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## The Board of Enel approves results for first quarter ending 31 March 2005

**Revenues at 9,685 million euro, +21.4%**  
**EBITDA at 2,527 million euro, -2.8%**  
**Net Income at 768 million euro, +5.3%**

**Rome, 12 May 2005** – The Board of Directors of Enel SpA, chaired by Piero Gnudi, today approved the results for the first quarter of 2005.

*The Enel Group's consolidated quarterly report as of 31 March 2005 has been drawn up on the basis of the valuation and measurement criteria established by International Financial Reporting Standards (IFRS), which it is assumed will be those in force as of 31 December 2005. The comparative figures for the same period of the previous year have been restated using IFRS.*

### Key consolidated figures (millions of euro):

	Q1 2005	Q1 2004	Variation
Revenues	<b>9,685</b>	7,981	+21.4%
Ebitda	<b>2,527</b>	2,599	-2.8%
Ebit	<b>1,638</b>	1,723	-4.9%
Net income	<b>768</b>	729	+5.3%
Net financial debt	<b>23,591</b>	24,514*	-3.8%

\* as of 31 December 2004

**Paolo Scaroni**, Enel's chief executive, said: **"I am pleased with the results for the first quarter of 2005, which are broadly in line with those for the first quarter of 2004, which benefited from more favourable tariffs. These results confirm our forecast for 2005 of an increase in ordinary net income compared with 2004"**.

**Revenues** amounted to 9,685 million euro in the first quarter of 2005, an increase of 1,704 million euro (+21.4%) on the corresponding period of 2004 (7,981 million euro). The increase is mainly related to the energy sold on the Pool Market and to sales to the Single Buyer by Enel's generation companies. Up to 31 March 2004 energy was directly sold by Enel's generation companies to its distribution company with no effects on Enel consolidated revenues and costs. From 1 April 2005 the comparison of revenues in subsequent quarterly reports in 2005 with the same periods in 2004 will be on equal basis.

**EBITDA** amounted to 2,527 million euro in the first quarter of this year substantially in line with the same period of the previous year, 2,599 million euro (-72 million euro). This result is mainly attributable to the good performance of the international generation operations, to telecommunications, gas sector and to the ongoing efficiency gains achieved. These factors largely offset the reduction in the volume of generation power output and sales, the increase in fuel costs and the reduction in tariffs introduced on 1 February 2004.

**EBIT** amounted to 1,638 million euro, compared with 1,723 million euro posted in the same period a year earlier (-85 million euro), reflecting 889 million euro in depreciation, amortisation and writedowns, compared with 876 million euro posted in the first three months of 2004.

**Group net income** rose to 768 million euro in the first quarter (+5.3%), compared with 729 million euro in the previous year period (+39 million euro) mainly due to a reduction in net financial expenses.

The **consolidated balance sheet** as of 31 March 2005 showed total shareholders' equity of 18,886 million euro (17,953 million euro at the end of 2004), an increase of 5.2%, and net financial debt of 23,591 million euro (24,514 million euro at end-2004), down by 3.8%.

**Capital expenditure** totalled 629 million euro in the quarter (624 million euro in the first three months of 2004).

**Headcount** at the end of March 2005 stood at 61,807, a decrease of 91 on 31 December 2004.

## Outlook

Exclusive negotiations with Weather Investments Fund for the disposal of a controlling interest in Wind are continuing, in line with the decision of Enel's Board of Directors of 9 April 2005. The period of exclusivity shall terminate 30 May 2005, with the signing of an agreement for the disposal of at least 70% of Wind. Enel expects to dispose of 30% of Terna to Cassa Depositi e Prestiti following the definition of the contract and the approval of the Antitrust Authorities, which is likely to occur not later than August 2005.

In 2005 Enel will continue to pursue its strategy of focusing on its core business and expanding its international operations.

On the basis of performance in the first quarter and the initiatives Enel has undertaken to improve operating efficiencies and contain costs, ordinary net income for the year is expected to increase with respect to 2004.

## Significant post-period events

- Disposal of 13.86% of Terna to institutional investors through accelerated bookbuilding
- Receipt of a binding offer for the acquisition of the controlling interest in Wind received;
- Acquisition of the Romanian distribution companies Electrica Banat and Electrica Dobrogea, which serve an overall customer base of 1.4 million;
- Completion of the disposal of Enel Hydro and 20% of Idrosicilia

An analysis of results by Division follows.

