

EDISON BUSINESS PLAN AND STRATEGIC UPDATE

Milano, January 17th 2006

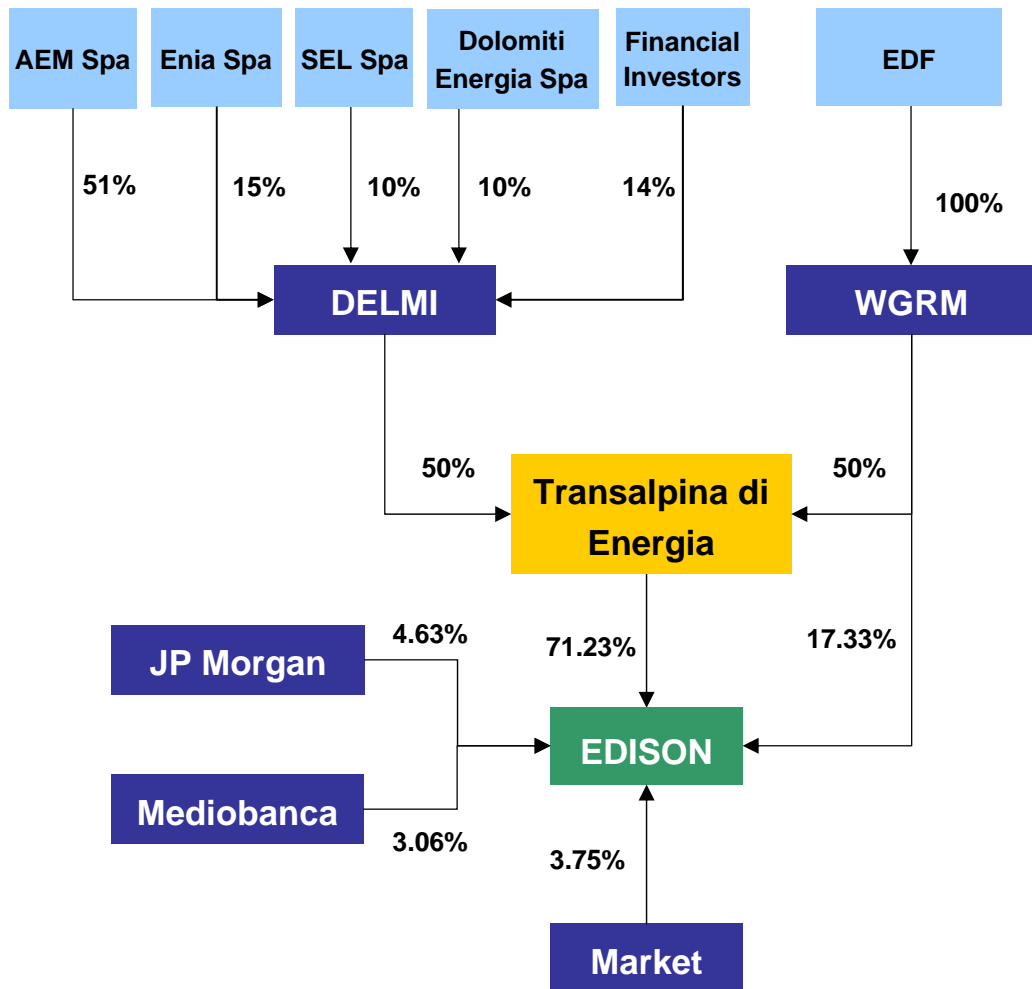
AGENDA

- **Shareholders structure and corporate governance**
- **Edison today: competitive position and organisation**
- **Electricity and Gas : Italian market evolution and Edison growth strategy**
- **Economic and financial overview**

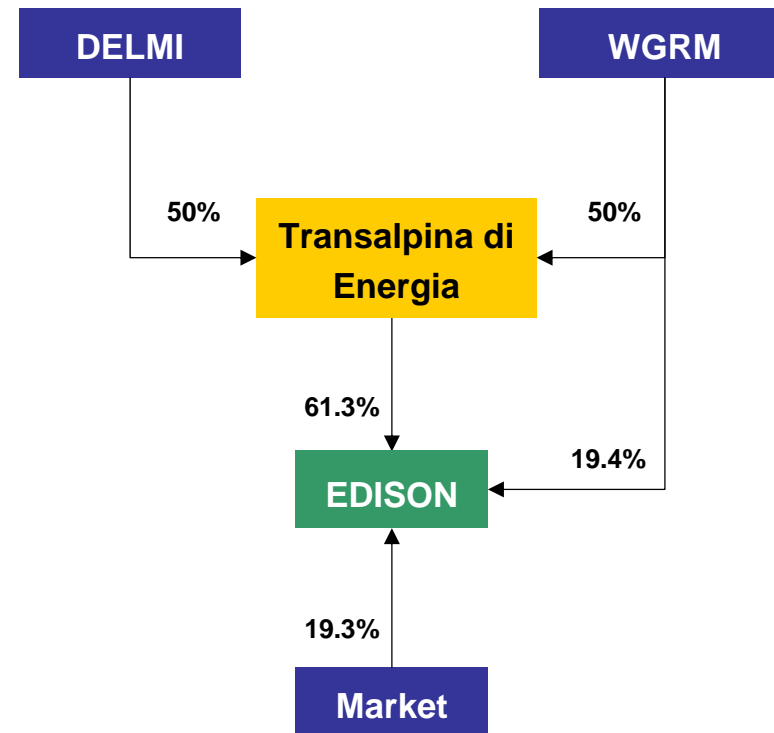
SHAREHOLDERS STRUCTURE AND CORPORATE GOVERNANCE

CAPITAL AND SHAREHOLDING STRUCTURE

As of 17 January 2006



Fully diluted



CAPITAL STOCK AS OF 31.12.2005

- Ordinary shares	4,162,515,334
- Saving shares	110,592,420
- TOTAL SHARES	<u>4,273,107,754</u>

WARRANTS OUTSTANDING AS OF 31.12.2005

N° 1,018,648,623

EDISON'S CORPORATE GOVERNANCE

Board of Directors	Edison Board	TdE Board	Strategic Committee	Int. Control Committee	Compensation Committee
Giuliano Zuccoli	Chairman	CEO	Chairman		
Mario Mauri	✓	✓	✓		Chairman
Renato Ravanelli	✓	✓			
Uris Cantarelli	✓	✓		✓	
Klaus Stocker	✓	✓		✓	
Umberto Quadrino	CEO	✓	✓		
Pierre Gadonneix	✓	Chairman			
Marc Boudier	✓	✓	✓		✓
Daniel Camus	✓	✓		Chairman	
Gerard Wolf	✓	✓			
Giovanni De Censi	Independent				✓
Gian Maria Gros Pietro	Independent			✓	✓

- Edison CFO appointed by Delmi, COO by EdF
- Edison and TdE BoD take decisions with the majority of 8 and 10 members respectively
- The valid constitution of Edison AGM requires a minimum threshold of 50% of ordinary capital stock, for resolutions other than those related to annual reports approval and appointments and revocations of Directors and Statutory Auditors

EDISON TODAY: COMPETITIVE POSITION AND ORGANISATION

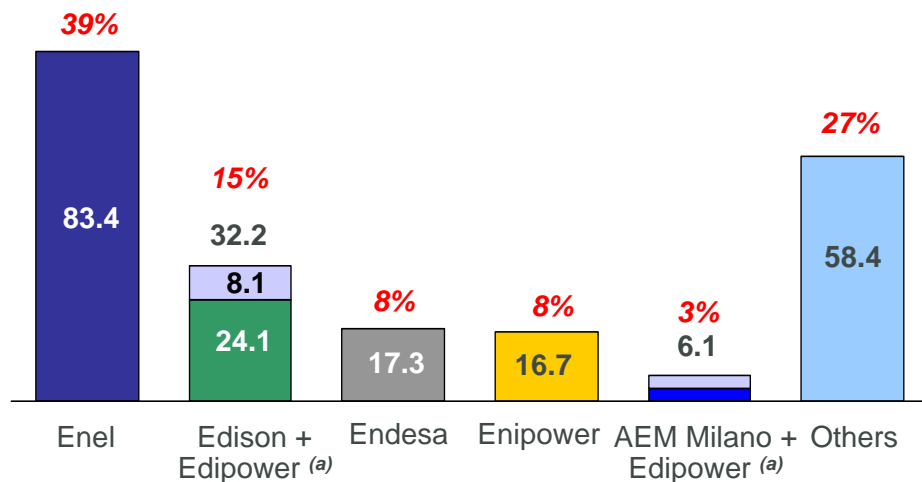
FINANCIAL HIGHLIGHTS 2001 - 2005

<i>(mln €)</i>	2001	2002	2003	2004	30.09.04 (*) <i>Consolidated IAS Compliant</i>	30.09.05 (*)
CORE BUSINESS REVENUES	4,058	4,418	5,141	5,668	4,364	4,805
CORE BUSINESS EBITDA	1,015	1,002	1,087	1,226	1,037	949
CONSOLIDATED NFP	13,330	6,461	4,143	3,855	5,186	4,838

(*) Includes 50% of Edipower consolidation

EDISON POSITION IN THE ELECTRIC POWER MARKET

Net electric power produced in Italy at Sept. 30th, 2005 (TWh)

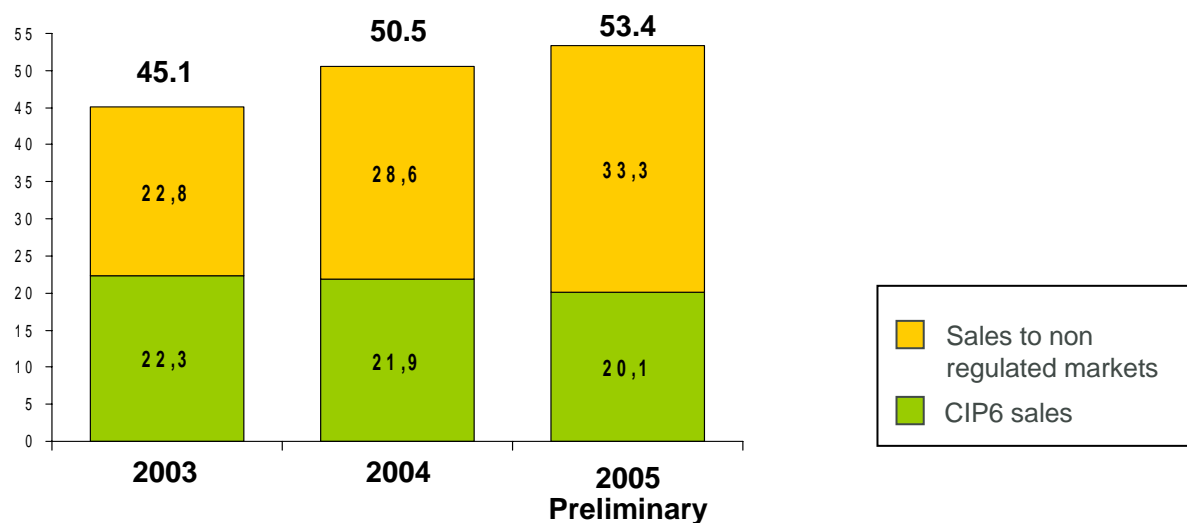


(a) Pro-quota EDISON and AEM Milano through tolling agreement

Edison Group installed capacity at Dec. 31st, 2005 (GW)

