



## Press Release

*The Board of Directors Reviewed the 2008 Annual Report*

### **EDISON: HIGHER REVENUES (+33.7%) AND EBITDA (+2.4%)**

**Earnings increase, net of the impact of tax changes**

**Confirmed dividend as in 2007: 0.05 euros per common share  
and 0.08 euros per savings share**

Milan, February 11, 2009 – Edison's Board of Directors met today to review the Annual Report at December 31, 2008.

#### **HIGHLIGHTS OF THE EDISON GROUP**

*(in millions of euros)*

	<b>2008</b>	<b>2007</b>	<b>Δ %</b>
Sales revenues	<b>11,066</b>	8,276	33.7
EBITDA	<b>1,643</b>	1,605	2.4
as a % of revenues	<b>14.8%</b>	19.4%	
EBIT	<b>861</b>	896	(3.9)
Profit before taxes	<b>730</b>	687	6.3
Net profit	<b>346</b>	497	(30.4)

#### **HIGHLIGHTS OF THE ELECTRIC POWER AND HYDROCARBONS OPERATIONS**

*(in millions of euros)*

	<b>2008</b>	<b>2007</b>	<b>Δ %</b>
<b>Electric Power Operations</b>			
Sales revenues	<b>8,689</b>	6,783	28.1
EBITDA	<b>1,326</b>	1,238	7.1
as a % of revenues	<b>15.3%</b>	18.3%	
<b>Hydrocarbons Operations</b>			
Sales revenues	<b>5,093</b>	3,937	29.4
EBITDA	<b>405</b>	427	(5.2)
as a % of revenues	<b>8.0%</b>	10.8%	

### **Operating Performance of the Group in 2008**

In 2008, there was a sharp reversal from the trends that shaped the global economy in the past. Over a few short months, the economy swung sharply from the expansionary phase that it enjoyed for a number of years to a phase of severe recession, triggered by the subprime mortgage crisis and magnified by the serious difficulties experienced by some of the main banking institutions in the United States and Europe.

In Italy, for the first time since the crisis of 1981, the demand for energy reversed its positive trend in the fourth quarter of 2008, with a negative impact on the performance of the energy industry for the full year. From October to December, demand for electric power decreased by 5% on average, with consumption in the industrial sector plummeting by as much as 15%. As a result, the decrease for the full year was 1% for demand with adjusted for seasonal factors and 9% for industrial demand.

During the year, raw material prices were characterized by unprecedented fluctuations: in a few short weeks, the price of oil swung from an all-time high in July to a low that had not been seen since 2004.

In this environment, Edison's performance was positive overall, confirming the good results achieved in 2007 and improving them at the operating level. The net profit was however impacted by the fiscal measures introduced in 2008.

### **Sales Revenues**

In 2008, Edison reported a significant increase in **sales revenues**, which rose to 11,066 million euros, or 33.7% more than the 8,276 million euros booked in 2007, due mainly to the impact of a sharp rise in the price of benchmark commodities.

The **electric power operations** increased sales revenues by 28.1% to 8,689 million euros, compared with 6,783 million euros in 2007. Production volumes decreased by about 6%, mainly as a result of a lower output by CIP 6/92 power plants (-27.4%) attributable primarily to the disposal of some power plants in April 2008 and the expiration of some contracts. On the other hand, production by facilities that serve the deregulated market was up by about 5%. Unit sales of electric power totaled 67,453 GWh, or 5.8% more than in 2007, reflecting a substantial rise in sales to customers in the wholesale and trading markets.

In 2008, the sales revenues reported by the **hydrocarbons operations** also improved (+29.4%), rising to 5,093 million euros, up from 3,937 million euros in 2007. Unit sales of natural gas totaled 13,808 million cubic meters, substantially in line with 2007. More specifically, demand from industrial and residential users was up 5.3%, while unit sales to thermoelectric power plants decreased by the same percentage (-5.3%).

