34,150,817 to previous years, plus interest (€691,558) accrued to 31 December 2006 on the overpayments requested to be reimbursed for 2000, 2003, 2004 and 2005 net of a payable (€337,425) transferred to SOGIN by the former SICN. In March 2007, the €2,067,964 relating to the application made in 2003 plus accrued interest of €191,485 were received.

Due from French tax authorities: This amount relates to the refund claimed from the French tax authorities with respect to VAT paid to EDF.

Due from Belgian tax authorities: This amount relates to the refund claimed from the Belgian tax authorities with respect to VAT paid to a Belgian supplier.

Deferred tax assets regard taxes calculated on provisions for charges accruing during the year but deductible from tax in future years. Such assets refer to corporate income tax (IRES) totalling €978,839 and regional income tax (IRAP) totalling €15,370.

The movements in this item are described in the note to the income statement on taxation.

Due from employees relate to advances made, in most cases for travel expenses, settled early in the following year.

Other receivables relate to advance payments to suppliers, the advance payment of travel expenses to Enea personnel working at facilities managed by Sogin and to other receivables which were all settled in early 2007. The amount reported at 31 December 2005 includes the receivable in connection with services relating to the Global Partnership which was reclassified to trade receivables in 2006.

FINANCIAL ASSETS

There was a significant reduction in cash and cash equivalents held by the Company due to the suspension - from May 2005 – of payments by the Electricity Equalisation Fund for the reasons explained in the Report on Operations.
Again in 2006, cash management protected the Company's assets from erosion by inflation of 2.1%. In fact, annual returns were 3.4% while average 3 month Euribor was 3.1% during the same period.
High treasury flexibility, permitting unforeseen cash requirements to be quickly met, continues to be assured.
As of 31 December 2006, financial assets total €298,282,182 and break down as follows:

Short-term financial assets - €272,407,930 *(€344,027,390 at 31 December 2005)*

Short-term financial assets consist of bonds (€49,279,330), insurance deposits withdrawable on demand (€202,671,520); and repurchase agreements (€20,457,080).

Cash and cash equivalents - €25,874,252 *(€29,182,559 at 31 December 2005)*

€21,200,000 of the total regards short term deposits with Italian banks. €4,661,809 to bank deposits used by Sogin to meet its day to day treasury management needs with the remaining €12,443 being in the form of cash in hand held by the Company.

ACCRUED INCOME AND PREPAID EXPENSES - €2,536,561*(€1,987,594 at 31 December 2005)*

Accrued income totals €2,173,200 and essentially refers to interest income accrued on the investment of liquidity.
Prepaid expenses total €363,361 and represent the balance carried forward to 2007 of advance payments made in 2006 for fuel reprocessing.

AGING SCHEDULE

The table below shows the breakdown of receivables by maturity:

	Falling due within 12 months	Falling due between 2 and 5 years	Falling due after 5 years	Total
Long-term receivables				
Loans to staff	93,724	328,196	407,228	829,148
Sundry guarantee deposits		139,190		139,190
Total long-term receivables	**93,724**	**467,386**	**407,228**	**968,338**
Current receivables				
Trade receivables	26,105,937			26,105,937
Receivable from Parent Company	174,440			174,440
Tax receivables	20,484,005	24,363,179		44,847,184
Due from French tax authorities	1,144,486			1,144,486
Due from Belgian tax authorities	1,194			1,194
Deferred tax assets:	994,209			994,209
Due from employees	107,772			107,772
Other	863,049			863,049
Total current receivables	**49,875,092**	**24,363,179**	**0**	**74,238,271**
Total	**49,968,816**	**24,830,565**	**407,228**	**75,206,609**

Tax receivables relate to refundable VAT. The amount falling due within twelve months relates to applications for refunds which have been made and which are now legally overdue or will become overdue in the next twelve months. Once these receivables fall due, interest is accrued at the rate determined by Presidential Decree 663/72.

SHAREHOLDERS' EQUITY - €15,896,342 *(€15,562,137 at 31 December 2005)*

Changes during the last two years are shown in the tables below.

Share capital: €15,100,000 (€15,100,000 at 31 December 2005)

Share capital consists of 15,100,000 fully paid ordinary shares with a value of €1 each and which are fully held by the Italian Ministry of the Economy and Finance.

The loss incurred in 2005 has been set of against retained earnings.

	Share capital	Legal reserve	Other reserves	Retained earnings (losses)	Net income for the year	Net loss for the year	Total
Value at 1 January 2005	**15,100,000**	**560,316**	**-2**	**1,178,032**	**88,928**		**16,927,274**
Allocation of net income for 2004		4,446		84,482	-88,928		
Net loss for 2005						-1,365,137	**-1,365,137**
Value at 31 December 2005	**15,100,000**	**564,762**	**-2**	**1,262,514**		**-1,365,137**	**15,562,137**

	Share capital	Legal reserve	Other reserves	Retained earnings (losses)	Net income for the year	Net loss for the year	Total
Value at 1 January 2006	**15,100,000**	**564,762**	**-2**	**1,262,514**		**-1,365,137**	**15,562,137**
Allocation of loss for 2005				-1,365,137		1,365,137	
Net income for 2006					334,202		**334,202**
Net currency conversion adjustments			3				**3**
Value at 31 December 2006	**15,100,000**	**564,762**	**1**	**-102,623**	**334,202**		**15,896,342**

Reserves consist entirely of appropriations of income relating to previous years.

PROVISIONS FOR RISKS AND CHARGES - €1,842,236 *(€1,864,580 at 31 December 2005)*

Provisions for risks and charges are analysed in the table below:

	Value at 1 January 2006	Provisions	Uses	Value at 31 December 2006
Provisions for retirement benefits	**479,703**	**269,403**	**-263,296**	**485,810**

Provisions for deferred taxes	**351,677**	**251,610**	**-34,061**	**569,226**
Other provisions				
legal disputes	460,000			460,000
sundry charges	573,200	160,000	-406,000	327,200
Total other	**1,033,200**	**160,000**	**-406,000**	**787,200**
Total	**1,864,580**	**681,013**	**-703,357**	**1,842,236**

Provisions for retirement benefits - €485,810 (€479,703 at 31 December 2005)

The provisions refer to the indemnity in lieu of notice for personnel in service, who are eligible pursuant to applicable collective contracts and labour union agreements.

Provisions for deferred taxes - €569,226 (€351,677 at 31 December 2005)

The movements in 2006 relate to Sogin's deferred tax liabilities accrued for the year on temporary differences between income assessable to taxes and income before taxes shown in the financial statements.

The movements in this item are described in the note to the income statement on taxation.

Other provisions - €787,200 (€1,033,200 at 31 December 2005)

- Legal disputes - €460,000 (€460,000 at 31 December 2005)

  These provisions are accrued against potential risks deriving from litigation pending, estimated on the basis of opinions from the Company's internal and external legal advisors. Such provisions do not take account of litigation which is expected to have a positive outcome or litigation for which a negative outcome is only possible or remote or for which the amount of the liability is not reasonably quantifiable. More specifically, the provisions include prudently and reasonably calculated amounts that the Company could be liable to pay in the likely event of a negative outcome to ongoing disputes.

  No additional provisioning was made in 2006 due to the fact that the amount of existing provisions was believed to correspond to the overall estimates made on the advice of external legal consultants of potential liabilities of the Company with respect to litigation pending at 31 December 2006.

- *Sundry charges - €327,200 (€573,200 at 31 December 2005)*

  The provision for sundry charges consists of financial income earned between 1999 to 2005 (€60,000) which, in prior years, had been reported as "nuclear-related advances", for the reasons explained in the Report on Operations and the estimated amount payable by Sogin (€167,200) relating to the early removal of the Board of Directors, as required by art. 1, paragraph 459 of the 2007 Finance Act and to local tax liabilities (TARI) relating to the offices in Via Torino, for which notice of assessment has not yet been received.

  Uses relate to expenses in connection with the collective labour contract (€376,000 and TARI payments (€30,000).

PROVISIONS FOR EMPLOYEE TERMINATION INDEMNITIES - €20,211,158

(€20,318,793 at 31 December 2005)

Changes during 2005 are shown in the table below:

Value at 1 January 2006	20,318,793
Provisions	2,957,640
Uses	-3,073,712
Other changes	8,437
Value at 31 December 2006	**20,211,158**

These provisions include amounts allocated in favour of employees to cover termination indemnities pursuant to existing legislation and net of advances extended to employees for medical expenses, the purchase of their principal home and for the purchase of shares in Enel Spa. This amount is also net of amounts earmarked for the pension fund for managers (FONDENEL) and the pension fund for employees (FOPEN).

PAYABLES - €399,306,882 *(€538,953,698 at 31 December 2005)*

This item is analysed below.

Nuclear-related advances - €276,843,079 (€466,146,000 at 31 December 2005)

As explained under “Accounting policies” in the introduction to the Notes to the Financial Statements, nuclear-related advances are used to fund costs recognised by the Authority, including accrued taxes, less net financial income and operating income, as shown in the table below.

Nuclear-related advances	**Amount**
Value at 1 January 2006	**466,146,000**
Used to fund costs of nuclear-related activities	
used to fund 2006 costs recognised by the Authority (net of income on internal trading)	143,243,979
used to fund 2006 costs of nuclear-related activities	4,005,551
used to fund costs recognised by the Authority reported as work in progress at 31 Dec 2005	56,073,777
reduction in advances used equal to net industrial income	-3,657,293
reduction in advances used equal to net financial income	-10,287,217
reduction in advances used equal to net extraordinary income	-135,876
Total used to fund costs of nuclear-related activities	**189,242,921**
Decrease due to reclassification to provisions for risks and charges	**60,000**
Value at 31 Dec 2006	**276,843,079**

By Resolution 121/07, the Authority recognised €143.2 million plus taxes of the 2006 costs submitted by Sogin (rounded to €143.4 million excluding taxes), thus not recognising costs of €200,000 thousand.

The costs not recognised relate to project management which, in the estimate submitted by Sogin to the Authority in May 2006, amounted to €11.7 million (net of supplementary payments and bonuses paid to personnel for early retirement).

In Resolution 174 of 31 July 2006, the Authority recognised Sogin costs of €9.3 million, which was consequently €2.4 million less than the amount submitted. The reason is that the Authority was of the opinion that the ratio of project management costs to the total cost of dismantling and safety maintenance costs for power plants and equipment should be equal to the ratio for the preceding three year period 2002-2004.

In March 2007, Sogin submitted actual 2006 costs to the Authority, of which €10.7 million related to project management including bonuses and supplementary payments for early retirement. As a result, costs were €1.4 million greater than the €9.3 million in estimated costs that had been recognised in Resolution 174/06. Due to the facts, however, that the volume of dismantling and safety maintenance activities in 2006 was greater than the amount on which estimates previously submitted to the Authority had been based, and that actual costs included part of the costs for supplementary payments and bonuses for early retirement, the Authority recognised €10.5 million citing the ratio in Resolution 174/06 thus failing to recognise €0.2 million instead of €1.4 million.

All nuclear-related advances reported at 31 December 2006, will only be allocated to fund future actual costs which will be recognised by the Authority in the future. In the 31 December 2005 financial statements, a portion of nuclear-related advances was reported that it was believed possible to use to fund non-recognised costs. As a consequence of the rules established by the Authority in Resolution 290/06, that amount has been changed to €60,000 which is equal to the difference between financial income on the Company's own investments up to 31 December 2005 (€7.86 million as per Resolution 117/07) and costs, at the same date, which were not recognised by the Authority (€7.8 million as per Resolutions 66/05, 103/06 and 107/06). For reasons of clarity, the difference was reclassified to the provision for risks and charges.

Advances for other activities - €2,926,756 (€1,570,467 at 31 December 2005)

Advances received from third parties for other activities refer to advances billed, also in previous years, pursuant to existing contracts. The increase was essentially caused by a deposit paid by TERNA confirming the purchase of land adjacent to the Latina power station. The deed of sale will be concluded shortly and it is expected to realise a gain of approximately €3.5 million.

Trade payables: €64,732,788 (€50,303,908 at 31 December 2005)

These include an amount totalling €43,908,968 relating to invoices received for the supply of materials, services and sundry work. This item also includes an amount totalling €20,823,820 for invoices to be received for services rendered prior to 31

December 2006, which includes the €19,166,946 owed to Enea for personnel and services.

Due to subsidiaries - €6,035,409 (€2,774,520 at 31 December 2005)

This item refers to a payable to Nucleco SpA for services already invoiced (€5,292,411) and to be invoiced (€742,998) to Sogin. Services provided by Nucleco, agreed at market prices, relate to the treatment of Sogin's radioactive waste.

Taxes payable - €3,425,674 (€4,210,591 at 31 December 2005)

This item includes income taxes and indirect taxes payable for 2006. Specifically, these payables include IRES (€1,046,618) and IRAP (€569,730), as well as local taxes (€23,500).

Moreover, this item includes taxes withheld by the Company and paid to tax authorities in the following year (€1,785,826, of which €1,734 relates to the balance of capital gains tax on the annual revaluation of employee termination indemnities).