	Edison standalone	Edipower (Edison %)	Total Edison 31/12/2005	%
Gas	4.9	1.6	6.5	
Fuel oil	0	1.2	1.2	
Coal	0	0.3	0.3	
Total thermoelectric	4.9	3.1	8.0	80%
Hydroelectric	1.4	0.4	1.8	18%
Wind	0.2	0	0.2	2%
Total	6.5	3.5	10.0	100%


Edison Group power sales (TWh)

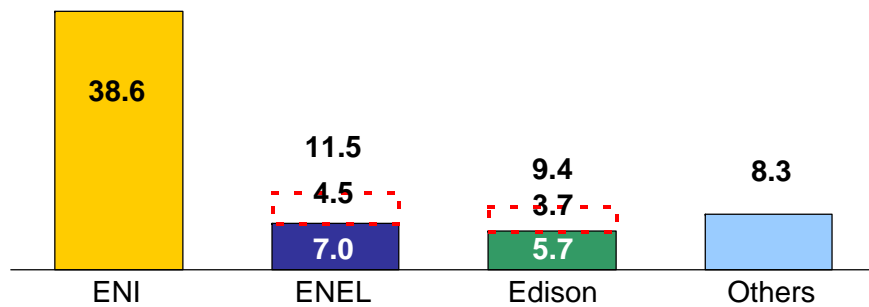


EDISON POSITION IN THE GAS MARKET

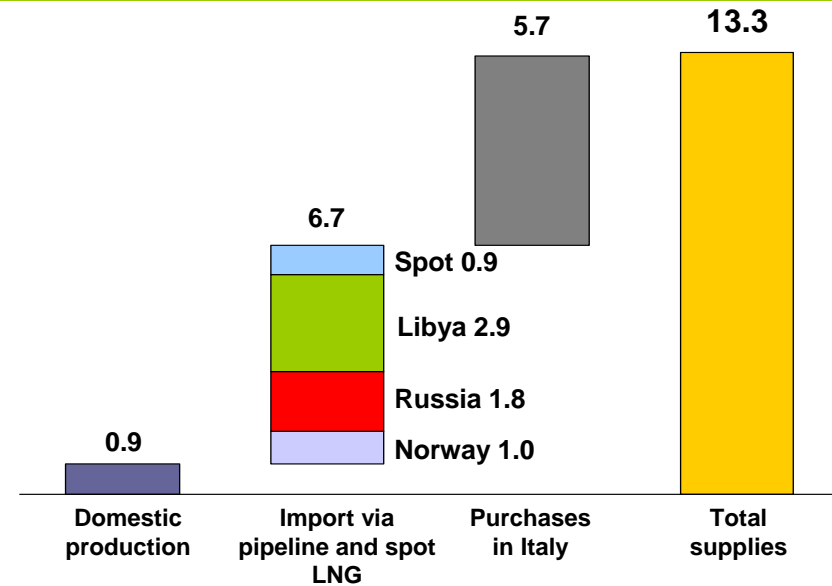
Major gas suppliers in Italy at September 30th, 2005 (bcm)

Edison share of total Italian gas sales 16%

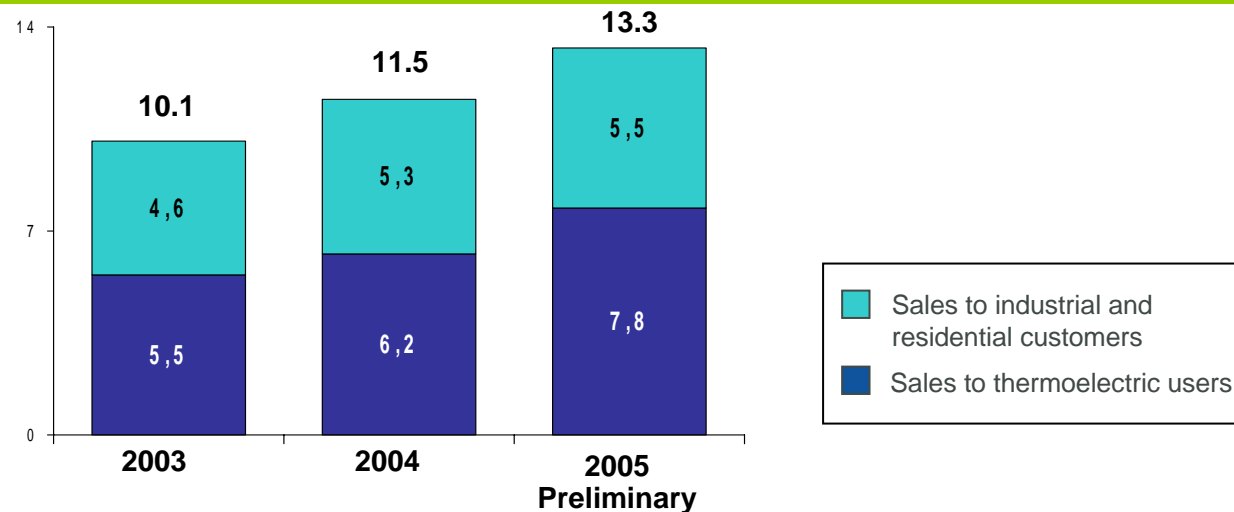
 purchases from domestic sources



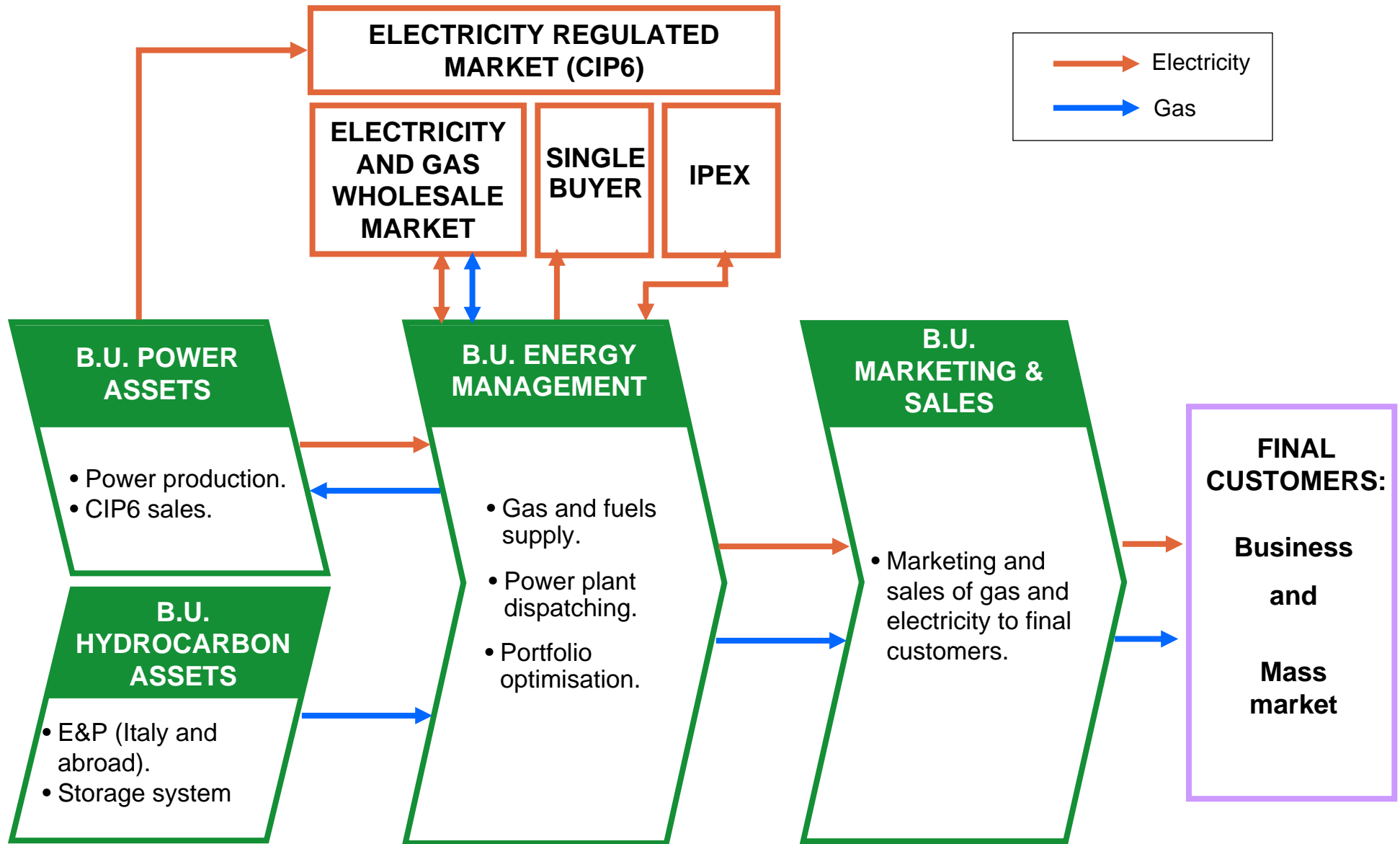
Edison domestic gas supply in FY 2005 (bcm)



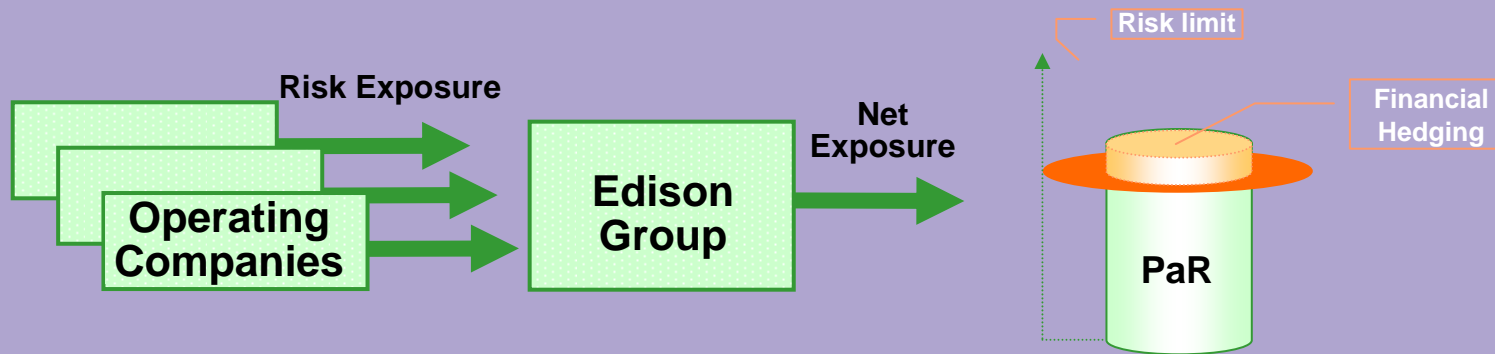
Edison Group gas sales (bcm)



GROUP BUSINESS STRUCTURE



RISK MANAGEMENT



The Risk Management area is part of the Corporate structure and it reports directly to the Chief Financial Officer; it manages and controls the risk exposure of all Group companies through the Strategic Hedging.

