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EDISON

# Press Release

*Edison's Board of Directors Reviews the Quarterly Report at March 31, 2006*

## EDISON: REVENUES AND OPERATING RESULTS INCREASED. NET FINANCIAL POSITION WAS STABLE

**In the first quarter, revenues were up 35.5% to 2,441 million euros, EBITDA grew by 7.4% to 334 million euros**

Mila, May 9, 2006 – Edison's Board of Directors met today at the Company's Foro Buonaparte headquarters to review the Quarterly Report at March 31, 2006. **During the first three months of the year**, the Group achieved a **significant improvement in operating performance**: sales revenues were up 35.5% to 2,441 million euros (1,801 million euros in the first quarter of 2005, when Tecnimont's revenues were included); EBITDA grew to 334 million euros, or 7.4% more than the 311 million euros earned in the first three months of 2005; and EBIT increased by 9.4% to 187 million euros (171 million euros in the first quarter of 2005). Net profit was 67 million euros (99 million euros in the first three months of 2005) due to extraordinary charges.

The first three months of 2006 were characterized by what became known as the "natural gas emergency." Edison provided a major contribution to the solution of this problem by making available to the national system its resources and production capacity. Despite this challenging situation, Edison continued to expand its operations and increased its market share in the electric power market, particularly among customers in the deregulated market segment.

## *HIGHLIGHTS OF THE EDISON GROUP*

*(in millions of euros)*

| | 3/31/06 | 3/31/05 |
|---|---|---|
| Sales revenues | **2,441** | 1,801 |
| EBITDA | **334** | 311 |
| EBIT | **187** | 171 |
| Net profit | **67** | 99 |

## *HIGHLIGHTS OF THE GROUP'S ELECTRIC POWER AND HYDROCARBONS OPERATIONS*

*(in millions of euros)*

| | 3/31/06 | 3/31/05 |
|---|---|---|
| **Electric Power Operations** | | |
| Sales revenues | **1,795** | 1,127 |
| EBITDA | **290** | 252 |
| **Hydrocarbons Operations** | | |
| Sales revenues | **1,256** | 923 |
| EBITDA | **59** | 78 |

## Sales Volumes and Revenues

During the first three months of 2006, sales revenues were up a strong 35.5% compared with the same period last year (the increase is more than 46% when the data are restated on a comparable scope of consolidation basis), rising from 1,801 million euros in 2005 to 2,441 million euros this year. The electric power operations and the hydrocarbons operations grew by 59.3% and 36.1%, respectively.

Both businesses benefited from significantly higher average sales prices, due mainly to an increase in raw material costs. In addition, the electric power operations reported a sharp gain in unit sales, which were up 28.3% to 16,558 GWh (12,901 GWh in 2005), due mainly to steady growth in the deregulated market (+46.5%). Edison's expanded significantly its penetration of this market thanks to the full availability of the Candela, Altomonte and Piacenza power plants.

Unit sales by the hydrocarbons operations increased by 1.1% in the first quarter of the year, rising from 4,366 million cubic meters in 2005 to 4,414 million cubic meters in 2006. Specifically, sales to thermoelectric power plants, which reflected the start of production at new facilities, were up 19.4% to 2,088 million cubic meters (1,748 million cubic meters in the first three months of 2005). At the same time, sales to residential users decreased from 1,902 million cubic meters in the first three months of 2005 to 1,778 million cubic meters this year, as demand was curtailed by the limited supply of natural gas caused by the "natural gas emergency."

**EBITDA**

EBITDA grew by 7.4%, rising from 311 million euros in the first quarter of 2005 to 334 million euros in the same period this year. This improvement was made possibly by a strong performance by the electric power operations, which, thanks to higher unit sales and the optimization of their portfolio of production facilities, were able to more than offset the impact of the expiration of CIP-6 incentives for some of the Group's power plants, a decrease in hydroelectric output caused by a reduction in the availability of water resources, the arising charges in connection with $CO_2$ emission requirements and a deterioration of the operating results reported by the hydrocarbons operations. The operating performance of the hydrocarbons operations was adversely affected by a compression of its sales margins caused by a narrowing of the price-cost spread, attributable to changes in the manner by which prices are indexed to the benchmark fuel markets, and a conservative decision to set aside a provision to cover costs that will arise from the enactment of Resolution No. 298/05 (which Edison is contesting), by which the Electric Power and Natural Gas Authority updated customer gas rates for the first quarter of 2006.
Edison, basing on the changed regulating scenario and on the inflation dynamics in the international energy markets, started actions with its gas suppliers aimed at modifying current contractual conditions.

