Edison Spa

Press Office
Foro Buonaparte, 31
20121 Milan - MI

Tel. +39 02 6222.7331
Fax +39 02 6222.7379
ufficiostampa@edison.it

EDISON

Press Release

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

Meeting today, Edison's Board approves the report on operations in the first half of 2004

EDISON: HIGHER UNIT SALES AND OPERATING RESULTS

Operating earnings before taxes up sharply compared with 2003, rising 53% to €176 million for the Group's core businesses and more than doubling to €189 million for the Group as a whole. Sales to customers in the deregulated market up 38%.

Milan, September 13, 2004 – The Board of Directors of Edison Spa, meeting today at the Company's Foro Buonaparte headquarters, approved the results of the Group's operations in the first half of 2004.

HIGHLIGHTS

Amounts in millions of euros	Core Businesses (Energy and Corporate)			Group		
	1st half 2004	1st half 2003	Δ	1st half 2004	1st half 2003	Δ
Net revenues	2,757	2,670	3.3%	3,187	3,277	(2.7%)
EBITDA	613	611	0.3%	626	606	3.3%
EBIT	302	282	7.1%	313	241	29.9%
Financial expense	(126)	(167)	(24.5%)	(124)	(171)	(27.5%)
Operating earnings before taxes and minority interest	**176**	**115**	**53.0%**	**189**	**70**	**170.0%**
Group interest in net income	**46**	**252**	**(81.7%)**	**53**	**141**	**(62.4%)**
Net indebtedness				3,977	4,088	(2.7%)

Core Businesses

The Group's core businesses reported strong demand for their products in the first half of 2004, with unit sales up more than 13.3% for electric power and 10.7% for natural gas. **Net revenues** increased at a slower rate, rising 3.3% to €2,757 million. This discrepancy is explained by less favorable benchmarking in the energy markets compared with the first six months of 2003. This was particularly true in the gas business, where a negative spread between the amount paid and the price charged for gas had a major impact on the bottom line.

At €613 million, **EBITDA** were little changed from the €611 million earned in the first half of 2003, but **EBIT** grew by 7.1% to €302 million (€282 million in the first six months of 2003). The Group's overall performance is the net result of healthy gains by the electric power operations, offset in part by a contraction in the natural gas business, which was affected by the factors discussed above.

The positive impact of the improvement in **EBIT** was magnified by a sizable drop in financial expense, which decreased by €41 million to €126 million, 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 €176 million, or 53% more than the €115 million earned in the first half of 2003. **Net income** totaled €46 million, compared with €252 million in the first six months of 2003, when the bottom line figure reflected the contribution of nonrecurring extraordinary items, chief among them the net gain of €320 million generated by the sale of the WDDM gas reserves in Egypt.

Electric Power

	1st half 2004	1st half 2003	Δ
Net revenues *(millions of euros)*	2,201	1,997	10.2%
Unit sales *(TWh)*	25.8	22.7	13.3%

In the first six months of 2004, net revenues grew to €2,201 million, up 10.2% from the €1,997 million booked in the same period last year. At €503 million, EBITDA were 14.3% higher than the €440 million earned in the first half of 2003.

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.

In addition to the rise in unit sales, EBITDA also benefited from an expansion in profit margins achieved by optimizing the target market mix. More specifically, while conventional sales (sales under CIP 6 contracts and sales to captive customers) held relatively steady, shipments to the other markets were up 37.8%. This increase is due primarily to higher sales to distributors who serve customers who opted to remain in the regulated market (so-called "Stove"), which absorbed 2.1 TWh, and trades in the newly established Electric Power Exchange, which accounted for 1.1 TWh.
In addition, the contract with Edipower enabled the Group to reduce the energy it purchases from other domestic producers by 58%, with clear benefits in terms of cost and supply reliability.