### **EBITDA**

Edison's **EBITDA** grew to 1,643 million euros in 2008, for a gain of 2.4% compared with the 1,605 million euros earned the previous year. Restated using a comparable scope of consolidation and eliminating the impact of nonrecurring items, which in 2008 had an overall impact of 176 million euros, EBITDA show an increase compared with 2007.

More specifically, the **electric power operations** reported EBITDA of 1,326 million euros (7.1% more than the 1,238 million euros earned in 2007), despite the absence of the EBITDA contribution provided the previous year by the seven

CIP 6/92 power plants that, as mentioned above, were sold in 2008. The EBITDA improvement is the result of higher margins earned in the deregulated market, both for the volumes and the higher margins achieved, thanks to an increase in hydroelectric production compared with 2007, and reflects the gain generated by the sale of a 60% interest in Hydros. These positive factors more than offset the impact of a reduction in the profitability of CIP 6/92 power plants attributable both to the expiration of some contracts and to a contraction of the unit margins earned on electric power generated by these facilities caused by a formula for the compensation of the fuel cost component that does not allow a full recovery of the costs incurred.

The **hydrocarbons operations** reported EBITDA of 405 million euros, or 5.2% less than the 427 million euros earned in 2007, when, however, EBITDA were boosted by such nonrecurring extraordinary items as the reversal of provisions recognized in connection with Resolution No. 248/04 (about 56 million euros) and Resolution No. 284/06 (about 20 million euros). The impact of this negative comparison was offset only in part by the benefit generated by renegotiating a long-term supply contract concerning purchases of natural gas from Russia and by the higher margins earned by the exploration and production activities, which benefited from the higher level of oil prices, compared with 2007, the sharp drop of the last quarter notwithstanding. Had it not been for the nonrecurring factors described above, EBITDA would have been in line with in 2007.

#### **EBIT, Profit Before Taxes and Net Profit**

The increase in depreciation caused by the commissioning of new generating capacity in the second half of 2007 and the net depreciation of industrial assets for about 58 million euro, cause **EBIT** to decrease to 861 million euros, or 3.9% less than the 896 million euros earned in 2007

However, the **profit before taxes** totaled 730 million euros, for a gain of 6.3% compared with 687 million euros in 2007. This improvement reflects the positive impact of significantly lower borrowing costs, made possible by a reduction in average indebtedness, offset in part by net additions to provisions for risks, mainly in connection with tax risks related to assets sold in previous years.

As a result of changes in the tax laws introduced by Law No. 133/2008 (the so-called Robin Hood Tax) and Decree Law No. 185/08 (the so-called Anti-Crisis Decree), which had a negative impact of 135 million euros, the **net profit** decreased to 346 million euros, down from 497 million euros in 2007 (-30.4%). Moreover, a nonrecurring tax benefit made possible by the reversal of deferred-tax liabilities booked to recognize the reduction in tax rates introduced by the 2008 Budget Law lowered the tax liability by about 135 million euros in 2007. Absent these changes in taxation, the net profit would have been higher than in 2007.

### **Indebtedness and Debt/Equity Ratio**

At December 31, 2008, net borrowings totaled 2,920 million euros, up from 2,687 million euros at the end of 2007.

The investments of the period (644 million euros), the net borrowings (decreased compared with December 31, 2007), the investments in participations (of which 139 million euros for the purchase of 5% of Edipower and 81 million euros in LNG Adriatic Terminal), the dividends payments (281 million euros) and the payment of taxes were partially compensated by operational cash flows and by the proceeds from the sale of the thermoelectric plants in CIP6, of 51% of Dolomiti Edison Energy Srl and of 60% of Hydros.

The Group's debt/equity ratio, 0.36 at December 31, 2008, was again among the best in the energy industry.

