



# **First Half 2005 Preliminary Results**

**July 28<sup>th</sup>, 2005**

# Agenda

## ■ Business environment

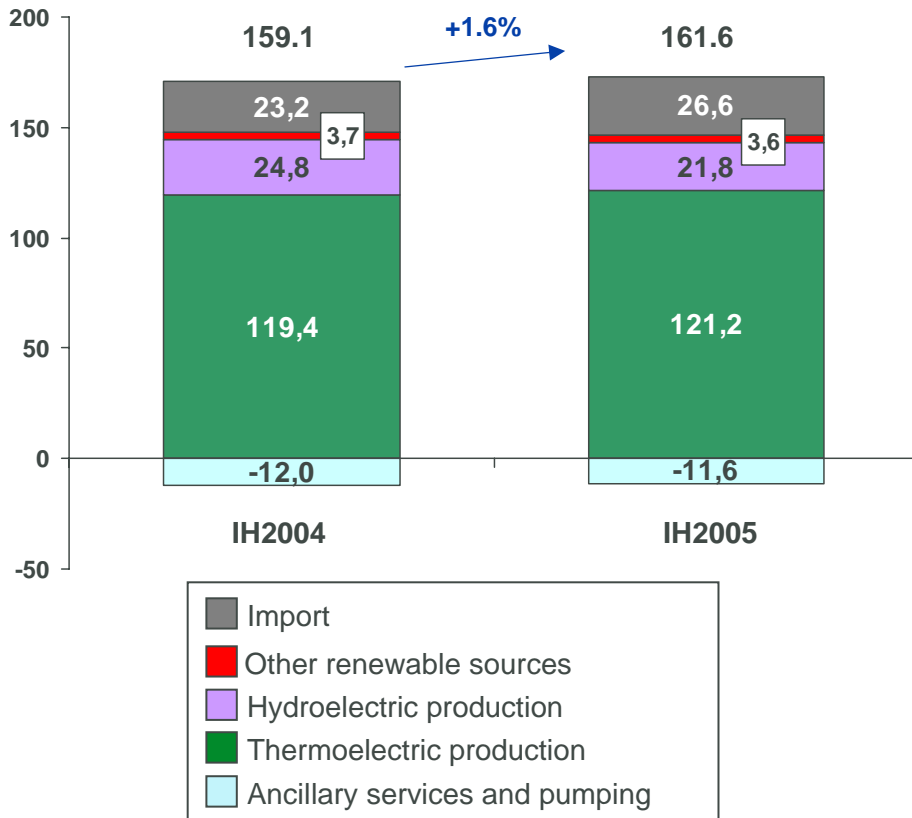
## ■ First Half 2005 preliminary results :

- Group consolidated results
- Core business operating performance and financial highlights
- Debt evolution