### **Generation and Energy Management**

**Results** (millions of euro):

	<b>Q1 2005</b>	<b>1Q 2004</b>	<b>Variation</b>
Revenues	<b>3,568</b>	3,101	+15.1%
Ebitda	<b>930</b>	1,053	-11.7%
Ebit	<b>633</b>	744	-14.9%
Capex	<b>162</b>	141	+14.9%

#### **Domestic operations**

**Revenues** in the first quarter of 2005 amounted to 3,359 million euro, an increase of 392 million (+13.2%) on the first three months of 2004. **EBITDA** stood at 839 million euro, down 153 million euro (-15.4%) compared with the first quarter in 2004, mainly due to the contraction in generation volumes and the higher cost of fuel. **EBIT** came to 572 million euro, down 134 million euro (-19%) on the first quarter of 2004 (706 million euro).

In the first quarter of 2005 Enel's net power generation on the domestic market reached 28.2 Twh a decrease of 12% with respect to the same period in 2004. Thermal generation stood at 20.9 Twh, a decline of 15% that is mainly attributable to the stronger presence of third parties on the market as well as to the growth in imports. Hydro generation came to 5.9 Twh, a decrease of 2.3% associated with lower hydraulicity in the first three months of 2005. Geothermal generation reached 1.2 Twh, a decrease of 4.1% due to maintenance activities on one plant. Power generation from other sources reached 0.1 Twh, up 64.5% thanks to the entry of new wind plants into service.

#### **International operations**

**Revenues** in the first quarter of 2005 totalled 230 million euro, a rise of 88 million euro (+62%) on the same period of 2004, thanks to increased output and higher sales prices. **EBITDA** in the first quarter of this year stood at 91 million euro, up 30 million euro compared with the same period in 2004. The increase is mainly attributable to the good performance of Viesgo Generacion, the Spanish subsidiary, which benefited from higher volumes and rising prices. **EBIT** was 61 million euro, an increase of 23 million euro (+60.5%) on the 38 million euro registered in the first three months of 2004. Net generation from international activities in the first quarter of 2005 stood at 3.7 Twh, an increase of 0.4 Twh compared to the same period in 2004.

## Networks & Sales

Results (millions of euro):

	Q1 2005	Q1 2004	Variation
Revenues	5,086	5,475	-7.1%
Ebitda	947	960	-1.3%
Ebit	738	769	-4%
Capex	322	334	-3.6%

## Electricity

**Revenues** from the sale and dispatching of electricity in Italy amounted to 4,430 million euro in the first quarter of 2005, a decrease of 478 million euro (-9.7%) on the year-earlier period. **EBITDA** in the period came to 797 million euro, compared with 818 million euro in the first three months of 2004 (-21 million euro). The decline was mainly due to the reduction in the net margin on the sale and dispatching of electricity. **EBIT** came to 609 million euro, a fall of 38 million euro (-5.9%) compared with a year earlier (647 million euro).

## Gas

**Revenues** came to 656 million euro in the first quarter of this year, a rise of 89 million euro (+15.7%) with respect to the same period of 2004. **EBITDA** for the first quarter was 150 million euro, up 8 million euro compared with the same period in 2004. The improvement was due to the rise in volumes sold (2,179 million cubic metres, +3.8%). **EBIT** for the period amounted to 129 million euro, a rise of 7 million euro (+5.7%) compared with the year-earlier quarter (122 million euro).

## Transmission Networks (Terna)

Results (millions of euro):

	Q1 2005	Q1 2004	Variation
Revenues	255	275	-7.3%
Ebitda	182	203	-10.3%
Ebit	141	165	-14.5%
Capex	30	59	-49.2%

**Revenues** amounted to 255 million euro in the first three months, a contraction of 20 million euro (-7.3%) on the year-earlier period. **EBITDA** amounted to 182 million euro in the first three months of 2005, down from the 203 million euro posted in the same period of 2004. The decline was mainly due to lower margins from the transmission of electricity over the power grid as a result of the new time bands introduced by the Authority for Electricity and Gas in April 2004. **EBIT** totalled 141 million euro, a decrease of 24 million euro (-14.5%) in the first quarter of 2004 (165 million euro). Action to enhance operating efficiency and contain costs point to operating results for the whole year in line with those for 2004.

## Telecommunications

**Results** (millions of euro):

	Q1 2005	Q1 2004	Variation
Revenues	1,162	1,068	+8.8%
Ebitda	393	261	+50.6%
Ebit	73	(46)	+258.7%
Capex	97	72	+34.7%

**Revenues** in the first quarter of 2005 amounted to 1,162 million euro, a rise of 94 million (+8.8%) on the first quarter of 2004. **EBITDA** grew to 393 million euro in the first quarter, up 132 million euro (+50.6%) compared with the 261 million euro posted in the first quarter of 2004. The increase was mainly attributable to a good operating performance as well as to the recovery of the Turnover Contribution paid in previous years (55 million euro). **EBIT** was a positive 73 million euro, a swing of 119 million euro from the negative 46 million euro registered in the first quarter a year earlier.

