



## **Debt Investor Roadshow Presentation**

**July 2004**

# Agenda

## ■ Edison refocusing process

### ■ Edison business strategy :

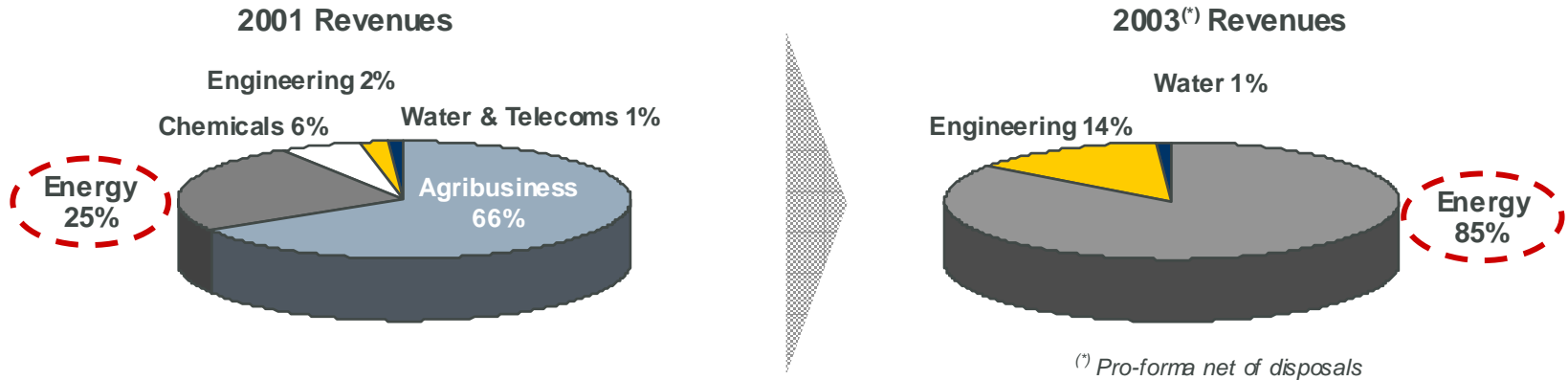
- competitive position
- growth strategy in electricity and gas
- overview on capex and cash flow trends

### ■ Financial overview :

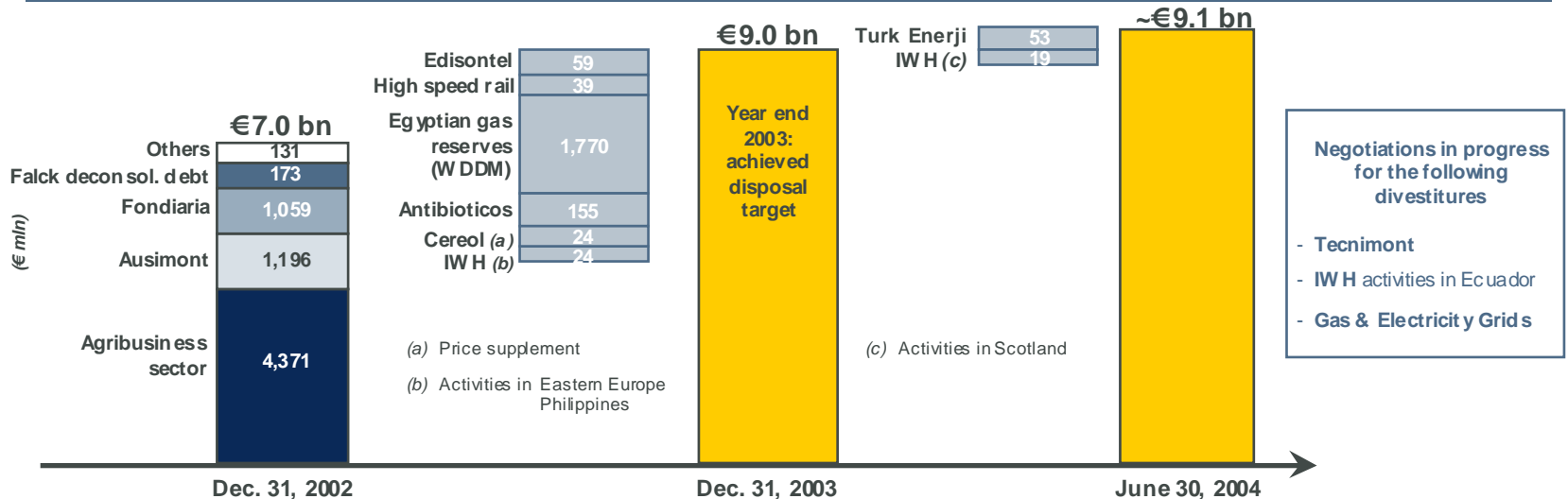
- full year 2003 and first quarter 2004 results
- debt evolution and liquidity position
- rating evolution
- capital and shareholding structure

# Restructuring program completed

## REFOCUS ON CORE BUSINESS



## NON CORE ASSETS DIVESTITURE PROGRAM COMPLETED



# Agenda

## ■ Edison refocusing process

## ■ Edison business strategy :

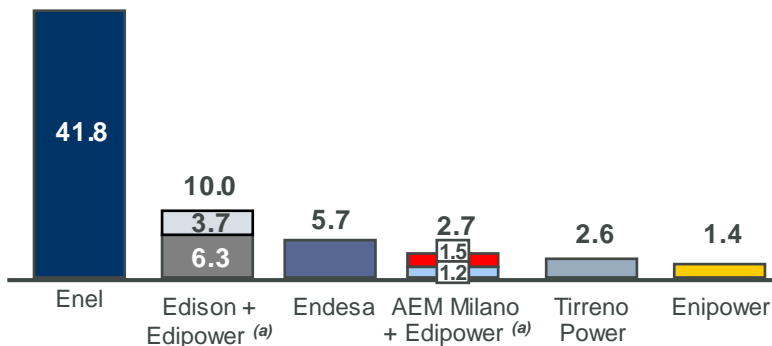
- competitive position
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# Edison position in the electricity and gas markets