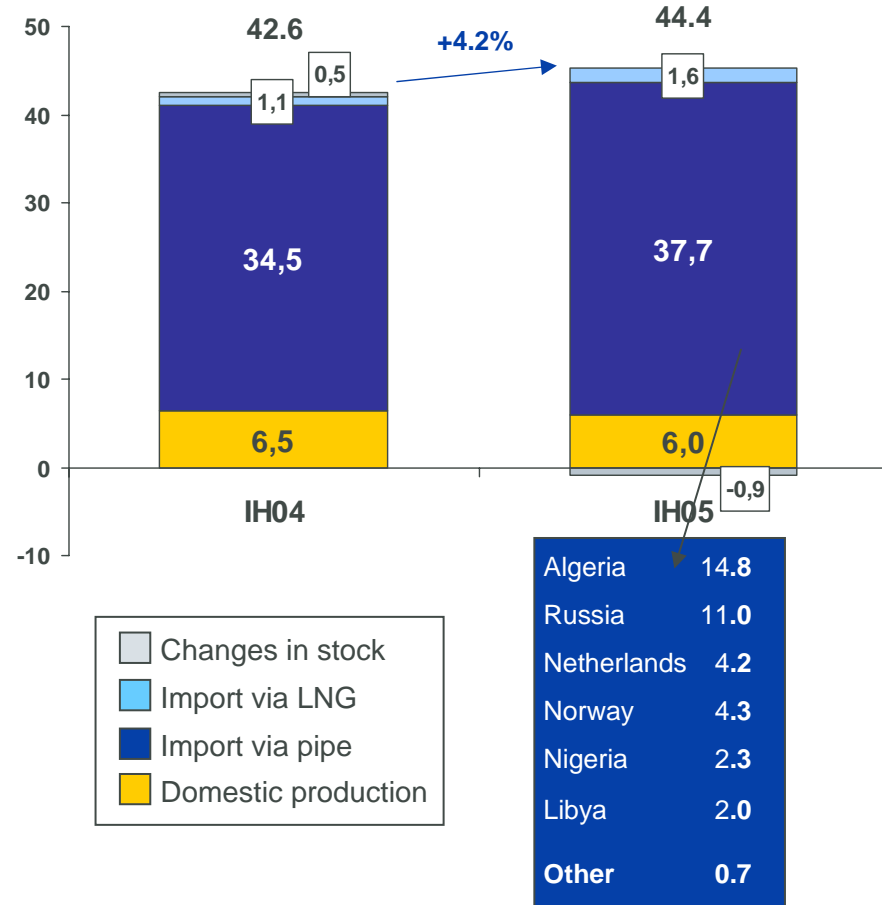
## ■ Update in electricity investment program and gas supply evolution

# Electric power availability mix and gas supply sources in Italy

## Electricity supply mix (TWh) (\*)



## Gas supply mix (bcm)



(\*) Gross of losses

Source: GRTN

Source: MAP and Edison estimates

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# Group consolidated IH 2005 statement of income

(€ mln)

FY2004 IAS		1H05 IAS	1H04 IAS	Δ
5,627	Sales	3,556	2,858	+698
1,475	EBITDA	604	704	-100
26.2	% on sales	17.0	24.6	
815	EBIT	322	433	-111
14.5	% on sales	9.1	15.2	
(310)	Net financial expenses	(123)	(152)	-29
5	Other income/expenses	48	(8)	+56
510	Result before taxes and minority interests	247	273	-26
(88)	Taxes	(43)	(71)	-28
(68)	Minority interests in net income	(9)	(49)	-40
354	Group net income	195	153	+42

**Sales** were up 24.4% due to higher gas volumes sold and a positive trend of average gas and electricity selling prices.

**EBITDA** decreased by 14.2%, in line with expectations, mainly as a result of CIP 6 lower earnings for the expiration of incentives (around 70 million) and some interruptions in operations due to ordinary and extraordinary maintenance.

The operating performance in deregulated markets, driven by a substantial steadiness in margins on sales and the positive impact of gas volumes and electricity volumes sold in the free market, has allowed to balance other non recurring external factors as the changes in the seasonal distribution of peak hours, introduced by the Energy Authority, and the charges accrued for the use of strategic gas reserves in the first quarter '05.