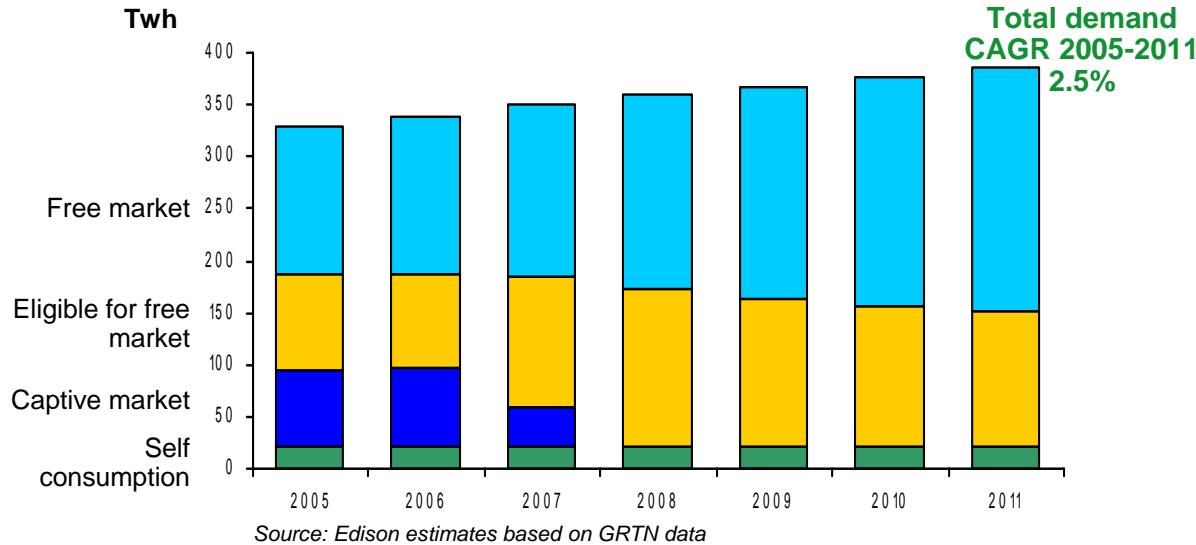
Energy Risk policies provide a constant control of the net global risk exposure of the Group that stems out of each operating company. Risk policies also compare the Profit at Risk (PaR) level against a pre-fixed limit in order to maintain the market value of the tangible and contractual assets in compliance with the impairment test.

Every month the Risk Committee verifies the trend of the risk exposure and, in case of a limit overtake, it defines the necessary hedging financial transactions.

ELECTRICITY AND GAS: ITALIAN MARKET EVOLUTION AND EDISON GROWTH STRATEGY

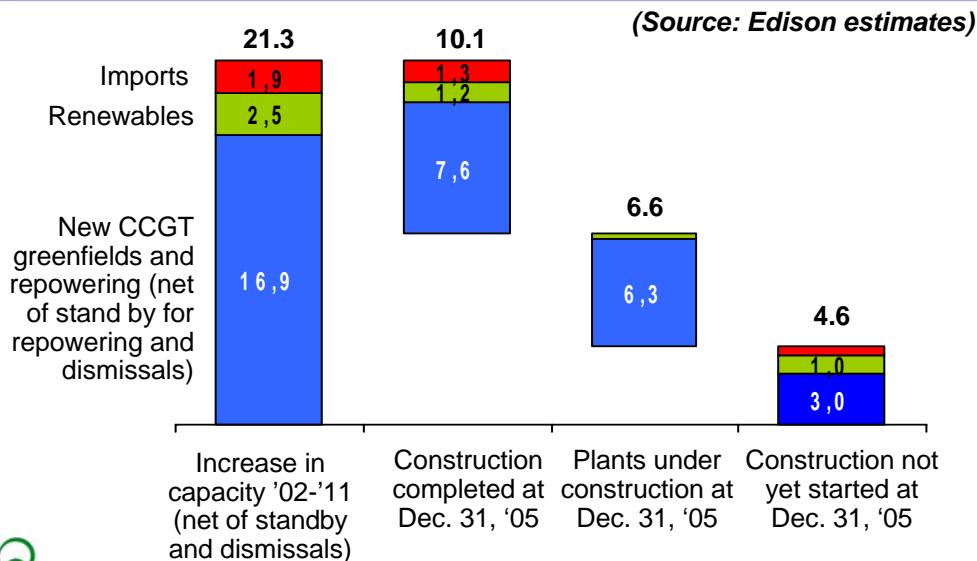
BUSINESS OVERVIEW – DYNAMICS IN THE ELECTRICITY MARKET

A fast growing liberalising market

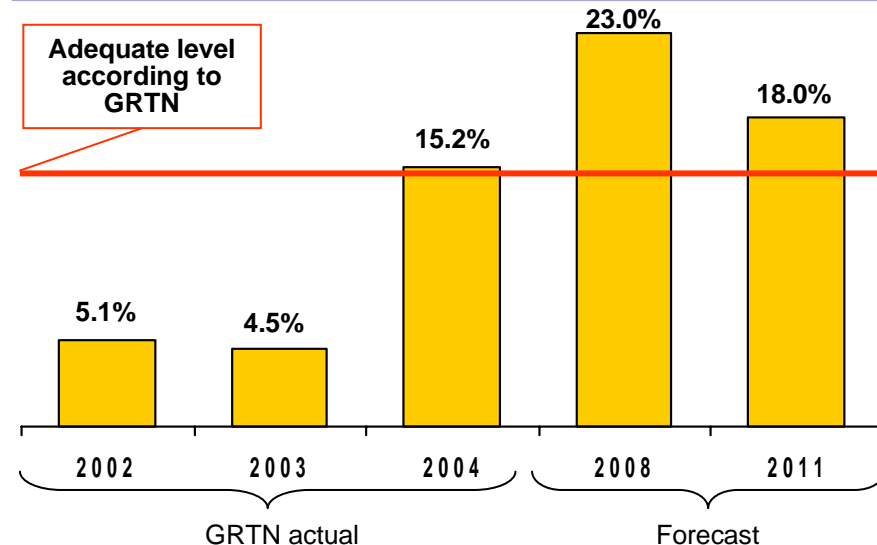


Due to the 2002-2011 investment program, the system ensures as of today a proper reserve margin and it is evolving towards a more than adequate production capacity.

Increase in capacity 2002 – 2011 (GW)

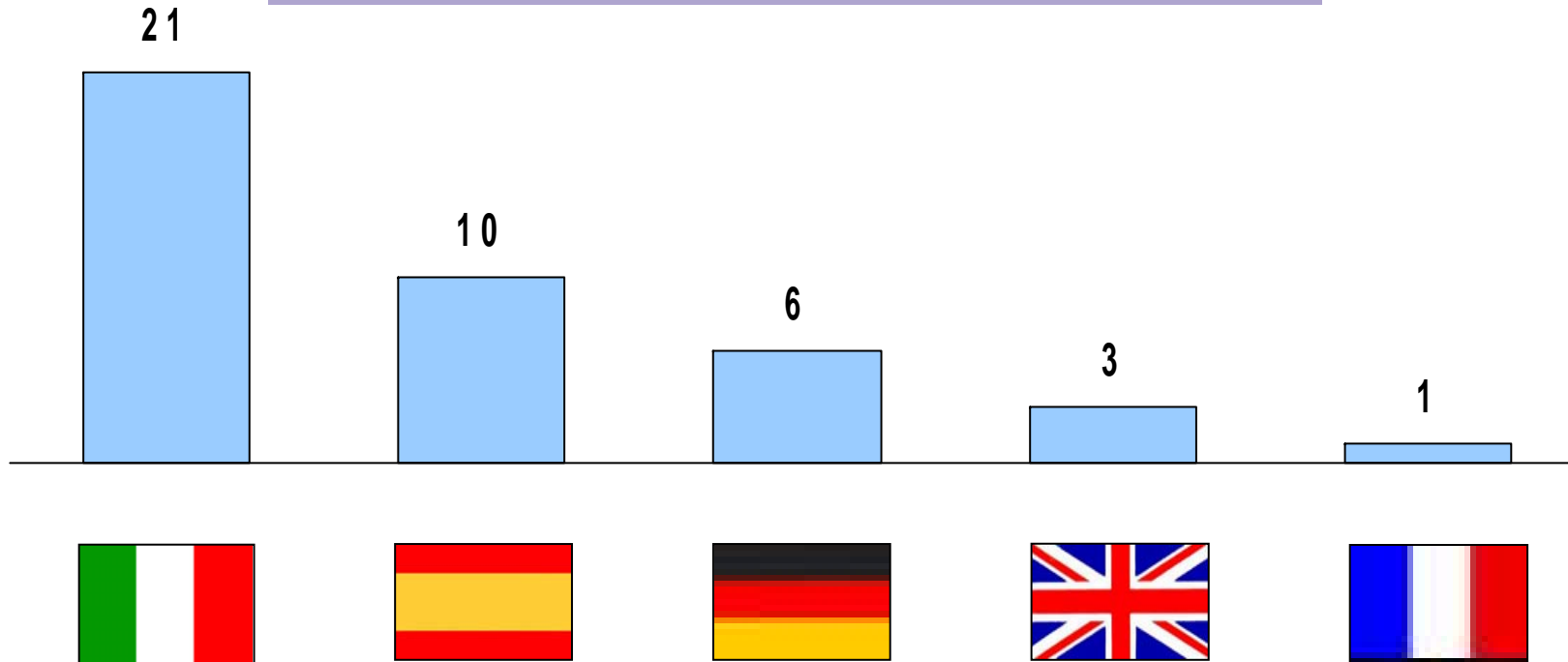


Evolution of reserve margin at winter peak



EVOLUTION OF INSTALLED CAPACITY IN EUROPE

Net Additional Capacity GW (2002-2011)

