EDISON: STANDARD&POOR'S INNALZA L'OUTLOOK A "POSITIVO" DA "STABILE"

Confermato il rating BBB+

Milano, 31 maggio 2007 – L'agenzia di rating Standard&Poor's ha innalzato oggi, alla fine della propria review annuale, l'outlook di Edison a "positivo" da "stabile". Il merito di credito a lungo termine di Edison a è stato confermato a BBB+.

I giudizi di Standard&Poor's riflettono il rafforzamento finanziario di Edison, la sua forte posizione nel settore dell'energia in Italia, nonché le favorevoli prospettive di crescita e il supporto assicurato dagli azionisti al piano di sviluppo della società.

Si riporta di seguito il testo integrale del comunicato stampa diramato da Standard&Poor's.

Research Update: *Italian Utility Edison SpA Outlook To Positive On Improved Credit Standing; Ratings Affirmed*

Rationale

On May 31, 2007, Standard & Poor's Ratings Services revised its outlook on Edison SpA to positive from stable, reflecting the Italian utility's ongoing credit strengthening over the past few years and prospects for further improvement over the medium term. At the same time, the 'BBB+' long-term and 'A-2' short-term corporate credit ratings on Edison were affirmed. The ratings reflect Edison's strong business position as Italy's second-largest electric and gas utility; the domestic energy market's favorable growth prospects; the company's stable cash flow from regulated power sales (which are declining, however); and shareholder support. Constraining factors include the risks associated with Edison's exposure to competition in its core power generation market, mounting energy management risks, and increasing investments in relatively high-risk gas exploration and production.

Edison has subsidized energy supply contracts (CIP6 contracts) with the state-owned green energy agency; these provide a good degree of near-term cash flow stability and should contribute about 20% of EBITDA in 2009. The gradual liberalization of the Italian energy markets, however, is exposing Edison's cash flow to more volatile and narrowing margins, particularly given the company's involvement in the nonresidential customer segment. This risk should be mitigated by the availability of Edison's own electricity generation, growing demand, and Edison's commercial strategy to access the retail market through alliances with local distributors.

In 2006, Edison's EBITDA was robust, at €1.5 billion (up 19% year on year), reflecting increased electricity available from new power stations, growth in the free electricity market, the renegotiation of some gas contracts, and a favorable oil price scenario, which, together, more than offset provisions related to the use of gas storage and to some regulatory rulings. Reported net debt was lower than expected, at €4.3 billion, benefiting in particular from €373 million in disposal proceeds related to some electricity transmission assets, and from the reconsideration of some capital expenditures. Adjusted funds from operations (FFO) to debt was about 21%, and adjusted FFO interest coverage was 4.8x, including €1.2 billion in acquisition debt at parent Transalpina as an off-balance-sheet liability and other minor adjustments; we expect these metrics to remain

broadly stable in the short term and to progress to above 25% and 5x, respectively, over the medium term.

Operating performance in the first quarter of 2007 was strong, with EBITDA growing by 21% to €397 million, notwithstanding the mild climate. Reported net debt declined to €3.4 billion, on the back of cash flow generation and €637 million in warrant and disposal proceeds.

Liquidity

The group's liquidity policy is adequate, with Edison intending to continue to cover debt maturities of more than 12 months with committed bank lines. Debt maturing in 2007-2008 is a high €2 billion, but is covered by €1.5 billion in six-year unused committed credit lines and €439 million in cash and cash equivalents available at March 31, 2007. Edison intends to use the proceeds from the exercise of its €1 billion in warrants in circulation (of which €520 million have already been cashed in) and available credit lines to repay this debt. The group enjoys some flexibility with respect to its forecast €4.5 billion in capital expenditures over 2007-2012, and could benefit from disposal proceeds from the rationalization of its CIP 6 plant portfolio and some gas transmission assets.

Outlook

The positive outlook reflects the possibility of an upgrade in view of our expectation of further improvement in Edison's credit quality over the medium term on the back of a strengthening market position, increasing cash flow generation, continued deleveraging, and ongoing shareholder support. However, any shift toward more aggressive growth strategies (organic or external) or financial policies would likely lessen the improvement, possibly creating downside risk.

***

Ufficio Stampa Edison: Tel. 02 62227331, ufficiostampa@edison.it
Investor Relations Edison: Tel. 02 62228415, investor.relations@edison.it
www.edison.it

Obblighi informativi verso il pubblico previsti dalla delibera Consob n. 11971 del 14.5.1999 e successive modifiche