Electrabel

Press Release Brussels, 27 February 2004

Results for 2003: another year of profitable growth

- **Electrabel expands within Europe:**
  - **Increase in line with the 2000 objective of doubling the sales volume.**
  - **Sales outside Belgium will be up this year by 45 %, and the EBITDA[1] (operating cash flow) up by 48 %.**
- **In Belgium, Electrabel pursued its policy of increasing productivity and reducing costs in an increasingly liquid and competitive market, while assuring the security of supply for its customers and better protection of the environment.**
- **Current net result (group's share) up by 9.1 % and dividend up by 3.7 %.**

A. Main developments

1. Electricity sales up by 10 % and gas sales by 3.9 %

1.1 **Electricity sales** by Electrabel in 2003 were broadly in line with objective of doubling the 1999 volume over the period 2000-2004. Sales of electricity by the group amounted to 137.2 TWh, an increase of 10 %.

The volumes sold increasingly testify to the company's European character: in 2003, the amount of electricity sold outside Belgium was 60.6 TWh, or 44.2 % of the total.

On the Belgian market the company has been faced with loss of market share as further sectors of the market (mainly in Flanders) were opened up to competition. While national consumption expanded by 1.5 %, the group's Belgian sales grew by only 0.5 %. The deregulated market accounted for nearly 69 % of sales in 2003 (80 % since 1 July of that year), while in 2002 the proportion was still less than 50 %, which is an indication of how much the market has been opened up to competition.

1.2 **Natural gas sales** (wholesales included) experienced growth of 3.9 % in volume. Sales in Belgium amounted to 65.7 TWh, down by 1 % compared with 2002. In a market trending firmly upwards, mainly due to the significantly colder temperatures (with the number of degree-days up by 10 %), this represents a loss of market share as a result of market deregulation.

2. Electrabel expands in Europe, in line with its declared strategy

[1] *EBITDA = operating result, before depreciation, amortisation and changes in provisions, plus dividends received from non-consolidated companies, together with our share in the results of companies consolidated by the equity method.*

Electrabel s.a.
Boulevard du Régent 8 – 1000 Bruxelles
Fax :+ 32 2 511 65 99

2.1 Electrabel's **strategy** is clear, namely to create value and make up for the effect of deregulation in Belgium, by developing a strong, consistent position in Europe. It is achieving this through a policy of profitable growth, by making partnerships and acquisitions in a prudent, carefully considered way, to meet its strict criteria of profitability and synergy with existing activities.

In specific terms, Electrabel intends to remain the leader on its Benelux domestic market, while developing a significant position on three other key markets. These are France, where the company seeks to confirm its place as a front-rank private operator, together with Italy and the Spanish peninsula, two important growth markets within Europe. Finally, Electrabel aims to develop its position in Germany, Hungary and Poland, based on its existing activities in these countries.

2.2 The **accelerated opening up** of the electricity and gas markets in Europe, as provided for in the new EU directive, offers even greater growth prospects for the company by imposing a more harmonised and consistent framework for the industry throughout Europe, in which competition can find full expression.

Electrabel made use of the past year to work at its own development in depth, and is now ready to face the challenges that are emerging.

2.3 In the **Netherlands**, Electrabel is now the leading electricity producer. An ambitious programme aimed at improving the availability and reliability of its generating facilities has been introduced. In the Gelderland power station (596 MW) it is planned to produce 15 % power from biomass combustion, and an investment programme aimed at prolonging the lifetime of the plant has been launched.

With Dutch electricity sales of 23.2 TWh in 2003, Electrabel has a market share of more than 20 %. 2003 also saw the start of sales of natural gas to industrial customers in that country. And at the beginning of 2004 Electrabel absorbed the activities of Spark Energy: the sales forces on this market have now been combined into a single organisation, operating under the Electrabel brand name throughout the Dutch market.

Barring further postponements, the Dutch market should be fully open to competition on 1 July 2004.

2.4 In **France**, Electrabel now has a highly complementary spread of generating facilities: in addition to its 1 100 MW of nuclear capacity (Chooz and Tricastin), it now has 2 937 of baseload hydropower capacity (Compagnie Nationale du Rhône, for 47.88 % owned by Electrabel as the reference shareholder on 31 December - today 49.4 %), plus 773 MW of peak hydropower capacity (SHEM, for which Electrabel operates the facilities and markets the power produced as of 1 May 2003).