Social security payables - €2,780,171
(€2,573,823 at 31 December 2005)

Social security payables refer mainly to amounts owed to social security and insurance institutions payable by the Company on compensation both paid and accrued, but not paid, to personnel, for suppressed holidays, compensation for accrued leave, overtime and other entitlements.

	Value at 31 Dec 2006	Value at 31 Dec 2005	Increase/ (Decrease)
Social security institutions for contributions on salaries	1,988,509	1,851,331	137,178
Social security institutions for contributions on holiday pay, suppressed holidays, etc.	424,914	373,882	51,032
Insurance companies	190,230	182,471	7,759
Fopen	176,518	166,139	10,379
Total	**2,780,171**	**2,573,823**	**206,348**

Other payables - €42,563,005 (€11,374,389 at 31 December 2005)

Other payables break down as follows:

Other payables	Value at 31 December 2006	Value at 31 December 2005	Increase/ (Decrease)
Due to personnel			
termination indemnities to be paid to employees	84,700		84,700
holiday pay, suppressed holidays, overtime, etc.	1,656,738	1,467,904	188,834
other reasons	1,919,540	1,419,932	499,608
Total amount due to personnel	**3,660,978**	**2,887,836**	**773,142**
Due to Ministry of Economic Development for G.P.	**29,162,790**	**-**	**29,162,790**
Extraordinary pension contributions	**5,709,454**	**5,709,454**	**0**
Due to third parties for amounts withheld on employees' salaries	**60,434**	**62,253**	**-1,819**
Other	**3,969,349**	**2,714,846**	**1,254,503**
Total	**42,563,005**	**11,374,389**	**31,188,616**

The amount payable to the Ministry of Economic Development relates to a loan made pursuant to the cooperation agreement concluded by the governments of Italy and the Russian Federation ratified by Law 160/2005. The funds received are treated under Italian law as a *deposito irregolare* pursuant to art. 1782 of the Italian Civil Code, which is a bailment of fungible assets on which remuneration is computed at the legal rate of interest unless otherwise agreed by the parties. Movements during the year are shown in the table below:

Due to Ministry of Economic Development for Global Partnership loan	Amount
Loan disbursements	30,000,000
Payments	-1,276,000
2006 interest	438,790
Total at 31 Dec 2006	29,162,790

Payments relate to contracts, guaranteed by the Ministry of Economic Development, between the Russian beneficiary pursuant to the Cooperation Agreement and its suppliers.

Interest has been computed at the legal rate of interest on residual amounts and include advances made by Sogin. It should be noted, in this respect, that these amounts include an account receivable of €3,700,456 due from the Ministry of Economic Development for costs incurred by Sogin in 2005 and 2006 in accordance with the agreement of 3 August 2005. A schedule of these costs has been submitted by Sogin to the Ministry of Economic Development.
“Extraordinary pension contributions” represent the first instalment of contributions to be paid as a result of the winding-up of the Electricity Industry Pension Fund. Payment of the first instalment was suspended by order of the Lazio Regional Administrative Court in November 2001 in response to the appeal brought by Enel, which had effected payment of this instalment. With regard to both the second and third instalments, for which Sogin has already paid approximately €12 million to INPS, the possibility of seeking compensation from Enel has not been ruled out.
An amount of €2,577,695 is included in “Other”. This is the remaining payable due to Fabbricazioni Nucleari e Tecnologie Avanzate Spa for the purchase of its nuclear division. Accounts payable to Enea (€1,859,245) were settled in early 2007. The item also includes amounts payable to former members of the Board of Directors due to the early removal of the Board as required by art. 1, paragraph 459, of the 2007 Finance Act.

ACCRUED LIABILITIES AND DEFERRED INCOME - €512 *(€88,006 at 31 December 2005)*

This item refers to accrued losses in connection with repurchase agreements.

MATURITY SCHEDULE

The table below shows a breakdown of payables and accrued liabilities by due date:

	Falling due within 12 months	Falling due between 2 and 5 years	Falling due after 5 years	Total
Nuclear-related advances	276,843,079			276,843,079
Advances for other activities	2,926,756			2,926,756
Trade payables	64,732,788			64,732,788
Amounts due to subsidiaries	6,035,409			6,035,409
Taxes payable	3,425,674			3,425,674
Social security payables	2,780,171			2,780,171
Other	42,563,005			42,563,005
Total	**399,306,882**	**0**	**0**	**399,306,882**

Payables predominantly consist of nuclear-related advances which are contra items relating to revenues recognised in the income statement.

MEMORANDUM ACCOUNTS - €165,531,633 *(€145,828,197 at 31 December 2003)*

Memorandum accounts include guarantee deposits, guarantees given, risks and commitments as shown in the table below:

	Value at 31 Dec 2006	Value at 31 Dec 2005	Increase/ (Decrease)
Guarantees given:			
Guarantees given on behalf of third parties	**7,726,579**	**4,065,006**	**3,661,573**
Other memorandum accounts :			
Special vehicles on free loan	99,000	99,000	
Commitments to suppliers for fuel reprocessing, storage and transport	157,706,054	141,664,191	16,041,863
Total other memorandum accounts	**157,805,054**	**141,763,191**	**16,041,863**
Total	**165,531,633**	**145,828,197**	**19,703,436**

Guarantees given relate to those issued to customers (€3,110,501), the tax authorities in connection with VAT refunds (€2,860,000) and to suppliers and government entities (€1,756,078).

A breakdown of commitments by maturity relating to fuel reprocessing and storage is shown in the following table:

Period	**€**
2007 - 2011	106,128,989
2012 - 2016	31,523,454
2017 - 2024	20,053,611
Total	**157,706,054**

Amounts have been determined according to year-end parameters and closing exchange rates, as prices for these services vary and are mostly expressed in foreign currency.

The Company does not report guarantees and/or commitments relating to Nucleco SpA.

Other than those described above, there are no other off-balance sheet risks or commitments.

NOTES TO THE INCOME STATEMENT

REVENUES - €147,246,262 *(€121,072,699 in 2005)*

Revenues, broken down by activity, are as follows:

	2006	2005	Increase/ (Decrease)
Revenues from services linked to nuclear-related activities	**189,242,921**	**103,815,833**	**85,427,088**
Change in work in progress	**-56,551,199**	**7,698,174**	**-64,249,373**
for nuclear-related activities	-56,073,777	7,481,172	-63,554,949
for contract work	-477,422	217,002	-694,424
Other revenues and income	**14,504,435**	**9,548,692**	**4,955,743**
for nuclear-related activities	3,642,293	2,860,987	781,306
for contract work	10,862,142	6,687,705	4,174,437
Services provided to subsidiaries	**50,105**	**10,000**	**40,105**
for nuclear-related activities	15,000		15,000
for contract work	35,105	10,000	25,105
Total	**147,246,262**	**121,072,699**	**26,173,563**

Nuclear-related activities:

Total revenues and costs for these activities are set out below:

revenues from services relating to nuclear-related activities	€	189,242,921
change in work in progress	€	-56,073,777
other revenues and income	€	3,642,293
services provided to subsidiaries	€	15,000
Revenues	€	**136,826,437**
net financial income	€	10,287,217
net extraordinary income	€	135,876
Total nuclear-related revenues and income	€	**147,249,530**

Total service revenues relating to nuclear activities are equal to the net utilisation of nuclear-related advances which, as explained above, were equal to actual costs recognised by the Authority, including those reported at 31 December 2005 as work in progress less the other separately listed income items shown above. Due to the fact that amounts are rounded in the Authority's resolutions, actual unrounded, unrecognised costs were determined as the difference between unrounded costs submitted to the Authority and unrecognised costs of €200,000. The €200,000 are equal to the difference between the amount cited by the Authority in Resolution 121/07 as costs submitted by Sogin (€143.4 million) and recognised costs (€143.2 million).

Other revenues and income consist of the following:

Other nuclear-related revenues	**2006**
- Sale of scrap	2,060,751
- Sundry services	344,608
- Reimbursements for damaged equipment	5,485
- Reimbursements for release of personnel elected as directors	5,120
- Services for personnel seconded to the Ministry	420,370
- Payments by Managers for company cars	35,497
- Gains on the disposal of assets	4,470
- Non-recurring income	765,992
Total other nuclear-related revenues	**3,642,293**

Non-recurring income principally relates to increased costs accrued in previous periods for services provided by Enea for fuel cycle plants.

A breakdown of costs referring to nuclear-related work is provided below:

Nuclear-related costs	**2006**
- Raw, ancillary and consumable materials	5,433,952
- Services	67,943,232
- Leases and rentals	10,997,533
- Personnel	53,790,321
- Amortisation and depreciation	6,100,976
- Provisions for risks and charges	100,000
- Other operating costs	2,760,914
- Net operating income relating to internal trading	-3,682,949
Total costs submitted to the Authority	**143,443,979**
Costs not recognised	-200,000
Difference between total costs submitted and recognised costs	**143,243,979**
- Taxes	4,005,551
Net amount	**147,249,530**

Contract work

The total amount of revenues from contract work amounting to €10,419,825 (€6,914,707 in 2005) breaks down as follows:

- change in work in progress	€-477,422
- other revenues and income	€10,862,142
- services provided by subsidiaries	€35,105
Total revenues	**€10,419,825**

Revenues classified by activity were:

Nuclear services	€6,432,229 (*€5,022,212 in 2005*)
Environmental services	€691,662 (*€1,270,829 in 2005*)
Global Partnership	€3,295,934 (*€404,664 in 2004)*

Activities in connection with the Global Partnership were commenced in the second half of 2005.

Change in work in progress - €- 477,422 (€217,002 in 2005)

The most significant amounts refer to the following contracts:

Armenia 2001	(€- 435,911)
Armenia 2004	(€- 199,611)
Khmelnitsky 3	(€- 128,081)
Beloyarsk 4	(€+ 287,442)
Beloyarsk 5	(€+ 85,784)
Kola	(€ - 140,980)
Bilibino 2	(€+ 53,935)

OPERATING COSTS - €153,293,079 *(€132,650,296 in 2005)*

A breakdown of operating costs is provided below.

Raw, ancillary and consumable materials and goods for resale - €5,479,284 (*€5,124,714 in 2005)*

Total costs break down as follows:

materials	€4,241,531	(€3,709,098 in 2005)
fuel for heating and vehicles	€942,311	(€974.749 in 2005)
stationary and printing	€170,191	(€167,163 in 2005)
workers' clothing	€114,376	(€258,158 in 2005)

cellular phones €10,875 (€15,546 in 2005)

The increase primarily relates to activities in connection with the removal of irradiated fuel from the Eurex plant pool to the Avogadro plant pool at the Saluggia site.

Services - €71,099,614 *(€57,706,300 in 2005)*

This item includes the following categories of cost:

	2006	2005	Increase/ (Decrease)
Services provided by subsidiaries	**8,245,663**	**4,634,619**	**3,611,044**
Fuel treatment and reprocessing costs	**8,539,978**	**5,997,455**	**2,542,523**
Sundry services			
Corporate services	19,127,328	15,853,667	3,273,661
Maintenance (and industrial cleaning)	3,592,547	2,012,879	1,579,668
Surveillance	5,178,534	3,608,347	1,570,187
Cleaning	474,329	443,188	31,141
Canteen costs and similar	1,055,525	1,027,133	28,392
Utilities	4,002,753	3,011,010	991,743
Motor vehicle hire and additional services	506,013	545,488	-39,475
Personnel, external staff, professional services	6,210,940	5,668,852	542,088
Testing and sundry controls	142,885	692,795	-549,910
External consultants	4,201,513	6,083,951	-1,882,438
Directors' and Statutory Auditors' fees	719,191	686,840	32,351
Software	855,858	736,282	119,576
Travel expenses	1,207,528	1,292,646	-85,118
Insurance	483,972	532,203	-48,231
Personnel training	309,595	237,718	71,877
Bank and financial services	60,988	48,415	12,573
Telecommunications and data transmission	987,415	980,118	7,297
Data processing and access charges	165,931	1,579,984	-1,414,053
Advertising, printing, copying, etc.	270,526	128,240	142,286
Postage and telegrams	27,682	25,197	2,485
Transport of materials and freight	3,440,730	1,040,280	2,400,450
Other expenses	1,292,190	838,993	453,197
Total sundry service costs	**54,313,973**	**47,074,226**	**7,239,747**
Total	**71,099,614**	**57,706,300**	**13,393,314**

Notes on material items and/or variations.

