



**First Quarter 2004 results  
and strategic update**

**May 2004**

# Agenda

## ■ Edison restructuring process

### ■ Edison today:

- competitive position and new business structure
- first quarter 2004 results

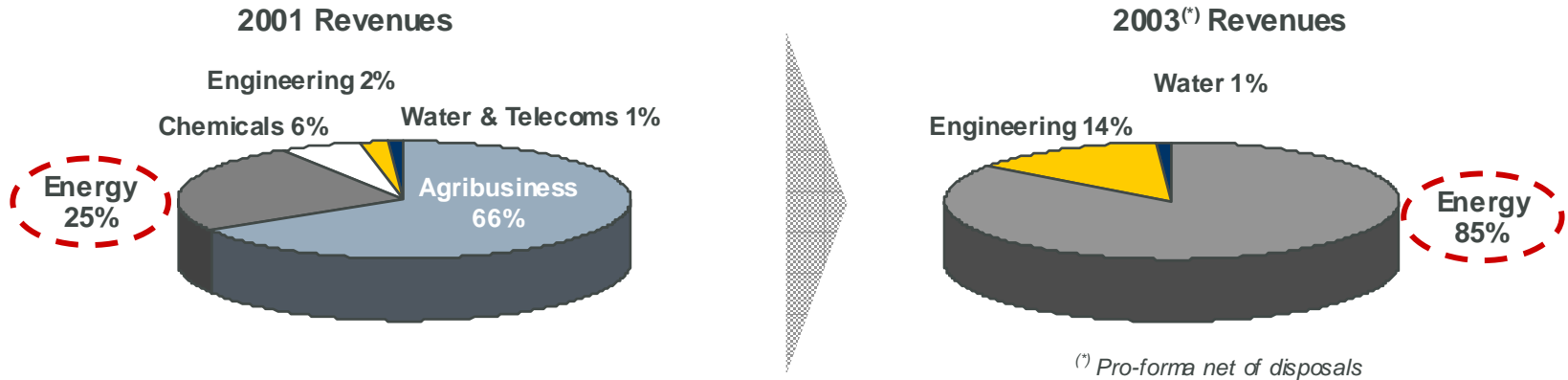
### ■ Edison growth strategy in a changing environment :

- electric power
- gas
- commercial operations

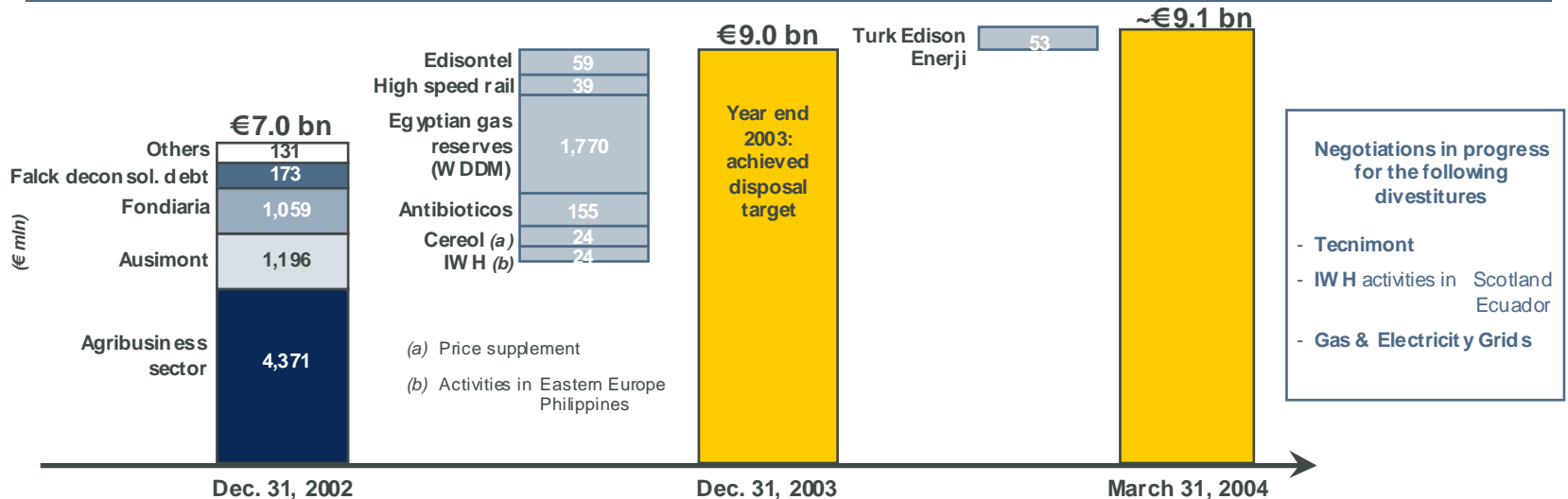
### ■ Capital and shareholding structure

# Restructuring program completed

## REFOCUS ON CORE BUSINESS

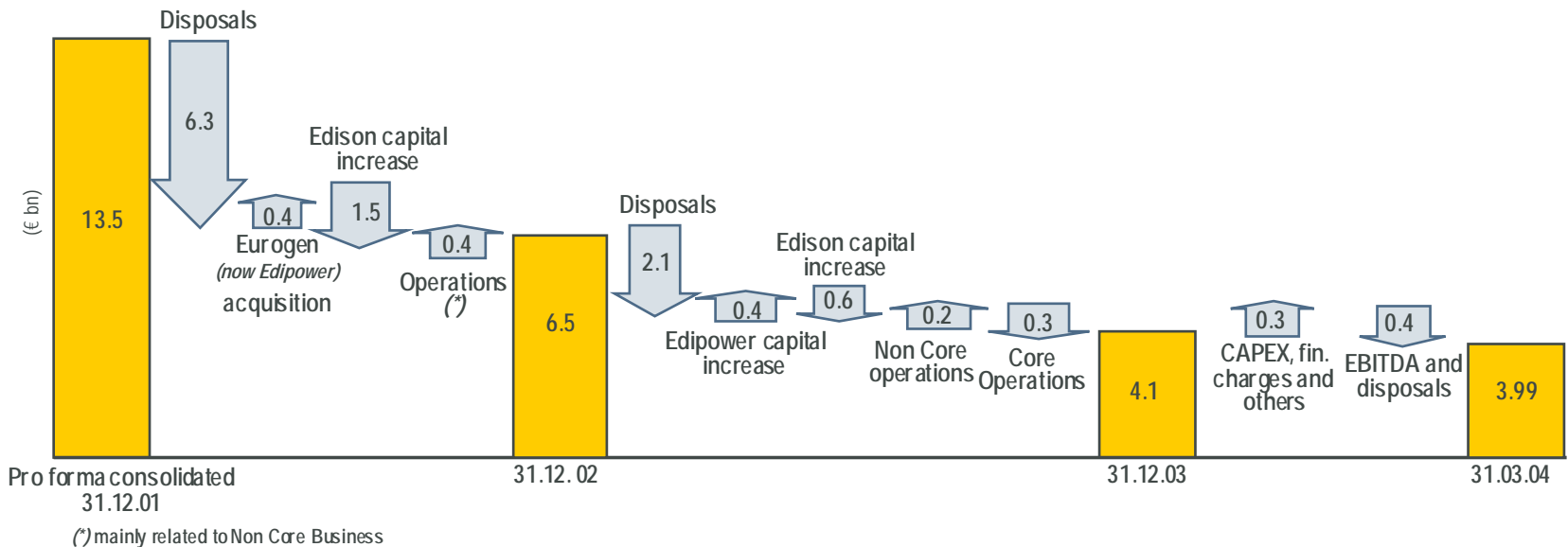


## NON CORE ASSETS DIVESTITURE PROGRAM COMPLETED



# Edison financial restructuring

## CONSOLIDATED DEBT EVOLUTION



Credit ratios	Consolidated			Core Business	
	2001	2002	2003	2002	2003
Debt / Equity (*)	2.26	1.24	0.69	1.25	0.75
Net debt / EBITDA	6.79	4.02	3.76	6.21	4.01
EBITDA / Net financial charges	3.39	2.50	3.90	2.00	3.84