## 2003 installed capacity in Italy (Gw)

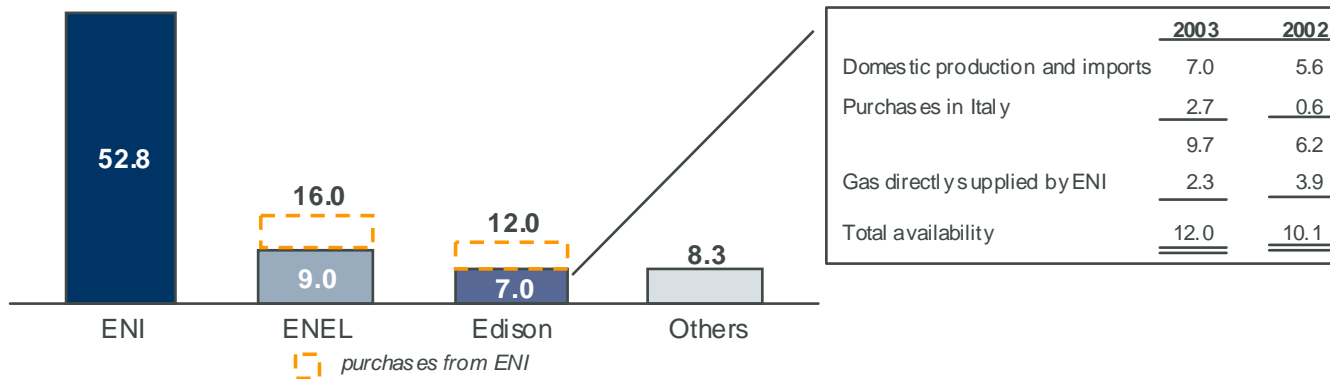


(a) Pro-quota EDISON and AEM Milano through tolling agreement

## 2003 Edison Group installed capacity (Mw)

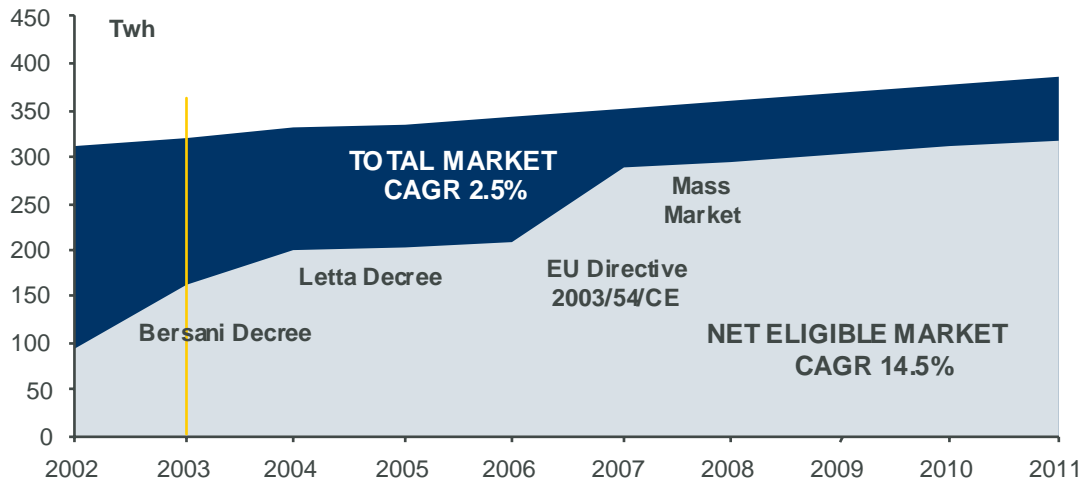
	Edison standalone	Edipower (Edison %)	Total Edison 2003	%
Thermoelectric	4,780	3,315	8,095	80%
Hydroelectric	1,370	390	1,760	18%
Wind	210		210	2%
<b>Total</b>	<b>6,360</b>	<b>3,705</b>	<b>10,065</b>	<b>100%</b>

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



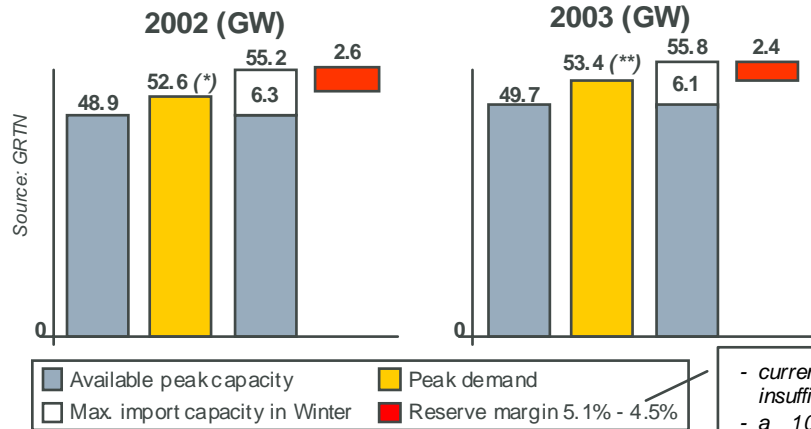
# Business overview - dynamics in the electricity market