### **Key Events of 2008**

In September, the offshore regasification terminal arrived at its home off the coast of Rovigo. When fully operational, it will be used to import 8 billion cubic meters of natural gas a year from Qatar, 6.4 billion cubic meters of which will be available to the Group.

Also in 2008, under a supply contract with Sonatrach that became operational in 2008, an additional 2 billion cubic meters of natural gas began to flow through the expanded capacity of the Transmed-TTPC pipeline.

In addition, Edison's hydrocarbons operations were awarded the concession for the Abu Qir field in Egypt at a cost of US\$1.4 billion. The activities planned for Abu Qir over the next three years should enable Edison to produce 15% of its natural gas needs from its own reserves.

### **Outlook for 2009**

Developments in the economy and the financial markets and high volatility in the oil market will undoubtedly continue to have an effect in 2009.

Lower demand for electric power, narrower spreads in the wholesale market and increased competition caused by higher supply both in the electric power and natural gas markets are some of the factors that could have an impact on the Group's performance in 2009.

However, despite the uncertainty of such a scenario, the Group's financial strength and the programs it has undertaken — from the full availability of the Abu Qir fields to the new Operating Excellence Plan — justify expectations of results that, on a comparable basis, should be in line with those achieved in 2008.

### **Results of the Group's Parent Company**

Edison Spa, the Group's Parent Company, reported a net profit of 374 million euros at December 31, 2008, compared with 449 million euros the previous year.

### **Dividend**

The Board of Directors will recommend that the Shareholders' Meeting declare a dividend of 0.05 euros in 2007 per common share and 0.08 euros per savings share. The total dividend payout will thus amount to 268 million euros. It is confirmed therefore the dividend of 2007.

The Board of Directors agreed to convene a Regular Shareholders' Meeting on March 31, 2009, on first calling and on April 1, 2009, on the second calling to approve the 2008 Annual Report and the appointment of a director. The dividend will be payable as of April 17 (record date April 14).

The Board of Directors also agreed to convene the Savings Shareholders' Meeting on April 1 on the first calling, on April 2 on the second calling and on April 3 on the third calling. The meeting's agenda will be to appoint the common representative of the savings shareholders and the report on the fund. The meeting's agenda was integrated with other three points on the request of the common representative of the savings shareholders on: Communications of the Common Representative and eventual initiatives on the ruling of Milan's Court of November 2008 and the fund integration.

Lastly, the Board of Directors approved the 2008 Report on the Corporate Governance and the ownership structure which has become an integral part of the Annual Report.

### **Conference Call**

The Group's operating results for 2008 will be discussed today at 15.30 CET during a conference call. Journalists may follow the presentation by telephone, in listen-only mode, by dialing +39 02 805 88 27.

The presentation will also be available at the Group's website: [www.edison.it](http://www.edison.it).

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*As required by Article 154-bis, Section 2, of the Uniform Finance Law (Legislative Decree No. 58/1998), Marco Andreasi, in his capacity as Corporate Accounting Documents Officer of Edison S.p.A., attests that the accounting information contained in this press release is consistent with the data in the Company's documents, accounting records and other records.*

*The Annual Report is in the process of being audited.*

*The Annual Report at December 31, 2008, the Report of the Independent Auditors and any remarks by the Statutory Auditors will be on file and available upon request at the Company's headquarters (31 Foro Buonaparte, Milan) and at the offices of Borsa Italiana Spa within the statutory deadline. It may also be consulted at the Group's website: [www.edison.it](http://www.edison.it)*

*The Group's balance sheet, statement of income, cash flow statement and statement of changes in consolidated shareholders' equity are annexed to this press release.*

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

**CONSOLIDATED BALANCE SHEET**

(in millions of euros)