(\*) As of March 31st, 2004 Consolidated and Core Business Debt / Equity ratios are respectively 0.65 and 0.73

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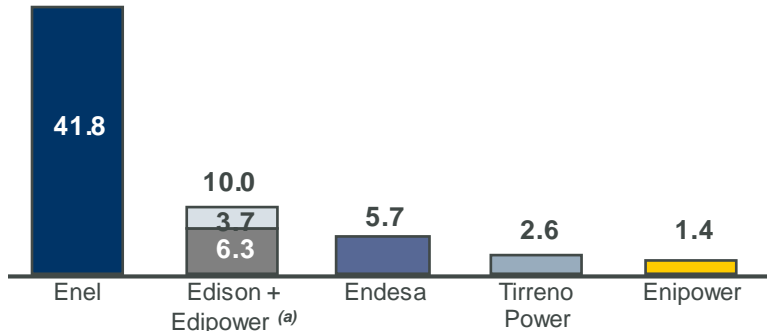
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# Edison position in the electric power market

## 2003 installed capacity in Italy (Gw)

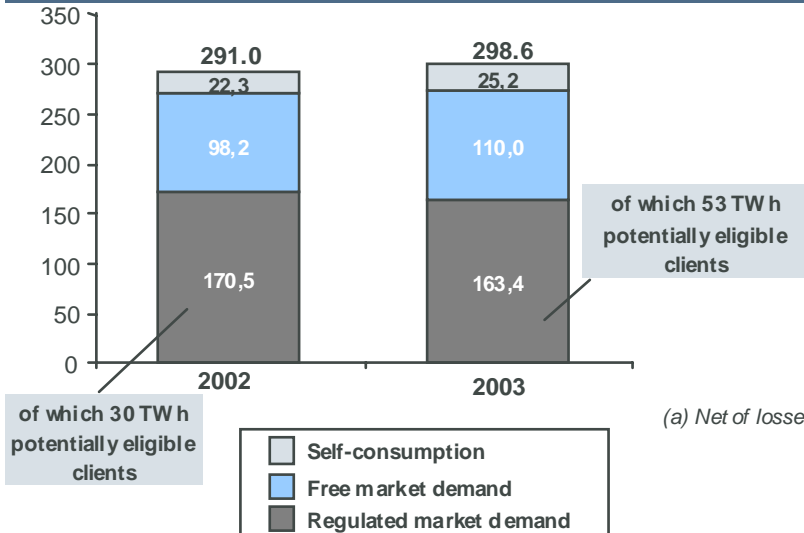


(a) Pro-quota EDISON through tolling agreement

## 2003 Edison Group installed capacity (Mw)

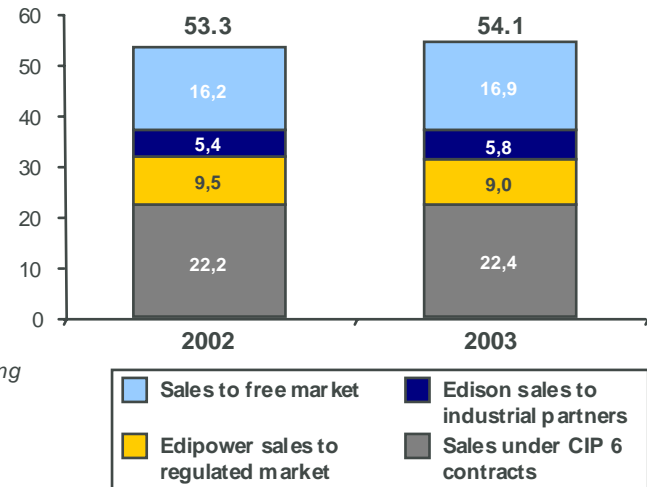
	Edison standalone	Edipower (Edison %)	Total Edison 2003	%
Thermoelectric	4,750	3,315	8,065	80%
Hydroelectric	1,400	390	1,790	18%
Wind	190		190	2%
<b>Total</b>	<b>6,340</b>	<b>3,705</b>	<b>10,045</b>	<b>100%</b>

## Italian power demand mix (TWh) (a)



(a) Net of losses and pumping

## Edison Group power sales mix (TWh) (a)



Edison share on domestic net available production in 2003

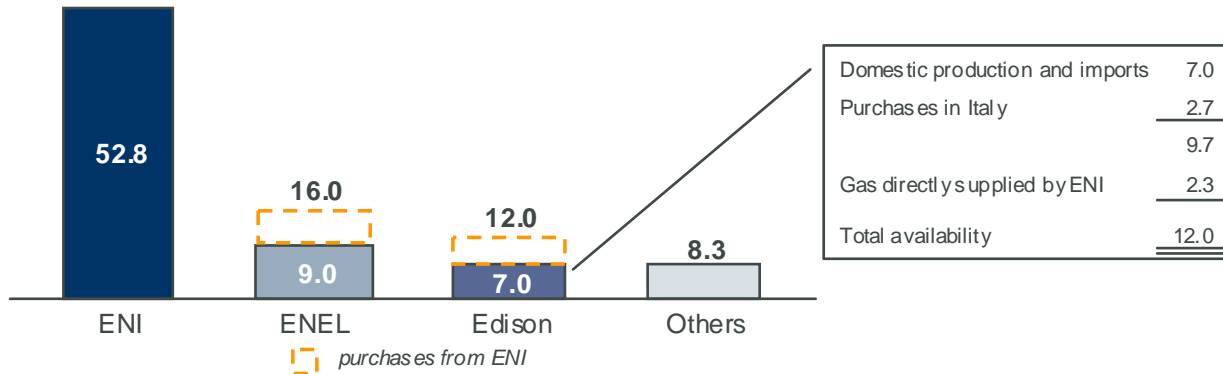
18% including Edipower

Edison free market share in 2003

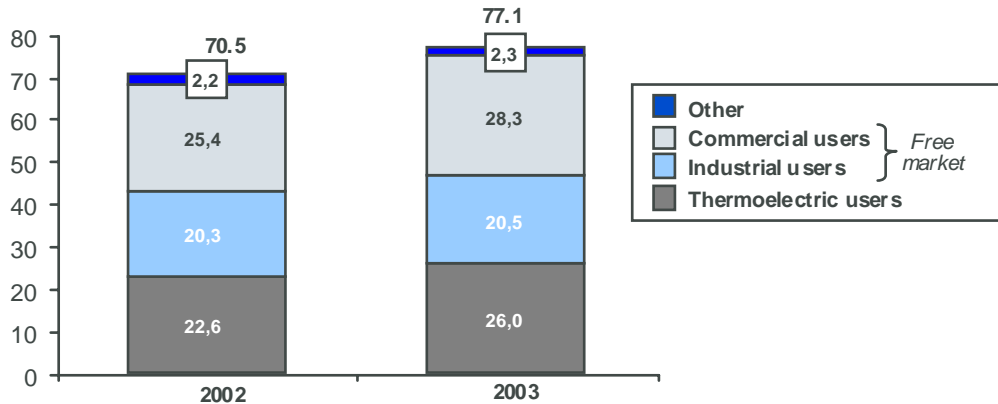
15% on actually liberalized market

# Edison position in the gas market

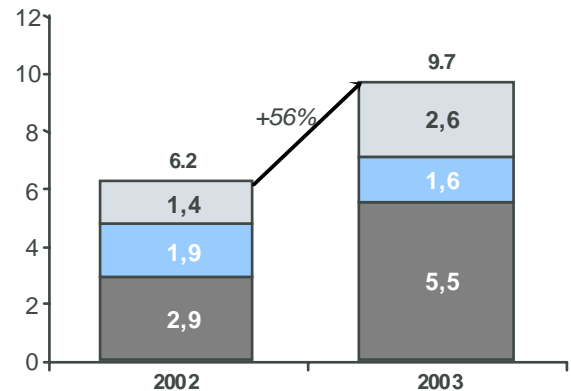
## 2003 Italian supply (production and import) – bcm