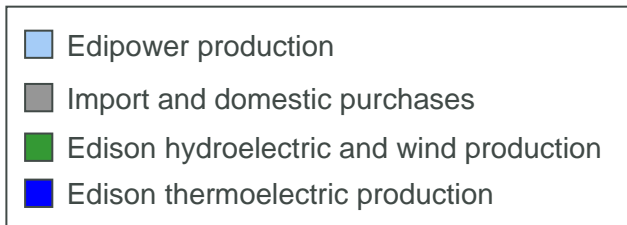
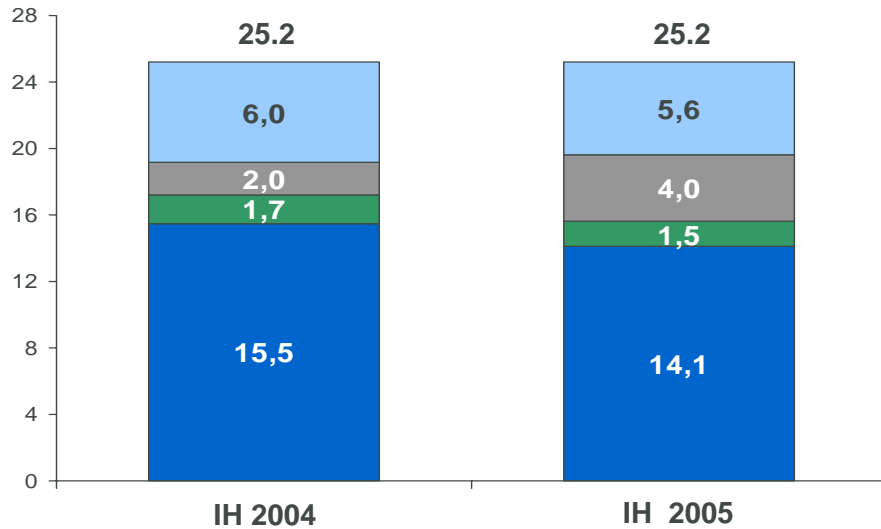
The **Group net result** posted an increase of 27.5% through a continuous enhancement of the company's financial and corporate structure which has produced a decline in financial expenses and taxes.

# Edison group IH2005 financial highlights by business

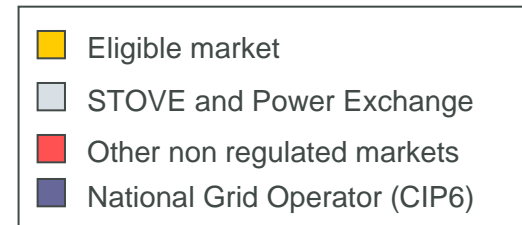
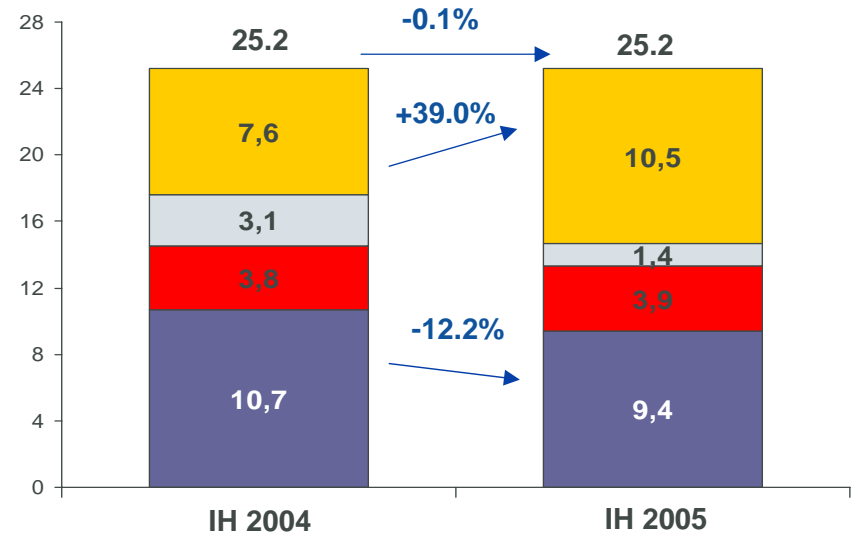
<i>(€ mln)</i>	Core Business		Non Core		Consolidated	
	IH2005 IAS	IH2004 IAS	IH2005 IAS	IH2004 IAS	IH2005 IAS	IH2004 IAS
<b>Sales</b>	<b>3,060</b>	<b>2,643</b>	<b>496</b>	<b>215</b>	<b>3,556</b>	<b>2,858</b>
<b>EBITDA</b>	<b>590</b>	<b>693</b>	<b>14</b>	<b>11</b>	<b>604</b>	<b>704</b>
<i>% on sales</i>	<i>19.3%</i>	<i>26.2%</i>	<i>2.8%</i>	<i>5.1%</i>	<i>17.0%</i>	<i>24.6%</i>
Depreciation & amort.	(279)	(268)	(3)	(3)	(282)	(271)
<b>EBIT</b>	<b>311</b>	<b>425</b>	<b>11</b>	<b>8</b>	<b>322</b>	<b>433</b>
<i>% on sales</i>	<i>10.2%</i>	<i>16.1%</i>	<i>2.2%</i>	<i>3.7%</i>	<i>9.1%</i>	<i>15.2%</i>
<b>Result before taxes and minorities</b>					<b>247</b>	<b>273</b>
<b>Group net income</b>					<b>195</b>	<b>153</b>