**EBIT**

EBIT grew to 187 million euros, compared with 171 million euros in the first quarter of 2005 (+9.4%).

**Net Profit**

The Group's interest in net profit was 67 million euros, down 32% from 99 million euros in the first quarter of 2005, due to the recognition of a provision (32 million euros) set aside conservatively to cover a fine recently imposed by the European Commission on the "old" Montedison for alleged actions in restraint of competition in the hydrogen peroxide and sodium perborate markets by Ausimont, a former subsidiary that was sold to Solvay in 2002.

**Indebtedness**

At March 31, 2006, the Group's net borrowings totaled 4,916 million euros, down from 4,939 million euros in the first quarter of 2005 (4,878 million euros December 31, 2005).

**Outlook for the Balance of 2006**

The full availability of the power plants that were commissioned in 2005 and the startup of the new Torviscosa power plant in the second half of the year should help the Group's industrial operations report improved results for all of 2006.

**Conference call**

The Group's operating results for the first quarter of 2006 will be discussed today at 5:300 PM (4:30 PM GMT) during a conference call. Journalists may follow the presentation by telephone in listen-only mode by dialing +39 02 303509003.
The presentation will also be available at the Group's website: www.edison.it.

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***The Quarterly Report at March 31, 2006 will be available upon request at the Company's headquarters (31 Foro Buonaparte, Milan) and at the offices of Borsa Italiana Spa. It may also be consulted at the Group's website: www.edison.it***

Reclassified consolidated and statutory balance sheets, cash flow statement and changes in consolidated shareholders' equity are attached. The quarterly financial statements were not audited.

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

# Consolidated Balance Sheet

*(in millions of euros)*

| 3/31/05 | | 3/31/06 | 12/31/05 |
|---|---|---|---|
| | **ASSETS** | | |
| 8,670 | Property, plant and equipment | 8,581 | 8,637 |
| 62 | Investment property | 48 | 49 |
| 3,507 | Goodwill | 3,505 | 3,505 |
| 355 | Hydrocarbon concessions | 332 | 339 |
| 26 | Other intangible assets | 36 | 38 |
| 96 | Investments in associates | 59 | 59 |
| 216 | Available-for-sale investments | 85 | 74 |
| 89 | Other financial assets | 66 | 65 |
| 108 | Deferred-tax assets | 121 | 104 |
| 281 | Other assets | 282 | 297 |
| **13,410** | **Total non-current assets** | **13,115** | **13,167** |
| 143 | Inventories | 172 | 315 |
| 1,363 | Trade receivables | 2,068 | 1,593 |
| 129 | Due from customers for contract work | - | - |
| 83 | Current-tax assets | 6 | 38 |
| 481 | Other receivables | 350 | 337 |
| 80 | Current financial assets | 66 | 76 |
| 460 | Current financial assets | 478 | 361 |
| **2,739** | **Total current assets** | **3,140** | **2,720** |
| - | **Assets held for sale** | - | - |
| **16,149** | **Total assets** | **16,255** | **15,887** |
| | **LIABILITIES AND SHAREHOLDERS' EQUITY** | | |
| 4,266 | Share capital | 4,273 | 4,273 |
| - | Equity reserves | - | - |
| 1,871 | Other reserves | 1,554 | 1,552 |
| - | Reserve for currency translations | 1 | 3 |
| (371) | Retained earnings (Loss carryforward) | 442 | (58) |
| 99 | Profit (Loss) for the period | 67 | 500 |
| **5,865** | **Total Group interest in shareholders' equity** | **6,337** | **6,270** |
| 467 | Minority interest in shareholders' equity | 153 | 159 |
| **6,332** | **Total shareholders' equity** | **6,490** | **6,429** |
| 90 | Provision for employee severance indemnities and provision for pensions | 75 | 74 |
| 1,279 | Provision for deferred taxes | 1,090 | 1,096 |
| 1,049 | Provision for risks and charges | 948 | 1,002 |
| 2,845 | Bonds | 2,858 | 2,838 |
| 1,820 | Long-term borrowings and other financial liabilities | 1,702 | 1,822 |
| 232 | Other liabilities | 246 | 242 |
| **7,315** | **Total non-current liabilities** | **6,919** | **7,074** |
| 814 | Short-term borrowings | 900 | 655 |
| 990 | Trade payables | 1,468 | 1,275 |
| 248 | Due to customers for contract work | - | - |
| 116 | Current taxes payable | 58 | 16 |
| 320 | Other liabilities | 420 | 438 |
| **2,488** | **Total non-current liabilities** | **2,846** | **2,384** |
| **-** | **Liabilities held for sale** | **-** | **-** |
| **16,135** | **Total liabilities and shareholders' equity** | **16,255** | **15,887** |