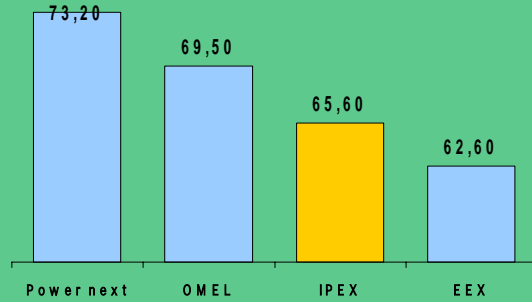


(Source: Edison estimates)

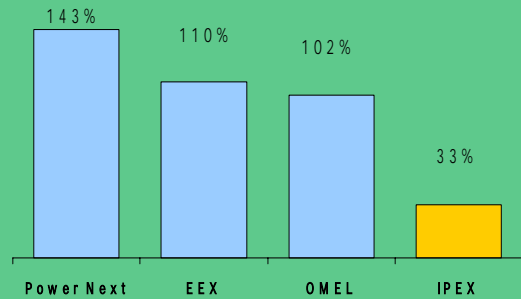
Italy is by far the European country that has scheduled the highest increase of production capacity for the current decade

PRICE COMPARISON WITH EUROPEAN POWER EXCHANGES

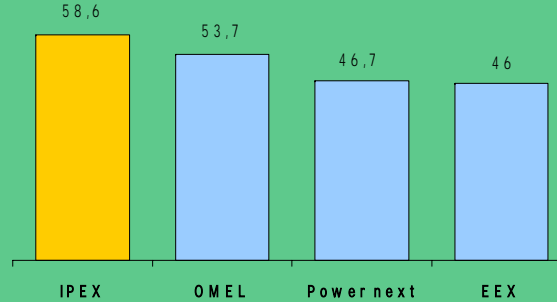
Power prices December 2005, average €/MWh



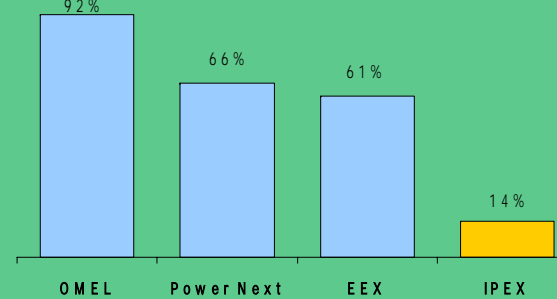
Δ (December 2005 / December 2004)



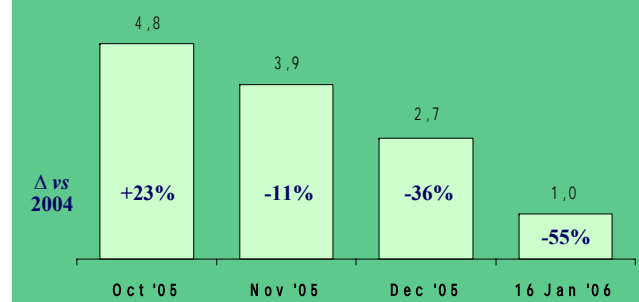
Power prices in 2005, average €/MWh



Δ (year 2005 / year 2004)



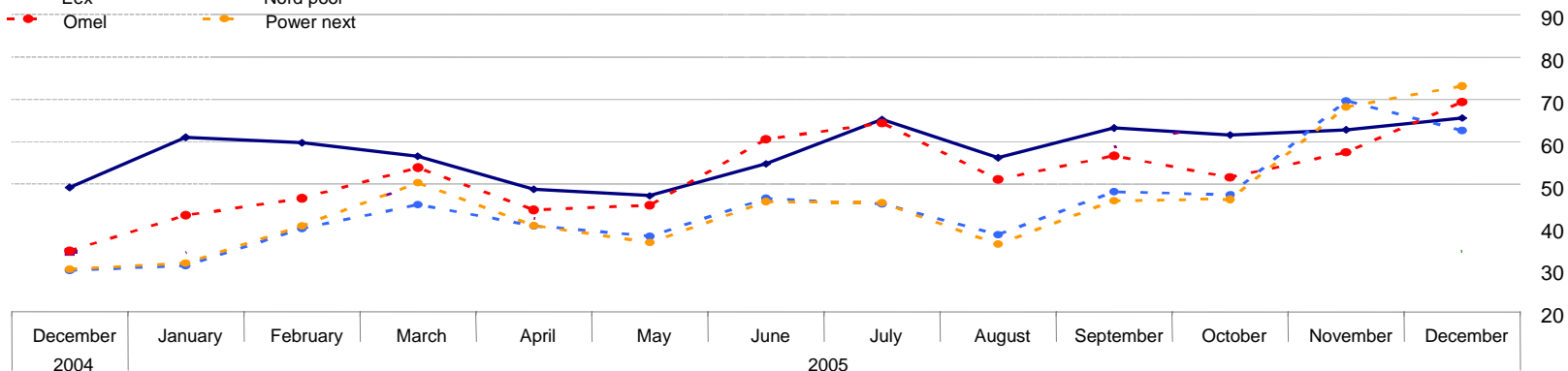
Net Italian imports (TWh) (source Terna/GME)



- Recent trend of Italian power prices is lower than in main European countries.
- Power import volumes into Italy are considerably decreasing in recent months.
- Since December '05 export volumes have become significant.

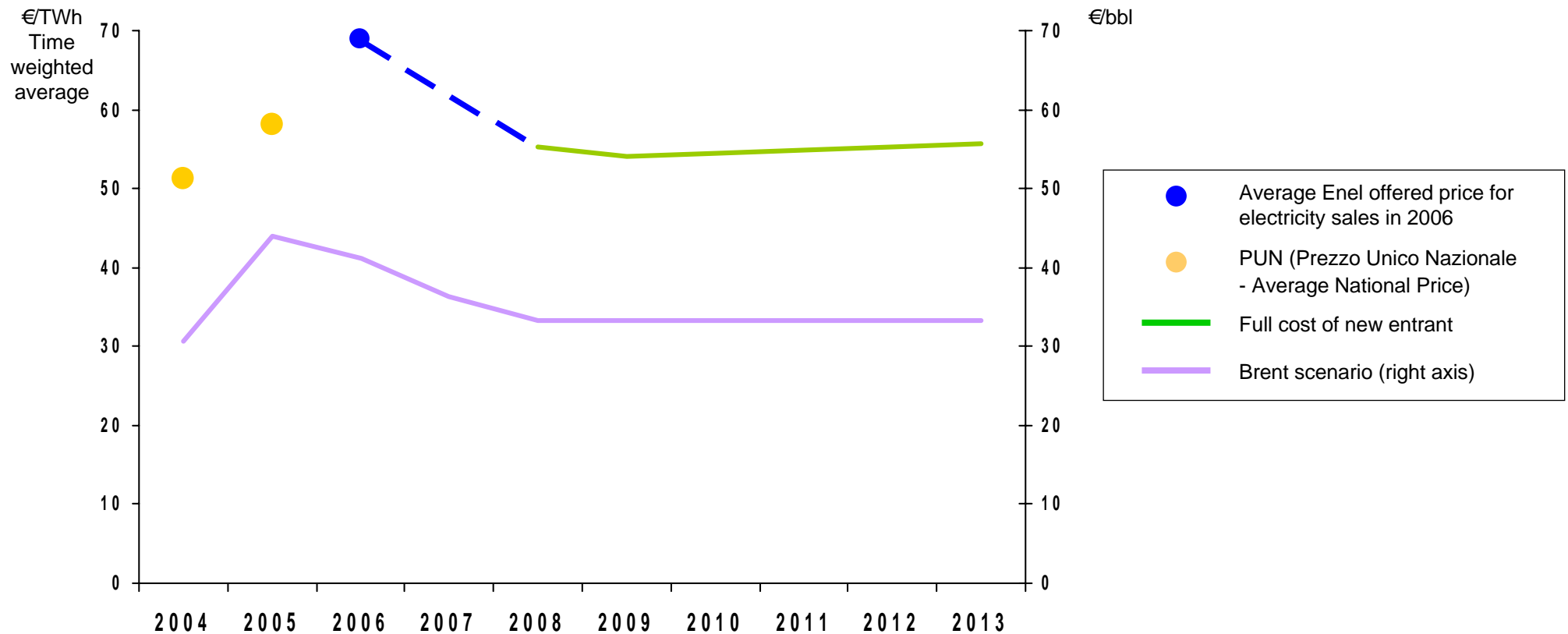
—●— IpeX
- - -●- - - Eex
- - -●- - - Omel
- - -●- - - Nord pool
- - -●- - - Power next

Power prices trend in European power exchanges (€/MWh)