# Edison Group operating performance in the electricity market

## Power availability mix (TWh) (a)



## Power sales mix (TWh) (a)



(a) Net of losses and settlements with National Grid Operator (GRTN)

## Electric power – key financial data (IAS compliant)

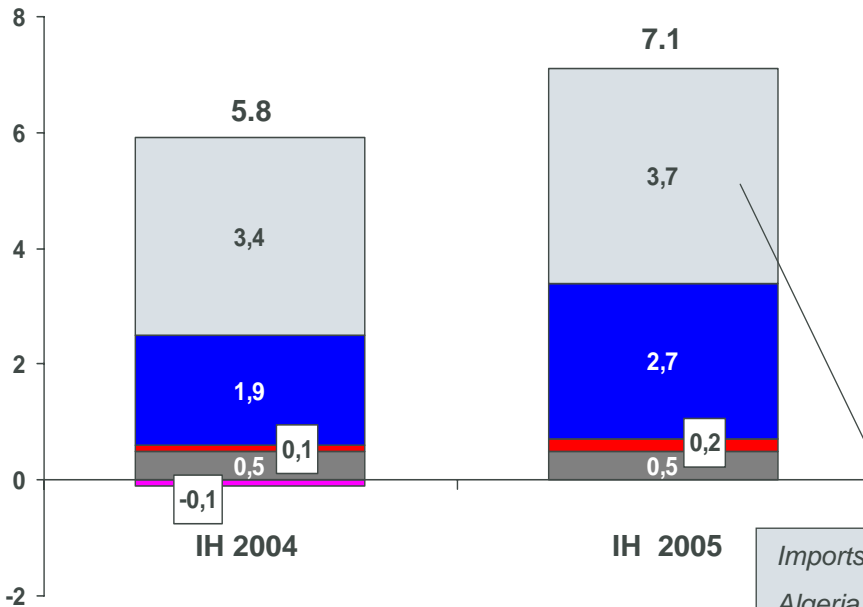
(€ mln)	1H05	1H04	Δ % 1H05 / 1H04
<b>Sales</b>	<b>2,268</b>	<b>2,098</b>	<b>+8.1</b>
<b>EBITDA</b>	<b>475</b>	<b>577</b>	<b>-17.7</b>
<i>% on sales</i>	<i>20.9</i>	<i>27.5</i>	
<b>EBIT</b>	<b>244</b>	<b>362</b>	<b>-32.6</b>
<i>% on sales</i>	<i>10.8</i>	<i>17.3</i>	

- Edison thermoelectric production and Edipower production decreased by 8.9% and 7.8% respectively due to non recurrent events as ordinary and extraordinary maintenance carried out in some plants for longer periods of time than last year. Edison hydroelectric production declined by 15.2% due to lower precipitations than in IH04.
- Sales volumes were substantially in line with IH04 due to the combined effect of a 39% increase of electricity sold to eligible clients – significantly higher than the growth of the reference market -, a 12.2% decrease of CIP6 sales due to lower production and more than halved sales to the power exchange vis à vis comparable sales (STOVE and IPEX) in IH04.
- Despite flat sales volumes, sales increased by 8.1% reflecting higher electricity average sales prices and the contribution of revenues in the dispatching services market (MSD).
- The 17.7% decrease in EBITDA is mainly due to the reduction in earnings from CIP 6 operations (expiration of incentives for around 70 million and the impact of the above mentioned ordinary and extraordinary maintenance). The increase in volumes sold and the steadiness of margins on sales in the deregulated markets have more than offset the impact of other “one time” external factors, as the changes in the seasonality of peak hours.



