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EDISON

# Press Release

*Edison's Board of Directors Reviews the Semiannual Report at June 30, 2005*

## EDISON: PROFIT INCREASES TO 198 MILLION EUROS

### Standard&Poor's affirms rating and outlook of Edison

Milan, September 12, 2005 – Edison's Board of Directors, meeting today at the Company's Foro Buonaparte headquarters, reviewed the Report on Operations in the First Half of 2005. The operating and financial results for the first six months of 2005, which were announced this past July 28, show that the Group's profit increased by 29% to 198 million euros (153 million euros in the first six months of 2004).

The operating and financial data for the first half of 2005 and the corresponding period in 2004 are being presented in accordance with International Financial Reporting Standards (IAS/IFRS).

### *HIGHLIGHTS OF THE EDISON GROUP*

*(in millions of euros)*

| | **First half 2005** | **First half 2004** |
|---|---|---|
| Sales revenues | **3,556** | 2,858 |
| EBITDA | **606** | 704 |
| *as a % of sales revenues* | *17%* | *24.6%* |
| EBIT | **325** | 433 |
| *as a % of sales revenues* | *9.1%* | *15.2%* |
| Profit | **198** | 153 |

## *HIGHLIGHTS OF THE GROUP'S ELECTRIC POWER AND HYDROCARBONS OPERATIONS*

*(in millions of euros)*

| | First half 2005 | First half 2004 |
|---|---|---|
| **Electric Power Operations** | | |
| Sales revenues | **2,268** | 2,098 |
| EBITDA | **474** | 577 |
| EBIT | **244** | 362 |
| **Hydrocarbons Operations** | | |
| Sales revenues | **1,573** | 1,093 |
| EBITDA | **154** | 158 |
| EBIT | **110** | 108 |

### Sales Volumes

During the first half of 2005, unit sales of natural gas grew by 22.2%, rising from 5,781 million cubic meters to 7,063 million cubic meters. Higher demand from residential users and thermoelectric power plants is the main reasons for this increase. In the electric power area, volumes held steady at 25.2 TWh. An 8.7% increase in power sold in the deregulated market (demand from eligible customers rose 39%, outstripping the trend in the overall market), was offset in part by a decrease in CIP6 sales, which were affected by nonrecurring factors, such as shutdowns of power plants for scheduled and extraordinary maintenance.

### Sales Revenues

Sales revenues were up 24% compared with the first half of 2004 (+8.1% for the electric power operations and +44% for the hydrocarbons operations), rising to 3,556 million euros (2,858 million euros in the first six months of 2004). This improvement reflects the combined impact of higher unit sales of natural gas and a rise in the average prices charged for natural gas and electric power.

### EBITDA

EBITDA totaled 606 million euros, or 14% less than the 704 million euros earned in the first half of 2004. As explained in the press release issued on July 28, 2005, this decline, which was in line with expectations, is due entirely to external factors, such as the expiration of CIP 6 incentives for some of the Group's power plants (impact of about 70 million euros) and new rules by the

Electric Power and Gas Authority that modified the seasonality of time-of-use bands, shifting the majority of “premium” hours (i.e., those with a higher billing rate) from the winter months to the summer months. A negative factor that affected the natural gas operations was the cost of using strategic reserves during the periods of unusually intense cold that occurred during the first three months of 2005. Other unfavorable developments that reduced the profitability of the electric power operations included shutdowns of some power plants for scheduled and extraordinary maintenance and a decrease in hydroelectric output caused by a reduction in the availability of water resources.
These negative factors were offset in part by gains in unit sales and the steady margins on sales that the Company was able to earn in the deregulated market, even though increases in the cost of raw materials were not fully reflected in the prices charged to customers.

**EBIT**
The developments discussed above had a negative impact on EBIT as well, causing them to decrease to 325 million euros, or 24.9% less than the 433 million euros earned in the first six months of 2004.

**Profit**
At June 30, 2005, the Group interest in profit amounted to 198 million euros, up a strong 29% compared with the first half of 2004 (153 million euros). This improvement reflects the progress made in strengthening the Company’s organization and balance sheet through corporate reorganization transactions, which produced a decline in financial expense, a lower tax liability and a decrease in the minority interest percentage. Nonrecurring gains generated by the settlement of legal disputes were also a factor.

**Indebtedness**
The Group’s net borrowings totaled 4,865 million euros at June 30, 2005, down from 4,906 million euros at December 31, 2004, as a strong cash flow from Edison’s core businesses was more than sufficient to fund the Group’s ambitious capital investment program (261 million euros).