To market the 20 TWh or so available in France, Electrabel set up the necessary marketing channels based on *Energie du Rhône*. This marketing vehicle, which now has a considerable portfolio of customers, made several agreements with local distribution companies (non-nationalised distributors), and at the beginning of 2004 it began marketing a renewable energy product, Alpenergie.

In July 2004 the degree of opening up of the French market will jump from 37 % to nearly 70 %, with the number of eligible business customers increasing to more than 3 million.

2.5 In **Italy**, Electrabel has based its development on a structural partnership with Acea. This partnership led to the 50 % acquisition from Enel of Interpower (the fourth-largest power producer in Italy), now renamed Tirreno Power. The acquisition gives the company installed capacity of 2 030 MW, both thermal and hydroelectric. This capacity will be expanded in the next few years, as in partnership with Acea the company has a portfolio of CCGT (combined cycle gas turbine) projects in permitting stages. The Voghera CCGT power station in Lombardy is due to come on line end 2004 with a capacity of 385 MW.

In 2003 the group sold 10.5 TWh in Italy, most of it under the AceaElectrabel brand name.

In July 2004 the degree of opening up of the Italian market will be brought to nearly 78 %.

2.6 In the **Iberian market**, 2003 saw important new developments for Electrabel. This market is theoretically 100 % open to competition, but practical limitations on imports make it essential to have local generation capacity. Construction began on a 760 MW CCGT plant in Castelnou (Aragon), which under the terms of the contract is due to enter service in 2005. Other ambitious projects are under development in order to boost the company's local presence, benefiting from Electrabel's expertise in the use of gas technology for electricity generation.

Further, the Portuguese company Generg (42.5 % owned by Electrabel) commissioned a 13 MW wind farm, the first phase of a much wider project with a total capacity of 450 MW.

2.7 Elsewhere, **in North-West Europe***,* Electrabel has concentrated on more selective development. Sales by the group in Germany, mainly in the Saarbrücken and Gera regions, amounted to 6.2 TWh. In Poland the company raised its stake in the Polaniec power station (1 654 MW) to 100 %. The volume of sales in this country is now exceeds 9 TWh. In Hungary, where group sales amounted to 5.1 TWh, Electrabel pursued its programme of restructuring the Dunamenti power station, which accounts for a quarter of the country's electricity production.

3. Electrabel develops in Belgium on the deregulated market

3.1 By the end of 2003 the Belgian market for electricity was 80 % open to competition, while for natural gas it was 83 % open. Each of the Regions is able to make its own **timetable for deregulation** in full independence, in accordance with the terms of the second directive. In Flanders, the market for electricity and natural gas has been completely open to competition since 1 July 2003; the Walloon and Brussels Regions have not yet made a firm decision on this matter.

To operate, the market must have a minimum amount of medium-term visibility, and the elements that it requires in order to function must be sufficiently stable. This applies in particular to the network tariffs and the conditions for access to the networks. In view of the experience acquired in Flanders, which demonstrated the extent of the challenge to be faced particularly as regards information management systems. Electrabel pleads for simultaneous deregulation of electricity and gas, in the interests of the customer. We must take advantage of the lessons already learned.

Provided the conditions mentioned above are met, Electrabel is in favour of residential customers being deregulated by 1 July 2005, both for electricity and for gas.

3.2 The year 2003 brought various developments that helped to **clarify the markets** for electricity and gas in Belgium.

In its decisions of 28 June 2002, 4 July 2003, 18 November 2003 and 16 January 2004, the Belgian Council for Competition approved the operations by which Electrabel took over control of electricity and gas sales to customers of the mixed intermunicipal companies in the Walloon and Flemish Regions, when these customers became eligible. A decision is expected soon concerning the Brussels Region, so that Electrabel can concentrate on its sales activities.

For their part, the regional authorities officially appointed all of the mixed intermunicipal companies to act as distribution system operators. These appointments actually constitute formal recognition of the constructive role played by Electrabel in setting up the market.