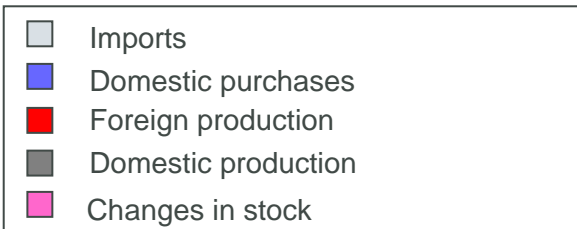
# Edison Group operating performance in the gas market

## Gas availability mix (bcm)

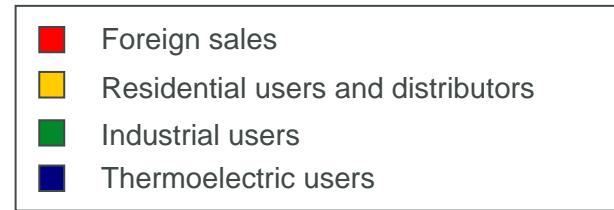
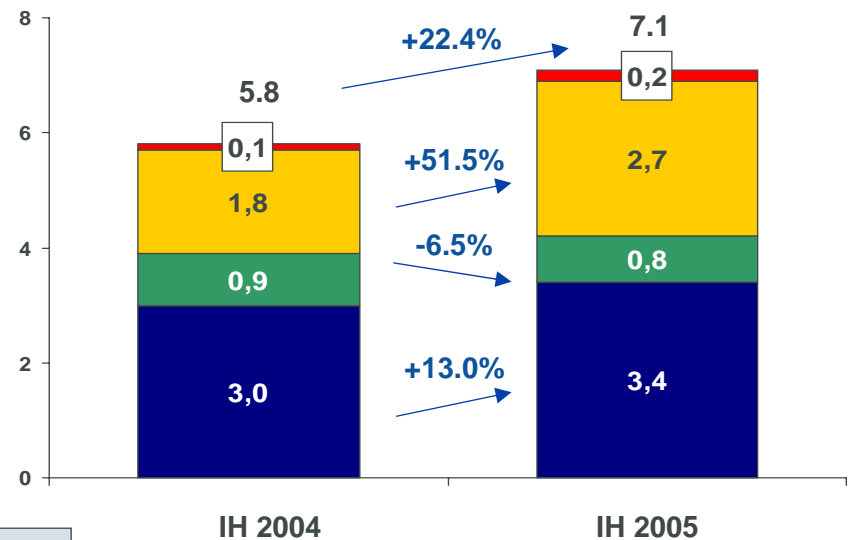


Imports from:

- Algeria 0,4 bcm
- Libya 1,3 bcm
- Russia 0,9 bcm
- Norway 0,7 bcm
- Spot 0,4 bcm



