

## Edison Spa

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## Press Release

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

*Edison's Board of Directors reviewed today the preliminary data for 2003. Healthy operating results and a drastic reduction in financial expense, both in line with expectations, produced positive earnings before taxes and extraordinary items.*

### **EDISON: 2003 WAS A TURNAROUND YEAR**

**Strong revenue growth (+16.1%) and a sharp improvement in the operating performance (EBIT up 40% to €405 million) of the Group's core businesses, coupled with the halving of its financial expense (down from €502 to €245 million), produced pretax operating earnings of €160 million, compared with a loss of €211 million in 2002. The consolidated pretax operating earnings, which include operations that are now almost fully divested, were €137 million, up from a loss of €65 million the year before.**

Milan, February 12, 2004 – The Board of Directors of Edison S.p.A. met today at the Company's Foro Buonaparte headquarters to review the preliminary results for 2003.

#### **Core Businesses**

The Group's industrial activities posted a sharp improvement in their operating performance owing to higher unit sales and better average prices. An improved customer mix, made possible by a steady broadening of the available market and favorable conditions in the benchmark oil markets, especially during the first half of the year, also had a positive effect. These favorable factors were offset in part by the limited amount of precipitation that fell during the last four months of the year.



The Group's core businesses posted gains of 16.1% in revenues (Electric Power +10.2% and Hydrocarbons +46.8%) and 5.4% in EBITDA (Electric Power +1.1% and Hydrocarbons +10.2%). EBIT were up 39.5% to 405 million euros.

The electric power operations' gain in unit sales (+3,3% to 45 billion kWh) was driven by increased shipments to customers in the deregulated market. Such shipments rose by 4.5% to almost 17 billion kWh, confirming Edison's leadership position in this market. The sales improvement also reflects deliveries to new groups of eligible customers that entered the deregulated market following the lowering of the Bersani Decree threshold and the inclusion of businesses with consumption between one million and 100,000 kWh. Unit sales of natural gas rose 54% to more than 10 billion cubic meters. Shipments to customers in the free market were up 25%, due mainly to the growing business generated by alliances with municipal utilities. At the same time, sales to captive thermoelectric users doubled, as internal sources replaced outside suppliers and gas shipments to the Edipower affiliate reached full capacity. Edipower alone accounted for more than 1 billion cubic meters of natural gas.

A key contribution to achieving positive pretax operating earnings came from a dramatic reduction in financial expense, which fell to 245 million euros (502 million euros in 2002). This improvement reflects the sharp decrease in indebtedness made possible by the successful implementation of the divestiture plan (proceeds of 2 billion euros in 2003, bringing the total to date to 9 billion euros) and the capital increase carried out in May 2003. Lower market interest rates were also a factor.

Pretax operating earnings totaled 160 million euros, compared with a loss of 211 million euros in 2002.

## **The Group**

The Group ended 2003 with pretax operating earnings of 137 million euros, up from a loss of 65 million euros in 2002. However, a comparison between these two years is not meaningful due to changes in the scope of consolidation. More specifically, the data for 2003 include the contribution of operations that were divested during the year (EdisonTel's telecommunications business, for six months, and Antibioticos, for three months) and other noncore operations that were still in the process of being divested at the end of 2003 (Tecnimont's engineering operations and IWH's residential water distribution businesses). In 2002, the scope of consolidation included agribusiness companies such as Cerestar, Béghin-Say, Eridania, Cereol, Carapelli and Provimi, as well as Ausimont (Chemicals), Intermarine (Shipbuilding) and a 22% interest in La Fondiaria Assicurazioni.

## **Indebtedness**

Consolidated indebtedness fell to 4,154 million euros at the end of 2003, down from 6,461 million euros a year earlier. This decrease was made possible by the proceeds generated by divestitures (9 billion euros, including 2 billion euros realized in 2003), the important contribution provided by the sales of gas reserves in Egypt (1.7 billion euros) and the successful implementation of a 2.1-billion-euro capital increase. The public offering portion of the capital increase, which amounted to 592



million euros, was completed in May 2003. Another debt-reduction factor was the cash flow generated by the Group's core businesses, which totaled 300 million euros, after capital expenditures of nearly 400 million euros.

In addition, the renewed confidence and growing favor with which investors are looking at the Company, at a particularly difficult time for the Italian capital markets, is demonstrated by the extremely successful placement of 600 million euros in Edison seven-year bonds in November 2003, followed by an additional 100 million euros in January 2004. The January bonds were issued on even more favorable terms than those sold two months earlier. In November 2003, the S&P rating agency raised the rating of its short-term debt from A3 to A2 and confirmed a BBB rating for its long-term debt securities.

### Outlook for 2004

The achievements of 2003 and the expectation of lower financial expense made possible by debt reduction, coupled with the growth outlook for the electric power and natural gas markets, which will benefit from further deregulation in 2004 thanks to the inclusion in July of a new group of nonresidential customers with consumption of less than 50,000 kWh and the upcoming launch of the electric power exchange, point to a continued growth trend for the Company's operations in 2004 and the consolidation of its positive performance.

### PRELIMINARY 2003 DATA

<i>Amounts in millions of euros</i>	CORE BUSINESSES		NONCORE		EDISON GROUP	
	2002	preliminary	2002	preliminary	2002	preliminary
<b>Net revenues</b>	<b>4,418</b>	<b>5,132</b>	<b>8,222</b>	<b>1,146</b>	<b>12,640</b>	<b>6,278</b>
<b>EBITDA</b> as a % of revenues	<b>1,002</b> 23%	<b>1,056</b> 21%	<b>605</b> 7%	<b>16</b> 1%	<b>1,607</b> 13%	<b>1,072</b> 17%
Depreciation, amortization and writedowns	(711)	(651)	(317)	(39)	(1,028)	(690)
<b>EBIT</b> as a % of revenues	<b>291</b> 7%	<b>405</b> 8%	<b>288</b> 4%	<b>(23)</b> -2%	<b>579</b> 5%	<b>382</b> 6%
Net financial expense	(502)	(245)	(142)	-	(644)	(245)
<b>Pretax operating earnings</b>	<b>(211)</b>	<b>160</b>	<b>146</b>	<b>(23)</b>	<b>(65)</b>	<b>137</b>