3.3 On the Flemish market, six months after full deregulation more than one in five customers opted to take advantage of their eligibility, either by changing supplier or by confirming the choice of their historical supplier. In practice, this period gave rise to certain management difficulties both for Electrabel and for competitors. On these occasions our staff members rose to the challenge and were able to come up with practical solutions.

2003 was actually **year I of deregulation**, with competition starting to become visible – quite literally – in street advertising, appearing on the radio and television, and coming through our letter boxes. Electrabel rose to this challenge too, by defining a new visual identity for itself and adopting the new baseline "You've got the energy." We all know how important it is to have a brand that expresses the values that the company wishes to convey, and Electrabel supported its brand policy with various advertising campaigns putting across its central message: our customers and their projects are what matter to us. Electrabel is there to support them.

3.4 On the Belgian market, the company unequivocally demonstrated its **sense of responsibility**. 2003 was a year in which reality struck home: the heat wave in August and the blackouts in Italy, London and New York made people aware of the unique characteristics of electricity as a form of energy, and of the potential impact that these characteristics can have on electricity prices and indeed the security of supply.

In line with its long-term policy, Electrabel placed the interests of its customers and of the national supply above any short-term opportunities. As a result, the Belgian market "weathered" the heat wave better than neighbouring countries did.

Similarly, Electrabel continued to invest in its existing production facilities with a view to assuring the country's security of supply. Initiatives were taken to boost the power and efficiency of existing plants while meeting environmental requirements (as at Doel 2 and Awirs 5), while further investments were made in new units. In 2003 construction work started on a new CCGT power station in Antwerp, in partnership with RWE (Zandvliet Power, 380 MW).

Finally, more than any of its big European competitors, Electrabel took various initiatives to promote the functioning of the Belgian generating market. These included the voluntary separation from SPE, the auctioning of virtual production capacity (currently 495 MW, rising to 1 200 MW by the end of 2004), making 50 % of the Tihange nuclear capacity (481 MW) available to EDF, and enabling other operators to have production capacity in Belgium.

4. Electrabel, a supplier of solutions tailored to the needs of each category of customer

Each segment of our customer base – whether heavy industry, business customers or residential customers – benefits from its own particular approach. However, they all have one thing in common, namely practical solutions based on the specific energy needs of the customer.

Electrabel aims to be at the disposal of each customer, all the more so in a market undergoing rapid development. The company has developed a policy of maintaining a presence through various channels. In addition to the Internet site and the customer communication centre, a real close support network has been set up in Belgium alongside Electrabel's own network, with points of presence in post offices, in hundreds of electrical goods retailers and in several Makro department stores, not to mention the network of partner installers. Finally, Electrabel addresses its customers through various specially targeted periodicals.

5. Sustainable development, reduction of CO_2 emissions and renewable energy

Electrabel's strategy also demonstrates its solid commitment in favour of reducing CO_2 emissions, in accordance with EU regulations for cutting emissions of greenhouse gases.

The proportion of our generating capacity already represented by nuclear, hydroelectric and gas-fired power stations, and the growing proportion of energy from renewable sources, enable us to achieve a high level of performance while complying with environmental objectives.

Electrabel is putting special efforts into converting some of its conventional power stations to run on biomass, with several large projects already at the study or implementation stage. In the

meantime, the number of wind power projects is increasing. In addition to projects in France (in partnership with CNR), Spain and Italy (in partnership with Gamesa), and the putting into service of the first wind farm of the Generg programme in Portugal (see above), 22 MW of capacity came on line in Belgium in 2003. Other projects representing total installed capacity of more than 100 MW are being considered by the permitting authorities.

On the other hand, the development of a wind farm in the North Sea has run into political and administrative obstacles, despite having been approved by the previous government.

Finally, Electrabel recently made a proposal for members of the general public to co-invest in various wind power projects, through a bond issue initially reserved for people living in the municipalities concerned. The issue was rapidly subscribed.

6. Electricity price developments

Electricity prices have been trending firmly upwards on all the western European markets, as demonstrated by the forward and spot prices on the power exchanges during the past year. This was true in the Netherlands and even more so in France and Germany.