## Consolidated Income Statement

*(in millions of euros)*

| 2005 full year | | 1/1/06 - 3/31/06 | 1/1/05 - 3/31/05 |
|---|---|---|---|
| 6,650 | Sales revenues | 2,441 | 1,801 |
| 588 | Other revenues and income | 192 | 97 |
| **7,238** | **Total revenues** | **2,633** | **1,898** |
| (5,682) | Raw materials and services used (-) | (2,249) | (1,518) |
| (250) | Labor costs (-) | (50) | (69) |
| **1,306** | **EBITDA** | **334** | **311** |
| (657) | Depreciation, amortization and writedowns (-) | (147) | (140) |
| **649** | **EBIT** | **187** | **171** |
| (219) | Net financial income (expense) | (50) | (30) |
| 23 | Income from (Expense on) equity investments | 2 | 1 |
| (17) | Other income (expense), net | (28) | 2 |
| **436** | **Profit before taxes** | **111** | **144** |
| (16) | Income taxes | (39) | (40) |
| **420** | **Profit (Loss) from continuing operations** | **72** | **104** |
| 86 | Profit (Loss) from discontinued operations | - | - |
| **506** | **Profit (Loss)** | **72** | **104** |
| | Broken down as follows: | | |
| 6 | Minority interest in profit (loss) | 5 | 5 |
| **500** | **Group interest in profit (loss)** | **67** | **99** |
| | Earnings per share (in euros) | | |
| 0.1165 | basic | 0.0148 | 0.0224 |
| 0.1060 | diluted | 0.0135 | 0.0206 |

## Cash Flow Statement for the First Quarter of 2006

| 2005 full year | | (in millions of euros) | 1/1/06 - 3/31/06 | 1/1/05 - 3/31/05 |
|---|---|---|---|---|
| 500 | | Group interest in profit (loss) | 67 | 99 |
| 6 | | Minority interest in profit (loss) | 5 | 5 |
| 579 | | Amortization and depreciation | 147 | 140 |
| (3) | | Interest in the result of companies valued by the equity method (-) | (1) | (1) |
| - | | Dividends received from companies valued by the equity method | - | - |
| (137) | | (Gains) Losses on the sale of non-current assets | - | 1 |
| 78 | | (Revaluations) Writedowns of intangibles and property, plant and equipment | - | - |
| (2) | | Change in the provision for employee severance indemnities | 1 | - |
| (478) | | Change in other operating assets and liabilities | (144) | (142) |
| **543** | **A.** | **Cash flows from continuing operations** | **75** | **102** |
| (644) | | Additions to intangibles and property, plant and equipment ( - ) | (85) | (140) |
| (239) | | Additions to non-current financial assets ( - ) | (11) | (11) |
| 21 | | Proceeds from the sale of intangibles and property, plant and equipment | 9 | - |
| 452 | | Proceeds from the sale of non-current financial assets | - | 7 |
| 2 | | Capital grants received during the year | - | - |
| (92) | | Change in the scope of consolidation | - | - |
| (11) | | Other current assets | (10) | (14) |
| **(511)** | **B.** | **Cash used in investing activities** | **(97)** | **(158)** |
| 279 | | Receipt of new medium-term and long-term loans | 40 | 29 |
| (265) | | Redemption of new medium-term and long-term loans and reclassification of short-term installments (-) | (140) | (6) |
| 18 | | Capital contributions provided by controlling companies or other shareholders | - | 7 |
| (11) | | Dividends paid to controlling companies or minority shareholders (-) | (6) | (3) |
| (150) | | Change in short-term debt | 245 | 31 |
| **(129)** | **C.** | **Cash flow from (used in) financing activities** | **139** | **58** |
| - | **D.** | **Net currency translation differences** | - | - |
| **(97)** | **E.** | **Net decrease in cash and cash equivalents (A+B+C+D)** | **117** | **2** |
| **458** | **F.** | **Cash and cash equivalents at beginning of period** | **361** | **458** |
| **361** | **G.** | **Cash and cash equivalents at end of period (E + F)** | **478** | **460** |