Hydrocarbons

	1st half 2004	1st half 2003	Δ
Net revenues *(millions of euros)*	1,109	1,115	(0.5%)
Unit sales *(billions of m^3)*	5.8	5.2	10.7%

In the first half of 2004, the natural gas operations generated revenues of €1,109 million, little changed from the €1,115 million booked in the same period last year. This limited decrease in revenues, which occurred despite a gain of 10.7% in unit sales, was caused by a reduction of 9.2% in the average price charged for natural gas. This price decline reflects the method used to compute gas sales prices, which uses the cost of benchmark fuels during the three to 12 months before the target six month period. In the first half of 2004, sales prices were based on fuel costs in the last quarter of 2003, which were less favorable than those used to compute prices in the first six months of 2003. This situation should reverse itself in the second half of this year. The narrower spread between the prices charged and the cost paid had a negative impact on EBITDA, which totaled €152 million at June 30, 2004, compared with €218 million in the first six months of 2003.

Progress Made in Implementing the Industrial Plan
The expansion of the Group's core energy businesses continued as planned during the first half of 2004.
On May 31, 2004, the electric power operations broke ground on a construction project in Simeri Crichi (CZ), where they are building an 800-MW combined-cycle power plant. Work on three other facilities continued on schedule during the first six months of 2004. These three power plants, which are located in Altomonte (Calabria), Candela (Puglia) and Torviscosa (Friuli Venezia Giulia), have a combined capacity of 2,000 MW.
The start of construction at the Simeri Crichi facility marks a sharp acceleration in the implementation of the capacity expansion and repowering plan, which calls for adding 8,000 MW in new generating capacity, with the goal of achieving 14,000 MW by 2008.
The projects pursued by the natural gas operations in the first half of 2004 included securing the permits needed to build an LNG regasification terminal in Rovigo with a

capacity of 8 billion cubic meters (together with ExxonMobil and Qatar Petroleum) and construct another LNG terminal in Rosignano Marittimo (together with Solvay and BP). In addition, the Group carried out the studies needed to build a new Algeria-Sardinia-Italy gas pipeline (together with Enelpower, Sonatrach and Winthershall).

The Group

Consolidated **net revenues** totaled €3,187 million, down slightly (-2.7%) from the first half of 2003 (€3,277 million). The deconsolidation of noncore operations sold in 2003 accounts for this decrease.

Overall, the noncore businesses that the Group continued to operate in 2004 (Tecnimont and IWH) posted positive results. At the consolidated level, **EBITDA** increased 3.3% to €626 million (€606 million in the first half of 2003), and **EBIT** grew by 29.9% to €313 million (€241 million in the first six months of 2003).

Operating earnings before taxes and minority interest of €189 million were more than double the €70 million reported in the first half of 2003. **Net income** totaled €53 million, down from €141 million in the first six months of 2003. The absence of extraordinary gains, such as those mentioned earlier in this press release, offset only in part by the deconsolidation of noncore operations (Antibioticos and EdisonTel), is the reason for this decrease.

Net Borrowings and Debt Restructuring

At June 30, 2004, consolidated indebtedness totaled €3,977 million, or €166 million less than the €4,143 million outstanding at December 31, 2003. This improvement was made possible primarily by the cash flow generated by the Group's core businesses, net of capital expenditures (€170 million) and financial expense.

The reduction in debt exposure caused the debt/equity ratio to fall to 0.65, compared with 0.69 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. Originally scheduled for €1 billion, 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 (EMNT) program that Edison's Board of Directors approved on November 11, 2003 for a maximum amount of €2 billion. After launching the EMNT program with the highly successful placement of €600 million in seven-year debt securities, Edison reopened the program in January 2004 with a €100-million tranche, which was floated on significantly better terms than the securities issued two months earlier.

A third placement of €500 million 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 finance the Company's 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 recurring operating earnings before taxes and minorities in excess of 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.

Significant Transactions Occurring After June 30, 2004

On July 9, 2004, Edison bought Ilva's 25% minority interest in Ise (Iniziative Sviluppo Energia). Further to an agreement executed at the end of May, the sale was completed at a price of €145 million. Prior to this transaction, Ise distributed to its stockholders reserves totaling €260 million, €65 million of which went to Ilva.
At the end of July, both companies approved a proposal to merge by absorption Ise into Edison. The merger will take place after Edison has acquired from Finel (60% Edison, 40% Edf) the 75% of Ise it does not own.
This transaction is part of a corporate simplification program that the Group is implementing.