- Services provided by subsidiaries consist of services provided by NUCLECO S.p.A. for the management of conventional and non-conventional waste. The increase primarily relates to services for the following sites: Coarso (decontamination and disposal of insulation, radiological monitoring, Phadec cementability testing); Trisaia (waste characterisation); Gargliano (removal of asbestos, removal and disposal of toxic wastes) and Bosco Marengo (disposal of insulation with asbestos).
- Fuel treatment and reprocessing costs increased primarily as a result of the disposal of fuel stocks on hand at Bosco Marengo.
- Corporate services essentially relates to site work and also includes services provided by ENEA for operations at Saluggia, Trisaia and Casaccia. The increase primarily relates to the following sites: Caorso (Phadec and emergency), Saluggia (new water supply and pool cleaning) and Trisaia (emergency).
- Maintenance (and industrial cleaning) increased primarily with respect to Trisaia and Bosco Marengo. Work at Bosco Marengo predominantly consisted of routine maintenance of buildings and the restructuring of thermal power station.
- Surveillance costs increased principally as a result of the inclusion of direct surveillance of fuel cycle plants, until March 2006, included the services provided by Enea.
- The cost of power, gas and water increased due both to the increase in tariffs as well as consumption.
- Personnel, external staff and professional services costs increased as a result of the increase in personnel temporarily transferred by Enea.
- Costs for the transport of materials and freight increased due to the removal of existing nuclear materials from the Bosco Marengo plant and from ENEL's former CISE Laboratory.
- Other expenses also include the costs for the upgrading of the interconnection to the aqueduct at Saluggia, arrangements for the transport of fuel at Trisaia, loading containers for the removal of nuclear materials from Bosco Marengo.
- There were reductions in "External consultants" and "Data processing and access" costs as a result of cost controls introduced in 2006 and in "Testing" for sundry activities.
- Directors' and Statutory Auditors' fees consisting of emoluments and including social security contributions for the members of the Board of Directors (€640,541 compared with €555,037 in 2005) and the Statutory Board of Auditors (€78,650

compared with €131,803 in 2005). The decrease in remuneration of the Statutory Board of Auditors is due to the fact that 2005 remuneration included payments to the previous Statutory Board of Auditors.

Leases and rentals - €11,155,016 *(€11,197,765 in 2005)*

This item primarily consists of the following:

fuel storage charges	€8,302,552	(€8,485,829 in 2005)
property leases	€1,789,645	(€1,713,438 in 2005)
motor vehicle hire costs	€898,597	(€758,333 in 2005)
water contributions and fees	€135,150	(€92,564 in 2005)
other hire charges and lease costs	€29,072	(€147,601 in 2005)

Personnel - €56,389,186 *(€51,690,704 in 2005)*

Personnel costs break down as follows:

Wages, salaries and other compensation	€37,647,844 (€36,741,928 in 2005)
Social security contributions	€9,982,197 (€9,956,646 in 2005)
Employee termination indemnities	€2,957,640 (€2,957,640 in 2005)
Retirement benefits	€269,403 (€269,403 in 2005)
Other personnel costs	€5,532,102 (€5,532,102 in 2005)

Wages, salaries and other compensation, social security contributions, employee termination indemnities and retirement benefits increased essentially as a result of the following:

- renewal of the terms and conditions relating to pay of the Italian national collective labour contract for the electricity sector;
- biannual automatic increases relating to seniority and career development in accordance with the contract for new graduate employees;

"Social security contributions" remained practically unchanged despite the increase in "Wages, salaries and other compensation" due to the reduction of 0.60% in INPS family allowance contributions from 1 January 2006.

'Other personnel costs' partly relate to C.C.L. related charges and partly to union agreements. The detailed information provided below shows that the variation was primarily a result of early retirement bonuses paid to employees.

Accident insurance	€432,828	(€424,820 in 2005)
Supplementary payments and retirement incentives	€3,670,005	(€188,000 in 2005)

Contributions as per ASEM/FISDE and ACEM/ARCA €1,090,225 (€1,014,516 in 2005)
Discount of electric energy supplied at reduced prices €271,381 (€211,916 in 2005)
Loyalty, marriage bonuses, etc. €67,663 (€74,055 in 2005)

The table that follows shows the average number of employees by category compared to 31 December 2005:

	Headcount at 31 Dec 2006	**Headcount at 31 Dec 2005**	**Average headcount for the period**
Managers	32	32	32.7
Supervisors	190	189	187.3
White-collar	394	411	398.7
Blue-collar	145	152	148.0
Total	**761**	**784**	**766.7**

Amortisation, depreciation and write-downs: €6,230,559 *(€5,637,806 in 2005)*

This item includes amortisation and depreciation expense for the period:

- €1,450,777 for the amortisation of intangible assets, including the extraordinary contribution to the Electricity Industry Pension Fund (€890,517), software write-downs (€278,415) and the amortisation of leasehold improvements (€281,845);
- €4,647,421 for the depreciation of tangible assets, including industrial buildings (€152,591), sundry plants (€2,501,932), industrial and commercial equipment (€916,468) and other assets (€1,076,430);
- €132,361 for the write-down of trade receivables considered to be uncollectable.

Provisions for risks and charges - €100,000 *(€139,168 in 2005)*

The provisioning relates to likely costs of the early removal of members of the Board of Directors as required by art. 1, paragraph 459 of the 2007 Finance Act.

No new provisioning was made in 2006 for legal disputes. The amount of existing provisions was found to be consistent with the best estimates provided by the Company's external legal consultants regarding the potential damage to the Company of pending litigation.

Other operating costs: €2,839,420 (*€1,153,839 in 2005)*

Other operating costs consist of:

- to taxes, duties and other contributions €388,109 (€270,773 in 2005)
- non-recurring expenses €1,369,127 (€112,351 in 2005)
- membership fees paid to Italian and international bodies €626,411 (€327,775 in 2005)
- sundry general expenses €455,773 (€455.773 in 2005)

The increase in non-recurring expenses essentially relates to increased costs charged by Enea for services provided in 2003 and 2005. (In 2004, services provided by Enea resulted in non-recurring income.)

FINANCIAL INCOME AND EXPENSE: €10,934,758 *(€13,011,147 in 2005)*

This item breaks down as follows:

	2006		2005		Increase/(Decrease)	
Interest accrued on receivable due from Electricity Equalisation Fund		**0**		**36,113**		**-36,113**
Investment income:						
Investment income on deposits		**130,489**		**113,267**		**17,222**
Repurchase agreements						
** interest income*	586,033		1,407,839		-821,806	
** net gains (+)/losses (-)*	21,987	**608,020**	-69,905	**1,337,934**	91,892	**-729,914**
Interest income on securities in portfolio						
** interest income*	1,667,904		2,821,945		-1,154,041	
** net gains (+)/losses (-)*	19,251	**1,687,155**	139,800	**2,961,745**	-120,549	**-1,274,590**
Deposits with insurance companies						
** interest income*	8,067,242		7,889,253		177,989	
** charges*	-50,000	**8,017,242**	-12,500	**7,876,753**	-37,500	**140,489**
Other interest	607,578		150,293		457,285	
** interest income on bank accounts*						
** interest on loans to staff*	20,623		20,468		155	
** other net interest income*	345,030	**973,231**	222,534	**393,295**	122,497	**579,936**
Other net income and expenses						
** interest paid on amount due to MSE for G.P. loan*	-438,790		0		-438,790	
** net currency gains on commercial transactions*	-47,968		-74,871		26,903	
** net premiums paid on exchange rate hedges*	5,385		-3,340		8,725	
** net differences on other transactions*	-6	**-481,379**	370,251	**292,040**	-370,257	**-773,419**
TOTAL		**10,934,758**		**13,011,147**		**-2,076,389**

Cash management protected the Company's assets against inflation. The structure of the portfolio reflects a significant reduction in portion invested in short-term instruments in order to obtain overall return of 3.4%, which was higher than the average annual rate of inflation of 2.1% and the average annual rate of return on the money markets in the form of three month Euribor of 3.1%. High treasury flexibility, permitting unforeseen cash requirements to be quickly met, continues to be assured.

In the absence of a specific benchmark rate agreed by the parties, interest payable on the amount due to Ministry of Economic Development for the Global Partnership loan was calculated with reference to the legal interest rate (2.5%).

ADJUSTMENTS TO FINANCIAL ASSETS - €1,500 *(€35,550 in 2005)*

This is equal to the excess of cost over estimated realisable value at 31 December 2006 of bonds in portfolio.

EXTRAORDINARY INCOME AND EXPENSE - €135,876 (*€- 146,709 in 2005)*

Extraordinary income is attributable to the lower amount taxes payable (IRES and IRAP) as declared than the amount estimated when preparing the 2005 financial statements.

CURRENT INCOME TAXES AND DEFERRED TAX ASSETS AND LIABILITIES: €4,691,115 *(€2,685,528 in 2005)*

A breakdown of income taxes is shown in the following table:

	2006	2005	Increase/ (Decrease)
Current income taxes			
I.R.E.S.	2,014,949	1,000,014	1,014,935
I.R.A.P.	2,643,755	1,836,874	806,881
Total current income taxes	4,658,704	2,836,888	1,821,816
Deferred tax assets	-185,137	-368,387	183,250
Deferred tax liabilities	217,548	217,027	521
Total	**4,691,115**	**2,685,528**	**2,005,587**

The increase in the incidence of taxation compared to last year is essentially attributable to the decrease in financial income which meant that a greater proportion of nuclear-related advances had to be used to fund costs of nuclear-related activities thus increasing the amount of income assessable to IRAP. Moreover, in 2006 the deductible portion of certain charges decreased, i.e., automobile leasing payments, and depreciation of buildings and, in addition, the average rate of IRAP increased following new legislation relating to certain regions.

Reconciliation of the expected to the effective tax charge (IRES):

Description	Amount	Taxation
Income before taxes:	5,025,317	1,658,355
- Expected tax charge (33%)		
Temporary differences on which taxation deferred to later periods:		
- amortisation and depreciation in excess of amounts recognised in income statement	- 663,877	- 219,079
- non-deductible provisioning during period at tax rate	-	-
Temporary differences deductible in later periods:		
- 2006 entertainment expenses (deductible amounts)	18,435	6,084
- Board of Directors' 2006 compensation not paid during the year	195,000	64,350
- 2006 taxes accrued but not paid	20,500	6,765
- civil code amortisation and depreciation in excess of tax amounts	50,756	16,749
- provisioning of future charges	100,000	33,000
- provisioning of productivity bonuses	1,906,633	629,189
Reversal of previous years' temporary differences:		
- previous years' entertainment expenses	- 5,304	- 1,750
- taxes accrued in previous years paid in current year	- 48,496	- 16,004
Other decreases:		
Overprovisioning of 2005 IRES and IRAP	- 135,876	- 44,839
Use of provision for renewal of collective labour agreements	- 376,000	- 124,080
Use of productivity bonus provision	- 1,288,000	- 425,040
Differences not reversible in future years:		
Increases:		
- reversal of tax depreciation and amortisation	26,678	8,804
- motor expenses	433,431	143,032
- entertainment expenses (2/3 not deductible)	46,086	15,208
- non-recurring expenses	134,095	44,251
- ICI	121,516	40,100
- non-deductible depreciation of land	31,742	10,475
- other non-deductible expenses (telephones, fines, sundry)	513,268	169,379
Taxable income	**6,105,904**	
Current income tax for the year		**2,014,949**

Reconciliation of the expected to the effective tax charge (IRAP):

Description	Amount	IRAP
Operating loss	-6,046,816	-296,294
Costs not relevant to IRAP		
- personnel costs	56,389,186	2,763,070
- provisioning for doubtful accounts	132,361	6,486
Expected average tax charge (%)	4.90	
Temporary differences on which taxation deferred to later periods:		
- amortisation and depreciation in excess of amounts recognised in income statement	-663,877	-32,530
- non-deductible provisioning during period at tax rate	-	-
Temporary differences deductible in later periods:		
- 2006 entertainment expenses (deductible amounts)	18,435	903
- 2006 taxes accrued but not paid	20,500	1,005
- civil code amortisation and depreciation exceeding tax amounts	50,756	2,487
- provisioning of future charges	100,000	4,900
Reversal of previous years' temporary differences:		
- previous years' entertainment expenses	-5,304	-260
- taxes accrued in previous years paid in current year	-48,496	-2,376
Other decreases:		0
Seconded personnel	-425,489	-20,849
Overprovisioning of IRES and IRAP in financial statements	-135,875	-6,658
Differences not reversible in future years:		
Increases:	890,516	43,635
- amortisation of extraordinary pension contributions		
- reversal of tax depreciation and amortisation	26,678	1,307
- motor expenses	433,431	21,238
- entertainment expenses (2/3 not deductible)	46,086	2,258
- non-deductible depreciation of land	31,742	1,555
- other non-deductible expenses (telephones, fines, sundry)	542,464	26,581
- pay and contributions for casual employees and trainees	5,284,040	258,918
Decreases:	-1,399,641	-68,582
- IRAP deductions		
- Irap deduction – occupational training contracts	-1,286,516	-63,039
Taxable income	**53,954,181**	
Current income tax for the year		**2,643,755**