## Italian gas demand mix (bcm)



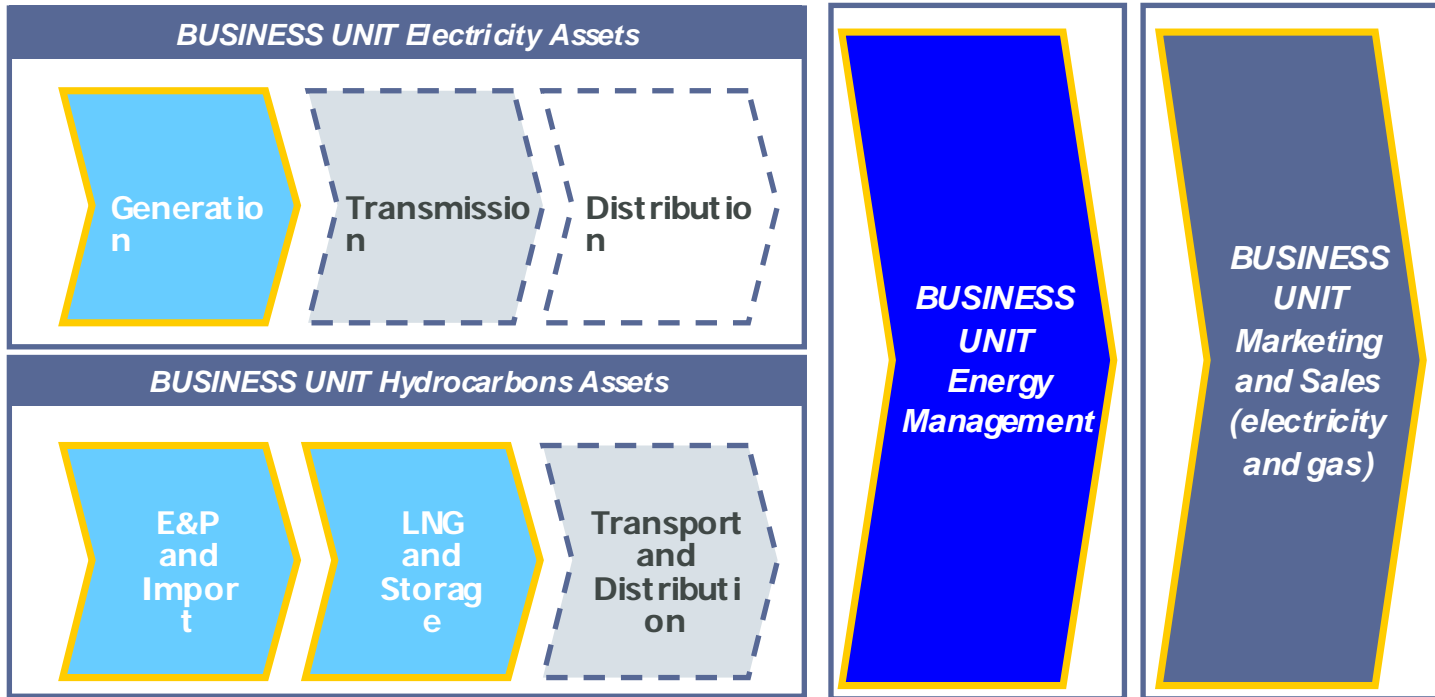
## Edison gas sales (bcm) (a)



(a) Excluding Edison gas foreign production and sales 0.3-0.4 bcm p.a.

Edison share of total Italian gas sales from 9% in 2002 to 13% in 2003

# Edison new business structure



Edison core business
  Activities to be possibly dismissed by Edison
  Business areas where Edison does not operate



# IQ 2004 income statement

(€ mln)

Core business		Core Business		
FY2003		IQ04	IQ03	Δ%
5,141	Net revenues	1,504	1,497	+ 0.5
1,087	EBITDA	353	330	+ 7.0
21.1	% on revenues	23.5	22.0	
439	EBIT	193	181	+ 6.6
8.5	% on revenues	12.8	12.1	
(283)	Net financial expenses	(66)	(90)	- 26.7
11	Other operating income/ (expenses)	8	4	n.s.
167	Income before taxes, extr. items and minorities	135	95	+ 42.1
671	Extraordinary items	(3)	(8)	n.s.
838	Income before taxes and minority interests	132	87	+ 51.7
(409)	Taxes	(67)	(104)	- 35.6
90	Minority interests	28	24	+16.7
339	Group net result	37	(41)	ns

Volumes posted an increase of more than 17% both in electricity and gas, while revenues were flat mainly for the impact of the strengthening of the euro and the trend of benchmark fuel prices on selling prices in both sectors

Increase in EBITDA and in EBIT of around 7% due to the increase in volumes, made possible in part by the implementation of the tolling agreement with Edipower, the optimization of the sales mix and lower overhead.

Reduction of 27% in financial expenses driven by the reduction of debt and the lower cost of money related to the Group's improved standing in financial markets.

45 million euros year on year improvement in profit before taxes.

78 million euros year on year improvement in Group net income

## Electric power IQ04 key financial data

### P&L highlights

FY2003	(€ mln)	IQ04	IQ03	Δ %
3,889	Net revenues	1,128	1,024	+ 10.1
826	EBITDA	280	226	+ 23.9
21.2%	% on sales	24.8%	22.1%	

### Sales volumes (million kWh)

	IQ04	IQ03	Δ %
National Grid Operator (CIP6)	5,912	5,808	+ 1.8
Free market, w wholesalers and regulated market (STOVE)	6,240	4,232	+ 47.5
Industrial partners and other sales	<u>1,325</u>	<u>1,404</u>	- 5.6
<b>Total sales volumes</b>	<b><u>13,477</u></b>	<b><u>11,444</u></b>	<b>+ 17.8</b>

#### Available from :

Thermoelectric production	8,285	8,202	+ 1.0
Hydroelectric and wind production	598	955	- 37.4
Import & purchases from domestic producers	1,287	2,084	- 38.2
Purchases from Edipower	3,307	203	

# Hydrocarbons IQ04 key financial data

## P&L highlights

FY2003	(€ mln)	IQ04	IQ03	Δ %
2,097	Net revenues	662	668	- 0.9
362	EBITDA	86	123	- 30.1
17.3%	% on sales	13.0%	18.4%	

## Sales volumes (million c.m.)

	IQ04	IQ03	Δ %
Residential users and distributors	1,356	1,194	+ 13.6
Industrial users	496	436	+ 13.8
Thermoelectric users	1,551	1,235	+ 25.6
Foreign sales	58	79	- 26.6
<b>Total sales volumes</b>	<b>3,461</b>	<b>2,944</b>	<b>+ 17.6</b>
<b>Supplied by:</b>			
Own production	325	377	- 13.8
Import	1,605	1,508	+ 6.4
Domestic purchases	1,531	1,059	+ 44.6
	3,461	2,944	
Thermoelectric volumes directly supplied to power plants	514	832	- 38.2
<b>Total gas consumption</b>	<b>3,975</b>	<b>3,776</b>	<b>+ 5.3</b>

# Edison group IQ04 consolidated balance sheet and cash flow

Consolidated balance sheet			
FY2003	(€ mln)	IQ04	IQ03
4,017	Intangibles	3,952	4,996
5,555	Property, plant and equipment	5,461	6,560
1,235	Financial fixed assets	1,244	961
<b>10,807</b>	<b>Total fixed assets</b>	<b>10,657</b>	<b>12,517</b>
(589)	Net working capital	(498)	(750)
(62)	Staff leaving indemnities	(63)	(78)
<b>10,156</b>	<b>Net invested capital</b>	<b>10,096</b>	<b>11,689</b>
	<i>Financed by</i>		
6,013	Shareholders' equity	6,104	5,180
800	(of which minorities)	826	768
4,143	Net financial indebtedness	3,992	6,509
<b>10,156</b>	<b>Total coverage sources</b>	<b>10,096</b>	<b>11,689</b>