## A fast growing liberalising market



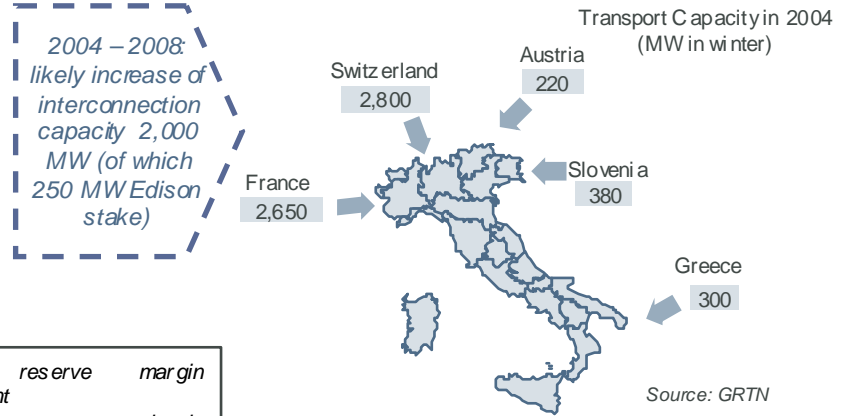
Source: Edison estimates based on GRTN data

## Black out risk



(\*) Record peak demand 12-12-'02 h. 5.00 pm  
 (\*\*) Record peak demand 10-12-'03 h. 5.00 pm

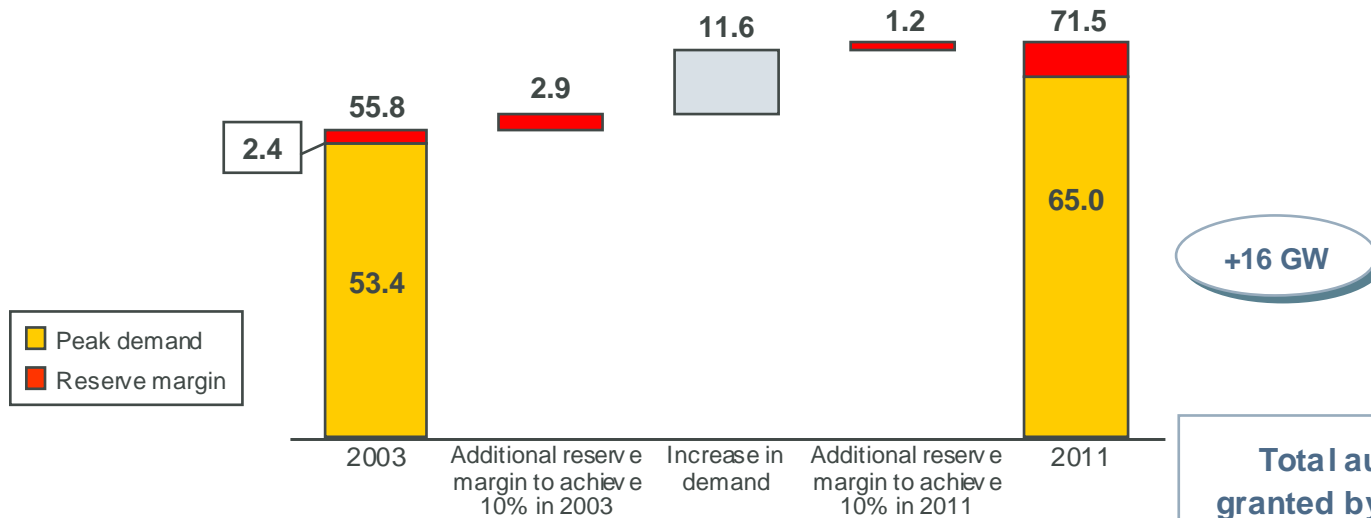
## Interconnection capacity



- current reserve margin insufficient  
 - a 10% reserve margin is needed to cover black out risk

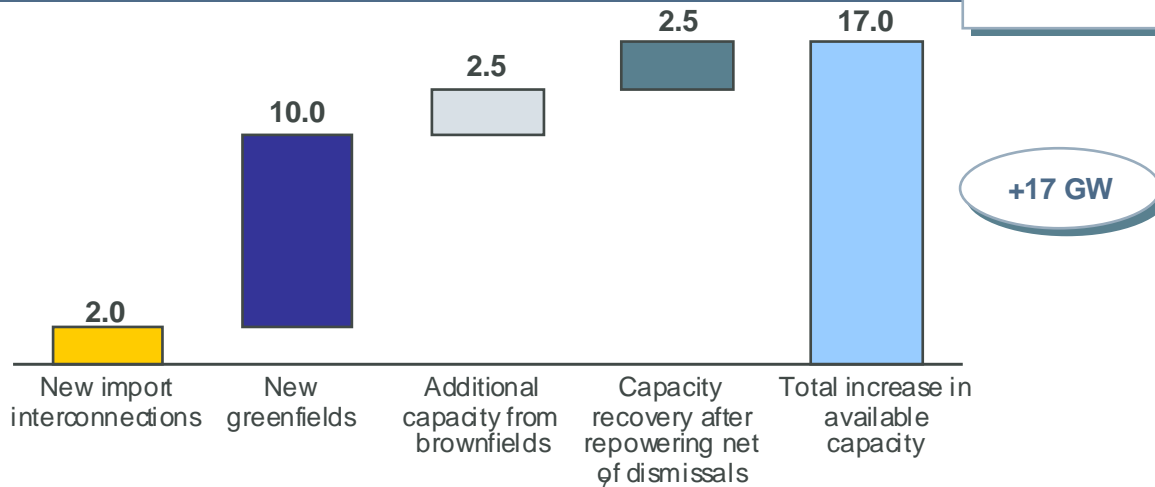
# Business overview - dynamics in the electricity market