Deferred tax assets

Item	Deferred tax assets											
	Balance at 1 Jan. 2006			2006 utilisations			2006 deferrals			Balance at 31 Dec 2006		
	Amount	Deferred tax asset		Utilisation	Utilised deferred tax assets		Deferred tax credits	Tax assets deferred		Amount deferred (carried forward)	Deferred tax asset (carried forward)	
		average rate	amount		average rate	amount		average rate	amount		average rate	amount
provision for pending legal disputes	158,325	33.00%	52,247							158,325	37.90%	52,247
entertainment expenses	18,744	37.25%	6,981	-5,304	37.25%	-1,976	18,435	37.90%	6,987	31,875	37.90%	11,992
civil code depreciation and amortisation in excess of tax rates							50,756	37.90%	19,237	50,756	37.90%	19,237
provision for future charges							100,000	33.00%	33,000	100,000	37.90%	33,000
provision for renewal of collective labour agreements	376,000	33.00%	124,080	-376,000	33.00%	-124,080						
provision for productivity bonuses	1,618,200	33.00%	534,006	-1,288,000	33.00%	-425,040	1,906,633	33.00%	629,189	2,236,833	33%	738,155
unpaid TARI	215,695	37.25%	78,653	-48,496	37.25%	-18,415	20,500	37.90%	7,770	187,699	37.90%	68,008
unpaid directors' fees							195,000	33.00%	64,350	195,000	33%	64,350
Adjustments/roundings			8,204			-984						7,220
	2,386,964		804,171	-1,717,800		-570,495	2,291,324		760,533	2,960,488		994,209

Deferred tax liabilities

Item	Provisions for deferred taxes													
	Balance at 1 Jan. 2006			2006 tax computation differences		2006 utilisations			2006 provisioning			Balance at 31 Dec 2006		
	Amount deferred	Deferred tax liabilities		Amount	payable	Utilisation	Deferred tax provisions used		Deferred tax provisions	Deferred taxes provided		Amount deferred (carried forward)	Deferred tax liability (carried forward)	
		average rate	amount				average rate	amount		rate	amount		average rate	charge
capital gains (1)	168,077	37.25%	62,609	-168,077	-62,609									-
excess of tax depreciation and amortisation over civil code depreciation and amortisation (2)	414,547	37.25%	154,419	96,917	38,419	-26,678	37,25%	-9,870	663,877	37.90%	251,609	1,206,165	37.90%	434,577
penalty interest	408,028	33.00%	134,649									408,028	33%	134,649

	990,652		351,677	-71,160	-24,190	-26,678		-9,870	663,877,00		251,609	1,614,193		569,226

ANNEX 1 – NOTE ON THE UNBUNDLING OF ACCOUNTS

In 2006, the Company's information systems were modified to meet the requirements of Law 239 of 23 August 2004 regarding the unbundling of accounts.
As a result of those modifications all postings to the ledgers, regardless of whether with respect to the income statement or the balance sheet, are allocated to the appropriate 'accounting segment' so that separate financial statements are obtained when the books are periodically closed.
The following accounting segments have currently been identified:

- activities regulated by the Ministerial Decree of 26 January 2000:
  - DECOMMISSIONING
- activities other than those regulated by the Ministerial Decree of 26 January 2000:
  - CONTRACT WORK NUCLEAR AND ENVIRONMENTAL SERVICES
  - GLOBAL PARTNERSHIP for activities pursuant to Law 160/05 which are regulated by the a special agreement with the Ministry for Economic Development.

In the below schedules, figures relating to the first group are in the column headed "Nuclear" and those for the second group that incorporates the totals of the two component accounting sector are headed "Contract work".
The modifications to the Company's information systems became effective on 1 September 2006. In the start-up phase, all postings for the period 1 January to 31 August were reclassified into the three above-mentioned segments.
Existing assets and liabilities were allocated in accordance with special guidelines sent to the Electricity and Gas Authority (print-out GE CG 2006 draft 0 accompanying the letter of 31 October 2006, protocol 29117, as required by Authority Resolution 174/06). There has been no formal response by the Authority with respect to the contents of that document.
The allocation of 2006 costs and revenues was, on the other hand, allocated to the activity to which they related.

The costs of common services were allocated in accordance with the guidelines contained in the above-mentioned document with exception of costs relating to financial transactions for which a separate, more easily applied guideline was developed. The relevant common costs (both internal and external) related to:

1. Corporate bodies, technical secretary, company secretary, internal audit, financial administration and control excluding accounting, the valuation of assets and long-term planning. The total reallocated from Nuclear to Contract work was €303,311;
2. Information technology, head office general services and human resources. The total reallocated from Nuclear to Contract work was €421,952;
3. Awarding of contracts for the purchase of goods and services. The total reallocated from Nuclear to Contract work was €31,347;
4. Cash management. The total reallocated from Nuclear to Contract work was €50,808;
5. Specific inter-sector services in accordance with internal contracts. The total reallocated from Nuclear to Contract work was €2,875,125. The total, on the other hand, reallocated from Contract work to Nuclear was €88,748.

Financial income was allocated to the relevant accounting sector in accordance with the guidelines contained in the above-mentioned document of October 2006 relating to the unbundling of accounts

The allocation of financial income through 31 December 2005 was subsequently confirmed by the Authority with Resolution 117/07 with respect to income earned on investments in connection with nuclear-related activities as distinct from those relating to the Company's own investments. A similar distinction was made for 2006 financial income reallocations to DECOMMISSIONING and CONTRACT WORK NUCLEAR AND ENVIRONMENTAL SERVICES while financial income relating to the GLOBAL PARTNERSHIP was separately allocated to financial income from the Company's own investments from the outset.

In 2007, it is planned to bring the unbundled accounts into line with these new rules so that they can be fully operational for 2008.

In addition to information already provided in the notes to the financial statements, the following information relates to 2006 results compared to those of 2005.

Contract work tangible assets decreased as a result of the reallocation of the mobile environmental laboratory equipment to Nuclear due to the fact that the equipment is used almost exclusively in connection with decommissioning.
In current assets, contract work cash and cash equivalents increased as a result of the disbursement by the Ministry of Economic Development of a loan to finance the Global Partnership.
The contract work tax payable relates exclusively to payroll withholdings in December that were paid to the tax authorities in January 2007.
Unlike 2005, inter-segment items in the separated books in 2006 included technical services in addition to costs of a general nature as a result of gradual unbundling.
Finally, Nuclear's loss after taxes was equal to actual costs not recognised by the Authority. Contract work net income after taxes was €534,202 after a loss of €1,365,137 in 2005.

(in euros)

UNBUNDLED BALANCE SHEET	AT 31 DECEMBER 2006			AT 31 December 2005		
ASSETS	Nuclear	Contract work	Total	Nuclear	Contract work	Total
A) AMOUNT DUE FROM SHAREHOLDERS						
B) FIXED ASSETS						
I. Intangible assets	13,361,227		13,361,227	12,676,099	1,511	12,677,610
4) Concessions, licenses, trademarks and similar rights	*362,150*		*362,150*	*208,869*	*1,511*	*210,380*
7) Other	*12,999,077*		*12,999,077*	*12,467,230*		*12,467,230*
II. Tangible assets	44,686,446	13,008	44,699,454	41,433,594	71,050	41,504,644
1) Land and buildings	*8,581,861*		*8,581,861*	*8,734,452*		*8,734,452*
2) Plant and machinery	*20,274,341*		*20,274,341*	*21,432,535*		*21,432,535*
3) Industrial and commercial equipment	*7,864,934*		*7,864,934*	*5,525,602*	*62,798*	*5,588,400*
4) Other assets	*3,521,319*	*13,008*	*3,534,327*	*3,098,440*	*8,252*	*3,106,692*
5) Work in progress and advances	*4,443,991*		*4,443,991*	*2,642,565*		*2,642,565*
III. Financial assets	3,509,267	46,956	3,556,223	3,623,545	50,002	3,673,547
1) Equity investments in:						
a) subsidiaries	*2,200,000*		*2,200,000*	*2,200,000*		*2,200,000*
d) other companies	*387,885*		*387,885*	*387,885*		*387,885*
2) Receivables						
d) from others	*921,382*	*46,956*	*968,338*	*1,035,660*	*50,002*	*1,085,662*
Total fixed assets (B)	**61,556,940**	**59,964**	**61,616,904**	**57,733,238**	**122,563**	**57,855,801**
C) CURRENT ASSETS						
I. Inventories	2,459	580,753	583,212	56,076,235	1,058,175	57,134,410
1) Raw, ancillary and consumable materials	*2,459*		*2,459*	*2,459*		*2,459*
3) Contract work in progress		*580,753*	*580,753*	*56,073,776*	*1,058,175*	*57,131,951*
II. Receivables	49,401,247	24,837,024	74,238,271	68,673,331	17,926,129	86,599,460
1) Trade	*1,473,348*	*24,632,589*	*26,105,937*	*1,251,754*	*17,460,005*	*18,711,759*
4) From subsidiaries	*160,915*	*13,525*	*174,440*	*204,890*	*10,000*	*214,890*
5) From others	*47,766,984*	*190,910*	*47,957,894*	*67,216,687*	*456,124*	*67,672,811*
III. Short-term financial assets	245,122,700	27,285,230	272,407,930			
6) Other securities	*245,122,700*	27,285,230	*272,407,930*	*344,027,390*		344,027,390
IV. Cash and cash equivalents	22,726,129	3,148,123	25,874,252	29,182,559		29,182,559
1) Bank and post office deposits	*22,714,873*	*3,146,936*	*25,861,809*	*29,168,982*		*29,168,982*
3) Cash	*11,256*	*1,187*	*12,443*	*13,577*		*13,577*
Total current assets (C)	**317,252,535**	**55,851,130**	**373,103,665**	**497,959,515**	**18,984,304**	**516,943,819**
D) ACCRUED INCOME AND PREPAID EXPENSES						
Accrued income	2,008,690	164,510	2,173,200	1,764,819		1,764,819
Prepaid expenses	359,664	3,697	363,361	222,775		222,775
Total accrued income and prepaid expenses (D)	**2,368,354**	**168,207**	**2,536,561**	**1,987,594**		**1,987,594**
TOTAL ASSETS	**381,177,829**	**56,079,301**	**437,257,130**	**557,680,347**	**19,106,867**	**576,787,214**

(in euros)

UNBUNDLED BALANCE SHEET	AT 31 DECEMBER 2006			AT 31 December 2005		
LIABILITIES AND SHAREHOLDERS' EQUITY	Nuclear	Contract work	Total	Nuclear	Contract work	Total
A) SHAREHOLDERS' EQUITY						
I. Share capital	15,100,000		15,100,000	15,100,000		15,100,000
IV. Legal reserve		564,762	564,762		564,762	564,762
VII. Other reserves:		1	1		-2	-2
VIII. Retained earnings		-102,623	-102,623		1,262,514	1,262,514
IX. Net income for the year	-200,000	534,202	334,202		-1,365,137	-1,365,137
Total shareholders' equity (A)	**14,900,000**	**996,342**	**15,896,342**	**15,100,000**	**462,137**	**15,562,137**
B) PROVISIONS FOR RISKS AND CHARGES						
1) Retirement benefits	485,810		485,810	457,799	21,904	479,703
2) Taxation	569,226		569,226	351,677		351,677
3) Other	787,200		787,200	1,033,200		1,033,200
Total provisions for risks and charges (B)	**1,842,236**		**1,842,236**	**1,842,676**	**21,904**	**1,864,580**
c) PROVISIONS FOR EMPLOYEE TERMINATION INDEMNITIES	**19,763,720**	**447,438**	**20,211,158**	**19,574,152**	**744,641**	**20,318,793**
D) PAYABLES						
5) Advances received:	277,843,079	1,926,756	279,769,835	466,146,000	1,570,467	467,716,467
a) nuclear-related advances	*276,843,079*		*276,843,079*	*466,146,000*		*466,146,000*
b) advances for other activities	*1,000,000*	*1,926,756*	*2,926,756*		*1,570,467*	*1,570,467*
6) Trade payables	56,698,380	8,034,408	64,732,788	42,482,867	7,821,041	50,303,908
8) Amounts due to subsidiaries	6,035,409		6,035,409	2,774,520		2,774,520
11) Taxes payable	3,344,452	81,222	3,425,674	4,210,591		4,210,591
12) Social security payables	2,632,582	147,589	2,780,171	2,511,447	62,376	2,573,823
13) Other payables	13,193,894	29,369,111	42,563,005	11,259,489	114,900	11,374,389
Total payables (D)	**359,747,796**	**39,559,086**	**399,306,882**	**529,384,914**	**9,568,784**	**538,953,698**
E) ACCRUED LIABILITIES AND DEFERRED INCOME						
Accrued liabilities	512		512	5,818		5,818
Deferred income				82,188		82,188
Total accrued liabilities and deferred income (E)	**512**		**512**	**88,006**		**88,006**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**396,254,264**	**41,002,866**	**437,257,130**	**565,989,748**	**10,797,466**	**576,787,214**

Inter-segment receivables	15,076,435		15,076,435	8,309,401		8,309,401
Inter-segment payables		15,076,435	15,076,435		8,309,401	8,309,401