Consolidated cash flow	
(€ mln)	IQ04
EBITDA	358
Change in working capital and other asset / liabilities	(137)
<b>Operating cash flow</b>	<b>221</b>
Capital expenditures	(55)
Financial investments	(13)
Proceeds from asset disposals	15
Dividends received	1
<b>Free cash flow</b>	<b>169</b>
Financial expenses	(65)
Contributions of capital stock and reserves	25
Changes in consolidation area	22
<b>Cash flow available for debt service</b>	<b>151</b>

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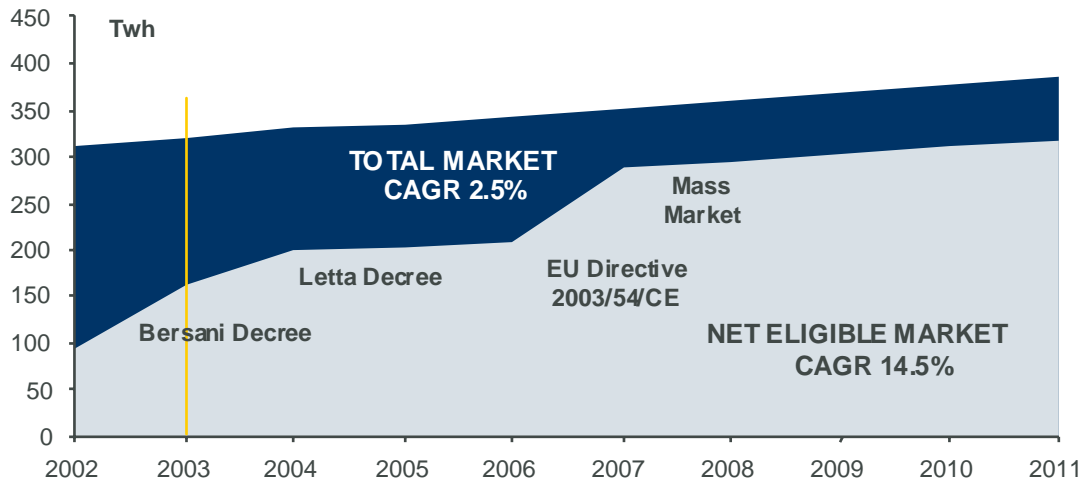
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## ■ Capital and shareholding structure

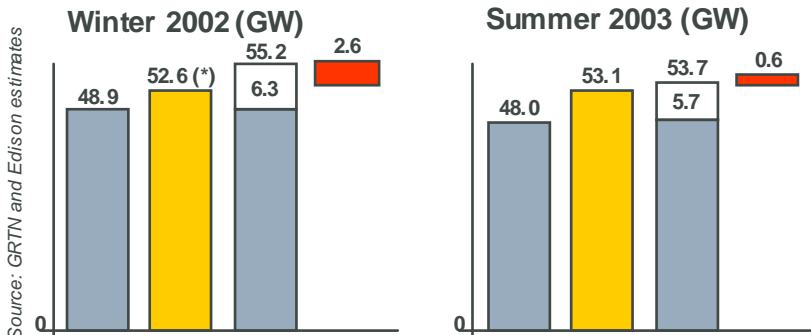
# Business overview - dynamics in the electricity market

## A fast growing liberalising market



Source: Edison estimates based on GRTN data

## Black out risk

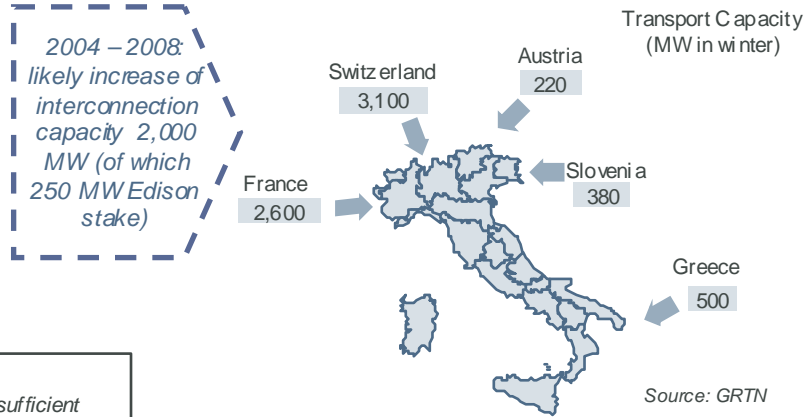


(\*) Winter 2003 new record peak demand of 53.4 GW



In 2002 – 2003:  
 - reserve margin insufficient  
 - need for 10% reserve margin to cover black out risk

## Interconnection capacity

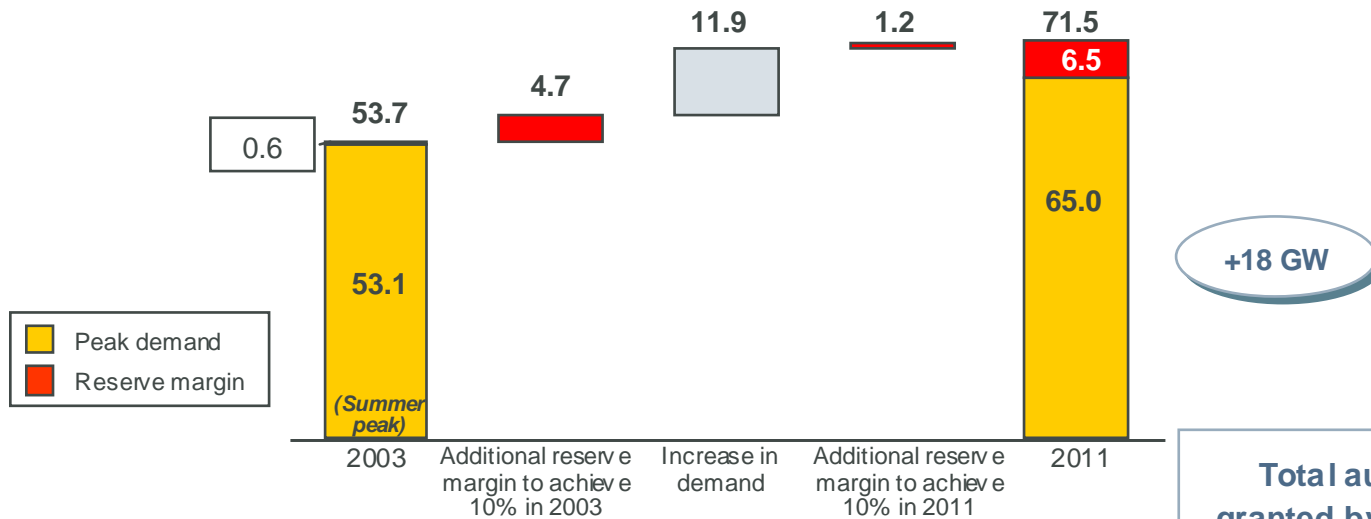


Source: GRTN



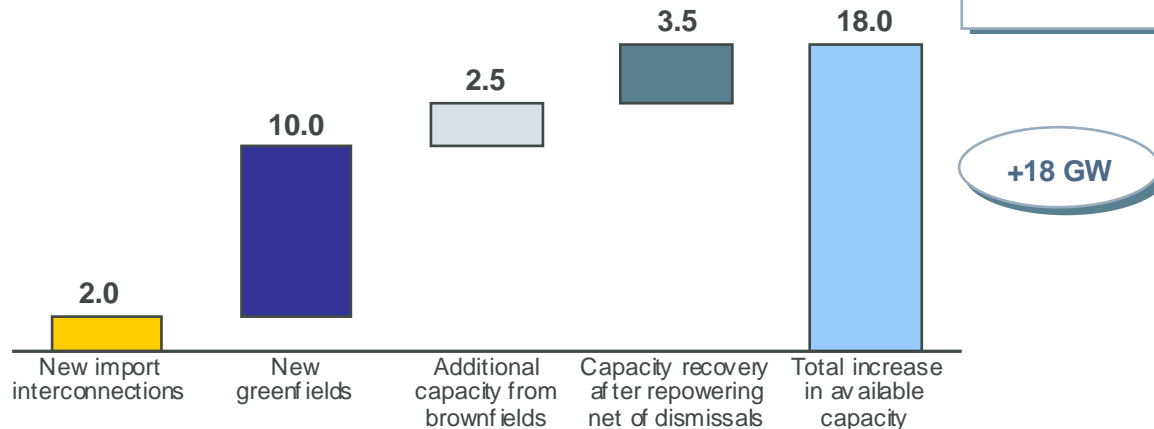
# Business overview - dynamics in the electricity market