## Increasing capacity requirements 2004 - 2011

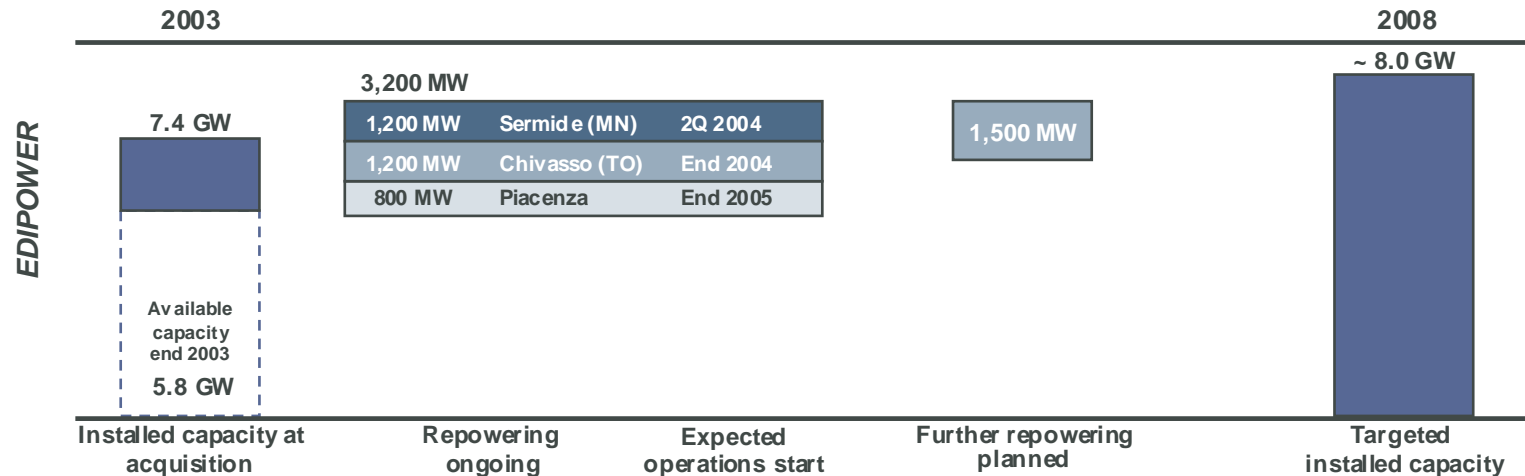
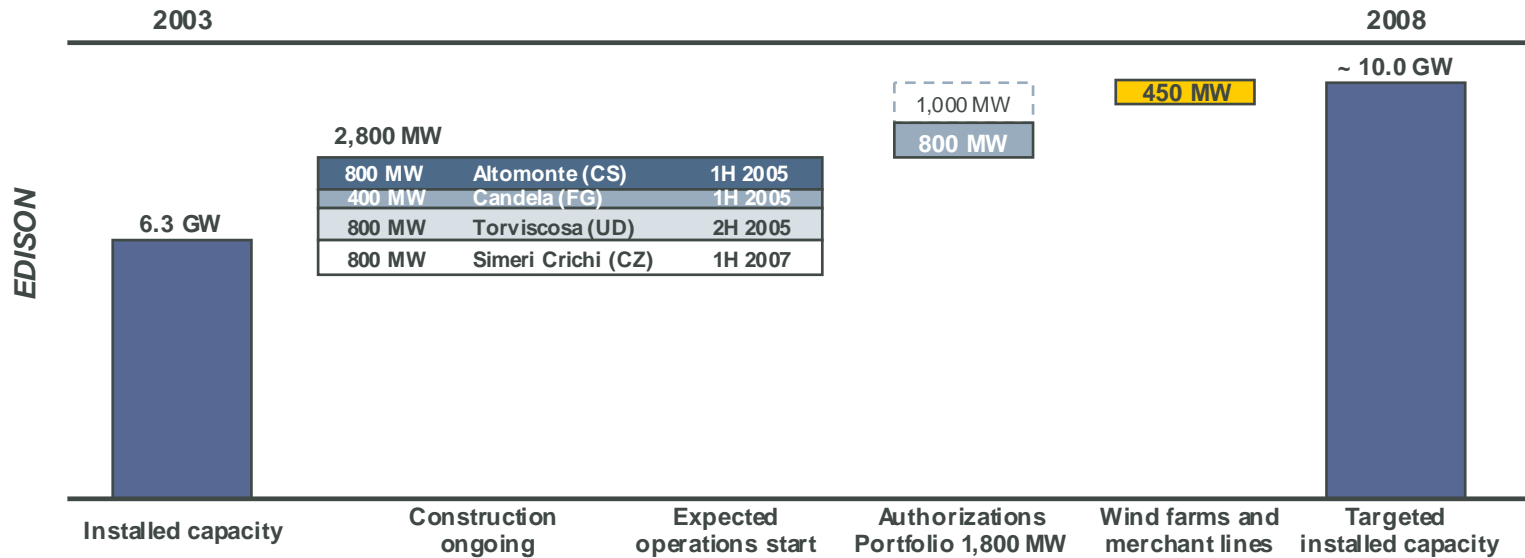


