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EDISON

Press Release

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Edison's Board of Directors reviews the preliminary results for the first half of 2004

EDISON: SALES VOLUMES AND OPERATING RESULTS CONTINUE TO IMPROVE

Operating earnings before taxes up sharply compared with 2003, rising 52% to €175 million for the Group's core businesses and more than doubling to €188 million for the Group as a whole.

Milan, July 28, 2004 – The Board of Directors of Edison Spa, meeting today at the Company's Foro Buonaparte headquarters, reviewed the preliminary results of the Group's operations in the first half of 2004. The Semiannual Report on Operations will be approved by the Board of Directors at a meeting scheduled for September 13, 2004.

HIGHLIGHTS

	Core Businesses (Energy and Corporate)			Group		
Amounts in millions of euros	Prelim. 1st half 2004	1st half 2003	Δ	Prelim. 1st half 2004	1st half 2003	Δ
Net revenues	2,754	2,670	+3.1%	3,184	3,277	-2.8%
EBITDA	611	611	-	625	606	+3.1%
EBIT	300	282	+6.4%	311	241	+29.0%
Operating earnings before taxes	**175**	**115**	+52.2%	**188**	**70**	**+168.6%**
Net indebtedness				3,984	4,143*	

* Data at December 31, 2003.

Core Businesses

Unit sales for the Group's **core businesses** were up more than 13.3% for electric power and 10.7% for natural gas. Net revenues posted only a limited increase, rising to 2,754 million euros, or 3.1% more than in the same period last year, reflecting a market environment for the benchmark fuels that was less favorable than in 2003.

At 611 million euros, **EBITDA** were unchanged from a year ago, but **EBIT** grew by 6.4% to 300 million euros (282 million euros in the first six months of 2003).

The Group's overall performance is the net result of healthy EBITDA gains by the electric power operations, offset in part by a contraction in the natural gas business. This unfavorable development is the result of a negative trend in the reference markets, which, as mentioned in earlier press releases, has created a negative spread between the cost paid and the price charged for gas. This discrepancy should be rectified to a large extent later this year.

The positive impact of improved EBIT was magnified by a sizable drop in financial expense, which decreased by 42 million euros to 125 million euros, thanks to a reduction in the level of indebtedness and a lower cost of money due to the Group's improved standing in the financial markets.

Overall, the Group's core businesses reported **operating earnings before taxes** of 175 million euros, compared with earnings of 115 million euros in the first half of 2003.

Electric Power

	Prelim. 1st half 2004	**1st half 2003**	**Δ**
Net revenues *(millions of euros)*	2,199	1,997	+10.1%
Unit sales *(TWh)*	25.8	22.7	+13.3%

In the first six months of 2004, net revenues grew to 2,199 million euros, up 10% from the 1,997 million euros booked in the same period last year. The main reason for this improvement was a 13.3% increase in available electric power, made possible by the implementation, as of January 1, 2004, of a tolling agreement with Edipower that gives Edison direct access to 50% of Edipower's generating capacity.

At 500 million euros, EBITDA were 13.6% higher than the 440 million euros earned in the first half of 2003. The increase in EBITDA was driven by gains in unit sales. It also reflects the beneficial impact of the higher margins achieved by taking advantage of trading on the recently opened Electric Power Exchange in order to optimize sales to customers in the deregulated market, and a more liquid wholesale market.

Hydrocarbons

	Prelim. 1st half 2004	1st half 2003	Δ
Net revenues *(millions of euros)*	1,109	1,115	-0.5%
Unit sales *(billions of m³)*	5.8	5.2	+10.7%

In the first half of 2004, the natural gas operations generated revenues of 1,109 million euros, down from 1,115 million euros in the same period last year. A sharp increase in unit sales (more than 10%) was more than offset by a drop in natural gas prices.
While the price of Brent crude was near its all-time high at the end of June, the average Brent prices used to determine the cost and selling price of natural gas in the first half of 2004 presented a less favorable spread than in the same period last year, with the selling price decreasing at a faster rate than the purchase cost. This discrepancy should reverse itself later this year. The narrower spread between the prices charged and the cost paid had a negative impact on EBITDA, which totaled 154 million euros at June 30, 2004, compared with 218 million euros in the first six months of 2003.