## Increasing capacity requirements 2004 - 2011



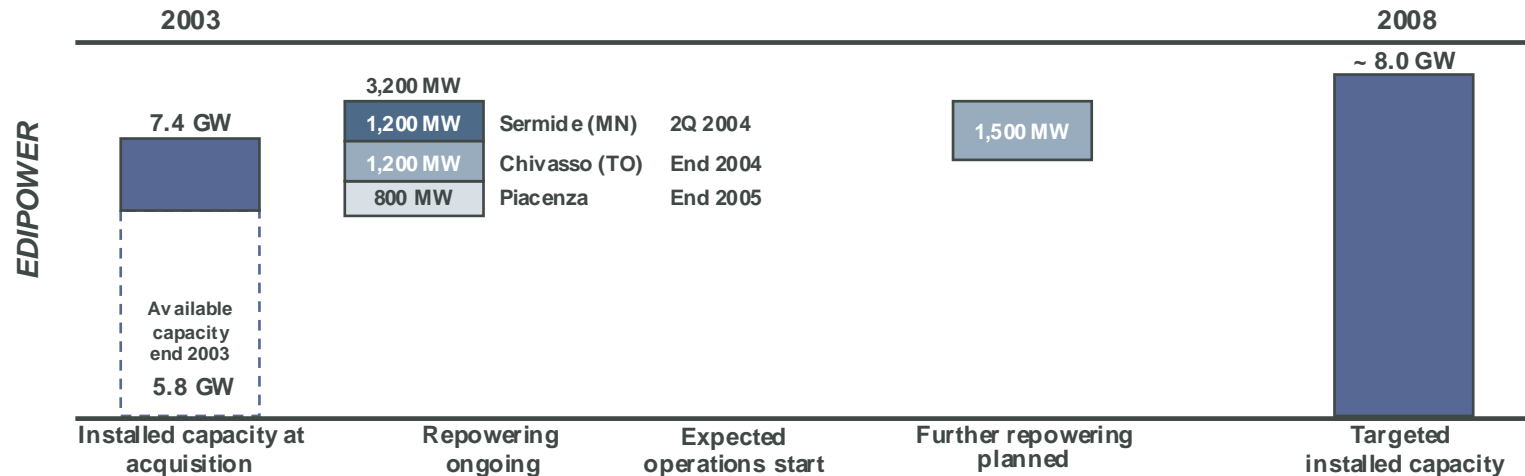
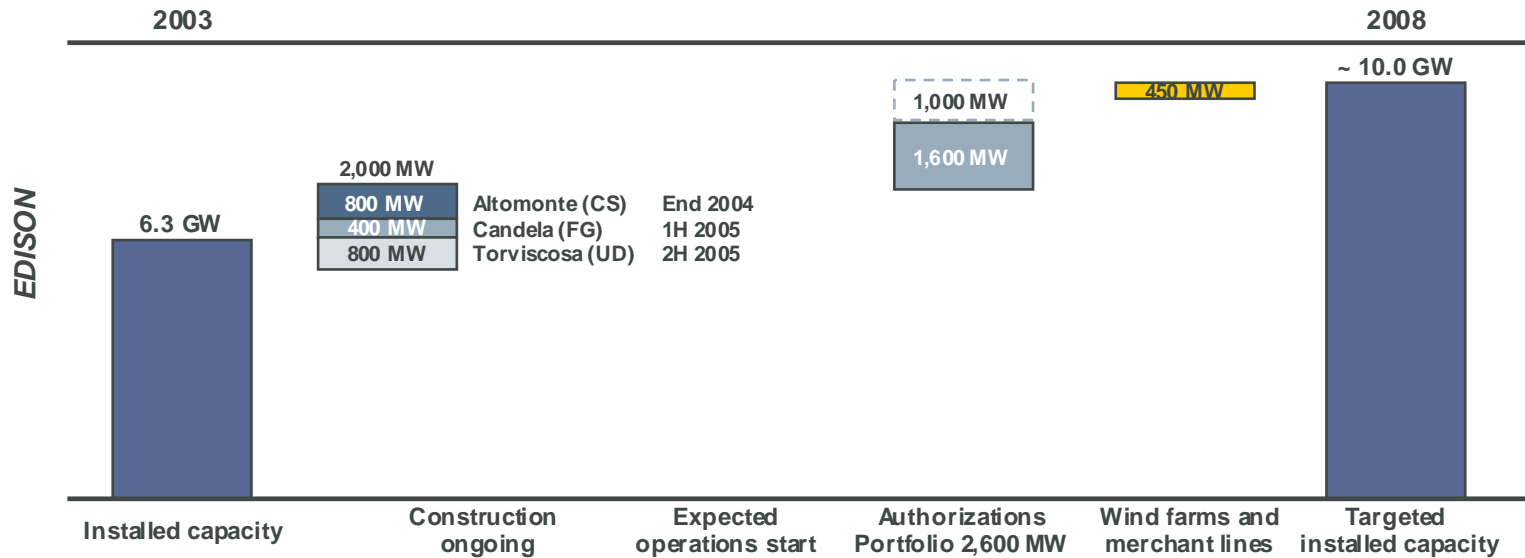
**Total authorizations granted by MAP (Ministry of Industry) : 15,400 MW as of end of April 2004**