## Changes in Consolidated Shareholders' Equity for the First Quarter of 2006

| | Group interest in shareholders' equity | | | | | | |
|---|---|---|---|---|---|---|---|
| (in millions of euros) | Share capital (a) | Reserves and ret. earnings (loss carryforward) (b) | Reserve for currency translations (c) | Profit for the period (d) | Total (a+b+c+d)=(e) | Minority inter. in sharsehold. equity (f) | Total shareholders' equity (e)+(f) |
| ***Balance at December 31, 2004*** | *4,259* | *1,094* | - | *354* | *5,707* | *469* | *6,176* |
| Restatements for adoption of IAS 32 and 39 | - | 38 | - | - | *38* | - | *38* |
| ***Balance at January 1, 2005*** | *4,259* | *1,132* | - | *354* | *5,745* | 469 | *6,214* |
| Share capital increase due to the conversion of warrants | 7 | - | - | - | *7* | - | *7* |
| Restatements for the adoption of IAS 32 and 39 | - | 10 | - | - | *10* | - | *10* |
| Dividend distribution | - | - | - | - | - | (3) | *(3)* |
| Change in the scope of consolidation | - | - | - | - | - | (3) | *(3)* |
| Appropriation of the 2004 profit | - | 354 | - | (354) | - | - | - |
| Difference from translation of financial statements in foreign currencies | - | - | (1) | - | *(1)* | - | *(1)* |
| Sundry items | - | 5 | - | - | *5* | (1) | *4* |
| Profit for the period | - | - | - | 99 | *99* | 5 | *104* |
| ***Balance at March 31, 2005*** | *4,266* | *1,501* | *(1)* | *99* | *5,865* | 467 | *6,332* |
| Share capital increase due to the award of stock options | 7 | 4 | - | - | *11* | - | *11* |
| Restatements for the adoption of IAS 32 and 39 | - | 1 | - | - | *1* | - | *1* |
| Change in the scope of consolidation | - | - | - | - | - | (301) | *(301)* |
| Dividend distribution | - | - | - | - | - | (8) | *(8)* |
| Differenza da conversione bilanci in valuta estera | - | - | 4 | - | *4* | - | *4* |
| Sundry items | - | (12) | - | - | *(12)* | - | *(12)* |
| Profit for the period | - | - | - | 401 | *401* | 1 | *402* |
| ***Balance at December 31, 2005*** | *4,273* | *1,494* | *3* | *500* | *6,270* | *159* | *6,429* |
| Share capital increase due to the conversion of warrants | - | - | - | - | - | - | - |
| Appropriation of the 2005 profit | - | 500 | - | (500) | - | - | - |
| Restatements for the adoption of IAS 32 and 39 | - | 9 | - | - | *9* | - | *9* |
| Change in the scope of consolidation | - | - | - | - | - | (5) | *(5)* |
| Dividend distribution | - | - | - | - | - | (6) | *(6)* |
| Currency translation differences | - | - | (2) | - | *(2)* | - | *(2)* |
| Other entires | - | (7) | - | - | *(7)* | - | *(7)* |
| Profit for the period | - | - | - | 67 | *67* | 5 | *72* |
| ***Balance at March 31, 2006*** | *4,273* | *1,996* | *1* | *67* | *6,337* | *153* | *6,490* |