On July 30, 2004, Edison signed a contract selling its high-pressure gas transmission business, which is operated by Edison T&S and its SGM subsidiary, to an Italian private equity fund managed by Clessidra Sgr. Counting the deconsolidation of the assigned debt, this sale, which closed on September 7, 2004, improved the Group's net financial position by €190 million, producing a sizable financial benefit of €30 million.

As explained in the Semiannual Report, on July 28, 2004, the Board of Directors approved the Organizational Model adopted by Edison S.p.A. for the purpose of shielding the Company from administrative liability pursuant to Legislative Decree No. 231/2001.

The Semiannual Report was the subject of a limited audit.

The Semiannual Report at June 30, 2004 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, 2004. As of that date, it may also be consulted at the group's website: www.edison.it

Edison Group– Reclassified Statement of Income

(in millions of euros)

2003			1st half 2004	1st half 2003
6,287	**A.**	**Net revenues**	**3,187**	**3,277**
(12)		Changes in inventory of work in progress, semifinished goods and finished goods	16	(8)
9		Increase in company-produced additions to fixed assets	3	4
6,284	**B.**	**Production value**	**3,206**	**3,273**
(4,896)		Raw materials and outside services (-)	(2,456)	(2,512)
1,388	**C.**	**Value added**	**750**	**761**
(285)		Labor costs (-)	(124)	(155)
1,103	**D.**	**EBITDA**	**626**	**606**
(688)		Depreciation, amortization and writedowns (-)	(313)	(365)
415	**E.**	**EBIT**	**313**	**241**
(283)		Net financial expense	(124)	(171)
(20)		Interest in the result of companies valued by the equity method and dividends received from companies valued at cost	26	(74)
3		Other income (expense), net	2	(1)
115	**F.**	**Income (loss) before extraordinary items and taxes**	**217**	**(5)**
543		Extraordinary income (expense)	(19)	536
658	**G.**	**Income before taxes and minority interest**	**198**	**531**
(424)		Income taxes	(92)	(346)
	H.	**Net income**		
90		**Minority interest in net income**	**53**	**44**
144		**Group interest in net income**	**53**	**141**

Edison Group– Reclassified Balance Sheet

(n millions of euros)

12/31/03				6/30/04	6/30/03
	A.	**FIXED ASSETS**			
4,017		Intangibles		3,887	4,289
5,555		Property, plant and equipment		5,498	5,885
1,235		Financial fixed assets		1,255	842
10,807				**10,640**	**11,016**
	B.	**NET WORKING CAPITAL**			
2,770		Inventories		3,004	2,420
1,096		Trade accounts receivable		1,033	1,050
1,226		Other assets		986	1,533
(3,524)		Trade accounts payable and advances on contract work in process (-)		(3,580)	(3,253)
(1,374)		Reserves for risks and charges (-)		(1,401)	(1,634)
(783)		Other liabilities (-)		(511)	(1,016)
(589)				**(469)**	**(900)**
10,218	**C.**	**INVESTED CAPITAL, NET OF OPERATING LIABILITIES**	**(A+B)**	**10,171**	**10,116**
(62)	**D.**	**RESERVE FOR EMPLOYEE SEVERANCE INDEMNITIES (-)**		**(63)**	**(64)**
10,156	**E.**	**NET INVESTED CAPITAL**	**(C-D)**	**10,108**	**10,052**
		Covered by:			
6,013	**F.**	**STOCKHOLDERS' EQUITY (before minority interest)**		**6,131**	**5,964**
	G.	**NET BORROWINGS**			
3,091		Long-term debt		2,795	2,543
(9)		Long-term financial assets (-)		(6)	(20)
1,649		Short-term borrowings		1,706	2,002
(588)		Short-term financial assets (-)		(518)	(437)
4,143				**3,977**	**4,088**
10,156	**H.**	**TOTAL COVERAGE SOURCES**	**(F+G)**	**10,108**	**10,052**