UNBUNDLED INCOME STATEMENT	2006			2005		
	Nuclear	Contract work	Total	Nuclear	Contract work	Total
A) REVENUE						
1) Revenues from sales and services						
a) Revenues from nuclear-related activities	189,242,921		189,242,921	103,815,833		103,815,833
3) Change in contract work in progress	-56,073,777	-477,422	-56,551,199	7,481,172	217,002	7,698,174
5) Other revenues and income	3,657,293	10,897,247	14,554,540	2,860,987	6,697,705	9,558,692
Total revenues (A)	**136,826,437**	**10,419,825**	**147,246,262**	**114,157,992**	**6,914,707**	**121,072,699**
B) OPERATING COSTS						
6) Raw, ancillary and consumable materials and goods for resale	5,433,952	45,332	5,479,284	5,056,111	68,603	5,124,714
7) Services	67,943,232	3,156,382	71,099,614	55,177,968	2,528,332	57,706,300
8) Leases and rentals	10,997,533	157,483	11,155,016	11,034,278	163,487	11,197,765
9) Personnel costs	53,790,321	2,598,865	56,389,186	48,249,286	3,441,418	51,690,704
10) Amortisation, depreciation and write-downs	6,100,976	129,583	6,230,559	5,633,937	3,869	5,637,806
11) Change in inventories of raw, ancillary and consumable materials and goods for resale			0			
12) Provisions for risks			0	139,168		139,168
13) Other provisions			0	0		
12) Provisions for risks	100,000		100,000	0		
14) Other operating costs	2,760,914	78,506	2,839,420	1,094,929	58,910	1,153,839
Total operating costs (B)	**147,126,928**	**6,166,151**	**153,293,079**	**126,385,677**	**6,264,619**	**132,650,296**
Operating income/(loss) (A-B)	**-10,300,491**	**4,253,674**	**-6,046,817**	**-12,227,685**	**650,088**	**-11,577,597**
C) FINANCIAL INCOME AND EXPENSE						
16) Other financial income	10,930,617	581,556	11,512,173	13,011,097	50	13,011,147
17) Interest expense and other charges	138,407	439,008	577,415	0		
Total financial income (expense), net (C)	**10,792,210**	**142,548**	**10,934,758**	**13,011,097**	**50**	**13,011,147**
D) ADJUSTMENTS TO FINANCIAL ASSETS						
18) Revaluations	1,500		1,500	33,550		33,550
19) Write-downs	0		0	0		0
Total adjustments to financial assets (D)	**1,500**	**0**	**1,500**	**33,550**	**0**	**33,550**
E) EXTRAORDINARY ITEMS						
20) Revenues	135,876		135,876	0		0
21) Expenses	0		0	146,709		146,709
Total extraordinary income (expense), net (E)	**135,876**	**0**	**135,876**	**-146,709**	**0**	**-146,709**
F) INTER-SEGMENT REVENUES AND COSTS						
Operating revenues and costs						
Revenues	3,771,697	88,748	3,860,445	1,887,650		1,887,650
Costs	88,748	3,771,697	3,860,445		1,891,088	1,891,088
Financial income and expenses						
Income		506,493	506,493		14,699	14,699
Expense	506,493		506,493			0
Extraordinary items						
Income						0
Expense					11,261	11,261
Net inter-segment income/(expenses)	**3,176,456**	**-3,176,456**	**0**	**1,887,650**	**-1,887,650**	**0**
Income before taxes (A-B+C+D+E)	**3,805,551**	**1,219,766**	**5,025,317**	**2,557,903**	**-1,237,512**	**1,320,391**
22) Income taxes for the year	4,005,551	685,564	4,691,115	2,557,903	127,625	2,685,528
Net income (loss)	**-200,000**	**534,202**	**334,202**	**0**	**-1,365,137**	**-1,365,137**

Sogin Group

CONSOLIDATED FINANCIAL STATEMENTS 2006

30 May 2007, Draft 1

Contents

REPORT ON OPERATIONS

General

The Sogin Group consists of Sogin Spa, the Parent Company, and Nucleco SpA, a 60% subsidiary. The registered offices of both Companies are located in Rome.

Sogin's mission, pursuant to Legislative Decree 79/99, is the dismantling of nuclear power plants for the production of electrical energy and related activities. From the second half of 2003, Sogin has also been directly responsible for the dismantling of nuclear fuel cycle plants belonging to Enea and the Bosco Marengo plant previously used for the production of nuclear fuel, which was originally belonged to FN SpA but has been owned by Sogin since 1 January 2005.

Nucleco's primary mission is radioactive waste management. This entails the treatment, conditioning and short-term storage, as part of the Integrated Services coordinated by ENEA, of medium and low activity radiated waste produced in Italy by industry, research centres and hospitals. In addition, it provides safety maintenance of medicinal radiferous chemicals. Nucleco's conventional waste management services also include the removal of asbestos.

The Sogin Group will also be responsible for the treatment, conditioning and medium to long-term temporary storage of high-activity sealed radioactive sources and orphan sources in accordance with recent Legislative Decree no. 52 of 6 February 2007.

Sogin acquired its shareholding in Nucleco from Eni Ambiente SpA on 16 September 2004, in implementation of a resolution by Sogin's Board of Directors of 23 June 2004. The consideration for the shareholding was fixed at €2.2 million based on future cash flow projections and benefits of the acquisition. Nucleco's other shareholder is Enea.

The decommissioning of nuclear facilities by Sogin entails the production and management of significant levels of radioactive waste. This gives rise to a synergy between the acquisition of a major shareholding in Nucleco and Sogin's activities.

During the year, no costs were incurred for research and development activities.

Sogin's activities

In 2006, Sogin was primarily engaged in the dismantling of nuclear facilities and the storage of irradiated fuels incurring operating costs that were greater than in 2005. The after tax operating loss for these activities as €0.2 million, which is equal to costs not recognised by the Electricity and Gas Authority by its Resolution 121/07.

Sogin paid Nucleco approximately €8.2 million, at arm's length prices, for the management of its waste.

In addition to dismantling activities, Sogin is also engaged in contract work (not regulated by Legislative Decree 79/99), with total revenues in 2006 of €10.4 million. Unlike 2005, these activities were profitable in 2006.

1. In 2006 the parent Company SO.G.I.N S.p.A. – Società Gestione Impianti Nucleari

received approximately € 28 million from the Electricity Equalisation Fund (Cassa Conguaglio per il Settore Elettrico) for costs incurred in 2001, through the SICN Consortium, relating to the dismantling of fuel cycle plants. As is the case for most of 2005, the Electricity Equalisation Fund has made no further distributions out of funds generated by the special A2 component of the electricity tariff. To meet its current cash requirements the Company has used funds mainly deriving from the original transfer of business.

This consequently reduced the Parent Company's financial autonomy and the Company's future operations will be more directly dependent on the timely disbursement of funding by the Authority.

Nucleco's activities

In 2006, Nucleco increased its operations earning revenues of €13.2 million (compared with €8.1 million in 2005) with net income of €0.2 million.

In addition to the increase in services provided to Sogin (€8.2 million in revenues compared to €4.6 million in 2005), Nucleco also increased the services provided to its other shareholder, ENEA (€1.5 million in revenues compared to €0.6 million in 2005), as well as services to other clients (€3.3 million in revenues compared to €2.5 million in 2006).

In addition to purely financial results, the company has consolidated its role as Italy's leader in radioactive waste management. This was achieved by developing processes and methods that have made the company self-sufficient in all processes and methods of characterisation, so that it has the capacity of also engaging the most remunerative processes that were previously performed by outside companies at a very high cost.

Integration of Group operations

The two group companies' operations have been integrated in such as manner as to take full advantage of their engineering expertise: feasibility studies, planning and programming, basic engineering for Sogin, and detailed engineering, project implementation and site operations for Nucleco.

The first and most important phase of the integration was that Sogin has had Nucleco manage radioactive waste generated by the decommissioning activities at Sogin's sites, in line with Nucleco's operational expertise and its specialisation in the field of characterisation.

Sogin also transferred responsibility to Nucleco for the removal of asbestos from its existing plants, an activity that Nucleco will be able to develop for other clients.

Sogin supported Nucleco with respect to radiation safeguards by making a qualified expert available in addition to providing legal support in the form of ample advisory services.

Joint contract work services, on the other hand, were developed in 2006 by Nucleco acting as sub-contractor to Sogin for the decommissioning of Enel laboratories at Segrate and the organisation of joint seminars and training

courses as part of the activities financed by the European Commission to assist eastern European plants. The latter took the form of on site assistance, which entailed the systematic use of Nucleco to provide services relating to the management of nuclear waste generated by operations.
In 2007, the two companies' operations will be further integrated, both through the identification of new opportunities for vertical integration of production processes to better exploit each company's expertise, as well as the introduction of a joint marketing programme designed to identify all potential synergies for the creation of market opportunities in Italy and abroad.

Group employees

The total number of staff employed by the group at 31 December 2006 is shown in the table below.

Staff	At 31 Dec 2006	At 31 Dec 2005
Managers	32	32
Supervisors	207	205
White-collar	431	445
Blue-collar	187	175
Total	**857**	**857**

Subsequent events and outlook

Information relating to Sogin is set out below.

On 24 April 2007, Legislative Decree 52 of 6 February 2007 "*Attuazione della direttiva 2003/122/CE Euratom sul controllo delle sorgenti radioattive sigillate ad alta attività e delle sorgenti orfane*" [Implementation of Council Directive 2003/122/Euratom on the control of high-activity sealed radioactive sources and orphan sources" was published in the *Gazzetta Ufficiale* [Official Gazette]. The decree identified Sogin as the Italian operator required to:

a) guarantee long-term safety of disused radioactive sources for future disposal though the provision of secure storage facilities for a period of at least fifty years;
b) comply with the safety requirements for the storage of radioactive waste generated though energy production;
c) keep separate books for the operations under “a”.

In April 2007, a contract for the reprocessing of irradiated fuels still located in Italy was signed with a temporary association of French companies led by AREVA. The contract excludes certain spent fuel from the American Elk River installation, the technical specifications of which mean that it cannot be treated in the same manner.

By Resolution 117 of 16 May 2007, the Authority:

1. *declared the ex post breakdown submitted by Sogin as consistent with the Authority’s resolutions thus permitting the identification of financial income to be used as a make-up for nuclear-related advances for the period from 1 November 1999 to 31 December 2005;*
2. *permitted Sogin to use financial income earned during the period 1 November 1999 – 31 December 2005, other than that referred to in the above sub-paragraph, to remunerate its funding sources.*

- by Resolution 121/07, the Authority:
  - *recognised costs of €143.2 million, net of taxes, incurred by Sogin in 2006 for the dismantling of decommissioned nuclear power stations, the closure of the fuel cycle and related and consequential activities;*
  - *recognised taxes incurred by Sogin in 2006 relating to the dismantling of decommissioned nuclear power stations, the closure of the fuel cycle and related and consequential activities;*
  - *authorised the use of nuclear-related advances to pay the costs set out in the above two sub-paragraphs that were incurred in 2006, net of 2006 disposals and non-recurring income and financial income in*

connection with nuclear-related activities, which amount to a total of €14.1 million.

Given the increase in the A2 component of the electricity tariff determined by Authority Resolution 231/06 and the consequent accumulation of funds by Electricity Equalisation Fund, it is estimated that, based on 2007 energy consumption, €180 million can be made available to Sogin for the decommissioning of nuclear installations and the disposal of irradiated fuels. It is believed that the timing of the disbursement of these funds to Sogin will permit it to fund the current programme's cash requirements. The Parent Company, therefore, does not feel that it will be necessary to incur debt although it may need to liquidate existing financial investments prior to maturity thus reducing the yields on those investments due to the payment of penalties that gradually reduce over time.

In addition to assuring the safety of nuclear installations, which includes non-routine maintenance caused by the gradual aging of plant components and systems, it is planned in 2007 to continue waste management and dismantling activities and to begin the transportation of irradiated fuels to France.
The plans specifically include the transfer of Saluggia's highly radioactive liquid wastes to new tanks and to complete the removal of irradiated fuels held at the Avogadro plant pool. The pool at the Eurex plant will then be emptied and decontaminated.

Information relating to Nucleco is set out below.

On 22 January 2007, ENEA approved the tariffs fixed for 2007 for the consignment to NUCLECO of medical waste produced by research facilities and hospitals as well as of small sources. The new tariffs were increased by 10% for solid medical and industrial waste and for category 1 B and 2 B radiation contaminated filters and by 15% for liquid waste of a medical nature while the tariffs for other types of waste were unchanged.

On 31 January 2007, an offer for waste treatment and services for the Casaccia Research Centre for a three year period was submitted to ENEA. On the same date an offer for the treatment of Casaccia Research Centre waste for 2007 was also submitted to Sogin.

On 1 March 2007, CSQ certification for the Company's quality systems was renewed.

On 2 March 2007, the application was made to Ministry of Economic Development and other relevant Authorities for the authorisation required by ENEA pursuant to art. 28 of Legislative Decree no. 230/95 as modified and supplemented, for equipment and repositories in the Nucleco area of the Casaccia Research Centre.

On 2 March 2007, the confirmation of the qualification to execute category OG12, Class VI public works was renewed and the qualification for design and construction was extended to class VIII.