The Group

The sale of Antibioticos and Edisontel in 2003 and 2004 altered the Group's scope of operations. On the aggregate, these companies reported negative results in the first half of 2003.
The removal of these operations from the scope of consolidation caused the Group's **net revenues** to decrease to 3,184 million euros, or 2.8% less than in the first six months of 2003.
Overall, the noncore businesses that the Group continued to operate in 2004 (Tecnimont and IWH) posted positive results.

At the consolidated level, **EBITDA** increased 3.1% to 625 million euros (606 million euros in the first half of 2003), and **EBIT** grew by 29% to 311 million euros. **Operating earnings before taxes** of 188 million euros were more than double the 70 million euros earned in the first six months of 2003.

Net Borrowings and Debt Restructuring

At June 30, 2004, consolidated indebtedness totaled 3,984 million euros, or 159 million euros less than the 4,143 million euros outstanding at December 31, 2003. This improvement was made possible primarily by the cash flow generated by the Group's core businesses, which was also used to fund capital expenditures totaling about 180 million euros.

The reduction in debt exposure caused the debt/equity ratio to fall below the level of 0.69 achieved at the end of 2003, making it one of the best among European energy operators.

Debt Reorganization and Transactions

A significant development in the Group's financing structure was the successful negotiation this past April of a five-year, senior unsecured line of credit in the amount of 1.5 billion euros. Originally scheduled for 1 billion euros, this syndication was increased by 500 million euros in response to strong demand by lender banks.

During the first half of 2004, the Group continued to implement a Euro Medium Term Notes (EMTN) program that Edison's Board of Directors approved on November 11, 2003 for a maximum amount of 2 billion euros. After launching the EMTN program with the highly successful placement of 600 million euros in seven-year debt securities, Edison reopened the program in January 2004 with a 100-million-euro tranche, which was floated on significantly better terms than the securities issued two months earlier.

A third placement of 500 million euros in variable-rate debt securities followed on July 9, 2004. This issue was extremely well received in the international financial markets, with orders exceeding the amount of the offering by more than three times.

Consistent with the Group's strategy of optimizing its outstanding indebtedness, the proceeds generated by debt refinancing transactions and the issuance of debt securities will be used to increase the medium-term portion of Edison's debt, lengthen its average maturity and enable the Company to finance its growth plans.

Rating

In June 2004, the S&P rating agency boosted Edison's long-term rating to BBB+, stable outlook, and affirmed the A-2 short-term rating. In the same month, Moody's changed the outlook on Edison's Baa3 long-term credit rating from negative to positive.

Outlook

The results for the first half of the year confirm that the positive trend that started in 2003 is continuing. For 2004 as a whole, the Group should be able to report positive operating earnings before taxes that will exceed those booked in 2003.
The Group's performance in the first six months of 2003 and, consequently, the entire year was aided by extraordinary income, which included the nonrecurring gain earned on the sale of the Egyptian gas reserves.

The Simplification of the Group's Structure Is Continuing

The Board of Directors, acting on behalf of the Stockholders' Meeting (in accordance with the provisions that apply to wholly owned subsidiaries following the reform of

Italian corporate law), approved a proposal to merge Ise Spa by absorption into Edison Spa. Upon the merger, Ise will become a direct wholly owned subsidiary of Edison Spa and will be managed and coordinated by Edison Spa.
The merger was approved today by Ise's Stockholders' Meeting.
For reporting and tax purposes, the merger will be effective as of January 1, 2004. Allowing for the time necessary to physically deposit and record all applicable instruments and allow creditors to file objections to the transaction, it seems reasonable to assume that the merger will not become effective vis-à-vis third parties before December 1, 2004.
Edison already owns 25% of Ise, which it purchased from Ilva Spa on July 9, 2004. The acquisition of the remaining 75% from Finel, which has already been approved by the corporate governance bodies of both companies, will be completed prior to the execution of the deed of merger.
A Prospectus detailing the transactions discussed above will be available upon request, starting tomorrow, at Edison's headquarters and Borsa Italiana. A copy will also be accessible at the Company's website.