**Total authorizations granted by MAP (Ministry of Industry) : 17,767 MW as of end of May 2004**

## Increase in a available capacity 2004 - 2011

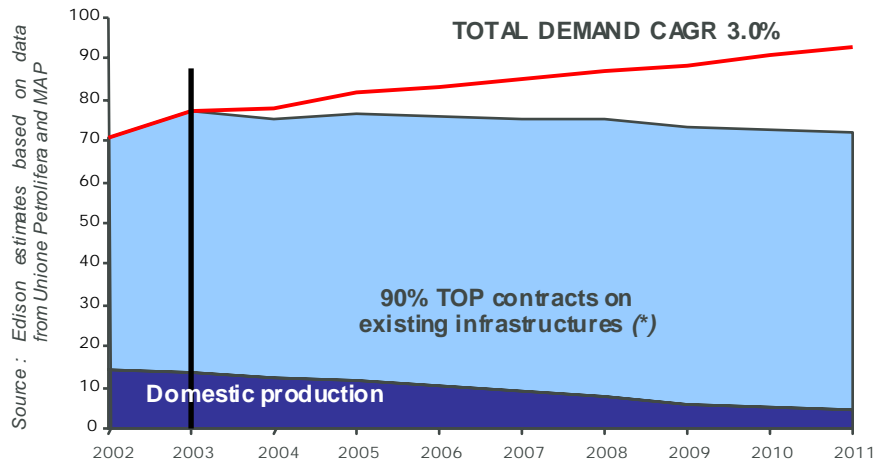


# Edison growth strategy – progress in the investment program



# Business Overview - Dynamics in the gas market

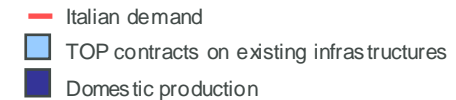
## Expected trend in gas demand and supply



Italian gas market fully liberalised since January 1st, 2003

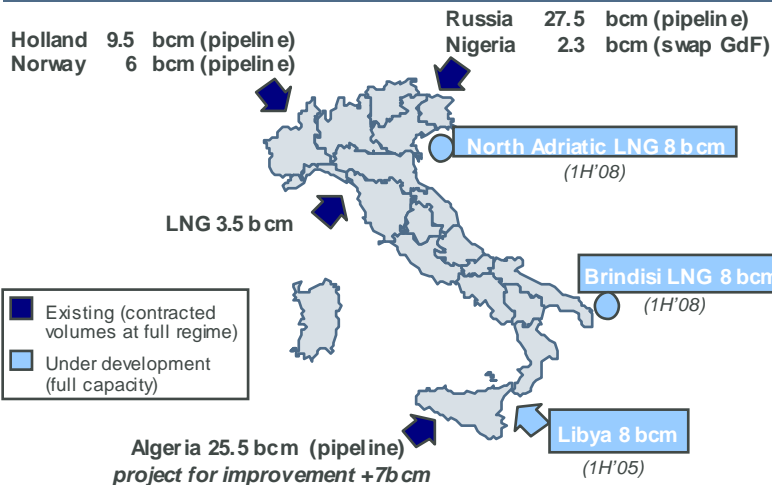
### Supply balance 2003

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

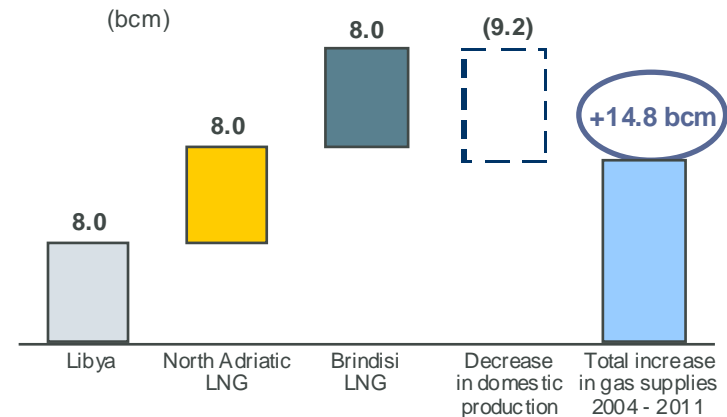


(\*) Imports data up to 2003 are actual and include spot imports and changes in stock.