## Gas sales mix (bcm)



**Edison share of total Italian gas sales 16%**

## Hydrocarbons – key financial data (IAS compliant)

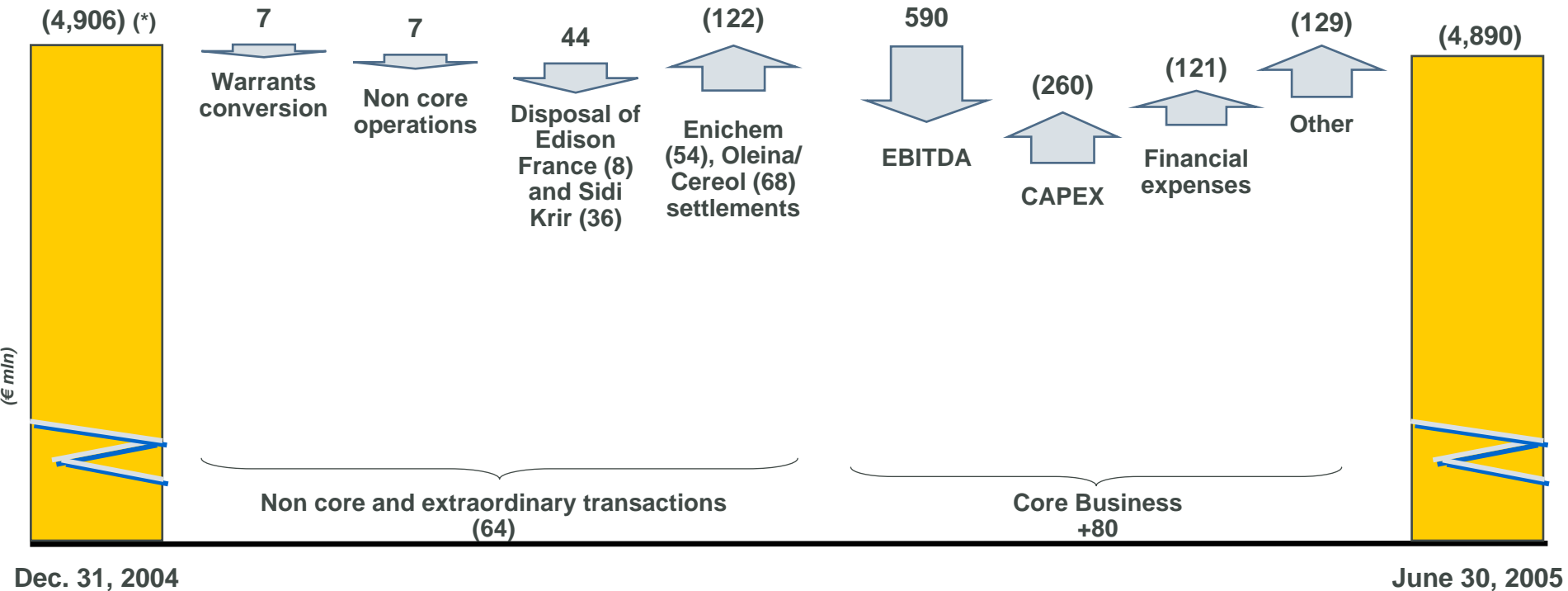
(€ mln)	1H05	1H04	Δ % 1H05 / 1H04
<b>Sales</b>	<b>1,573</b>	<b>1,093</b>	<b>+43.9</b>
<b>EBITDA</b>	<b>154</b>	<b>158</b>	<b>-2.5</b>
<i>% on sales</i>	<i>9.8</i>	<i>14.5</i>	
<b>EBIT</b>	<b>110</b>	<b>108</b>	<b>+1.9</b>
<i>% on sales</i>	<i>7.0</i>	<i>9.9</i>	

- The increase of 22.4% in gas sales volumes was driven by:
  - higher sales to residential users (+51.5%)
  - higher sales to thermoelectric users (+13%), through the replacement of outside purchases with Edison supplies to some of its own thermoelectric plants
- Sales posted a 43.9% increase yoy as a result of higher volumes sold and a positive trend of average gas selling prices.
- Despite the high increase in sales volumes, EBITDA slightly decreased due to the cost of using the strategic gas reserves in the first quarter and the impact of the sale of the transmission activity.

The positive impact of higher volumes sold would have allowed to post a significant improvement in gas margins vis-à-vis the previous year excluding the above mentioned “one time” effects.