In the first three months of 2005, in **mobile telephony** Wind retained the 19% market share achieved at the end of 2004. SIM cards totalled 12.6 million at end-March 2005; they were 12.1 million as of 31 December 2004. In the first quarter of this year, Wind recorded total voice traffic of approximately 4 billion minutes, an increase of 43% on the same period of 2004; SMS (text messages) totalled approximately 866 million euro (+3.0%).

At end-March 2005 Wind had about 2.3 million **fixed-line customers**, of whom approximately 449,000 were active LLU customers.

In the same period, Wind confirmed its position as a market leader in Internet access, with 18 million registered customers (17.1 million at the end of 2004) and approximately 2.8 million active customers. In broadband Internet access, Wind had about 427,000 customers at the end of March this year, compared with about 341,000 at the end of 2004.

## Parent company and other activities

**Revenues** for the **Parent Company** amounted to 251 million euro in the first quarter of 2005, up 10 million euro (+4.1%) on the same period in 2004. **EBITDA** reached 45 million euro, down 16 million euro (-26.2%) on a year earlier.

**Revenues from Services and Other Activities** stood at 289 million euro in the first quarter of 2005, down 177 million euro (-38%) compared with the same period a year earlier. The variation is mainly attributable to a reduction in revenues from the engineering and contracting sectors (-148 million euro) for completing activities of extra group customers both in Italy and abroad. **EBITDA** for the area stood at 49 million euro in the period, down 19 million euro (-27.9%) compared with the same period in 2004.

## APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Enel Group has adopted International Financial Reporting Standards as from 2005, with the transition date to IFRS set at 1 January 2004. To this end we have drawn up the consolidated balance sheet at 1 January 2004 and 31 December 2004 on the basis of IFRS 1 (First-time adoption of International Financial Reporting Standards).

Compared with the financial statements at 31 December 2004 drawn up in accordance with the previous accounting standards, the following main differences have emerged:

- a decrease of 1,372 million euro in intangible assets that can no longer be capitalised for 1,372 million euro, primarily in respect of the elimination of the contributions to the Electricity Sector Employee Pension Fund (-1,334 million euro) and other assets (-38 million euro);
- a net increase of 1,168 million euro in provisions associated with the recognition of liabilities in respect of the discount on power consumption granted to employees (+1,014 million euro), as well as the actuarial adjustment of the value of provisions for employee severance indemnities and other post-retirement personnel compensation (+322 million euro), and the elimination of provisions for risks and charges that do not qualify under IFRS for recognition of such liabilities in the amount of (-168 million euro);
- recognition at fair value of financial liabilities amounting to 480 million euro in respect of derivatives to hedge interest rate, exchange rate and commodity price risk;
- goodwill no longer being amortised (94 million euro) with a restatement of 2004 opening value
- an increase in tangible assets of 79 million euro, mainly regarding the change in the carrying value of land restated at historical cost
- recognition of the positive tax effects on writedowns (1,006 million euro).
- a net increase of 218 million euro in financial debt, mainly due to securitisations (+214 million euro), the reclassification to financial debt UMTS license deferred payment (217 million euro) and prepaid debt discounts and issuance fees (-213 million euro).

Exercising the option envisaged in Consob Communication no. 5025723 of 15 April 2005, the figures in the reconciliation of the company's shareholders' equity at 1 January 2004 and 31 December 2004 and the result for 2004, which were drawn up on the basis of the new accounting standards, have not been audited. In line with Consob recommendations, the audit will be conducted in conjunction with the 2005 semiannual report.