There are several factors driving prices up. These include rising costs of raw materials (coal prices nearly doubled in 2003), the factoring in of various uncertainties in the market, the additional costs inherent in the system of deregulation applied in Belgium which reduced the amount of market integration and economies of scale, and the increasing number of tax and levies. Finally, the low level of investments in new power generation assets is also noteworthy, with all conceivable consequences on price evolutions since demand keeps growing.

Residential customers in Belgium were insulated from these price rises: all the market surveys now show that Electrabel prices on the Belgian market are competitive with those in neighbouring countries.

7. Acquisition of Tractebel's European assets

Please refer to the joint press release issued today by Suez-Tractebel and Electrabel.

8. Productivity and competitiveness

In the past few years Electrabel has introduced various programmes aimed at increasing productivity, so as to be able to offer competitive prices. These programmes were continued in 2003 while keeping strictly to the objectives, leading to a reduction in costs that can be seen in the company's results.

B. 2003 results

1. Changes in consolidation scope

The changes in the group's consolidation perimeter of the group in 2003 mainly reflect the restructuring of the group's activities following the deregulation of the Belgian market and the expansion of our activities in Italy, Spain, France and Poland.

Differences compared with 2002 include the full consolidation of Electrabel Espaňa, Castelnou, Electrabel Netten Vlaanderen and Polaniec, proportionate consolidation of Zandvliet Power and the companies held jointly with Acea in Italy, and equity method consolidation of Compagnie Nationale du Rhône and Generg.

The split-up by absorption of the company CPTE was approved by the extraordinary general meeting of Electrabel shareholders on 4 July 2003.

Note also that the companies Elia and ESO, which are now accounted for by the equity method, were fully consolidated until September 2002, since the appointment of ESO as the transmission network operator at national level (Ministerial Decree of 17 Sept. 2002) led to the group losing control of these companies.

The change in the consolidation methods for Elia and ESO had only a limited effect on the net result, but it did lead to a decrease in the EBIT (down € 108 million) and in the EBITDA[1] (down € 187 million), corresponding to the amortisation and interest charges for these companies, together with the minority interests' share in the result for the last quarter of 2002.

2. Turnover

The group's turnover amounted to € 10 845 million in 2003, an increase of 15.5 % compared with 2002. The breakdown is as follows:

€ million	2003	2002	Variation (%)
Direct sales to customers			
Electricity	5 935	5 036	17.9
Belgium	*3 829*	*3 358*	*14.0*
Belgium: SPE (1)	*-*	*382*	*-*
Europe (2)	*2 106*	*1 296*	*62.5*
Gas	1 359	1 097	23.9
Belgium	*1 280*	*1 047*	*22.2*
Europe	*79*	*50*	*59.8*
Wholesale of electricity and fuel (3)	1 124	991	13.3
Miscellaneous goods and services	2 427	2 266	7.1
Turnover	**10 845**	**9 390**	**15.5**

(1) Energy and power made available to SPE under the terms of its partnership with Electrabel. The partnership ceased to be effective on 1 January 2003.

(2) Since sales to certain foreign counter-parties were reclassified as "trading," sales for 2002 have been restated by € -343 million.

(3) To give a more accurate picture of the group's operating activities and financial performance, the turnover from electricity and fuel trading now only includes sales of excess energy production and fuel purchases, together with optimisation margins (sales and purchases) achieved in connection with these operations. The figures for financial year 2002 have been restated in a similar way. If this change had not been made, the total turnover in 2002 would amount to € 16 158 million instead of € 14 853 million.

Compared with 2002, the turnover from electricity was up 17.9 % in 2003. The increase in Belgium was limited to 2.4 %, but outside Belgium the expansion of our activities in Poland and Italy generated additional turnover of nearly € 563 million. If changes in the consolidation scope are left out of consideration, the "organic" growth in sales outside Belgium amounts to 14.7 %.