Nucleco's objectives for 2007 are:

- the ongoing rationalisation of repositories for optimal use in connection with all areas authorised for the storage of various types of waste;
- supporting ENEA in gathering information relating to the new application for the operating authorisation of all activities managed by Nucleco;
- the development of international operations particularly those relating to the Global Partnership;
- treatment of all solid waste removed by operators on the closure of facilities;
- the treatment and conditioning of liquid wastes currently held in storage and programming the re-start of their removal by Integrated Services operators;
- planning and reinforcement of the technical operating structure in compliance with instructions that have been and will be received from Sogin. Design and build portable equipment for on site characterisation. Acquire other equipment specifically required for contracts that have been or will be obtained.

BALANCE SHEET AND INCOME STATEMENT

Sogin Group Consolidated Financial Statements		*(€000)*
BALANCE SHEET ASSETS	Consolidated	
	31 December 2006	31 December 2005
A Amount due from shareholders		
B Fixed Assets	**62,082**	**58,559**
Intangible assets	15,416	14,868
Start-up and expansion costs	*11*	*18*
Research, development and advertising	*136*	*275*
Patent and intellectual property rights	*61*	*85*
Concessions, licenses, trademarks and similar rights	*363*	*211*
Work in progress and advances	*381*	*239*
Other	*13,066*	*12,564*
Goodwill arising from consolidation	*1,398*	*1,476*
Tangible assets	45,310	42,218
Land and buildings	*8,582*	*8,735*
Plant and machinery	*20,546*	*21,810*
Industrial and commercial equipment	*8,204*	*5,925*
Other assets	*3,534*	*3,106*
Work in progress and advances	*4,444*	*2,642*
Financial assets	1,356	1,473
Equity investments in other companies	*388*	*388*
Amounts due from others	*968*	*1,085*
C Current assets	**376,857**	**520,101**
Inventories	837	57,488
Raw, ancillary and consumable materials	*256*	*296*
Contract work in progress	*581*	*57,192*
Receivables	77,172	88,377
Trade receivables	*28,949*	*20,286*
Receivable from others	*48,223*	*68,091*
Short-term financial assets		
Other securities	272,408	344,027
Cash and cash equivalents	26,440	30,209
Bank and post office deposits	*26,424*	*30,192*
Cash	*16*	*17*
D Accrued income and prepaid expenses	**2,599**	**2,003**
TOTAL ASSETS	**441,538**	**580,663**

Sogin Group Consolidated Financial Statements at 31 December 2006		*(€000)*
BALANCE SHEET SHAREHOLDERS' EQUITY AND LIABILITIES	Consolidated	
	31 December 2006	31 December 2005
A Shareholders' equity	**16,509**	**16,045**
Shareholders' equity attributable to shareholders of the Parent Company		
Share capital	15,100	15,100
Legal reserve	569	565
Other reserves	75	
Retained earnings (accumulated losses)	-181	1,262
Profit (loss) for the year attributable to shareholders of the Parent Company	380	-1,364
Currency conversion	2	
Total consolidated shareholders' equity	**15,945**	**15,563**
Minority interests		
Minority interests in share capital	482	430
Profit (loss) for the year attributable to minority interests	82	52
Total minority interests	**564**	**482**
B Provisions for risks and charges	**3,371**	**3,203**
Retirement benefits	486	480
Taxation	569	352
Other	2,316	2,371
C Provision for employee termination indemnities	**20,878**	**20,860**
D Payables	**400,775**	**540,462**
Nuclear-related advances	276,843	466,146
Other advances	3,001	1,573
Trade payables	71,184	54,162
Taxes payable	3,987	4,296
Social security payables	2,980	2,685
Other payables	42,780	11,600
E Accrued liabilities and deferred income	**5**	**93**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**441,538**	**580,663**

MEMORANDUM ACCOUNTS	**168,028**	**148,033**
Guarantees given	8,458	4,482
Other memorandum accounts	159,570	143,551

Sogin Group Consolidated Financial Statements at 31 December 2006		*(€000)*
INCOME STATEMENT	Consolidated	
	31 December 2006	31 December 2005
A Revenue		
Revenues from nuclear-related activities	189,243	103,816
Revenues from sales and services	4,441	4,000
Change in contract work in progress	-56,611	6,214
Increase in assets under construction	154	296
Other revenues and income	14,917	10,164
Total revenues	152,144	124,490
B Operating costs		
Raw, ancillary and consumable materials	6,769	5,752
Services	68,388	56,108
Leases and rentals	11,984	11,656
Personnel costs		
Wages and salaries	40,439	38,752
Social security contributions	10,917	10,610
Employee termination indemnities	3,139	3,043
Retirement benefits	269	173
Other costs	5,534	1,921
Amortisation, depreciation and write-downs		
Amortisation of intangible fixed assets	1,568	1,948
Depreciation of tangible fixed assets	4,864	3,962
Provisions for doubtful accounts	177	100
Amortisation of the difference arising on consolidation	78	78
Change in inventories	40	84
Other provisions	397	378
Other operating costs	2,882	1,202
Total operating costs	157,445	135,767
Operating loss	**-5,301**	**-11,277**
C Financial income and expense		
From long-term receivables	24	60
From cash and cash equivalents	11,503	13,152
Interest expense and other charges	577	-196
Total financial income (expense), net	10,950	13,016
D Adjustments to financial assets		
Revaluations	1	33
Write-downs		
Total adjustments to financial assets	1	33
E Extraordinary items		

Income	137	78
Expense	0	-147
Total extraordinary income (expense)	137	-69
Income before taxes	**5,787**	**1,703**
Income taxes for the year	-5,325	-3,015
Net income (loss) for the year	**462**	**-1,312**
Net income (loss) for the year attributable to shareholders of the Parent	380	-1,364
Net income (loss) for the year attributable to minority interests	82	52

NOTES TO THE FINANCIAL STATEMENTS

GROUP ACTIVITIES

The Parent Company, Sogin SpA, is engaged in the decommissioning of nuclear plants and the closure of the fuel cycle. The consolidated subsidiary is engaged in the treatment of nuclear waste.

FORM AND CONTENT OF THE CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements have been prepared in conformity with Legislative Decree no. 127/91 and consist of the consolidated balance sheet and consolidated income statement, the form and contents of which are as required for the financial statements of consolidated companies and by these Notes to the financial statements.

The financial statements used for the consolidation are those prepared in accordance with civil law by the respective administrative bodies for approval at general meetings and are based on the principles contained in articles 2423 *et seq.* of the Italian Civil Code as interpreted and supplemented by accounting standards promulgated by the Italian Accounting Profession and as amended and integrated by the Italian Accounting Standards Setter (the OIC).

All asset, liability, shareholders' equity and income statement items at 31 December 2006 are compared with the corresponding items in last year's financial statements.

All amounts in the following tables are in thousands of euros.

Consolidated companies

These consolidated financial statements include the financial statements of Sogin SpA, Parent Company, and its 60% subsidiary, Nucleco SpA.

Below, in millions of euros, information regarding the fully consolidated subsidiary.

Name	City or Country	Share capital	Share-holders' equity	Net income/(Loss)	%	Book value
Nucleco SpA	Rome	0.5	1.4	0.2	60%	2.2

Consolidation principles

The methods used in the preparation of these consolidated financial statements are set out below:

- The book value of the investment in the consolidated company was eliminated by offsetting it against the relevant equity accounts and replaced by assets and liabilities, costs and revenues on a line by line basis.
- Any positive difference between the book value and the share of shareholders' equity in the subsidiary, directly acquired by the Parent Company, is recorded as an intangible asset in the consolidated balance sheet as "Goodwill arising from consolidation".
- Any minority interests in the consolidated company's net assets and results for the year are reported in the appropriate items.
- Any debit and credit postings, costs and revenues relating to transactions between the Parent Company and consolidated subsidiaries have been eliminated and any unrealised profit on intercompany transactions has been reversed.
- Notes to the balance sheet and income statement refer to all material items, which, unless otherwise stated, predominantly relate to the Parent Company.

ACCOUNTING POLICIES

The measurement of financial statement items was carried out in accordance with the prudence, accruals and going-concern principles.

Each of the components making up individual asset, liability and shareholders' equity accounts are valued separately, as required by prudence, in order to avoid offsetting losses that are required to be recognised against any revenue that will not be recognised until it is realised.

In accordance with the matching concept, the effect of transactions and other events were recognised in the year to which they relate rather than in the year in which the underlying transactions were initially recorded (collections and payments).

The specific accounting policies used in the preparation of the financial statements are set out below.

Intangible assets

Intangible assets are recorded in the financial statements at purchase or production cost, inclusive of all attributable incidental charges. Such assets are amortised each year.

Amortisation is calculated on a straight-line basis over the expected useful lives of the assets. Should there be a permanent impairment in the above value of such assets at year end, the assets are accordingly written down. The original value of the assets is reinstated in future years should the reasons for the write-down cease to apply.

In particular, leasehold improvements are amortised over the duration of property lease contracts. Intellectual property rights, on the other hand, are amortised on a straight-line basis over 3 years.

The extraordinary contribution resulting from the winding up of the Electricity Industry Pension Fund, in compliance with Law no. 488 of 23 December 1999 (the 2000 Finance Act) is amortised over a period of 20 years, as expressly required by law. This treatment, moreover, complies with the relevant accounting standards.

Goodwill arising from consolidation is amortised over a period of 20 years, which is the duration of the decommissioning programme of nuclear power stations and closure of the fuel cycle as provided by the Decree of the Ministry of Productive Activities of 2 December 2004 .

Tangible assets

Tangible assets are recorded in the financial statements at purchase or production cost inclusive of all directly attributable incidental charges. Tangible assets are depreciated on a straight-line basis in accordance with the rates shown below, which are held to be representative of their expected useful lives. Should there be a permanent impairment in the above value of such assets at year end, the assets are accordingly written down. The original value of the assets is reinstated in future years should the reasons for the write-down cease to apply.

The rates applied are as follows:

Rates:

- land and buildings 3.5 – 4.5%
- plant and machinery: 10%- 12.5% - 15.5% - 20%
- light weight constructions: 10%
- equipment: 10%
- furniture and fixtures: 12%

- office machines and computer equipment: 20%
- means of transport: 25%
- laboratory equipment and supplies: 40%

The cost of any routine maintenance modifying the size and efficiency of fixed assets is charged in full to the income statement in the year in which such costs are incurred. The cost of any maintenance increasing the value of an asset is allocated to the asset to which they relate and depreciated over the remaining useful life of that asset.

Financial assets

Investments in "Other companies" are valued at purchase cost.

Financial assets also include amounts receivable from personnel in connection with loans to employees and are recorded at their nominal outstanding value.

Receivables

Receivables are recorded at their expected realisable value, obtained by adjusting the nominal value of receivables via provisions for doubtful accounts, and are classified under "Financial assets" and "Current assets" according to their nature and purpose. Provisions for doubtful accounts cover the estimated losses to be incurred on existing receivables, taking account of both the specific and generic risks of non-collection of the receivables.

Receivables include deferred tax assets if there is reasonable certainty of their future recovery.

Inventories

Raw materials, consumables and finished products are recorded at the lower of purchase or production costs and estimated market value.

Nuclear fuel inventories are made up of irradiated fuel, plutonium and depleted uranium.

Irradiated fuel to be reprocessed or placed in dry storage, plutonium and depleted uranium are valued by convention at €0.52 per unit of measurement (g – kg).

Contract work in progress

Contract work is valued in line with the value of the amount completed when accrued with reasonable certainty, according to the percentage of completion method. This is determined on the basis of the costs so far incurred as a proportion of the total estimated cost of the work to be carried out.

The book value of contract work in progress is adjusted in the event of contract risk by specific provisions. Any losses on contracts, the value of which may be reasonably estimated, are fully expensed as incurred.

Cash and cash equivalents

Cash and cash equivalents are recorded at face value and accounted for at the date of the transaction.

Repurchase agreements

In the case of repurchase agreements involving securities, the amounts invested are recorded as receivables. The income from the investment, consisting of accrued coupon interest on the securities and the differential between their spot and forward prices, is recorded under “Financial income and expense”.

Accruals and deferrals

Pursuant to art. 2424 bis of the Italian Civil Code, this item includes income relating to one period but which will be received in a subsequent period and to payments made during the accounting period but relating to subsequent accounting periods. This item also includes costs relating to the year that will only become payable in subsequent years and income received before the balance sheet date but relating to subsequent years. Only those costs and income relating to two or more years, the amount of which varies over time, is recorded in these items.

Provisions for risks and charges

- Provision for retirement benefits

The provision for retirement benefits mainly includes compensation accrued by employees in lieu of notice according to union agreements and collective labour contracts in force.

- Other provisions for risks and charges

These are accrued against known or probable losses and charges whose amount and timing is undetermined at the balance sheet date. Provisions are determined on the basis of the best estimate made according to the information available.

Employee termination indemnities

The provision for employee termination indemnities covers amounts due to employees upon retirement according to union agreements and collective labour contracts in force, net of advances paid pursuant to the law and amounts allocated to the pension fund.

Payables

Payables are recorded at face value, deemed representative of their redemption value.