	12/31/08	12/31/07
<b>ASSETS</b>		
Property, plant and equipment	7.416	7.619
Investment property	14	11
Goodwill	3.521	3.518
Hydrocarbon concessions	273	299
Other intangible assets	47	36
Investments in associates	51	44
Available-for-sale investments	248	184
Other financial assets	92	139
Deferred-tax assets	84	78
Other assets	63	61
<b>Total non-current assets</b>	<b>11.809</b>	<b>11.989</b>
Inventories	304	250
Trade receivables	2.330	1.654
Current-tax assets	14	13
Other receivables	422	371
Current financial assets	26	25
Cash and cash equivalents	188	103
<b>Total current assets</b>	<b>3.284</b>	<b>2.416</b>
<b>Assets held for sale</b>	<b>-</b>	<b>318</b>
<b>Total assets</b>	<b>15.093</b>	<b>14.723</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Share capital	5.292	5.292
Equity reserves	480	641
Other reserves	1.171	1.114
Reserve for currency translations	(3)	(5)
Retained earnings (Loss carryforward)	623	465
Profit (Loss) for the period	346	497
<b>Total Group interest in shareholders' equity</b>	<b>7.909</b>	<b>8.004</b>
Minority interest in shareholders' equity	164	147
<b>Total shareholders' equity</b>	<b>8.073</b>	<b>8.151</b>
Provision for employee severance indemnities and provision for pensions	65	68
Provision for deferred taxes	519	560
Provision for risks and charges	777	899
Bonds	1.198	1.201
Long-term borrowings and other financial liabilities	1.101	1.216
Other liabilities	30	2
<b>Total non-current liabilities</b>	<b>3.690</b>	<b>3.946</b>
Bonds	9	9
Short-term borrowings	899	485
Trade payables	1.659	1.394
Current taxes payable	54	9
Other liabilities	709	652
<b>Total current liabilities</b>	<b>3.330</b>	<b>2.549</b>
<b>Liabilities held for sale</b>	<b>-</b>	<b>77</b>
<b>Total liabilities and shareholders' equity</b>	<b>15.093</b>	<b>14.723</b>

**CONSOLIDATED INCOME STATEMENT**

(in millions of euros)

	2008	2007
Sales revenues	11.066	8.276
Other revenues and income	684	583
<b>Total net revenues</b>	<b>11.750</b>	<b>8.859</b>
Raw materials and services used (-)	(9.884)	(7.035)
Labor costs (-)	(223)	(219)
<b>EBITDA</b>	<b>1.643</b>	<b>1.605</b>
Depreciation, amortization and writedowns (-)	(782)	(709)
<b>EBIT</b>	<b>861</b>	<b>896</b>
Net financial income (expense)	(100)	(198)
Income from (Expense on) equity investments	-	(17)
Other income (expense), net	(31)	6
<b>Profit before taxes</b>	<b>730</b>	<b>687</b>
Income taxes	(379)	(170)
<b>Profit (Loss) from continuing operations</b>	<b>351</b>	<b>517</b>
Profit (Loss) from discontinued operations	(4)	-
<b>Profit (Loss)</b>	<b>347</b>	<b>517</b>
Broken down as follows:		
Minority interest in profit (loss)	1	20
<b>Group interest in profit (loss)</b>	<b>346</b>	<b>497</b>
Earnings per share (in euros)		
Basic earnings per common share	0,0647	0,1040
Basic earnings per savings share	0,0947	0,1340
Diluted earnings per common share	0,0647	0,0976
Diluted earnings per savings share	0,0947	0,1340