[1] *EBIT = earnings before income tax, i.e. operating result plus the dividends received from non-consolidated companies, together with our share in the results of companies consolidated by the equity method. EBITDA = EBIT before depreciation, amortisation and changes in provisions.*

3. Consolidated results

€ million	2003	2002	Variation (in %)
Consolidated turnover	**10 845**	**9 390**	**15.5**
Fully consolidated results			
Operating result	588	582	1.1
Financial result	126	104	21.9
Current result of companies consolidated by the equity method	554	521	6.2
Current result	**1 268**	**1 207**	**5.1**
Extraordinary result	147	364	-59.7
Result for the financial year before tax	1 415	1 571	-10.0
Income tax	-290	-290	0.1
Result for the financial year after tax	**1 125**	**1 281**	**-12.2**
Comprising:			
Net current result	**999**	**949**	**5.3**
Net extraordinary result	**126**	**332**	**-62.3**
EBIT (1)	**1 169**	**1 156**	**1.1**
EBITDA (2)	**2 060**	**2 118**	**-2.8**
Cash flow (3)	1 856	2 020	-8.1
Net investments	-873	499	-
Net financing	-424	-6	-
Consolidated results (group's share)			
Net current result	**882**	**809**	**9.1**
Net extraordinary result	**125**	**292**	**-57.2**
Result for the financial year	**1 007**	**1 101**	**-8.5**
Results per share (€) (4)			
Net current result (group's share)	16.13	14.79	9.1
Result for the financial year (group's share)	18.41	20.12	-8.5
Cash flow after tax	33.93	36.93	-8.1

(1) EBIT = earnings before income tax, i.e. operating result plus the dividends received from non-consolidated companies, together with our share in the results of companies consolidated by the equity method.

(2) EBITDA = EBIT before depreciation, amortisation and changes in provisions.

(3) Cash flow = net result before amortisation and depreciation, changes in provisions, and capital gains, and losses.

(4) Based on the number of shares giving entitlement to a dividend for each period, amounting to 54 697 196 in 2003 and 54 697 178 in 2002.

3.1 Current result

The group's current result (fully consolidated) after taxes amounts to € 999 million, an increase of 5.3 % compared with 2002.

€ million	2003	2002	Variation (%)
Benelux	1 850	1 976	-6.4
Generation and sales of energy	1 323	1 269	4.3
Transmission of electricity in Belgium	82	260	-68.6
Distribution in Belgium	445	447	-0.5
Europe (excluding Benelux)	210	142	47.9
EBITDA (operating cash-flow)	**2 060**	**2 118**	**-2.8**
Depreciation of goodwill	-60	-62	-3.0
Other depreciation, amortisation and write-downs	-405	-655	-38.2
Provisions for contingencies and charges	-426	-245	73.5
EBIT (operating result)	**1 169**	**1 156**	**1.1**
Interest and other debt charges	-162	-194	-16.7
Other elements of the financial result	261	245	6.6
Current result before tax	**1 268**	**1 207**	**5.1**
Taxes on current result	-269	-258	4.2
Current result after tax	**999**	**949**	**5.3**

The operating result from activities in the Benelux before amortisation, depreciation and provisions was down by € 126 million. However, if the change in the consolidation method for ESO/Elia is left out of consideration, this result actually represents an increase of € 61 million in 2003. This good performance was achieved thanks to the development of synergies in the management of generation facilities and the portfolio of supply contracts between Belgium and the Netherlands, together with savings generated by the efficiency programmes and cost control. Revenues from the intermunicipal distribution companies were favourably influenced by, among other things, the effects of colder temperatures on natural gas sales, together with the transfer to the group of non-statutory pension commitments previously borne by these companies prior to deregulation of the market.

The contribution by activities in Europe to the operating cash flow was up by € 68 million in 2003 (€ 78 million if exchange rate changes are left out), mainly due to the expansion of the consolidation perimeter in Italy and Poland.

The amount of other depreciation, amortisation and write-downs decreased by € 250 million compared with the previous year, mainly due to the disappearance of depreciation charges for transmission assets in Belgium following the equity method consolidation of Elia/ESO, together with a reduction of € 198 million in depreciation charges for the group's nuclear power stations. The latter reduction results from two developments, namely (1) the complete depreciation of certain units, and (2) a change in the depreciation rules made by the Board of Directors, following the Act of 31 January 2003 for phasing out nuclear energy, and the new depreciation policies adopted by other European producers. In conformity with the depreciation policy adopted by our French partner, the depreciation period for our stake in the Chooz power plant was similarly increased to 40 years.