**Outlook for 2005 (Projections Based on IAS Reporting Standards)**
The start of production at new power plants in Candela, Altomonte and Torviscosa, which is scheduled for the second half of 2005, coupled with the favorable seasonal impact of the summer months and the end of the maintenance programs for some power plants, should enable the Group to report improved results for 2005.

**Result of the Group's Parent Company**

Consistently with past year's reporting standards, the profit earned by Edison Spa, the Group's Parent Company, increased to 172 million euros in the first half of 2005, up from 165 million euros in the same period last year.

**Standard&Poor's affirms rating**

Standard & Poor's Ratings Services today affirmed its "BBB+" long-term corporate credit rating on Edison, following its annual review. The outlook is stable.

The rating confirms last year's upgrade and reflects Edison's strong business position in Italy, also after the new shareholders' agreements which are seen as a positive stability factor for the future.

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***The Semiannual Report was the subject of a limited audit.***

***The Semiannual Report at June 30, 2005 will be available upon request at the Company's headquarters (31 Foro Buonaparte, Milan) and at the offices of Borsa Italiana Spa, starting on September 13, 2005. As of that date, it may also be consulted at the Group's website: www.edison.it***

*Public disclosure required by Consob Resolution No. 11971 of May 14, 1999, as amended.*

## Operating Performance and Financial Position of the Group Based on IAS/IFRS Standards

### Reclassified Statement of Income

| 2004 full year | | First half 2005 | First half 2004 |
|---|---|---|---|
| 5,627 | Sales revenues | 3,556 | 2,858 |
| 855 | Other revenues and income, net | 159 | 366 |
| **6,482** | **Total net revenues** | **3,715** | **3,224** |
| (4,716) | Raw materials and outside services used (-) | (2,965) | (2,374) |
| (291) | Labor costs (-) | (144) | (146) |
| **1,475** | **EBITDA** | **606** | **704** |
| (660) | Depreciation, amortization and writedowns (-) | (281) | (271) |
| **815** | **EBIT** | **325** | **433** |
| (310) | Net financial income (expense) | (120) | (152) |
| (15) | Income from (Expenses on) equity investments | 11 | 7 |
| 20 | Other income (expense), net | 27 | (15) |
| **510** | **Profit before taxes** | **243** | **273** |
| (88) | Income taxes | (36) | (70) |
| **422** | **G. Profit before taxes and minority interest** | **207** | **203** |
| - | Profit (Loss) from discontinuing operations | - | - |
| | **H. Profit (Loss) for the period** | | |
| (68) | Minority interest in (profit) loss | (9) | (50) |
| **354** | **Group interest in profit (loss)** | **198** | **153** |

## Reclassified Balance Sheet

| 2004 full year | | | First half 2005 | First half 2004 |
|---|---|---|---|---|
| | **A. NON-CURRENT ASSETS** | | | |
| 3,893 | Intangible assets | | 3,894 | 3,928 |
| 8,739 | Property, plant and equipment | | 8,704 | 8,873 |
| 342 | Financial non-current assets | | 383 | 406 |
| **12,974** | | | **12,981** | **13,207** |
| | **B. NET WORKING CAPITAL** | | | |
| 302 | Inventories | | 333 | 292 |
| 1,307 | Trade receivables | | 1,182 | 1,210 |
| 924 | Other assets | | 966 | 971 |
| (1,295) | Trade accounts payable and advances on contract work in process (-) | | (1,200) | (1,034) |
| (2,322) | Provisions for risks and charges (-) | | (672) | (774) |
| (720) | Other liabilities (-) | | (2,216) | (2,533) |
| **(1,804)** | | | **(1,607)** | **(1,868)** |
| **11,170** | **C. INVESTED CAPITAL, NET OF OPERATING LIABILITIES** | **(A+B)** | **11,374** | **11,339** |
| **(88)** | **D. PROVISION FOR EMPLOYEE SEVERANCE INDEMNITIES AND PROVISIONS FOR PENSIONS (-)** | | **(87)** | **(84)** |
| **11,082** | **E. NET INVESTED CAPITAL** | **(C-D)** | **11,287** | **11,255** |
| | **Covered by:** | | | |
| **6,176** | **F. SHAREHOLDERS' EQUITY (before minority interest)** | | **6,422** | **6,164** |
| | **G. NET BORROWINGS** | | | |
| 4,646 | Long-term debt | | 4,504 | 4,246 |
| - | Long-term financial assets (-) | | - | - |
| 805 | Short-term borrowings | | 906 | 1,552 |
| (545) | Short-term financial assets (-) | | (545) | (707) |
| **4,906** | | | **4,865** | **5,091** |
| **11,082** | **H. TOTAL COVERAGE SOURCES** | **(F+G)** | **11,287** | **11,255** |