## Current and projected gas availability in Italy

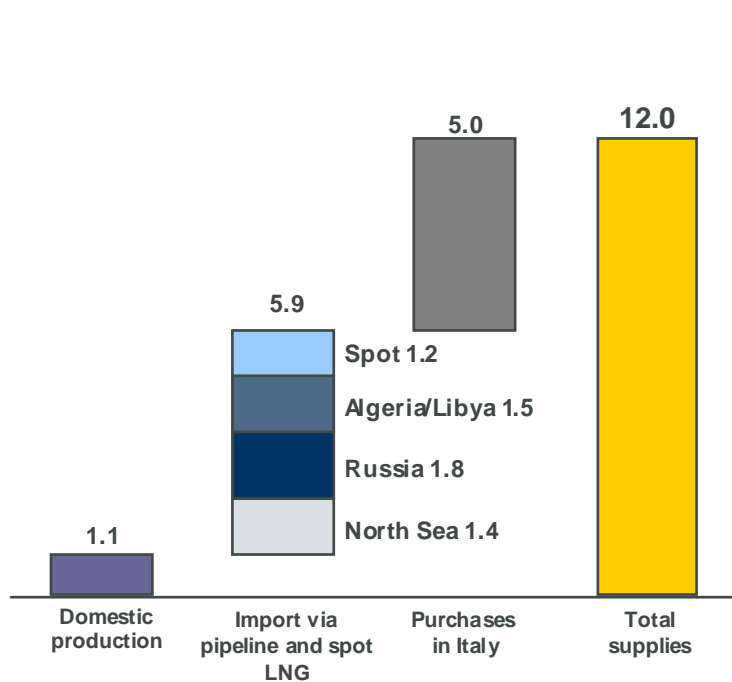


## Increase in Italian gas supplies 2004 - 2011

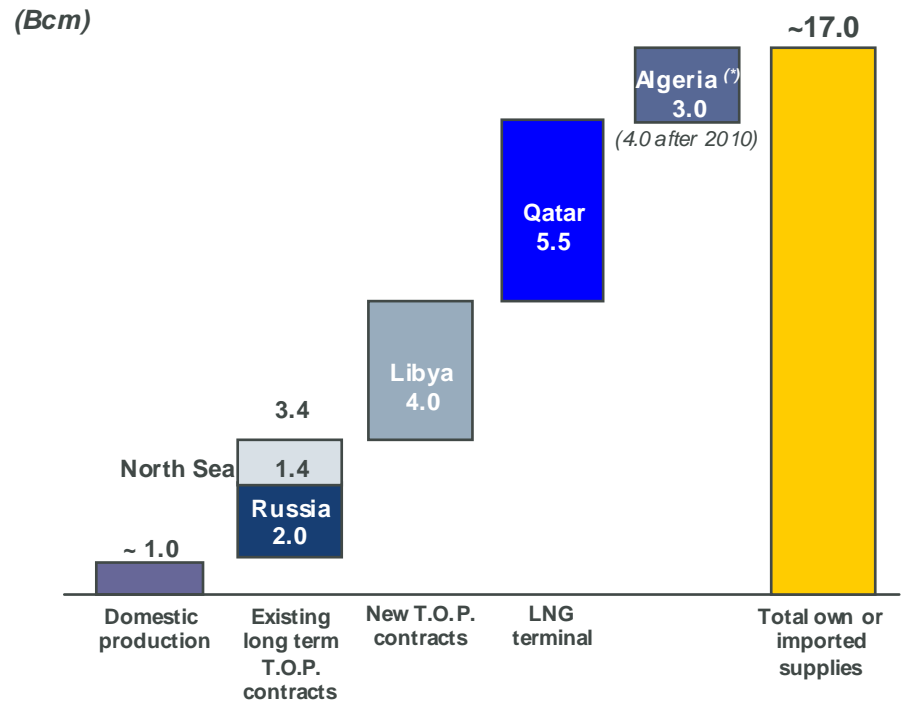


# Development of gas sources in Italy

Edison gas supply mix in 2003



Edison gas supply mix at 2008



(\*) 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.

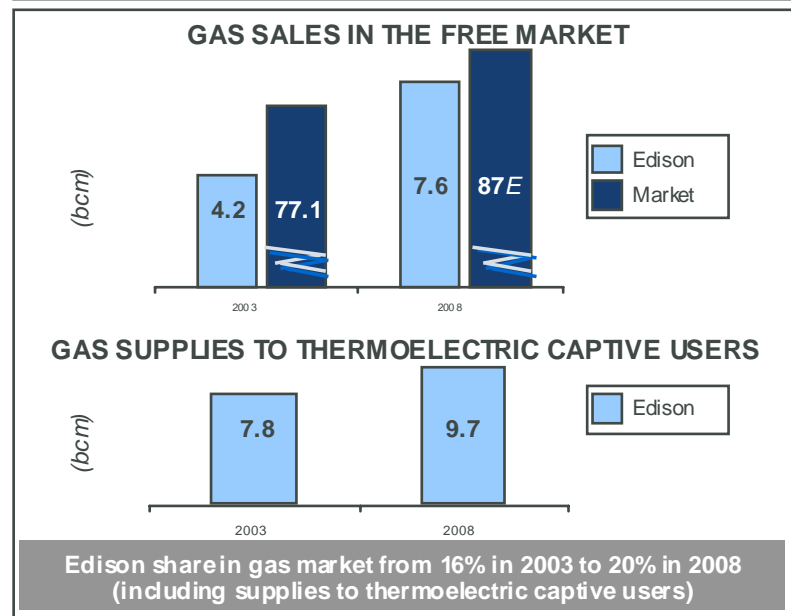
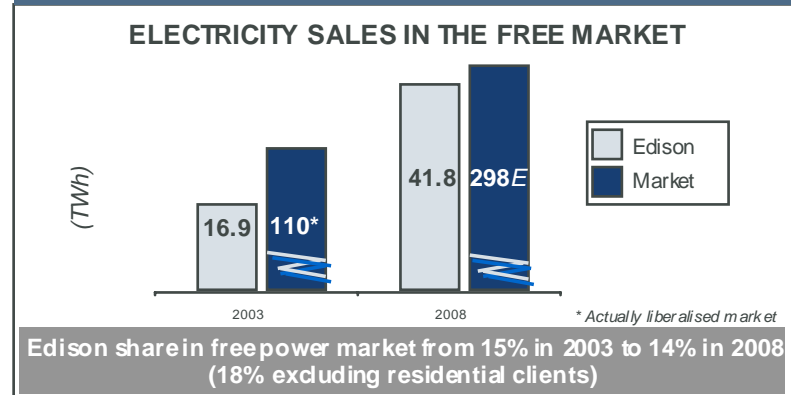
Gas supply strategy aims at creating a diversified portfolio based almost totally on own sources and long term contracted volumes

# 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	Complementary target
<b>Small / Very small</b>	Secondary target	Primary target
<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	

## Volume target and market share by product



## Overview on CapEx and cash flow trends for the period 2004 - 2008

- Edison and Edipower (50% share) cumulated capex program in the period (around € 3 bn ) will be fully funded by the cumulated EBITDA from CIP6 contracts, regulated assets and domestic gas production
- The increase of more than 50% in the electricity production for the free market and a more favourable sales mix are expected to boost operating margins in the period 2004-2008 despite the 15% decrease in CIP6 sales volumes and the expiration of a portion of incentives
- In 2004 the trend of the free cash flow is expected to confirm IQ04 results. After the peak capex in 2005, fully funded by operating cash flow, Edison expects to post an increasingly positive free cash flow trend from 2006 onwards
- Without factoring in the €1.0bn warrants conversion, the Group Net Financial Position at the end of the period is expected to remain stable

# Agenda

- **Edison refocusing process**
- **Edison business strategy :**
  - **competitive position**
  - **growth strategy in electricity and gas**
  - **overview on capex and cash flow trends**
- **Financial overview :**
  - **full year 2003 and first quarter 2004 results**
  - **debt evolution and liquidity position**
  - **rating evolution**
  - **capital and shareholding structure**

## FY 2003 and 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 optimisation 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