Source: GME

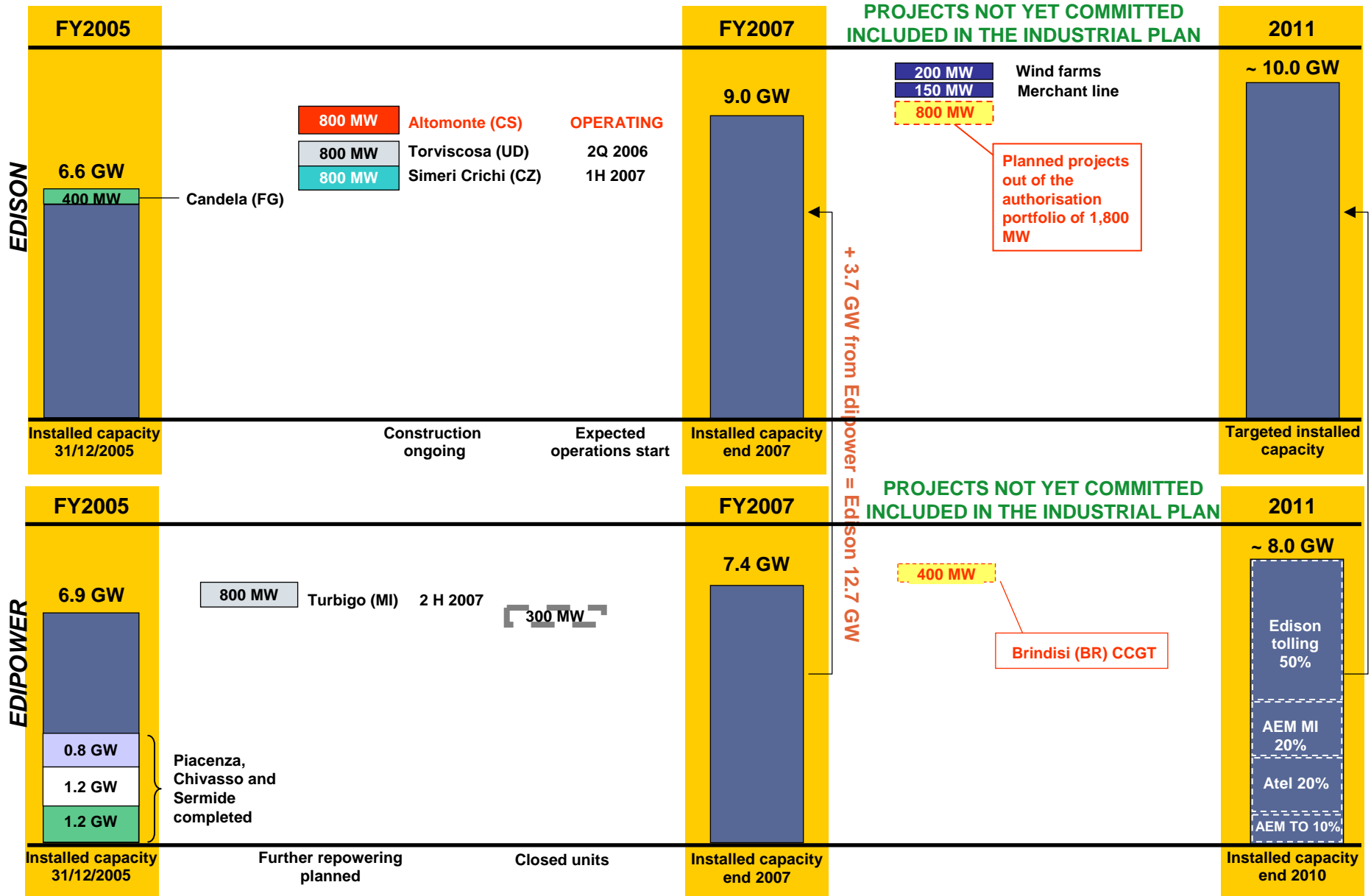
EXPECTED EVOLUTION OF POWER PRICES



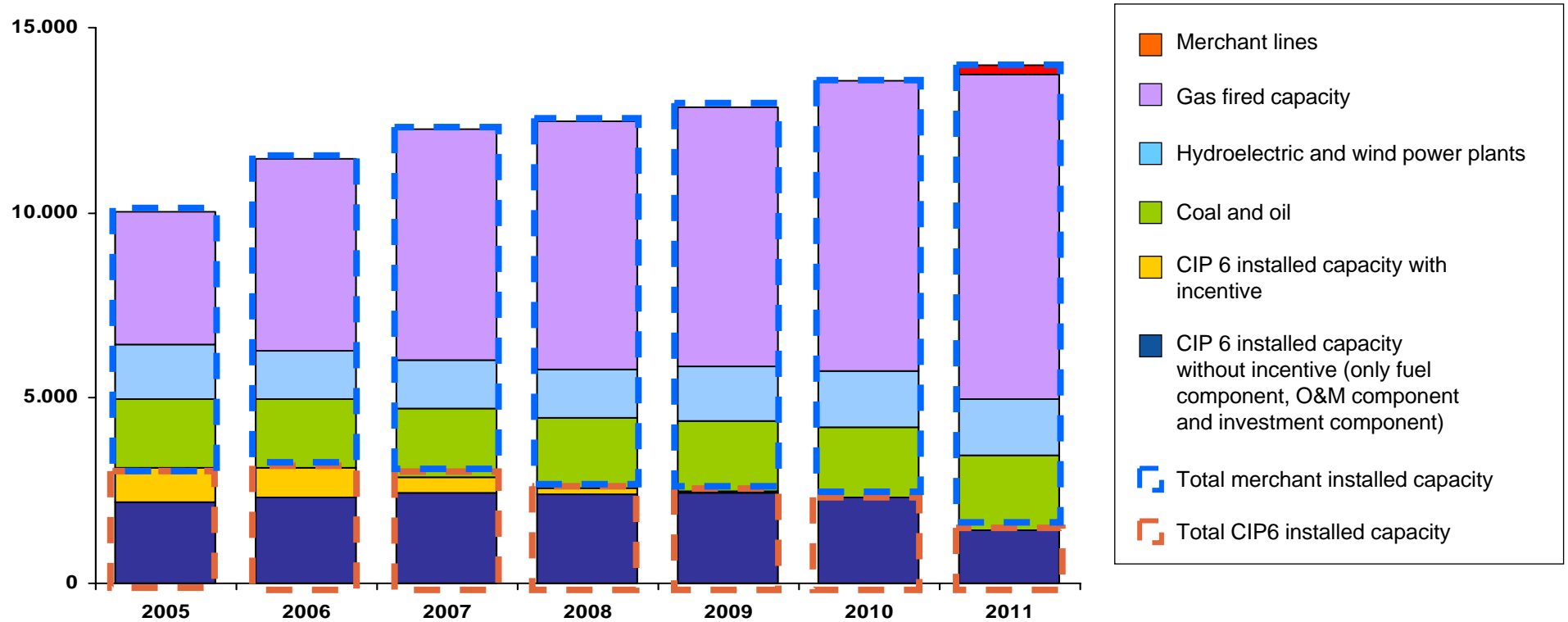
From 2008 onwards the average national power price (PUN) is expected to converge with the full cost of the new entrant under the assumption of Brent price at around 33 €/bbl.

After 2009, minimum year, a slight increase of power prices is assumed as a result of inflation and growing requirements of green certificates.

PROGRESS IN ELECTRICITY IN INVESTMENT PROGRAM



EVOLUTION OF EDISON INSTALLED CAPACITY BY MARKET AND FUEL



(GW at year end including Edison stake in Edipower)

The doubling of the production for the free market is expected to increase operating margins despite the reduction of the weight of CIP 6 EBITDA on total electricity EBITDA from around 45% in 2005 to around 25% in 2008 and to slightly more than 15% in 2011.

CO₂ EMISSION TRADING AND GREEN CERTIFICATES

EMISSION TRADING

- Total cumulated CO₂ needs for Edison for the period 2005-2011: around 11 million tons, of which around 2 in the 1st regulatory period (2005-2007)
- Proactive acquisition policy of CO₂ rights, including :
 - purchases in the spot market;
 - direct investments in international CO₂ projects;
 - acquisition of CO₂ investment funds shares;

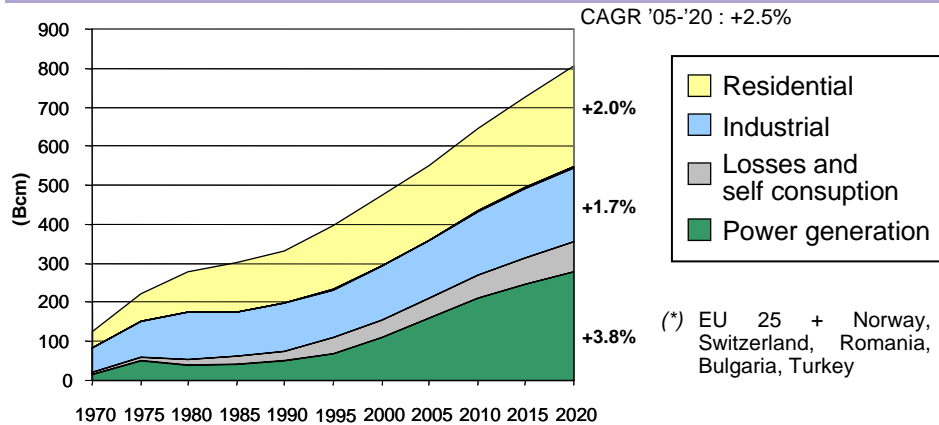
Target: minimize unit cost reducing the exposure to the spot market under 50%

GREEN CERTIFICATES

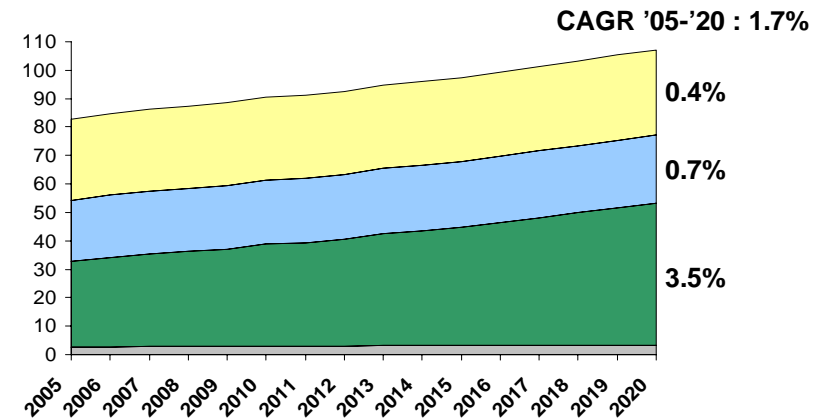
- Requirements gradually increase from 2.70% in 2005 to 4.1% in 2009
- Gross Edison needs in green certificates for the period 2006-2011: around 8,500 GWh
- More than 50% of the needs are covered by existing or planned capacity in renewable power production

EUROPEAN GAS PERSPECTIVE AND ITALIAN GAS MARKET

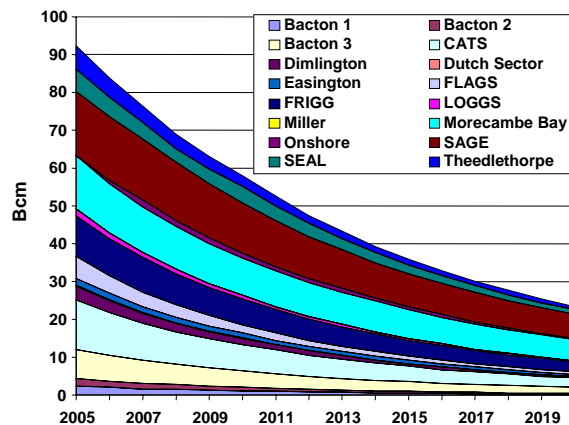
Gas demand in Europe (*)