# Edison group debt evolution

## Changes in consolidated net financial position IAS compliant

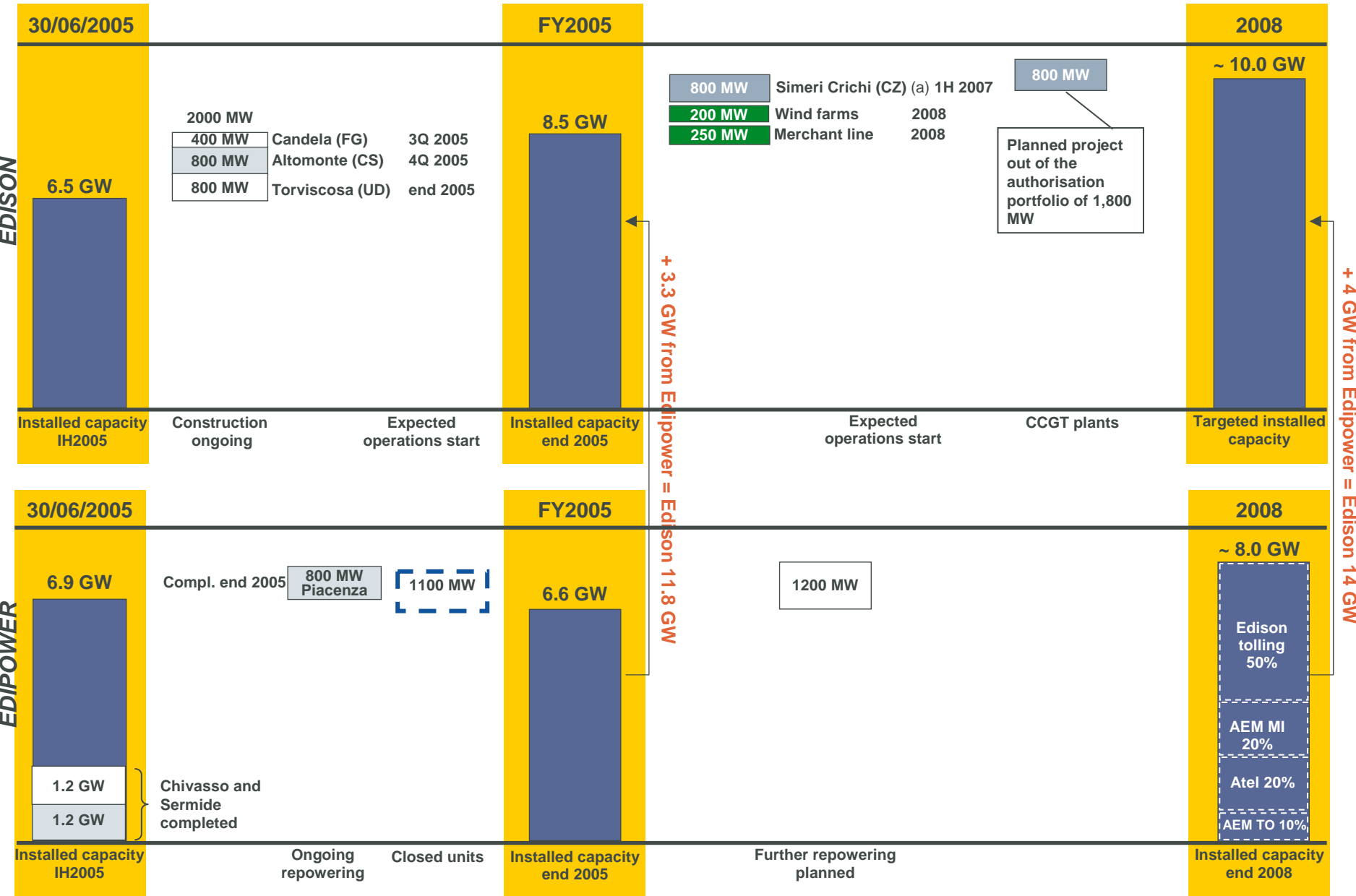


(\*) Restated IAS compliant

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# Edison growth strategy – progress in the investment program