**CASH FLOW STATEMENT**

<i>(in millions of euros)</i>	<b>2008</b>	<b>2007</b>
Profit (Loss) from continuing operations	350	497
Profit (Loss) from discontinued operations	(4)	-
Minority interest in profit (loss) from continuing operations	1	20
<b>Net profit (loss) before minority interest</b>	<b>347</b>	<b>517</b>
Depreciation, amortization and writedowns	782	709
Interest in the result of companies valued by the equity method (-)	(1)	1
Dividends received from companies valued by the equity method	2	3
(Gains) Losses on the sale of non-current assets	(5)	(16)
Change in the provision for employee severance indemnities	(3)	(3)
Change in other operating assets and liabilities	(584)	178
<b>A. Cash flow from continuing operations</b>	<b>538</b>	<b>1.389</b>
Additions to intangibles and property, plant and equipment ( - )	(644)	(494)
Additions to non-current financial assets ( - )	(232)	(337)
Proceeds from the sale of intangibles and property, plant and equipment	48	72
Proceeds from the sale of non-current financial assets	373	103
Capital grants received during the year	-	-
Change in the scope of consolidation	-	-
Other current assets	(1)	17
<b>B. Cash used in investing activities</b>	<b>(456)</b>	<b>(639)</b>
Receipt of new medium-term and long-term loans	386	1.271
Redemption of new medium-term and long-term loans (-)	(161)	(3.080)
Capital contributions provided by controlling companies or other shareholders	3	1.019
Dividends paid to controlling companies or minority shareholders (-)	(281)	(248)
Change in short-term debt	71	93
<b>C. Cash used in financing activities</b>	<b>18</b>	<b>(945)</b>
<b>D. Cash and cash equivalents of discontinued operations</b>	<b>-</b>	<b>-</b>
<b>E. Net currency translation differences</b>	<b>-</b>	<b>-</b>
<b>F. Net cash flow from operating assets of discontinued operations</b>	<b>(15)</b>	<b>-</b>
<b>G. Net decrease in cash and cash equivalents (A+B+C+D+E+F)</b>	<b>85</b>	<b>(195)</b>
<b>H. Cash and cash equivalents at the beginning of the year</b>	<b>103</b>	<b>298</b>
<b>I. Cash and cash equivalents at the end of the year (G + H)</b>	<b>188</b>	<b>103</b>
<b>L. Total cash and cash equivalents at end of period (I)</b>	<b>188</b>	<b>103</b>
<b>M. (-) Cash and cash equivalents of discontinued operations</b>	<b>-</b>	<b>-</b>
<b>N. Cash and cash equivalents of continuing operations (L-M)</b>	<b>188</b>	<b>103</b>



### CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

(in millions of euros)	Share capital (a)	Reserves and ret. earnings (loss carry-forward) (b)	Reserve for currency translations (c)	Profit for the period (d)	Group inter. in sharehold. equity (a+b+c+d)=(e)	Minority inter. in sharehold. equity (f)	Total shareholders' equity (e)+(f)
<b>Balance at December 31, 2006</b>	4.273	1.819	(3)	654	6.743	147	6.890
Share capital increase due to the conversion of warrants	1.019	-	-	-	1.019	-	1.019
Reclassification of the previous year's earnings and reserves	-	654	-	(654)	-	-	-
Dividend distribution	-	(233)	-	-	(233)	(15)	(248)
Restatements for adoption of IAS 32 and IAS 39	-	(2)	-	-	(2)	-	(2)
Change in the scope of consolidation	-	(3)	-	-	(3)	3	-
Difference from translation of financial statements in foreign currencies and sundry items	-	(15)	(2)	-	(17)	(8)	(25)
Profit at December 31, 2007	-	-	-	497	497	20	517
<b>Balance at December 31, 2007</b>	5.292	2.220	(5)	497	8.004	147	8.151
Share capital increase	-	-	-	-	-	3	3
Reclassification of the previous year's earnings and reserves	-	497	-	(497)	-	-	-
Dividend distribution	-	(268)	-	-	(268)	(13)	(281)
Restatements for adoption of IAS 32 and IAS 39	-	(185)	-	-	(185)	-	(185)
Change in the scope of consolidation	-	-	-	-	-	26	26
Difference from translation of financial statements in foreign currencies and sundry items	-	10	2	-	12	-	12
Profit at December 31, 2008	-	-	-	346	346	1	347
<b>Balance at December 31, 2008</b>	5.292	2.274	(3)	346	7.909	164	8.073