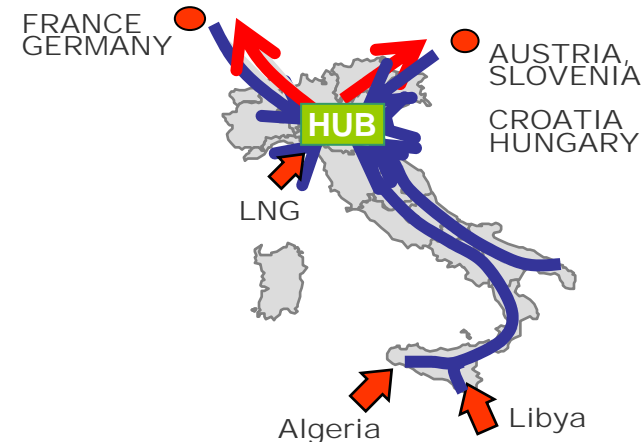
Gas demand in Italy



UK production forecasts



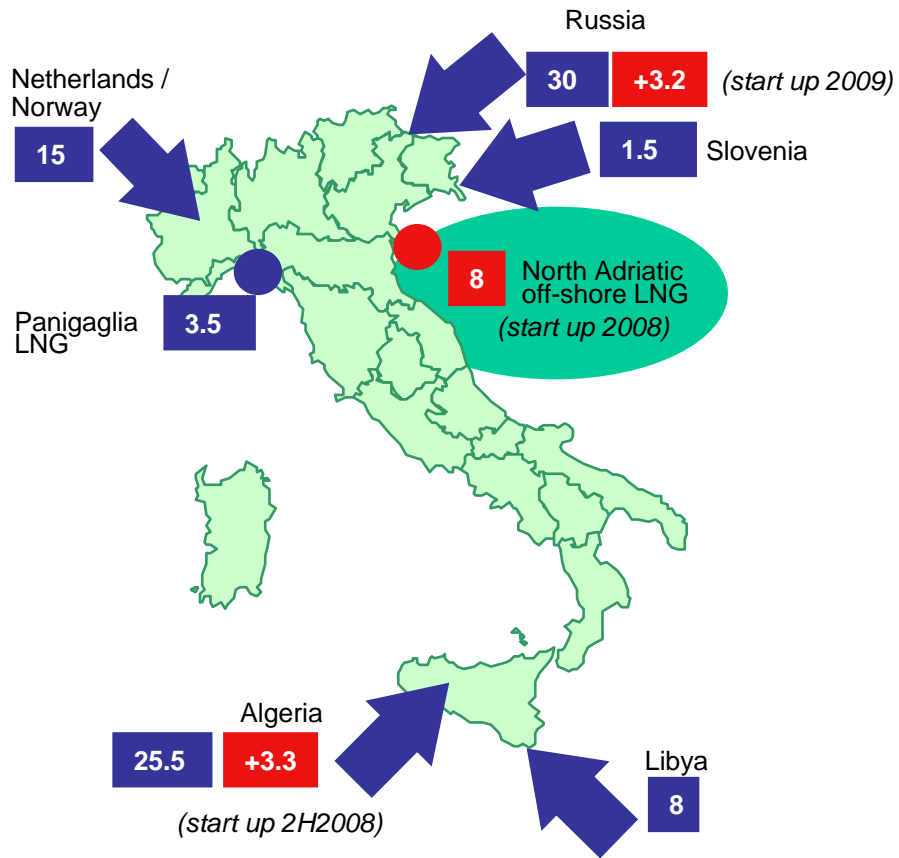
Italy a potential hub



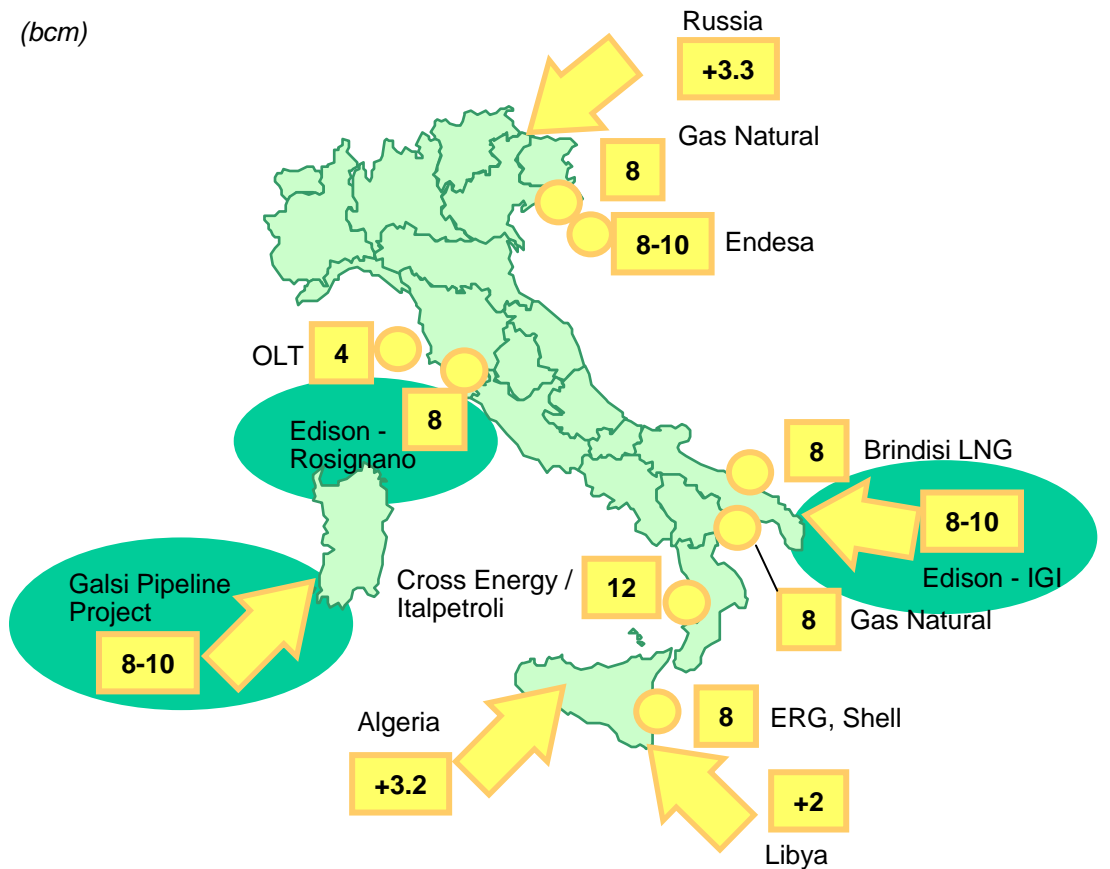
The increase in European gas demand, coupled with the decrease forecasted in Northern Europe (mainly UK and also Netherlands), raise possible opportunities for Italy to become an import hub for gas transfers to Central-Northern Europe.

IMPORT EXISTING INFRASTRUCTURES AND NEW PROJECTS

Gas existing infrastructures (bcm 83.5) and committed projects in Italy (bcm 14.5)



Projects under study (bcm 88-95)



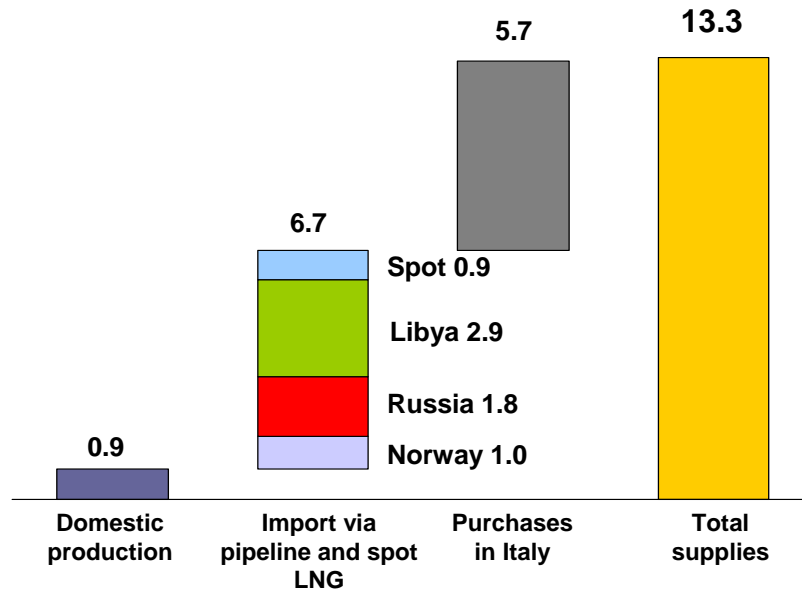
← Existing Pipeline / LNG Terminal (contracted volumes at full regime)
 ← Committed Projects (capacity volumes bcm)

← Pipeline / LNG Projects under evaluation
 Edison - IGI
 Projects in which Edison is involved

EDISON POSITION IN THE ITALIAN GAS MARKET

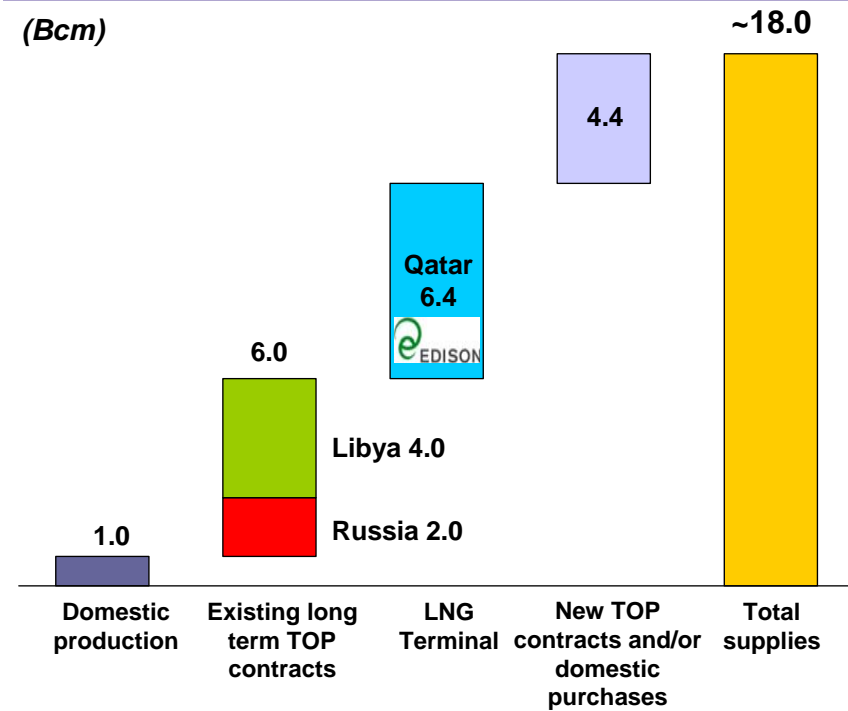
Edison gas supply mix FY 2005

(Bcm)



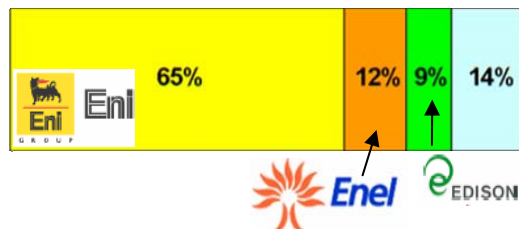
Edison gas supply mix at 2011

(Bcm)

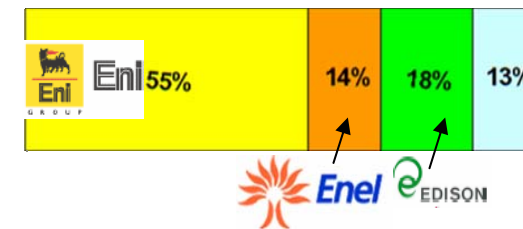


Share of Italian gas supply (domestic production + own imports)