## Increase in a available capacity 2004 - 2011



**+18 GW**

# Edison growth strategy – progress in the investment program

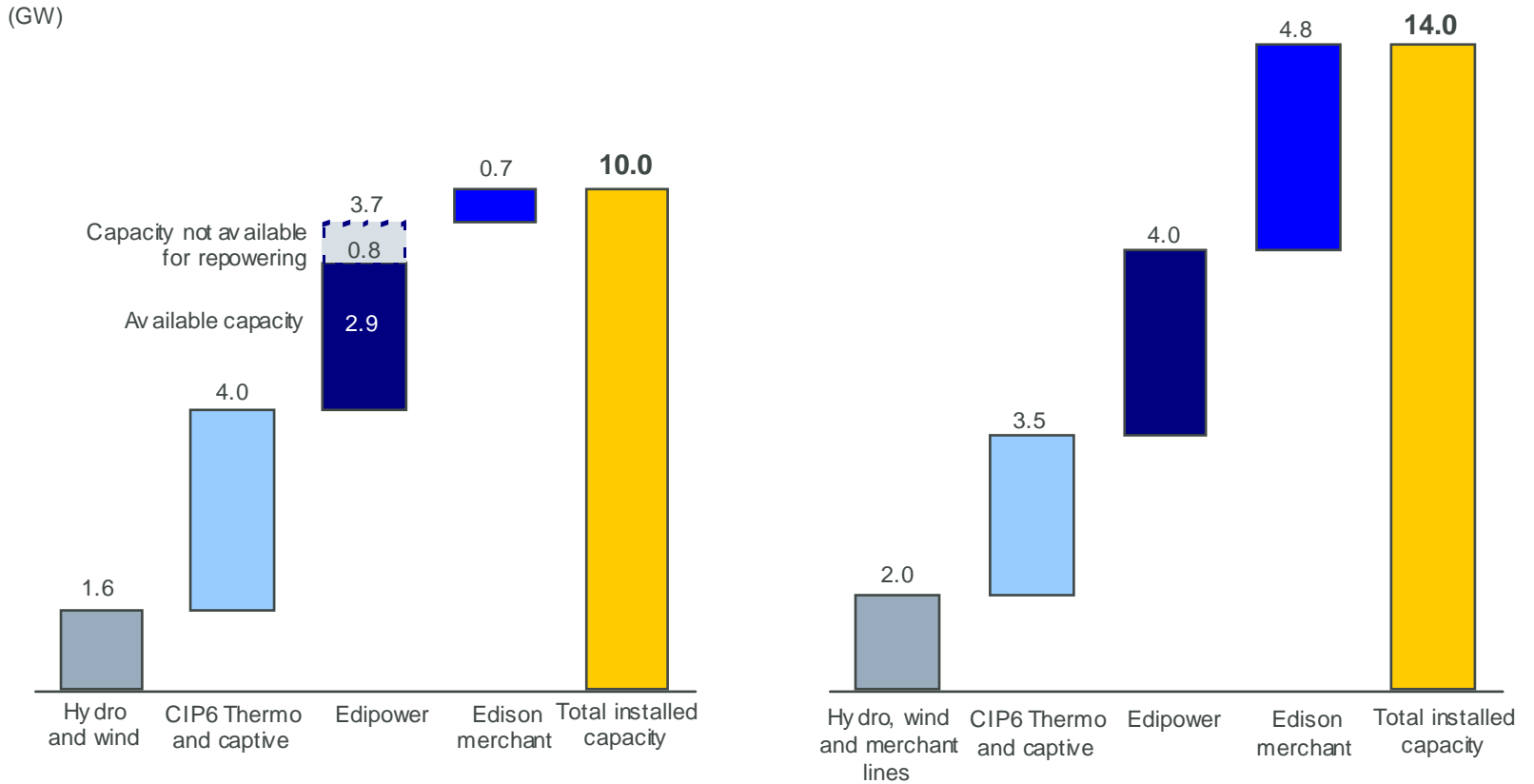




# Development of generation capacity

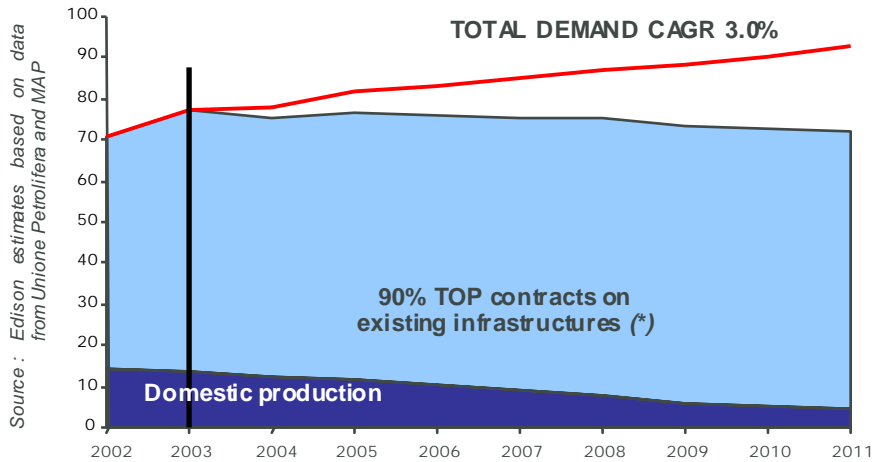
Edison generation mix in 2003

Edison generation mix at 2008



# Business Overview - Dynamics in the gas market

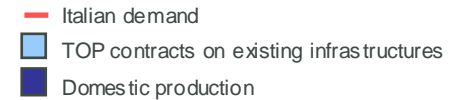
## Expected trend in gas demand and supply



Italian gas market fully liberalised since January 1st, 2003

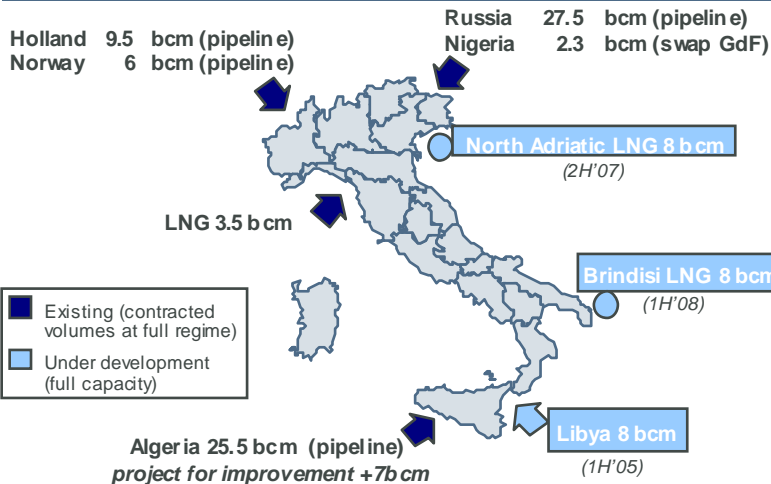
### Supply balance 2003

Domestic production	13.7 bcm
Net import	63.4 bcm
<b>Total supply</b>	<b>77.1 bcm</b>

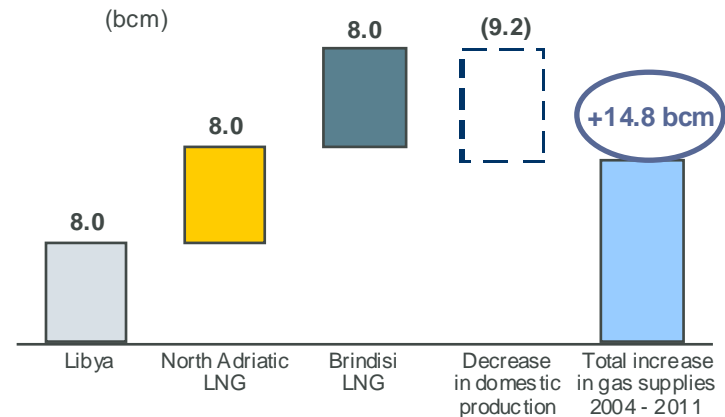


(\*) Imports data up to 2003 are actual and include spot imports and changes in stock.