Nuclear-related advances

These balances include the remaining nuclear advances transferred by Enel SpA to Sogin in accordance with Legislative Decree no. 79/99 and additional estimated amounts recognised by the Authority and which the Authority has authorised the Electricity Equalisation Fund to pay. They, consequently, represent future revenues in connection with nuclear-related activities equal to costs, including accrued taxes, recognised by the Authority, net of financial income, non-recurring income and other revenues in connection with non-nuclear operations and extraordinary nuclear-related activities.

Memorandum accounts

The accounting treatment of memorandum accounts is in compliance with the Italian Accounting Profession's accounting principle no. 22. Such accounts refer to guarantees, risks and commitments assumed by the Company.

Nuclear-related revenues

Sogin's nuclear-related revenues are equal to costs, including accrued taxes, recognised by the Authority, net of financial income and other revenues in connection with non-nuclear operations and extraordinary nuclear-related activities. This means that the after tax results for these activities is equal to costs not recognised by the Authority.

Other revenues

Revenue relating to other services and the sale of goods is recognised on the completion of the service provided or the transfer of title to goods. Revenue derived from long-term contract work are accrued in accordance with the terms and conditions of the relevant contract.

Costs

Costs are reported in accordance with the accruals principle, independently of the date of payment.

Income taxes

Current income taxes for the period are recorded among taxes payable and calculated according to applicable regulations and tax rates.

Deferred tax assets and liabilities, deriving from temporary differences between the book value of an asset or liability in the Balance Sheet and its tax base, are recorded on the basis of the tax rate applicable at the moment the difference arises.

Deferred tax assets are recorded subject to verification of their recoverability.

Deferred tax liabilities are not posted to provisions for taxes when it is unlikely that the payable will arise.

Translation of foreign currency items

Receivables and payables originally expressed in foreign currencies are translated into euros on the basis of the exchange rate in force at the time of the related transaction. Differences are recorded in the Income Statement among financial income and expense, with the exception of those relating to derivative instruments hedging exchange rate risk.

NOTES TO THE BALANCE SHEET

FIXED ASSETS - €62,082 thousand *(€58,559 thousand at 31 December 2005)*

Intangible assets - €15,416 thousand *(€14,868 thousand at 31 December 2005)*

	Start-up and expansion costs	Research, development and advertising costs	Industrial patents	Concessions, licenses, trademarks and similar rights	Other intangible assets		Work in progress	Goodwill arising from consolid.	Total
					Extraord. pension contrib.	Leasehold improvements			
Cost	123	430	202	3,413	17,708	3,899	239	1,554	27,568
Amortisation	-105	-155	-117	-3,202	-5,241	-3,802	0	-78	-12,700
Net book value at 1 January 2006	**18**	**275**	**85**	**211**	**12,467**	**97**	**239**	**1,476**	**14,868**
Movements during period									
Purchases/increases	0	-89	7	430	0	1,704	142	0	2,194
Amortisation	-7	-50	-31	-278	-890	-312	0	-78	-1,646
Total movements	**-7**	**-139**	**-24**	**152**	**-890**	**1,392**	**142**	**-78**	**548**
Analysis of 31 Dec 2006 balances									
Cost	123	341	209	3,843	17,708	5,603	381	1,554	29,762
Amortisation	-112	-205	-148	-3,480	-6,131	-4,114	0	-156	-14,346
Net book value at 31 Dec 2006	**11**	**136**	**61**	**363**	**11,577**	**1,489**	**381**	**1,398**	**15,416**

"Start-up and expansion costs" and "Research, development and advertising" relate to Nucleco's activities.

The item 'Concessions, licenses, trademarks and similar rights' includes software costs for individual work stations and for protecting the company's internal network. Amortisation is calculated over three years.

Leasehold improvements relate to improvements made by Sogin to the OPEC 1 building at the Casaccia site, fire prevention equipment and roof repairs at the Casaccia plutonium plant and adaptation of the offices at the Company's headquarters at via Torino, 6 in Rome.

The item 'Extraordinary pension contributions' refers to the extraordinary contribution made by Sogin on the winding-up of the Electricity Industry Pension Fund, paid in compliance with Law no. 488 of 23 December 1999 (the 2000 Finance Act).

'Work in progress' relates to Nucleco's activities in connection with the award of ISO 14001 certification (Environmental Management) in addition to costs relating to action required by regulatory authorities for the renewal of the operating licence and the development of a company internet site.

Goodwill arising from consolidation has been calculated in the following manner:

Goodwill arising from consolidation at 31 December 2005	1,476
Amortisation for 2006 (1/20)	78
Goodwill arising from consolidation at 31 December 2006	1,398

<u>Tangible assets - €45,310 thousand</u> *(€42,218 thousand at 31 December 2005)*

	Work in progress	Land	Industrial buildings	Other equipment	Industrial and commercial equipment	Other assets	Total
Cost	2,642	5,283	3,603	26,807	9,492	6,020	53,847
Depreciation	0	0	-151	-4,997	-3,567	-2,914	-11,629
Net book value at 1 January 2006	**2,642**	**5,283**	**3,452**	**21,810**	**5,925**	**3,106**	**42,218**
Movements during period							
Purchases/increases - cost	2,560	0	0	642	3,317	1,504	8,023
Reclassification on commissioning	-758	0	0	758	0	0	0
Disposals/decreases - cost	0	0	0	-110	-1	-104	-215
Depreciation	0	0	-153	-2,597	-1,038	-1,076	-4,864
Disposals - depreciation	0	0	0	43	1	104	148
Total movements	**1,802**	**0**	**-153**	**-1,264**	**2,279**	**428**	**3,092**
Analysis of balances at 31 Dec 2006							
Cost	4,444	5,283	3,603	28,097	12,808	7,420	61,655
Depreciation			-304	-7,551	-4,604	-3,886	-16,345
Net book value at 31 Dec 2006	**4,444**	**5,283**	**3,299**	**20,546**	**8,204**	**3,534**	**45,310**

Land and buildings relate to Sogin's nuclear facilities. 'Plant and machinery' relate to Sogin's integrated power plant and equipment security systems and to the Italian security network. With respect to Nucleco, they relate to specific waste treatment plants.

'Industrial and commercial equipment' refer to equipment for normal operations, machinery for radiological characterisation, laboratory dosimetric instrumentation, radiation protection instruments, and industrial equipment used at sites.

'Other assets' relate to fixtures and furnishings, vehicles for operations and transportation and office equipment (information technology).

'Work in progress' relates to Sogin's radioactive waste tanks at Saluggia and the construction of a gantry crane at the Caorso railway station.

The net increase of €3,092 thousand is due to:

- new acquisitions of €7.8 million (construction of a new radioactive liquid waste tanks at Saluggia, a new gantry crane at the Caorso railway station, on-site industrial equipment for normal operations, a radiochemistry laboratory for Garigliano, machinery for radiological characterisation, laboratory dosimetric instruments at Latina and radiation protection instruments for the plutonium plant at Casaccia)
- depreciation, totalling €4.7 million.

Financial assets - €1,356 thousand *(€1,473 thousand at 31 December 2005)*

	Value at 1 Jan 2006	**Increases**	**Decreases**	**Value at 31 Dec 2006**
Equity investments	**388**	**-**	**-**	**388**
Other receivables:				
Loans to staff	946	101	2 18	829
Sundry guarantee deposits	139	4	4	139
Total	**1,085**	**106**	**222**	**968**
Total	**1,473**	**106**	**222**	**1,356**

The equity investment shown in the table relates to Sogin's shareholding in CESI Spa (Centro Elettrotecnico Sperimentale Italiano) consisting of 68,400 shares or 1.95% of share capital.

CURRENT ASSETS - €376,857 thousand *(€520,101 thousand at 31 December 2005)*

Inventories - €837 thousand *(€57,488 thousand at 31 December 2005)*

Inventories consist predominantly of Sogin contract work (€581 thousand) with the remainder relating to consumables in Nucleco's inventories.
The significant reduction in work in progress is essentially (€56,074 thousand) due to nuclear-related work in progress, which was originally inventoried on 31 December 2005, referring to costs recognised by resolution of the Authority.

<u>Receivables - €77,172 thousand</u> *(€88,377 thousand at 31 December 2005)*

Trade receivables (€28,949 thousand) are broken down in the following table:

	Value at 31 Dec 2006	Value at 31 Dec 2005	Increase/(Decrease)
Trade	22,578	17,850	4,728
Amounts to be invoiced	6,915	2,804	4,111
Total	**29,493**	**20,654**	**8,839**
Provisions for doubtful accounts	-544	-368	-176
Total	**28,949**	**20,286**	**8,663**

The most important item is the €14,480 thousand owed to Sogin by the Government Commissioner responsible for handling the waste emergency, clean-up and water protection activities in the Region of Campania for services provided during the period August 2000 - March 2005 under a contract between Sogin and the Commissioner.
Legal proceedings have been instituted for the recovery of that amount.
Given the fact that the debtor is a government body and that the existence of the debt is certain, due and payable, it was not considered necessary to write-down the receivable.
Trade receivables also include:

- amounts owed to Sogin by the Enel Group (approximately €3.9 million), the Ministry of Economic Development regarding Global Partnership activities (approximately €3.7 million), the European Commission and European companies with respect to European Commission programmes (€1.6 million), the President of the Council of Ministers (approximately €0.8 million) and the Ministry for the Environment, Land and Sea (approximately €0.7 million);
- amounts owed to Nucleco by Enea of €1,449 thousand and by others of €1,394 thousand.

The increase in trade receivables was essentially due to:

for Sogin:

- difficulties in the collection of amounts due from Enel and the Ministry of Economic Development as a result of the requirement to finalise procedures for the approval of services provided;
- difficulties in issuing final invoices for EC contracts due to the necessity to certify work thus resulting in a lengthening of collection periods;

for Nucleco:

- difficulties regarding obtaining ENEA approvals for the percentage of completion of work performed.

As a result of the increase in receivables, the provisions for doubtful accounts has also been increased.

Other receivables (€48,223 thousand) break down as follows.

	Value at 31 Dec 2006	Value at 31 Dec 2005	Increase/(Decrease)
Due from Electricity Equalisation Fund/Authority	0	27,966	-27,966
Tax receivables	44,866	37,902	6,964
Due from French tax authorities	1,145	0	1,145
Due from Belgian tax authorities	1	1	0
Deferred tax assets:	1,209	900	309
Receivables due from employees	124	80	44
Other	878	1,242	-364
Total	**48,223**	**68,091**	**-19,868**

<u>Due from Electricity Equalisation Fund/Authority</u>: The amount owing at 31 December 2005 was paid in full by the Electricity Equalisation Fund during 2006.

<u>Tax receivable</u>: This receivable essentially refers to VAT refundable to Sogin of €43,818 thousand, of which €9,667 thousand relates to 2006 and €34,151 thousand to previous years, including interest (€691 thousand) accrued to 31 December 2006 on the overpayments requested to be reimbursed for 2000, 2003, 2004 and 2005 net of a payable (€337 thousand) transferred to SOGIN by the former SICN. The net increase was reduced, however, through the utilisation of tax payments on account at year-end 2005.

In March 2007, the €2,068 thousand relating to the application made in 2003 plus accrued interest of €191 thousand were received. The item also includes various amounts payable to Nucleco by the tax authorities.

Due from French tax authorities: This amount relates to the refund claimed from the French tax authorities with respect to VAT paid to EDF.
Due from Belgian tax authorities: This amount relates to the refund claimed from the Belgian tax authorities with respect to VAT paid to a Belgian supplier.
Deferred tax assets: This amount relates to taxes calculated on provisions for charges made during the year but deductible from tax in future years. They relate to taxes of €994 thousand paid by the Parent Company and €215 thousand paid by Nucleco.

Receivables due from employees relate to advances made, in most cases for travel expenses, settled early in the following year.
Other receivables relate to advance payments to suppliers, the advance payment of compensation to Enea personnel working at facilities managed by Sogin and to other receivables which were all settled in early 2007. The decrease compared to 31 December 2005 was essentially caused by the Electricity Equalisation Fund's payment of €28 million owing to Sogin.

Short-term financial assets - €272,408 thousand *(€344,027 thousand at 31 December 2005)*
This amount consists of investments in money market instruments made by Sogin (bonds (€49,279 thousand); insurance deposits withdrawable on demand (€202,672 thousand); and repurchase agreements (€20,457 thousand).

Cash and cash equivalents - €26,440 thousand *(€30,209 thousand at 31 December 2005)*
€26,424 thousand of this amount relates to short-term deposits at Italian banks and €16 thousand cash in hand.

ACCRUED INCOME AND PREPAID EXPENSES - €2,599 thousand *(€2,003 thousand at 31 December 2005)*
Accrued income totals €2,173 thousand and essentially refers to interest income accrued on the investment of funds by Sogin.
Prepayments made by Sogin (€363 thousand) and Nucleco (€63 thousand) represent the payment in 2006 of invoices relating to 2007.

