

Media Relations  
Ph. +39 06 83055699  
Fax +39 06 83053771  
e-mail: ufficiostampa@enel.it

Investor Relations  
Ph. +39 06 83057008  
Fax +39 06 83053771  
e-mail: investor.relations@enel.it  
[www.enel.it](http://www.enel.it)

## Enel: the Board approves 2004 results

**Revenues 36,489 million euro (31,317 million euro in 2003, +16.5%)**  
**EBITDA 11,010 million euro (9,841 million euro in 2003, +11.9%)**  
**EBIT 6,325 million euro (4,732 million euro in 2003, +33.7%)**  
**Net income 3,419 million euro (2,509 million euro in 2003, +36.3%)**  
**Proposed dividend of 0.36 euro per share (to be added to 0.33 euro already paid out as interim dividend in November 2004)**  
**Stock option plan for 2005 approved**

**Rome, 31 March 2004** – The Board of Enel SpA, chaired by Piero Gnudi, yesterday evening approved the Group's results for 2004.

### Consolidated financial highlights (millions of euro):

	2004	2003	Change
Revenues	<b>36,489</b>	31,317	+16.5%
EBITDA	<b>11,010</b>	9,841	+11.9%
EBIT	<b>6,325</b>	4,732	+33.7%
Net income	<b>3,419</b>	2,509	+36.3%
Net financial debt at 31 December 2004	<b>24,296</b>	24,174	+0.5%

### Key developments

- **December 2004:** Preliminary agreement for Enel's disposal of the electricity grid in the province of Trento to SET; disposal of the entire holding in Enel.Hydro to Compagnie Generale des Eaux
- **February 2005:** Signing of contract for the acquisition of 66% of Slovenske Elektrarne (approx. 7,000 MW); Terna acquires dispatching and grid planning and development activities from GRTN
- **March 2005:** Memorandum of understanding for Enel's disposal of up to 30% of Terna to Cassa Depositi e Prestiti; 1 billion euro bonds underwritten by Italian retail investors; the Ministry of Economy announces global offering of up to 10% of Enel by end of September 2005.

### Dividends

- Proposed 0.36 euro per share as final dividend for 2004 (to be added to 0.33 euro already paid out as interim dividend in November 2004).
- A further dividend of 0.16-0.18 euro per share expected by the second half of 2005 related to capital gains from a further disposal of Terna's shareholding.
- A dividend of more than 0.36 euro per share on 2005 results fully supported by ordinary income expected

**Paolo Scaroni**, Chief Executive, said: "In 2004 we reached all the goals we set out in our strategy announced in September 2002. Enel is now entirely focused on the electricity and gas business and we have met or exceeded all the efficiency targets we set. Looking forwards, our strategy will be about delivering further efficiencies and growth. We expect to generate over 20 billion Euro of free cash flow from our businesses over the next five years and this will underpin our commitment to returning substantial and sustainable dividends to our shareholders and our ongoing investment programme".

## OUTLOOK

The initiatives undertaken in the various business areas form the basis for further growth in net ordinary income in 2005. Enel has established the platform for the next phase of its development, where the Group will drive further efficiencies and profitable growth from its business.

### Targets for 2005-2009 plan

- Capex: approximately 20 billion euro over the five year period.
- Over 20 billion euro in free cash flow after investments for dividends and/or acquisitions
- Maintain a "strong A" credit rating
- Over 11% of ROACE in the 2005-2006 period

### 2004 consolidated results

**Revenues** amounted to 36,489 million euro in 2004, an increase of 16.5% on 2003 (31,317 million euro). Much of the rise is attributable to an accounting change: with the creation on 1 April 2004 of the Italian Power Exchange and the start of full operations by the Single Buyer, sales and purchases of electricity that were formerly carried out within the Group, starting from that date are now carried out as transactions with third parties, which increase both revenues and costs.

**EBITDA** came to 11,010 million euro, compared with 9,841 million euro in 2003 (+11.9%). The Generation and Energy Management division showed a rise of 136 million euro (+3.5%). The Networks and Sales divisions posted an increase of 151 million euro (+4.1%). Terna expanded by 62 million euro (+10%). Ebitda from Telecommunications also increased (+544 million euro) as well as the Parent company (+ 473 million euro). Services and Other Activities recorded a decrease of 183 million euro for the reduction of the scope of activity.