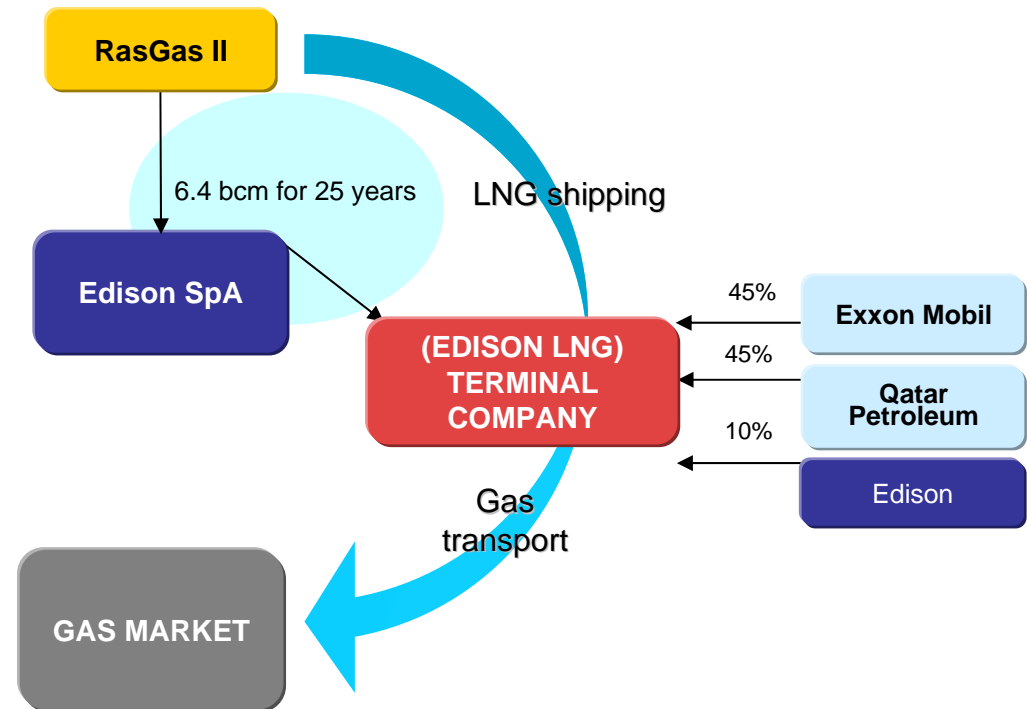
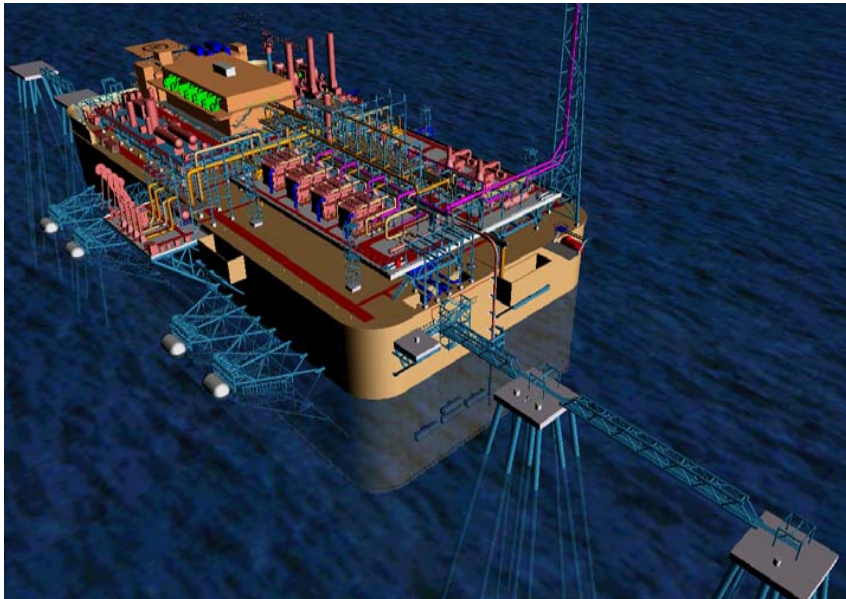
2005



2011



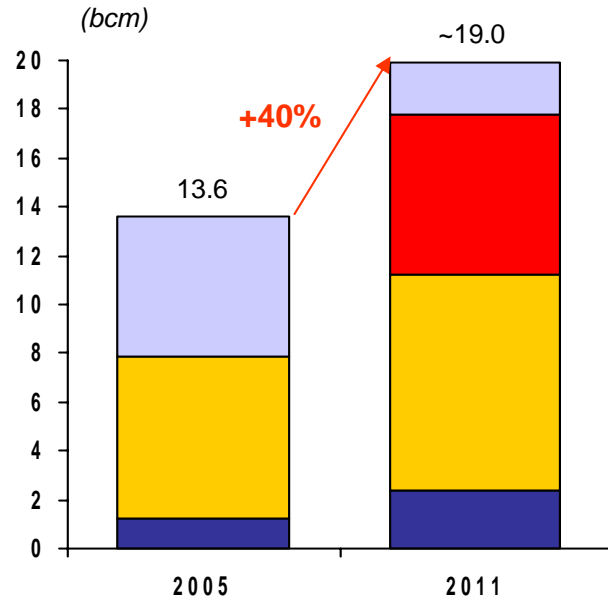
NORTH ADRIATIC LNG TERMINAL



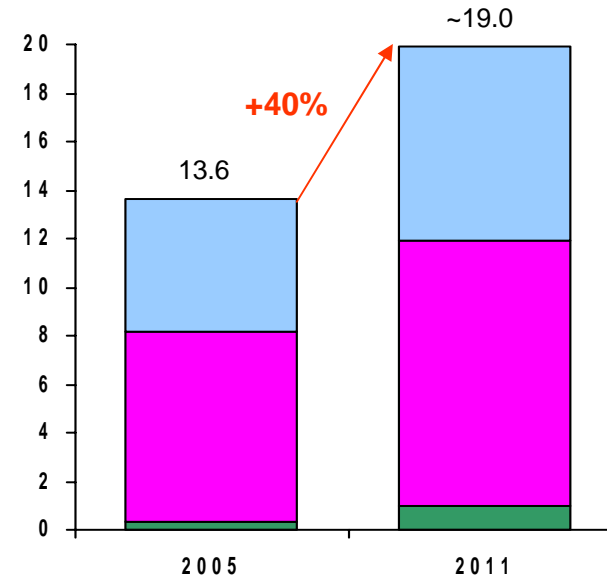
- Regassification capacity of 8 bcm/year
- 10% stake in the project company North Adriatic LNG Terminal and related obligation to contribute to the investment
- Right to use on a priority basis the 80% of the total regassification capacity for 25 years
- Regassification fee contractually fixed and capped to an agreed maximum amount

DEVELOPMENT OF EDISON GAS SUPPLIES AND SALES

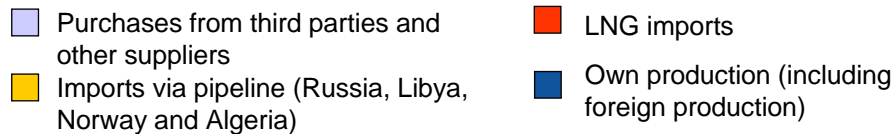
SUPPLIES



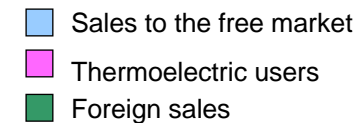
SALES



SUPPLIES



SALES



The gas supply strategy aims at enhancing Edison growth in the electricity business and at hedging the volatility of trading margins through:

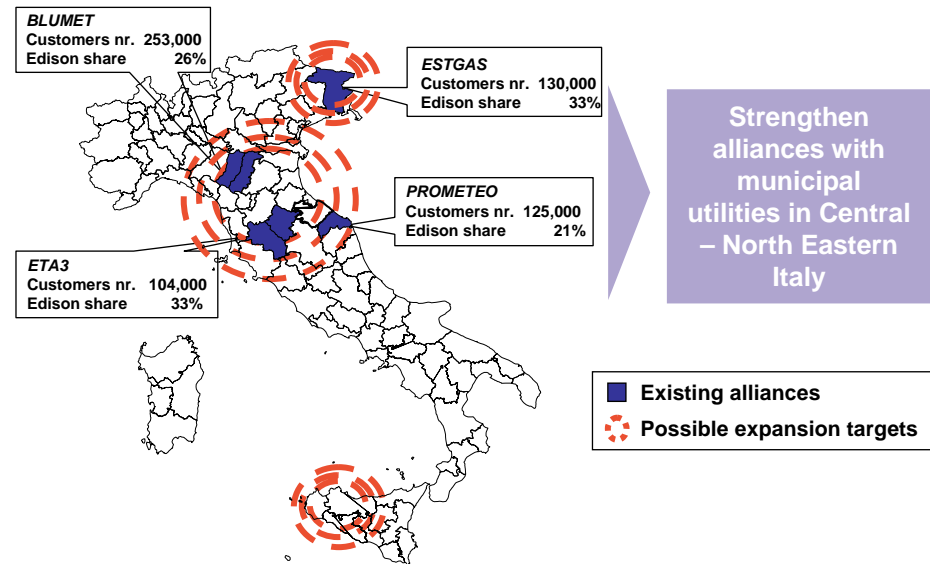
- the creation of a supply portfolio based almost completely on own independent sources;
- the refocusing on E&P with a long term target of equity gas availability of around 15% of the total requirements.