The financial debt charges were down by € 32 million in 2003, mainly due to the change in the group's long-term debt position.

Taxes on the result were up by € 11 million compared with the previous year. This development, representing an increase of 4.2 %, reflects both the change in the current result before taxes and the reduction in the tax rate in Belgium.

In terms of the group's share, the current net result has risen from € 809 million in 2002 to € 882 million in 2003, an increase of 9.1 %.

3.2 Extraordinary result

The extraordinary result for the financial year (fully consolidated) amounts to € 147 million. After extraordinary taxation, it comes to € 126 million, compared with € 332 million in 2002. The group's share in the extraordinary net result amounts to € 125 million (compared with € 292 million in 2002).

Note that in 2002, the shedding of various assets yielded capital gains of € 835 million (€ 803 million in terms of the group's share). Further, extraordinary, depreciation and write-downs (in shareholdings, tangible assets and acquisition goodwill) amounting to more than € 561 million were recorded.

The extraordinary result in 2003 mostly comprised the capital gain from shedding the balance of our stake in Iberdrola (€ 60 million), together with capital gains on the sale to the municipalities of shares in intermunicipal companies (€ 19 million), and the write-back of a € 14 million write-down on our stake in Union Fenosa.

A net positive result of € 46 million was recorded on the assets held directly and indirectly by the group in Telenet.

3.3 Consolidated net result

The fully-consolidated net result amounted to € 1 125 million in 2003, compared with € 1 281 million in 2002, a decrease of 12.2 %, as the increase of € 61 million in the current net result was more than offset by the lower extraordinary result (down € 217 million), taxes having remained at the same level as in 2002. In terms of the group's share, the consolidated net result comes to € 1 007 million, compared with € 1 101 million for the previous year, a decrease of 8.5 %.

C. Appropriation of the profit

The profit available for appropriation by Electrabel S.A. amounts to € 985 million. The directors will propose to the AGM to appropriate an amount of € 100 million to the available reserves, and to increase the result carried forward by € 62 million. If this proposal is accepted, a net unit dividend of 11.25 euros will be paid to shareholders, representing an increase of 3.7 % compared with the net dividend for 2002. The net dividend payable to shares accompanied by a VVPR strip (giving entitlement to a reduced 15 % rate of withholding tax) would then be 12.75 euros.

These dividends will be payable as of 25 May 2004.

In euros	2003	2002
Gross dividend for the financial year	15.0000	14.4667
Net dividend for the financial year	11.2500	10.8500
Net dividend with VVPR strip	12.7500	12.2967

D. Prospects

The different positions acquired by the group on the European electricity market will make an increasingly large contribution to the group's results, especially in France where the full effect of our investments will start to bear fruits in 2004.

In Belgium, the year 2003 marked a very important step in the process of deregulation of the electricity sector, with 80 % of the market now being open to competition. The experience built up during the past year should enable our group to press ahead with effective modifications to its organisation and its functioning, so as to maintain and perpetuate the confidence of our customers, in terms not only of the competitiveness of our prices but also of the quality of our services.

The group has demonstrated its ability to compensate for the pressure on its margins by an ongoing effort towards improvements in productivity.

Taking all this into account, together with the group's solid financial structure and the competence and commitment of its staff, we can look forward with confidence to the next financial years.

* * *

The auditors have confirmed that they do not have any qualifications to make concerning the financial information in the press release. The information is in accordance with the annual accounts approved by the Board of Directors.

Shareholders Calendar

28 April 2004	Annual report available on www.electrabel.com
13 May 2004	Annual General Meeting and sending out the Annual Reports
25 May 2004	Payment of dividend

Press
Press Electrabel:
Simon Van Wijmeersch
☎ +32 2 518 63 47
simon.vanwijmeersch@electrabel.com

Fernand Grifnée
☎ +32 2 518 63 34
fernand.grifnee@electrabel.com

Investor relations
Investor relations Electrabel:
Patrick H. De Vos
☎ +32 2 518 65 90
patrick.devos@electrabel.com

Jan Van Brabant
☎ +32 2 518 65 99
jan.vanbrabant@electrabel.com

www.electrabel.com

Ce communiqué est également disponible en français.
Dit persbericht is ook beschikbaar in het Nederlands.