## Projected gas availability in Italy

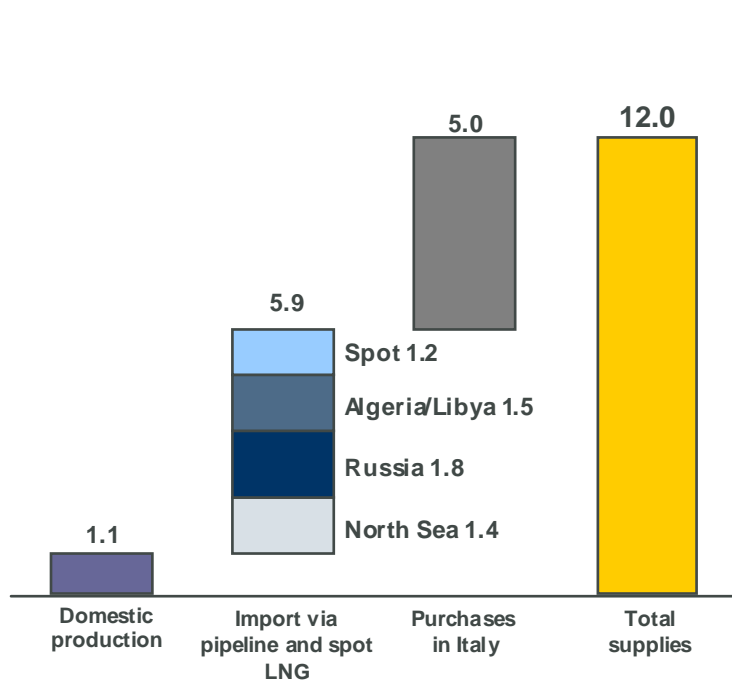


## Increase in Italian gas supplies 2004 - 2011



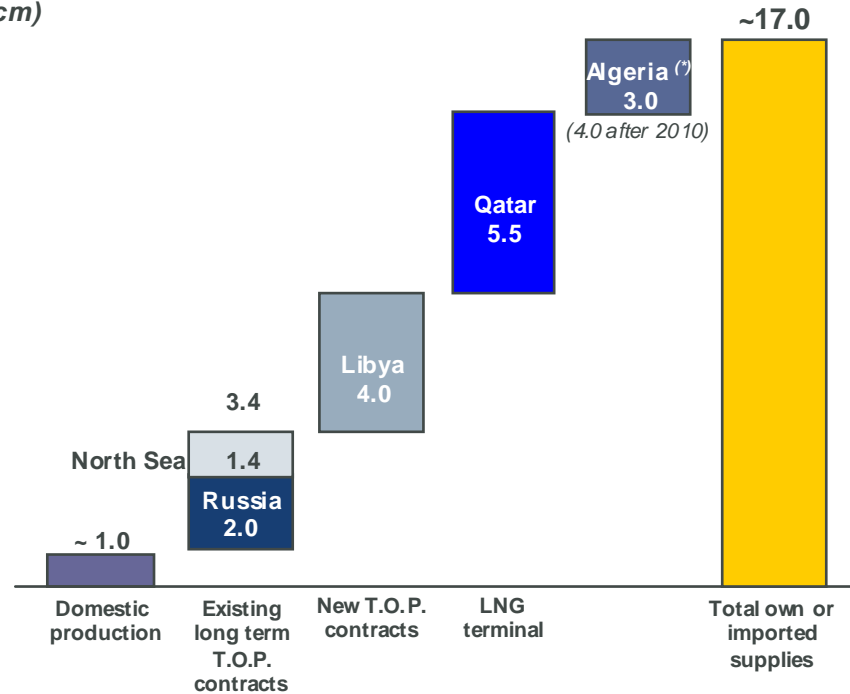
# Development of gas sources in Italy

Edison gas supply mix in 2003



Edison gas supply mix at 2008

(Bcm)



(\*) Supply subject to the improvement of the pipeline Algeria – Italy. In case of delay in construction, gas supply will be replaced by domestic purchases or by other imports.

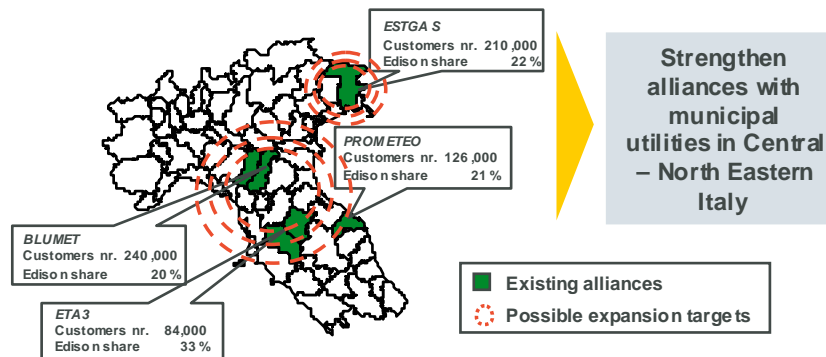
Gas supply strategy aims to create a diversified portfolio based almost totally on own sources and long term contracted volumes

# Edison growth guidelines

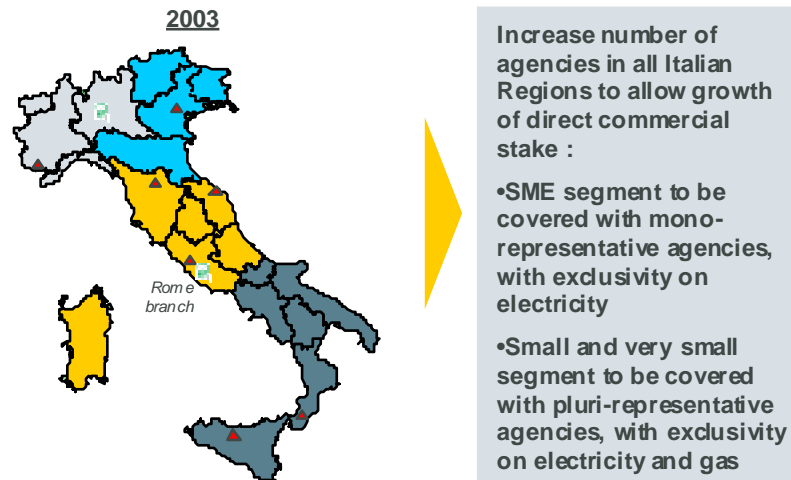
## Commercial strategy: customer segmentation

	<b>Edison</b>	<b>Alliances with municipal utilities</b>
<b>Large</b>	Consolidate current market share	
<b>SME</b>	Primary target in electricity and gas	<b>Complementary target</b>
<b>Small / Very small</b>	Secondary target	<b>Primary target</b>
<b>Residential</b>	Not a target	Secondary target cross selling from gas to electricity
<b>Thermoelectric</b>	Captive sales for Edison and Edipower generation capacity only	

## Target areas for alliances



## Development of Edison agencies network

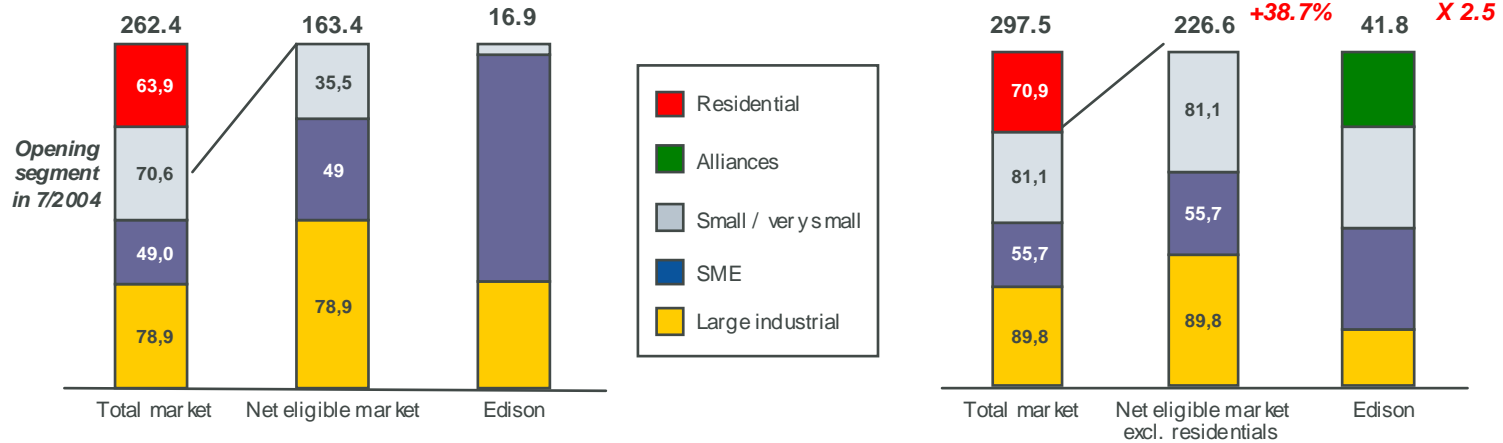


# Edison commercial targets in electricity and gas

## Electricity 2003

(TWh)

## Electricity 2008



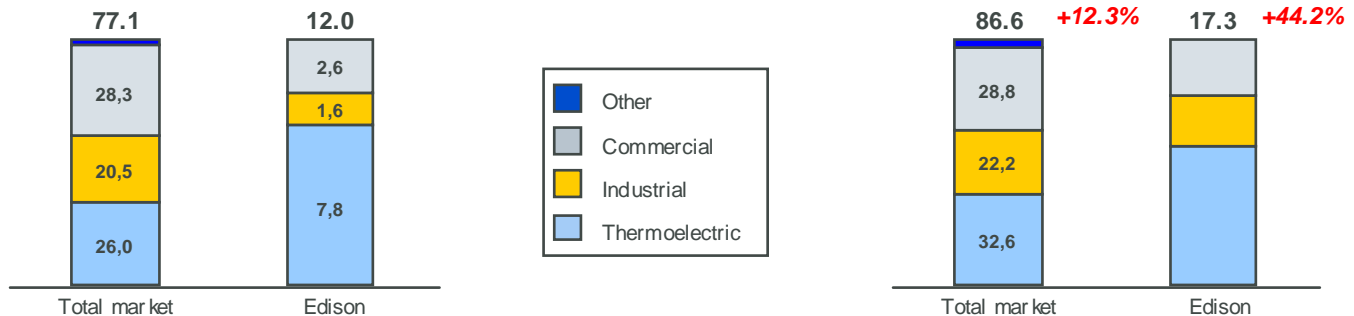
Edison share in free electricity market from 15% (\*) in 2003 to 14% in 2008 (18% excluding residential clients)

(\*) on actually liberalized market.