*A conference call will be held at 18:00 Italian time for financial analysts and institutional investors. Journalists are invited to listen in on the call.*

*Support material will be simultaneously available via Enel's website, [www.enel.it](http://www.enel.it) in the investor relations section.*

*The reclassified consolidated income statement and balance sheet follow.*

## Consolidated Income Statement

In millions of euro	(%)		(%)		(%)	
	1st Quarter 2005		1st Quarter 2004		Change	
<b>Revenues:</b>						
- Electricity sales and Electricity Equalization Fund contributions	7,105	73.4	5,280	66.2	1,825	34.6
- Telecommunication services	982	10.1	941	11.8	41	4.4
- Gas sold to end-users	641	6.6	560	7.0	81	14.5
- Other services, sales and revenues	957	9.9	1,200	15.0	(243)	-20.3
<b>Total revenues</b>	<b>9,685</b>	<b>100.0</b>	<b>7,981</b>	<b>100.0</b>	<b>1,704</b>	<b>21.4</b>
<b>Costs:</b>						
- Personnel	804	8.3	829	10.4	(25)	-3.0
- Fuel consumed for thermal generation	903	9.3	862	10.8	41	4.8
- Electricity purchased	3,512	36.2	1,438	18.0	2,074	144.2
- Interconnection and roaming	327	3.4	331	4.1	(4)	-1.2
- Services, leases and rentals	914	9.4	974	12.2	(60)	-6.2
- Fuel for trading and gas for resale to end-users	570	5.9	661	8.3	(91)	-13.8
- Materials	212	2.2	330	4.1	(118)	-35.8
- Other costs	153	1.6	187	2.3	(34)	-18.2
- Capitalized expenses	(237)	-2.4	(230)	-2.9	(7)	-3.0
<b>Total costs</b>	<b>7,158</b>	<b>73.9</b>	<b>5,382</b>	<b>67.3</b>	<b>1,776</b>	<b>33.0</b>
<b>GROSS OPERATING MARGIN</b>	<b>2,527</b>	<b>26.1</b>	<b>2,599</b>	<b>32.7</b>	<b>(72)</b>	<b>-2.8</b>
- Depreciation, amortization and write-downs	889	9.2	876	11.0	13	1.5
<b>OPERATING INCOME</b>	<b>1,638</b>	<b>16.9</b>	<b>1,723</b>	<b>21.7</b>	<b>(85)</b>	<b>-4.9</b>
- Net financial income (expense)	(231)	-2.4	(408)	-5.1	177	43.4
<b>INCOME BEFORE TAXES</b>	<b>1,407</b>	<b>14.5</b>	<b>1,315</b>	<b>16.6</b>	<b>92</b>	<b>7.0</b>
- Income taxes	608	6.3	584	7.3	24	4.1
<b>INCOME BEFORE MINORITY INTERESTS</b>	<b>799</b>	<b>8.2</b>	<b>731</b>	<b>9.3</b>	<b>68</b>	<b>9.3</b>
- Minority interests	(31)	-0.3	(2)	-0.1	(29)	
<b>GROUP NET INCOME</b>	<b>768</b>	<b>7.9</b>	<b>729</b>	<b>9.2</b>	<b>39</b>	<b>5.3</b>

## Consolidated Balance Sheet

In millions of euro

	at March 31, 2005	at Dec. 31, 2004	Change
Net fixed assets:			
- Tangible assets	36,513	36,702	(189)
- Intangible assets	10,026	10,071	(45)
- Non-current financial assets (liabilities)	453	310	143
- Other non-current assets (liabilities)	(82)	(64)	(18)
<b>Total</b>	<b>46,910</b>	<b>47,019</b>	<b>(109)</b>
Net current assets:			
- Trade receivables	9,200	8,027	1,173
- Inventories	1,171	1,345	(174)
- Current financial assets	241	100	141
- Other assets and net receivables from Electricity Equalization Fund	2,018	1,959	59
- Net tax receivables (payables)	484	755	(271)
- Trade payables	(6,872)	(6,818)	(54)
- Current financial liabilities	(933)	(836)	(97)
- Other current liabilities	(4,145)	(4,098)	(47)
<b>Total</b>	<b>1,164</b>	<b>434</b>	<b>730</b>
<b>Gross capital employed</b>	<b>48,074</b>	<b>47,453</b>	<b>621</b>
Provisions:			
- Employee termination indemnity and similar obligations	(2,914)	(2,910)	(4)
- Provisions for risks and charges	(1,369)	(1,404)	35
- Net deferred taxes	(168)	441	(609)
<b>Total</b>	<b>(4,451)</b>	<b>(3,873)</b>	<b>(578)</b>
<b>Net capital employed</b>	<b>43,623</b>	<b>43,580</b>	<b>43</b>
Group Shareholders' Equity	18,886	17,953	933
Minority interests	1,146	1,113	33
<b>Total Shareholders' Equity</b>	<b>20,032</b>	<b>19,066</b>	<b>966</b>
<b>Net financial debt</b>	<b>23,591</b>	<b>24,514</b>	<b>(923)</b>
<b>TOTAL</b>	<b>43,623</b>	<b>43,580</b>	<b>43</b>