EDISON COMMERCIAL STRATEGY

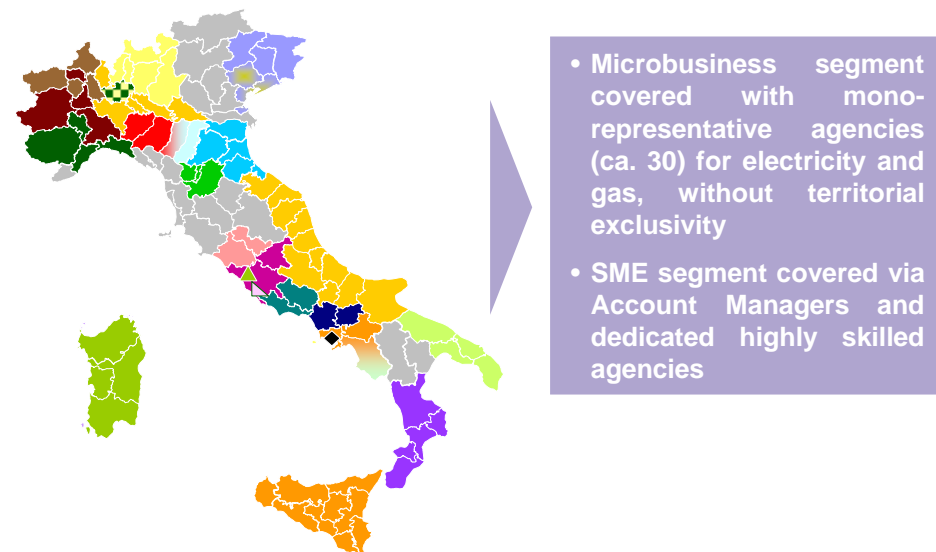
Customer segmentation

	Edison	Alliances with municipal utilities
Large	Consolidate current market share	
Consortia / SME	Primary target	Complementary target
Micro - business	Primary target	Primary target
Residential	Not a target	Primary target for gas Cross selling target from gas to electricity
Thermoelectric	Captive sales for Edison and Edipower generation capacity only	

Target areas for alliances



2005 Development of Edison agencies network



ECONOMIC AND FINANCIAL OVERVIEW

MAIN ECONOMIC AND FINANCIAL TARGETS

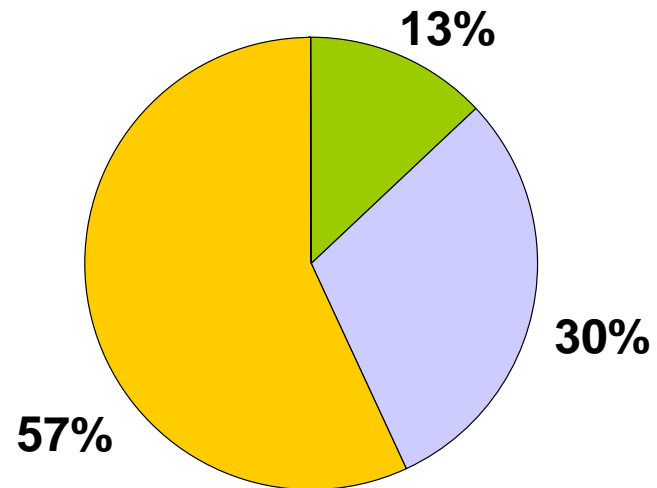
<i>(mln €)</i>	2004 IAS	9M05	Target 2006-11
EBITDA	1,475	949	7-9% CAGR
EBIT	815	528	9-11% CAGR
CAPEX	633	370	~3,800 mln €

<i>(mln €)</i>	31.12.04 IAS	30.09.05	Target 2011 (*)
NFP	4,906	4,838	~3,500
NFP	<i>bearing interest debt</i>		~2,750
R.O.I.	7.1%	6.4%	~10%

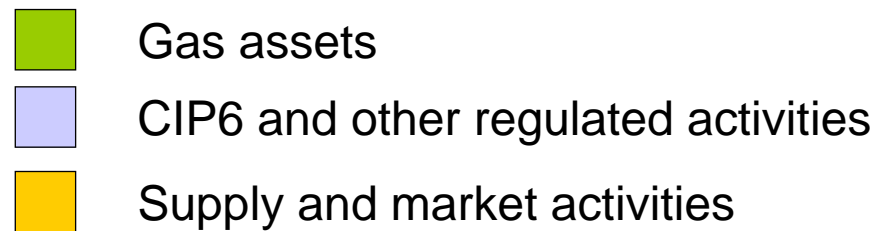
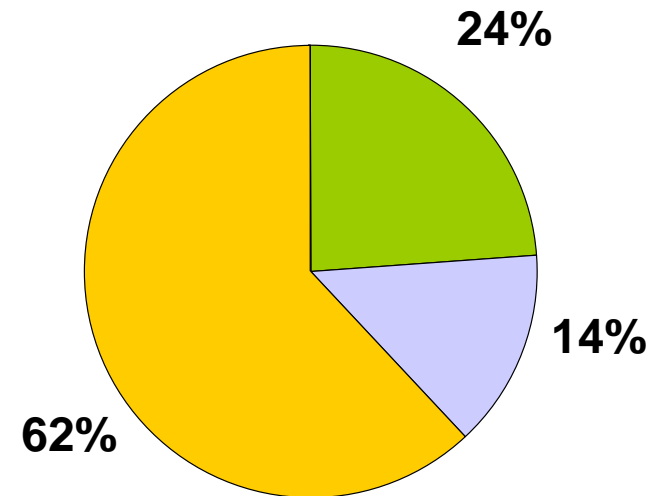
(*) Assuming a dividend payout of around 50% of the net profit

EBITDA BY BUSINESS SEGMENT

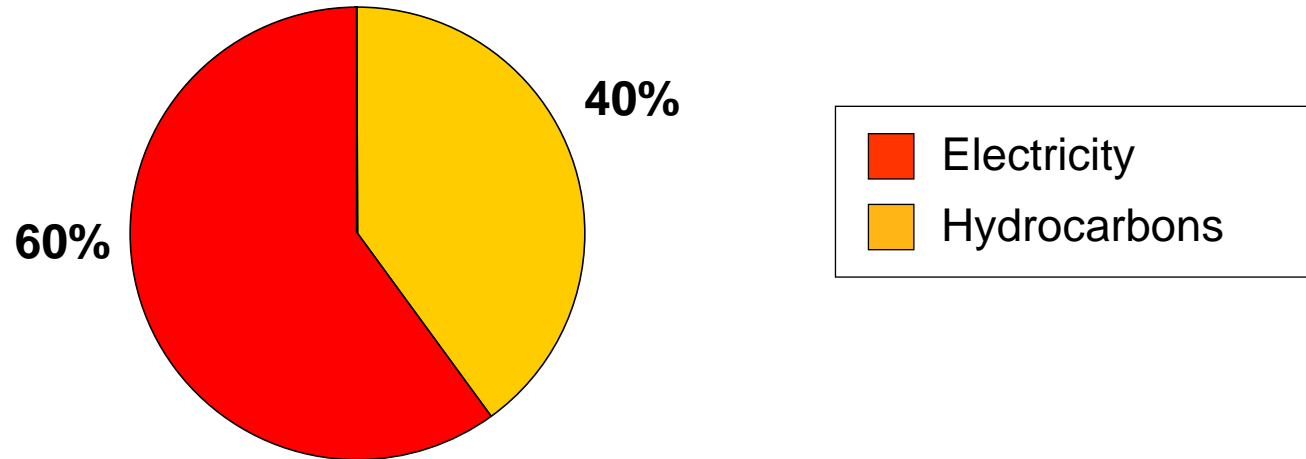
2006



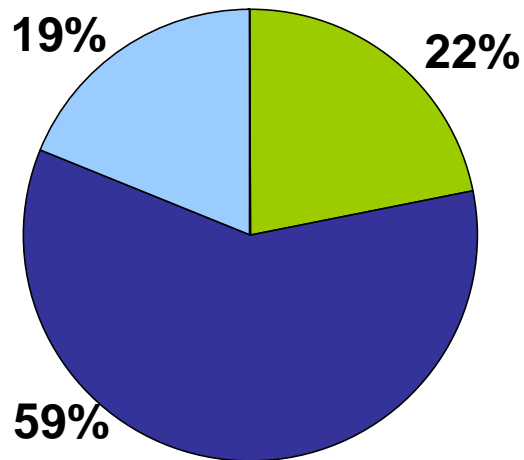
2011



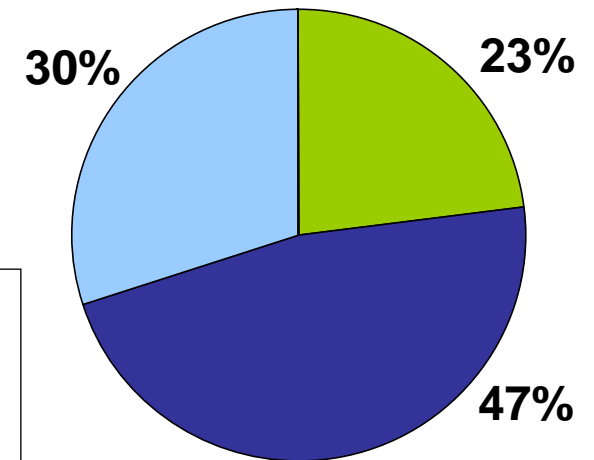
CAPEX 2006 – 2011 : breakdown



Electricity



Hydrocarbons



AREAS WITH POTENTIAL UPSIDE

GROWTH OPPORTUNITIES

Integrated electricity and gas projects
(Mediterranean and Balcans)

PERFORMANCE CONTINUOUS IMPROVEMENT

- Opex
- Cost of capital
- Working Capital

SYNERGIES WITH SHAREHOLDERS

- Leveraging Edison for gas procurement
- Converging sales organization in the Italian market
- Cost synergies (IT, procurement, engineering, R&D, ...)
- Corporate structure rationalization

OPTIMIZATION OF CAPITAL EMPLOYED

- Further divestments (HV grid)
- Capex flexibility

APPENDIX

IGI PROJECT

The Italian and Greek Governments have signed an agreement which represents the starting point for Edison and Depa (Greek gas utility) to develop the last tranche of a gas pipeline between Italy and Greece that will allow the transportation, through Turkey, of 8 – 10 bcm of gas.

IGI pipeline is expected to start operating after 2010 after approx. 3 years of construction.

IGI CAPACITY: 8 - 10 bcm/y

ITG CAPACITY: approx. 12 bcm/y



Depa will be totally in charge of the development of the on-shore tranche of the pipeline (592 km).

Edison and Depa (each with a 50% stake) will take on the development of the off-shore tranche of the pipeline connecting Greece to Otranto (212 km).

IGI is listed among the priority infrastructure projects for gas supplies of the European Union and can benefit from facilitated loans and grants.

GALSI PROJECT

Project status:

- **Capacity:** 9-10 bn mc/y
- **Algeria – Sardinia:**
1 x 24", approx. 300 km, depth 2100-2700 m.
- **Onshore Sardinia**
42", approx. 330 km.
- **Sardinia – Italy (Mainland)**
1 x 28", approx. 270 km, depth 900 m.

Development Status:

1. Technical feasibility study of the route ended
2. Economic/financial feasibility study on progress
3. Start up pre-engineering activities by the end of the year
4. New agreement between Galsi shareholder in order to continue the development expected by mid 2006
5. Possible start up FEED activities by mid 2006
6. Start up authorization process by mid 2006



ROSIGNANO PROJECT



Project features:

Location: industrial area Solvay at Rosignano (inside the factory)

Storage Capacity: 2 x 160.000 mc

Regasification Capacity: 8 bn mc/y

Development status:

1. Technical and economic feasibility study ended
2. Fee to Solvay under negotiation for the use of the existing pier
3. Agreement with BP for the participation in the project (Edison 70% - BP 30%)
4. Authorization process for the new configuration started
5. VIA presented on 1 September 2005
6. Authorization process foreseen to be ended by mid 2006 and start up FEED activities during second half 2006

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Forward looking statements involve inherent risks and uncertainties. We caution you that a number of important factors could cause actual results to differ materially from those contained in any forward looking statement. Such factors include, but are not limited to: changes in global economic business, changes in the price of certain commodities including electricity, gas and coal, the competitive market and regulatory factors.

Moreover, forward looking statements are current only at the date they are made.