## Gas 2003

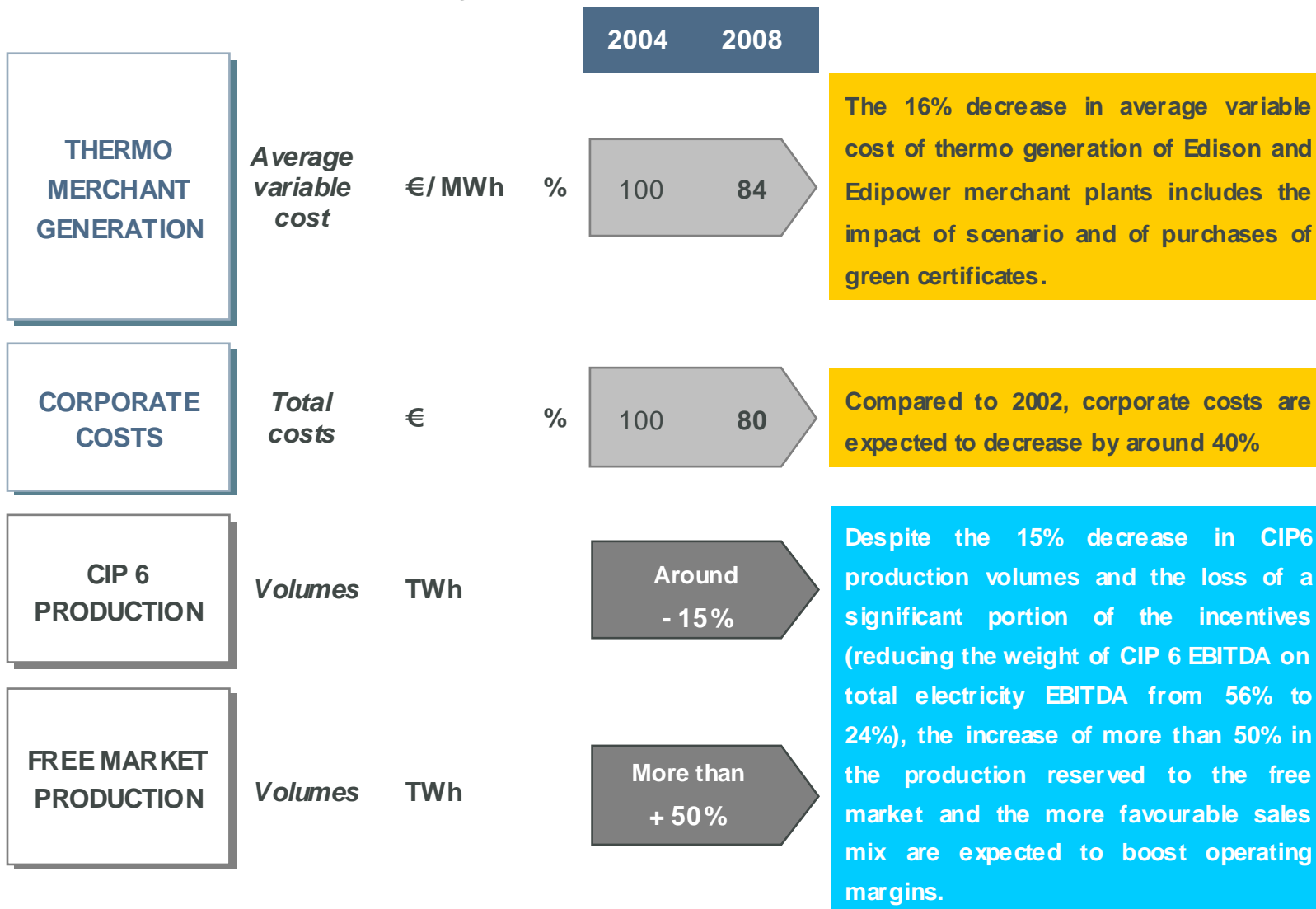
(bcm)

## Gas 2008



Edison share in gas market from 16% in 2003 to 20% in 2008 (including supplies to thermoelectric captive users)

# Edison efficiency drivers and evolution of production mix



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- Edison today:

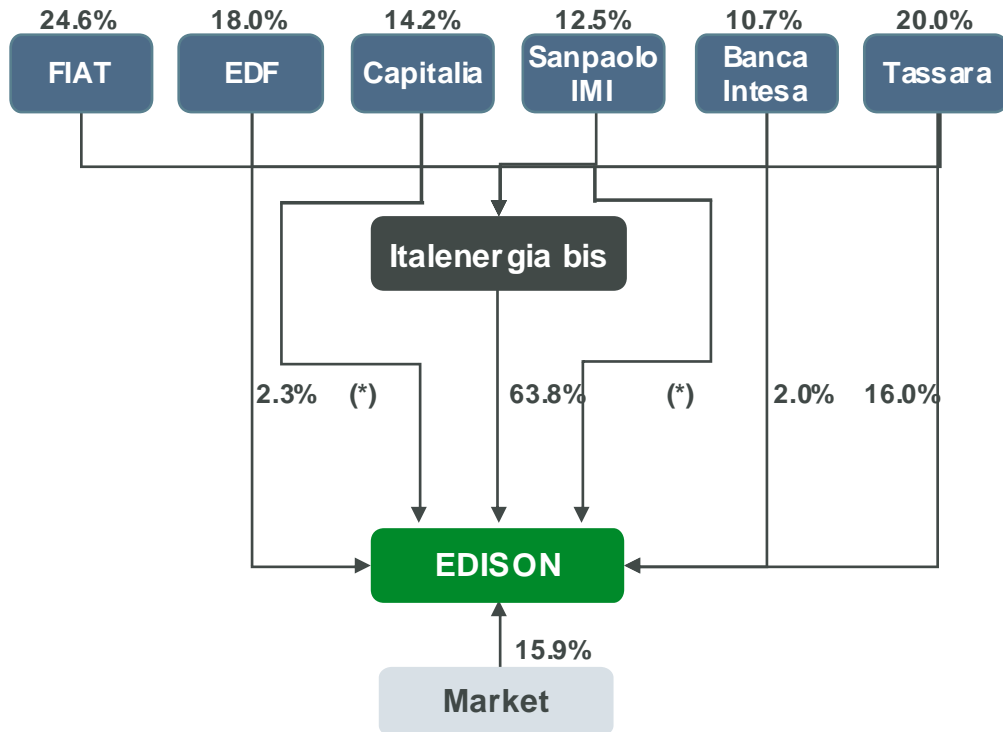
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- Capital and shareholding structure

# Capital and shareholding structure



## CAPITAL STOCK AS OF 30.04.2004

- Ordinary shares	4,126,289,943
- Non convertible sav. shares	110,592,420
- TOTAL SHARES	4,236,882,363

## WARRANTS OUTSTANDING

- 1,047.6 m ln attached to IEB shareholders' and the market's shares
- Strike price €1
- Exercise period 01.09.2003 / 31.12.2007 on a permanent basis
- Ratio 1 share every warrant

## WARRANTS CONVERTED AS OF 30.04.2004

N° 47,216,903

(\*) Stakes under 2% included in the market figure



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