# Edison group consolidated balance sheet and cash flow

## Consolidated balance sheet

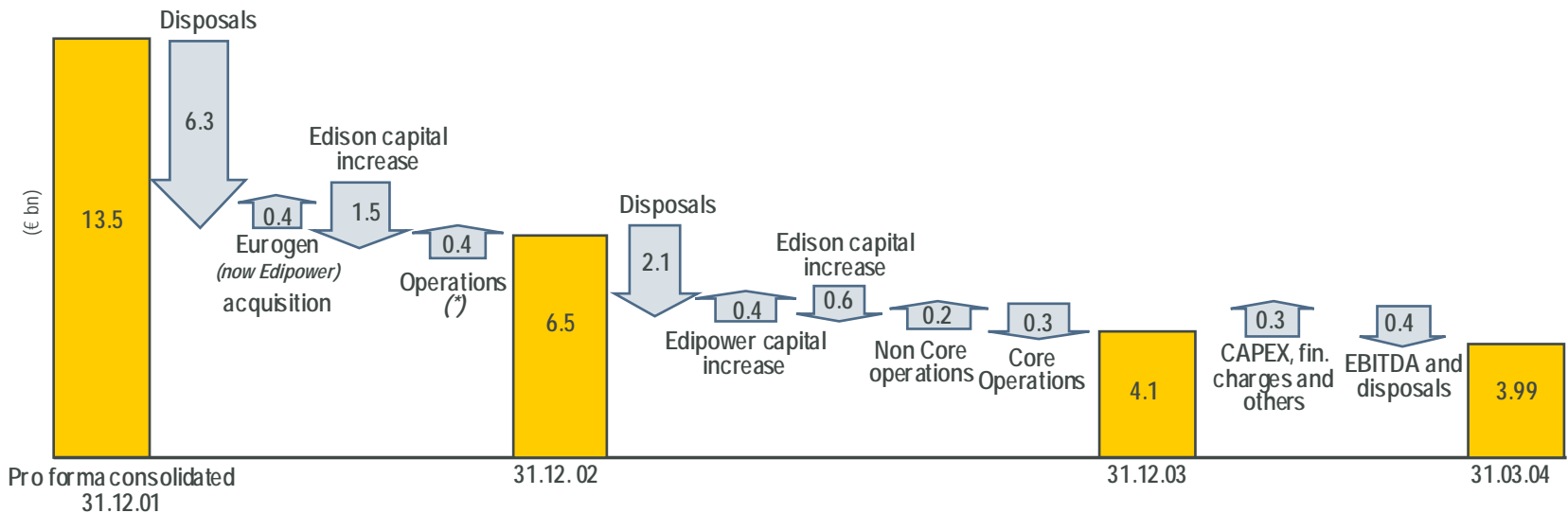
FY2002	FY2003	(€ mln)	IQ04
5,055	4,017	Intangibles	3,952
6,569	5,555	Property, plant and equipment	5,461
943	1,235	Financial fixed assets	1,244
<b>12,567</b>	<b>10,807</b>	<b>Total fixed assets</b>	<b>10,657</b>
(810)	(589)	Net working capital	(498)
(76)	(62)	Staff leaving indemnities	(63)
<b>11,681</b>	<b>10,156</b>	<b>Net invested capital</b>	<b>10,096</b>
<i>Financed by</i>			
5,220	6,013	Shareholders' equity	6,104
744	800	(of which minorities)	826
<b>6,461</b>	<b>4,143</b>	<b>Net financial debt</b>	<b>3,992</b>
<b>11,681</b>	<b>10,156</b>	<b>Total coverage sources</b>	<b>10,096</b>

## Consolidated cash flow

FY2003	(€ mln)	IQ04
<b>1,103</b>	EBITDA	358
(32)	Taxes paid	0
(246)	Change in working capital and other asset / liabilities	(137)
<b>825</b>	<b>Operating cash flow</b>	<b>221</b>
(352)	Capital expenditures	(55)
(587)	Financial investments	(13)
1,901	Proceeds from asset disposals	15
17	Dividends received	1
<b>1,804</b>	<b>Free cash flow</b>	<b>169</b>
(283)	Financial expenses	(65)
614	Contributions of capital stock and reserves	25
183	Changes in consolidation area and others	22
<b>2,318</b>	<b>Net cash flow for the period</b>	<b>151</b>

# Edison financial restructuring

## CONSOLIDATED DEBT EVOLUTION



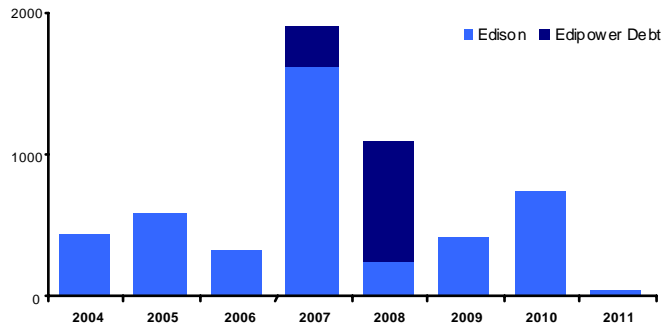
(\*) mainly related to Non Core Business

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

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

# Liquidity position

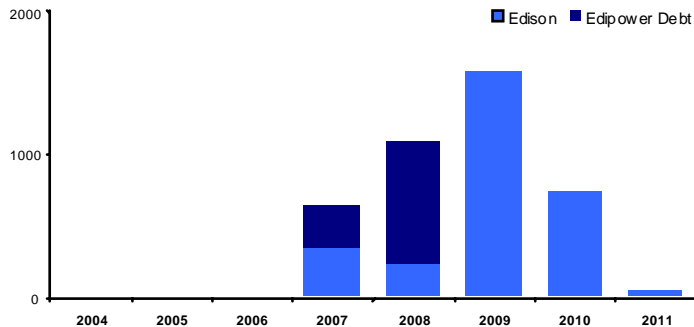
## Debt Maturity Profile



## Committed Credit Lines at 30 June 2004

(€ mln)	Granted	Available
Jumbo revolving facility (2009)	1,500	1,150
Other facilities (up to 2007)	1,100	350
<b>Total Committed Lines</b>	<b>2,600</b>	<b>1,500</b>