AGING SCHEDULE

The table below shows the breakdown of receivables by maturity:

	Falling due within 12 months	Falling due between 2 and 5 years	Falling due after 5 years	Total
Long-term receivables				
Loans to staff	94	328	407	829
Sundry guarantee deposits	0	139	0	139
Total long-term receivables	**94**	**467**	**407**	**968**
Current receivables				
Trade receivables	28,949	0	0	28,949
Tax receivables	44,856	10	0	44,866
Due from French tax authorities	1,145	0	0	1,145
Due from Belgian tax authorities	1	0	0	1
Deferred tax assets:	1,209	0	0	1,209
Due from employees	124	0	0	124
Other	863	15	0	878
Current receivables	**77,147**	**25**	**0**	**77,172**
Total	**77,241**	**492**	**407**	**78,140**

SHAREHOLDERS' EQUITY - €16,509 thousand *(€16,045 thousand at 31 December 2005)*

The composition of shareholders' equity is shown in the following table.

Description	Value at 31 Dec 2006	Value at 31 Dec 2005	Increase/(Decrease)
Share capital	15,100	15,100	0
Legal reserve	569	565	4
Other reserves	75	0	75
Retained earnings (losses)	-181	1,262	-1,443
Net income/(loss) for the year	380	-1,364	1,744
Currency conversion	2	0	2
Shareholders' equity attributable to shareholders of the Parent Company	15,945	15,563	382
Minority interests	564	482	82
Total shareholder's equity	**16,509**	**16,045**	**464**

The reconciliation of shareholders' equity reported in the Parent Company's balance sheet with consolidated shareholders' equity is shown in the following table.

Reconciliation of Parent Company's books to the consolidated financial statements	Shareholders' equity at 31 Dec 2005	Net income (loss) for the year	Shareholders' equity at 31 Dec 2006
Sogin	15,562	334	15,896
Effect of consolidation	(78)	(78)	(156)
Subsidiary's net income/(loss) attributable to shareholders of the Parent Company	79	124	203
Currency conversion differences	0	0	2
Consolidated financial statements	15,563	380	15,945
Minorities	482	82	564
Total (group plus minorities)	**16,045**	**462**	**16,509**

PROVISIONS FOR RISKS AND CHARGES - €3,371 thousand *(€3,203 thousand at 31 December 2005)*

The composition of the provisions is shown in the table.

	Value at 1 Jan 2006	**Provisions**	**Uses**	**Value at 31 Dec 2005**
Prov. for retirement benefits	**480**	**269**	**-263**	**486**
Prov. for deferred taxes	**352**	**251**	**-34**	**569**
Other provisions				
legal disputes	460	0	0	460
sundry charges	573	160	-406	327
radioactive waste treatment	1,338	297	-319	1,316
environmental protection litigation	0	213	0	213
Total other	**2,371**	**670**	**-725**	**2,316**
Total	**3,203**	**1,190**	**-1,022**	**3,371**

Provisions for retirement benefits refer to the indemnity in lieu of notice for personnel in service, who are eligible pursuant to applicable collective contracts and labour union agreements.

The provision for deferred tax liabilities relates to Sogin's deferred tax liabilities accrued for the year on temporary differences between income assessable to taxes and income before taxes shown in the financial statements.

The provision for legal disputes relates only to Sogin and is intended to cover contingencies in connection with pending litigation.

The provision for sundry charges consists of financial income earned by Sogin during the period 1999 to 2005 (€60 thousand) which, in prior years, had been reported as "nuclear-related advances", and the estimated amount payable by Sogin (€267 thousand) relating to the early removal of the Board of Directors, as required by art. 1, paragraph 459 of the 2007 Finance Act and to local tax liabilities (TARI) relating to the offices in Via Torino, for which notice of assessment has not yet been received.

The Provisions for radioactive waste treatment relates to Nucleco's operations and represents estimated future costs for the treatment and conditioning of radioactive waste.

The environmental protection litigation provision relates to provisioning by Nucleco with respect to a pending legal dispute with Enea.

PROVISIONS FOR EMPLOYEE TERMINATION INDEMNITIES - €20,878 thousand

(€20,860 thousand at 31 December 2005)

This item represents the amounts allocated in favour of group employees to cover termination indemnities in accordance with law.

PAYABLES - €400,775 thousand *(€540,462 thousand at 31 December 2005)*

Nuclear-related advances - €276,843 thousand *(€466,146 thousand at 31 December 2005)*

Nuclear-related advances refer exclusively to Sogin and are used to pay costs, including accrued taxes and less financial income and other revenues in connection with non-nuclear operations and extraordinary nuclear-related activities, for the dismantling of nuclear facilities and the storage of irradiated fuels, the cost of which has been recognized by the Electricity and Gas Authority.

This amount has been varied in consequence of Resolution 121/07 by which the Authority recognised €143.2 million plus taxes of the 2006 costs submitted by Sogin (rounded to €143.4 million excluding taxes), thus not recognising costs of €200 thousand.

Other advances - €3,001 thousand *(€1,573 thousand at 31 December 2005)*

This amount consists of advance payments received from third parties with respect to services provided under current contracts. The increase was essentially caused by a deposit paid by TERNA to Sogin confirming the purchase of land adjacent to the Latina power station.

Trade payables - €71,184 thousand *(€54,162 thousand at 31 December 2005)*

This amount includes €64,733 thousand for Sogin, €43,909 thousand of which relate to invoices received from suppliers for materials, services and sundry items and €20,824 thousand with respect to invoices to be received for services rendered prior to 31 December 2006. The amount relating to Nucleco is €6,451 thousand. The increase primarily relates to the Parent Company in consequence of the higher volume of nuclear-related activities during the year.

Taxes payable - €3,987 thousand *(€4,296 thousand at 31 December 2005)*

This item primarily relates to IRES and IRAP payable by Sogin.

Social security payables - €2,980 thousand *(€2,685 thousand at 31 December 2005)*

	Value at 31 Dec 2006	**Value at 31 Dec 2005**	**Increase/(Decrease)**
Social security institutions for contributions on salaries	2,139	1,962	177
Social security institutions for contributions on holiday pay, suppressed holidays, etc.	425	374	51
Insurance companies	239	183	56
Fopen	177	166	11
Total	**2,980**	**2,685**	**295**

Other payables - €42,780 thousand *(€11,600 thousand at 31 December 2005)*

	Value at 31 Dec 2006	**Value at 31 Dec 2005**	**Increase/ (Decrease)**
Due to personnel			
termination indemnities to be paid to employees	-	-	-
holiday pay, suppressed holidays, overtime, etc.	1,828	1,542	286
other reasons	1,990	1,462	528
Total amount due to personnel	**3,818**	**3,004**	**814**
Due to Ministry of Economic Development for GP	**29,163**	**-**	**29,163**
Extraordinary pension contributions	**5,709**	**5,709**	**-**
Due to third parties for amounts withheld on employees' salaries	**71**	**70**	**1**
Other	**4,019**	**2,817**	**1 ,202**
Total	**42,780**	**11,600**	**31,180**

The greatest part of the increase refers to the amount payable to the Ministry of Economic Development in connection with a loan made pursuant to a cooperation agreement concluded by the governments of Italy and the Russian Federation in accordance with Law no. 160/2005. The funds received are treated under Italian law as a *deposito irregolare* pursuant to art. 1782 of the Italian Civil Code, which is a bailment of fungible assets on which remuneration is computed at the legal rate of interest unless otherwise agreed by the parties. Changes during the year are shown in the table below:

Due to Ministry of Economic Development for Global Partnership loan	Amount
Loan disbursements	30,000,000
Payments	-1,276,000
2006 interest	438,790
Total at 31 Dec 2006	29,162,790

Payments relate to contracts, guaranteed by the Ministry of Economic Development, between the Russian beneficiary pursuant to the Cooperation Agreement and its suppliers.

Interest has been computed at the legal rate of interest on residual amounts and include advances made by Sogin. It should be noted, in this respect, that these amounts include an account receivable of €3,700,456 due from the Ministry of Economic Development for costs incurred by Sogin in 2005 and 2006 in accordance with the agreement of 3 August 2005. A schedule of these costs has been submitted by Sogin to the Ministry of Economic Development.

ACCRUED LIABILITIES AND DEFERRED INCOME - €5 thousand *(€93 thousand at 31 December 2005)*

This item relates to accrued expenses for 2006 and essentially relate to financial transactions that will be settled in 2007.

AGING SCHEDULE

The table below shows a breakdown of payables by maturity:

	Falling due within 12 months	Falling due between 2 and 5 years	Falling due after 5 years	Total
Nuclear-related advances	276,843	0	0	276,843
Advance from third parties	3,001	0	0	3,001
Trade payables	71,184	0	0	71,184
Taxes payable	3,987	0	0	3,987
Due to social security institutions	2,980	0	0	2,980
Other	42,780	0	0	42,780
Total	**400,775**	**0**	**0**	**400,775**

MEMORANDUM ACCOUNTS - €168,028 thousand *(€148,033 thousand at 31 December 2005)*

Memorandum accounts include guarantee deposits, guarantees given, risks and commitments as shown in the table below:

	Value at 31 Dec 2006	Value at 31 Dec 2005	Increase/ (Decrease)
Guarantees given:			
Guarantees given on behalf of third parties	**8,458**	**4,482**	**3,976**
Other memorandum accounts :			
Special vehicles on free loan	99	99	
Lease commitments	1,765	1,788	-23
Commitments to suppliers for fuel reprocessing and storage	157,706	141,664	16,042
Total other memorandum accounts	**159,570**	**143,551**	**16,019**
Total memorandum accounts	**168,028**	**148,033**	**19,995**

NOTES TO THE INCOME STATEMENT

Revenues - €152,144 thousand *(€124,490 thousand in 2005)*

Revenues are derived from Sogin's dismantling of nuclear facilities (€136,811 thousand) and to Nucleco's activities (€4,948 thousand).

The remainder (€10,385 thousand) relates to services provided by Sogin to third parties.

The increase with respect to last year is primarily due to the increase in nuclear-related revenues.

Operating costs - €157,445 thousand *(€135,767 thousand in 2005)*

Operating costs were predominantly incurred by Sogin and, consequently, relate to the dismantling and operation of nuclear facilities. Operating costs also include amortisation of €78 thousand charged to goodwill arising from consolidation. Details of the consolidated figures are shown below.

Raw, ancillary and consumable materials and goods for resale - €6,769 thousand *(€5,752 thousand in 2005)*

The increase primarily relates to Sogin's activities relating to the removal of irradiated fuel from the Eurex plant pool to the Avogadro plant pool at the Saluggia site.

Services - €68,388 thousand *(€56,108 thousand in 2005)*

The increase compared to last year principally relates to the following items in Sogin's books:

Corporate services: rose as a result of the increased volume of work at Corso (Phadec and emergency), Saluggia (new water supply and pool cleaning) and Trisaia (emergency)

Maintenance: predominantly relating to work at the Trisaia site as well as Bosco Marengo for routine maintenance of buildings and the restructuring of the thermal power station.

Surveillance: increased principally as a result of the inclusion of direct surveillance of fuel cycle plants, until March 2006, in services provided by Enea.

Electricity, water and gas supplies: increased due to an increase in tariffs as well as consumption.

Freight and materials: increased due to the removal of existing nuclear materials from the Bosco Marengo plant and from ENEL's former CISE Laboratory.

Leases and rentals - €11,984 thousand *(€11,656 thousand in 2005)*
Substantially unchanged

Personnel - €60,298 thousand *(€54,499 thousand in 2005)*
For Sogin, the increase was caused by the renewal of the national collective labour contract and payments regarding early retirement.
For Nucleco, the increase refers principally to the increase in average headcount.

Amortisation, depreciation and write-downs - €6,687 thousand *(€6,088 thousand in 2005)*
The variation was due to a decrease in amortisation of intangible assets (leasehold improvements) and an increase in depreciation of tangible assets due to the purchase during the year of industrial equipment and other assets.

Change in inventories - €40 thousand *(€84 thousand in 2005)*
The amount relates to a decrease in goods for resale held in inventories by Nucleco.

Other provisions - €397 thousand *(€378 thousand in 2005)*
This amount is substantially unchanged.

Other operating costs: €2,882 thousand *(€1,202 thousand in 2005)*
The Parent Company is predominantly responsible for the increase, which consists of contingent cost increases charged by Enea for services rendered in 2003 and 2005.

<u>Operating loss - €5,301 thousand</u> *(€11,277 thousand at 31 December 2005)*
The loss is attributable to Sogin's practice of using financial income to fund part of its costs relating to the dismantling and management of nuclear facilities.

<u>Net financial income - €10,950 thousand</u> *(€13,016 thousand at 31 December 2005)*
Substantially the same as Sogin's net financial income.

Financial income and expense	Sogin	Nucleco	Consolidated
From long-term receivables	24		24
Other revenues	11,488	15	11,503
Interest expense and other charges	577	0	577
Total financial income (expense), net	**10,935**	**15**	**10,950**

Cash management protected the Company's assets against inflation.

Net extraordinary income - €137 thousand *(€69 thousand loss at 31 December 2005)*
Extraordinary income essentially consists of income arising as a result of tax payments being less than expected.

Net income attributable to shareholders of the Parent Company - €380 thousand *(net loss of €1,364 thousand at 31 December 2005)*
Net income for the year is made up of €334 thousand for Sogin and €124 thousand for Nucleco and is net of the amortisation of goodwill arising from consolidation of €78 thousand.