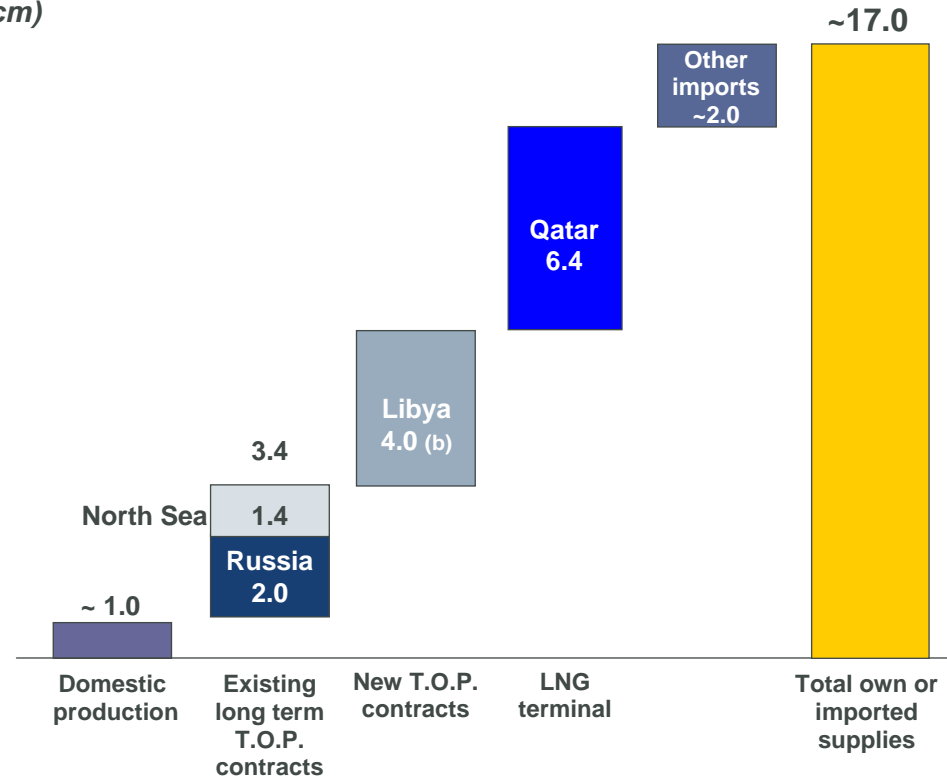
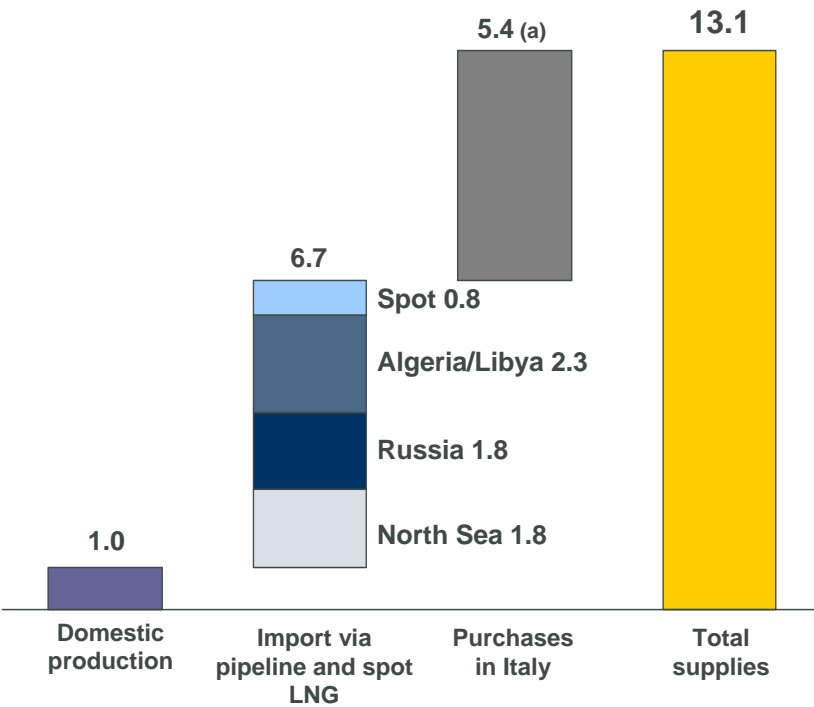
(a) Construction in process

# Development of Edison gas sources in Italy

Edison gas supply mix in 2004

Edison gas supply mix at 2008

(Bcm)



(a) Including 1-1.5 bcm of purchases from other domestic sources.  
 (b) Plateau level reached by 2006.

Gas supply strategy aims at replacing gas purchases from ENI in Italy with a diversified supply portfolio based on own sources and long term contracted volumes, in order to enhance Edison growth in the electricity business and to sustain the penetration in the free market.

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