## Debt Maturity Profile after refinancing and Warrants conversion



Edison € 1.5 bn available committed lines allow to cover debt repayment obligations (€ 1.3 bn) up to 2006 without considering Operating Cash Flow

Warrants conversion will substantially reduce Group refinancing needs in 2007

# Edison debt Analysis

## Breakdown of Edison Net Financial Position

<i>(€ bn)</i>	<b>31.03.04</b>
Uncommitted facilities	0.3
Cash at bank	(0.6)
<b>Total short term financing</b>	<b>(0.3)</b>
<b>Bank Committed facilities</b>	<b>2.2</b>
<b>Bonds</b>	<b>2.1</b>
<b>NET FINANCIAL POSITION</b>	<b>4.0</b>

## Debt structure analysis

### Debt average life

<b>October '03</b>	<b>3.3 yrs</b>
<b>December '03</b>	<b>3.8 yrs</b>
<b>July '04</b>	<b>4.3 yrs</b>

### Capital markets debt / Bank debt

<b>October '03</b>	<b>35% / 65%</b>
<b>July '04</b>	<b>60% / 40%</b>

Focusing on debt optimization, Edison achieved the aim of :

- Lengthening debt average life, in line with peers
- Reducing liquidity risk (Jumbo Line € 1.5 bn)
- Improving the debt structure

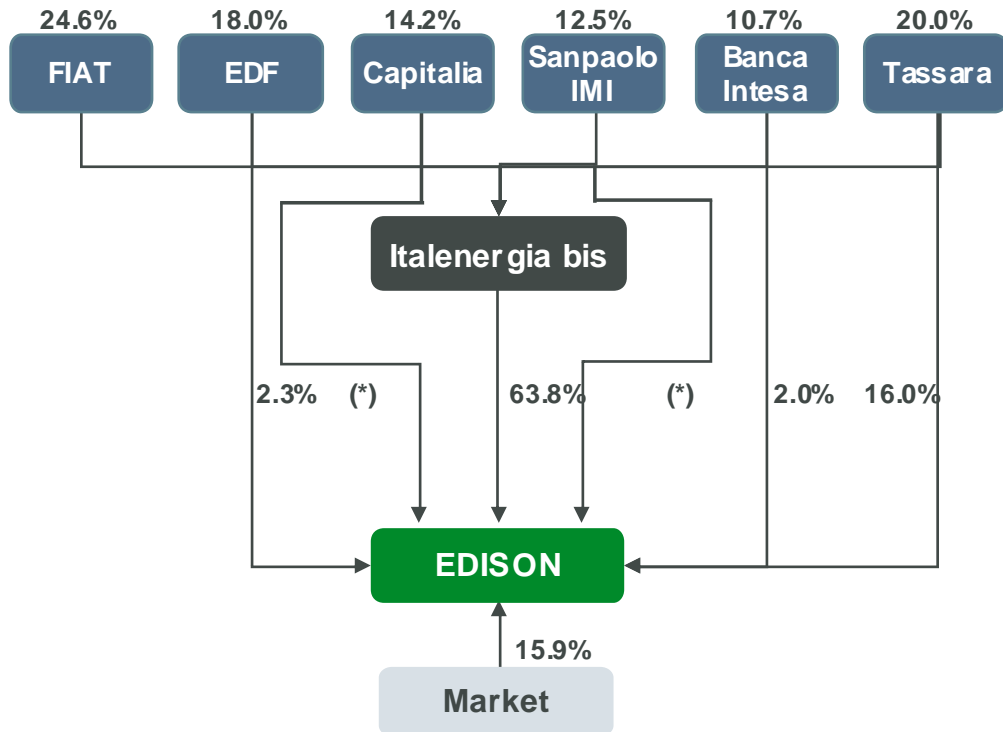
# Rating Evolution

S&P	31.07.00	04.02.02	1.10.02	15.11.02	30.05.03	17.11.03	07.06.04
Rating (Long Term)	A-	BBB	BBB	BBB	BBB	BBB	BBB+
Outlook	negative	negative	stable	negative	stable	stable	stable
Rating (Short Term)	A-3	A-3	A-3	A-3	A-3	A-2	A-2

MOODY'S	13.06.00	31.10.01	04.02.02	14.11.02	11.06.04
Rating (Long Term)	A2	A2	Baa2	Baa3	Baa3
Outlook	stable	negative	negative	negative	positive

- Positive changes in the evaluations of Edison credit standing reflect
  - the **quicker- and-stronger-than-expected** improvement in the company's financial and liquidity profile
  - the **improvement** in operating and financial performance
  - the expectation that the **main financial ratios** will remain **stable** despite an **ambitious capital investment program**
  - the perception of a **reduced level of business risk**
- Current outlooks reflect Edison's **strengthening market position** and **ongoing financial discipline**. A rating **uplift** may be deriving from the **positive resolution** of the uncertainties concerning the shareholders structure
- Both rating agencies **do not factor the benefits from** the potential exercise of **warrants** through 2007

# Capital and shareholding structure



## CAPITAL STOCK AS OF 31.05.2004

- Ordinary shares	4,126,296,095
- Non convertible sav. shares	110,592,420
- TOTAL SHARES	4,236,888,515

## WARRANTS OUTSTANDING AS OF 31.05.2004

- 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 31.05.2004

N° 47,223,055

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

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