



Press Release

EDISON: STANDARD AND POOR'S DOWNGRADES EDISON RATING TO BB+ WITH NEGATIVE CREDIT WATCH

Continued delays in restructuring weights on Edison credit profile

Milan, March 6th, 2012 – Edison informs that Standard & Poor's Ratings Services downgraded today its long term rating to BB+ with negative credit watch, mainly due to continued delays in the completion of shareholder restructuring.

Edison confirms that is constantly cooperating with Consob, as far as its involvement is concerned, giving all details requested by the Commission for the final definition of the terms of the tender offer, in due course.

Full Standard&Poor's press release is here below.

Italian Utility Edison Downgraded To 'BB+/B' On Weakening Liquidity; L-T Rtg Kept On Watch Neg On Delayed Restructuring

- Continued delays to Italy-based utility Edison SpA's shareholder restructuring have, in our view, impaired its ability to address significant short-term refinancing needs. As a result, we are revising our liquidity assessment downward to "less than adequate" from "adequate."
- We are therefore lowering our corporate credit ratings on Edison to 'BB+/B' from 'BBB-/A-3' following our revision of Edison's stand-alone credit profile to 'bb' from 'bb+'. At the same time, we are keeping the long-term rating on CreditWatch negative.
- The completion of the shareholder restructuring is pending confirmation of Edison's share price valuation by the Italian Stock Exchange Commission, as well as approval from the relevant antitrust authorities.
- The ongoing CreditWatch negative placement reflects the possibility that we could lower the ratings if Edison is unable to secure funding on a timely basis to support its liquidity due to further delays in the execution of the restructuring.

LONDON (Standard & Poor's) March 6, 2012--Standard & Poor's Ratings Services said today that it lowered its long- and short-term corporate credit ratings on Italy-based utility Edison SpA to 'BB+/B' from 'BBB-/A-3'. At the same time, we revised Edison's stand-alone credit profile (SACP) downward to 'bb' from 'bb+'. In addition, we kept the long-term rating on CreditWatch, where it was originally placed with negative implications on Dec. 5, 2011.

The ratings on Edison continue to reflect a one-notch uplift for shareholder support from Edison's joint owner Electricite de France S.A. (EDF; A+/Stable/A-1).

The downgrade reflects our view that repeated delays to the completion of Edison's shareholder restructuring have impaired the group's ability to secure long-term funding to address its significant short-term refinancing needs. Therefore, we have revised our assessment of Edison's liquidity downward to "less than adequate" from "adequate," as defined in our criteria.

Furthermore, ongoing challenging market conditions in Edison's key midstream gas operations and the continued pressure on Edison's Italian electricity operations will lead to slower cash flow recovery than we previously anticipated over 2012 and 2013. As a result of this and the downward revision of our liquidity assessment, we have revised our assessment of Edison's financial risk profile downward to "aggressive," from "significant" previously. In turn, this led us to revise Edison's SACP downward to 'bb' from 'bb+'.

Our base-case credit scenario factors in a weak generation margin and only a mild recovery in the gas margin in the medium term, mainly owing to our assumption that Edison will renegotiate its unprofitable long-term take-or-pay gas contracts.

We anticipate that the binding agreement for the reorganization of the ownership structure, signed by Edison's shareholders on Feb. 16, 2012, will be completed by June 30, 2012.

There is a possibility that we could lower our long-term rating on Edison if there are additional delays in the completion of Edison's shareholder restructuring such that its ability to refinance significant upcoming debt maturities is further impaired.

We could consider a multinotch downgrade if, as a result of Edison's inability to extend its debt maturities in the coming months, we assess the group's liquidity as "weak." Under our criteria, a "weak" liquidity profile is consistent with a maximum rating of 'B-'. Such a deterioration in liquidity could be triggered by additional delays in the completion of the shareholder restructuring.

The stability of the ratings and SACP on Edison depend on Edison strengthening its liquidity position and stabilizing its operating and financial risk profiles. These are affected by Edison's weak profitability and cash flow generation, which, however, should be supported by the renegotiation of Edison's unprofitable long-term take-or-pay gas contracts.

Furthermore, we could affirm the ratings if the shareholder restructuring is executed and if EDF obtains full control of Edison as currently proposed. This would support our assessment of shareholder support from EDF that we currently factor into our corporate credit ratings on Edison. We believe that EDF is more likely to act as a supportive shareholder if it has full control of Edison, which could lead to upside for our ratings on Edison over the longer term.

We aim to review the CreditWatch placement before the end of the second quarter ending June 30, 2012.

RELATED CRITERIA AND RESEARCH

All articles listed below are available on RatingsDirect on the Global Credit Portal, unless otherwise stated.

- Italian Utility Edison Downgraded To 'BBB-', Placed On Watch Negative On Weakening SACP And Shareholder Agreement Delay, Dec. 5, 2011
- Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Sept. 28, 2011
- Edison 'BBB/A-2' Ratings Remain On Watch Developing On Weakening SACP And Delayed Agreement On Shareholder Structure, Sept. 19, 2011
- Edison 'BBB/A-2' Ratings Placed On CreditWatch Developing On Weakening SACP And Uncertainty Over Shareholder Structure, June 21, 2011
- Credit FAQ: How Negotiations Of The EDF/A2A/Delmi Shareholder Agreement Could Affect The Ratings On Edison, EDF, And A2A, June 21, 2011
- Use Of CreditWatch And Outlooks, Sept. 14, 2009
- Criteria Methodology: Business Risk/Financial Risk Matrix Expanded, May 27, 2009
- 2008 Corporate Criteria: Ratios And Adjustments, April 15, 2008
- 2008 Corporate Criteria: Analytical Methodology, April 15, 2008
- Corporate Criteria--Parent/Subsidiary Links; General Principles; Subsidiaries/Joint Ventures/Nonrecourse Projects; Finance Subsidiaries; Rating Link to Parent, Oct. 28, 2004

Complete ratings information is available to subscribers of RatingsDirect on the Global Credit Portal at www.globalcreditportal.com. All ratings affected by this rating action can be found on Standard & Poor's public Web site at www.standardandpoors.com. Use the Ratings search box located in the left column. Alternatively, call one of the following Standard & Poor's numbers:

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

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