



Città di Palermo

PRESS RELEASE

Edison Buys 80% of AMG Gas in Palermo

Diego Cammarata, Mayor of Palermo: "A strong alliance for growth in the energy market."

Umberto Quadrino, Edison's Chief Executive Officer: "We will bring to this partnership our industrial strength, so that the citizens of Palermo will be able to enjoy the benefits of competition among suppliers of electric power."

Palermo, October 7, 2008 – Edison, a leading energy operator, won the right to acquire an 80% interest in AMG Gas Srl, a natural gas distributor that serves more than 130,000 customers in the Palermo area and sells 80 million cubic meters of natural gas a year.

The sale was carried out through a public call for bids issued by AMG Energia Spa, a municipal energy company responsible for distributing natural gas and providing the public lighting service that is now a corporation. This municipal administration is its sole shareholder.

This transaction creates a strong and strategic alliance between the City of Palermo and Edison, Europe's oldest energy company.

Diego Cammarata, Palermo's Mayor, strongly supported an agreement with a top energy operator, so that a strong industrial partner such as Edison could fund the development of AMG Gas and facilitate the launch of a strategic initiative in the energy area.

With its investment in AMG Gas, Edison doubles the number of its natural gas customers, passing the mark of 300,000 households served, and consolidates its growth objectives, particularly with regard to expanding its share of the residential natural gas market.

For AMG Gas and for Palermo, Edison's arrival is a decisive step forward that opens wide the doors to the deregulated energy market. With such a strong industrial partner, the goal is not limited to increasing sales to end customers in the market for natural gas, related products and all other ancillary services, but also includes launching an electric power distribution business capable of competing with Italian and international operators that will provide the Company with important growth opportunities.

Just recently, Edison entered the residential electric power market offering an attractive sale package for households that is truly revolutionary in terms of the affordability and immediate benefits it provides: a 20% discount on the cost of energy, which on average accounts for 65% of the total bill.

“The arrival of an energy giant such as Edison is a guarantee of excellence, reliability and innovation,” stated Diego Cammarata, Palermo’s Mayor. *“This transaction will increase the competitiveness of one of our companies that is financially sound and has excellent growth opportunities in the deregulated energy market. It will also have a positive impact on the efficiency and quality of the service provided to our citizens and will open up new avenues for expansion. Lastly, this is a trail-blazing transaction is consistent with the new philosophy of my administration focused on maximizing the value of the municipal assets. The goal of the reorganization plan that we are implementing for our companies is to use these companies to generate resources, while enabling them to meet the challenge of the marketplace and grow.”*

“With this industrial transaction, Edison intends to establish a strong presence and grow in a new area, to which it will bring all of the competencies and capabilities of a national and integrated operator,” said Umberto Quadrino, Edison’s Chief Executive Officer. *“The new agreement created today between Edison and the municipal administration will bring benefits to all citizens of Palermo not only in terms of the supply of natural gas, but also in the residential electric power market, a business in which Edison entered over the past few weeks with a sales package that provides a significant, clear and guaranteed discount.”*

The envelope with Edison’s bid was opened this morning after the technical offer was given the green light by a special commission: Edison offered 25.1 million euros. The public bidding commission temporarily awarded the sale to Edison and the transaction was then approved by AMG Energia’s Board of Directors chaired by Dario Allegra. The transfer of the shares, which is subject to approval by the antitrust authorities, is expected to occur before the end of the current year.

Edison is one of Italy’s top energy companies, operating in the procurement, production and distribution of electric power and natural gas.

In the electric power area, Edison accounts for about 17% of Italy’s production and has a 20% market share of the sales to business customers.

The Company also has an integrated presence in the natural gas business, with a market share of about 16%. In recent years, Edison completed one of Europe’s most ambitious energy investment plans, with the goal of supporting rapid growth in the production of electric power from renewable sources, an area in which it will invest about 1 billion euros. Lastly, in recent weeks, the Company inaugurated in Rovigo the world’s first offshore regasification terminal (10% Edison, 45% Qatar Terminal Gnl and 45% ExxonMobil italiana gas) for the importation of liquefied natural gas. This facility will be used to import 8 billion cubic meters of natural gas a year, equal to 10% of Italian demand, thereby helping bridge the natural gas production gap that exists in Italy, a market where demand has been steadily increasing.

AMG Gas is company established pursuant to the Letta Decree, which launched the deregulation of the domestic market for natural gas, a process that requires the unbundling of natural gas sales and distribution operations. AMG Gas has a shareholders’ equity of almost 4 billion euros. It is the leading natural gas operator in the Palermo area with a 95% market share, equal to about 130,000 customers.

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