**EBIT** totalled 6,325 million euro, an increase of 1,593 million euro or 33.7% on 2003.

**Net extraordinary income** amounted to 298 million euro in 2004, compared with net extraordinary expense of 136 million euro the previous year.

**Group net income** totalled 3,419 million euro, an increase of 910 million euro or 36.3% on 2003. Group net income excluding extraordinary and non-recurring items increased to 1,829 million euro, compared to 1,090 million euro a year earlier.

**The consolidated balance sheet** as of 31 December 2004 shows total shareholders' equity of 21,691 million euro (21,315 million euro at end-2003) and net financial debt of 24,296 million euro (24,174 million euro a year earlier). The **debt-equity** ratio at the end of 2004 was 1.12, compared to 1.13 at end-2003.

**Cash generated by current operating activities** amounted to 5,392 million euro in 2004, a decrease of 1,781 million euro on the previous year, mainly due to higher tax payments.

**Capital expenditure on tangible and intangible assets** came to 3,834 million euro in 2004, a decline of 3.4% on 2003. Most of the decrease is attributable to the completion of two very-high-voltage transmission lines in Brazil.

**Group employees** at the end of 2004 numbered 61,898, down 2,872 on the previous year. The change in the scope of activity (disposals of Aimeri and New Real and the acquisition of gas companies) produced a reduction of 914 employees, while retirements net of new hires totalled 1,958.

Attached the analysis of results and targets by Division.

## SHAREHOLDERS' MEETING AND DIVIDENDS

The Board of Directors will recommend that the Shareholders' Meeting convened for 25 May at first call and 26 May at second call approve the payment of a final dividend for 2004 of 0.36 euro per share. The Board, as already disclosed to the market, has proposed 20 June as the ex-dividend date and 23 June 2005 as the final dividend payment date.

It should also be noted that the Board of Directors on 9 September, 2004 approved the distribution to shareholders of an interim dividend for 2004 of 0.33 euro per share paid on 25 November 2004 with 22 November as the ex-dividend date.

The Board of Directors is also expected to pay an additional dividend in the second half of 2005 (that should be between 0.16-0.18 euro per share) following the capital gain deriving from the disposal of a further shareholding in Terna.

The Shareholders' Meeting has also been called to elect the Board of Directors and engage the external auditors for the 2005, 2006 and 2007 financial years. The Board will recommend that shareholders confirm the engagement of KPMG S.p.A.

Since the Chairman of the Board of Statutory Auditors, Prof. Angelo Provasoli, has resigned his position as from the approval of the Enel financial statements for 2004 owing to the considerable commitments entailed by his recent appointment as Rector of Bocconi University, the Shareholders' Meeting will also be called upon to appoint a new member of the Board of Statutory Auditors.

The Board may add items to the agenda following the discussion at its next meeting.

## ENEL APPROVES 2005 STOCK OPTION PLAN

The Board of Directors also approved today the stock option plan for 2005 and the regulations for its implementation.

The Shareholders will be requested to delegate the power to increase the Enel's share capital in connection with this plan at the meeting called today. The agenda of the Shareholders' meeting will be amended accordingly in the next meeting of the Board of Directors.

According to the present plan, executives selected by the Board of Directors are assigned options regarding the subscription of a corresponding number of newly issued Enel ordinary shares. In particular, the Board of Directors resolved today the allotment of an overall number of 28,757,000 options for the benefit of 448 executives of the Enel Group, including Enel's Chief Executive Officer in his capacity as General Manager.

The exercise of the options is subject to the achievement of the performance targets set by the Board of Directors.

More specifically, the plan provides that all the allotted options become exercisable if, in 2005, the consolidated EBITDA exceeds the target indicated by the budget and the performance of Enel shares on the Italian stock market is higher – according to calculation criteria indicated by the plan's regulations – than that of a specific reference index (50% MIBTEL and 50% FTSE Eurotop 300 Electricity). In the event that even one of the aforesaid objectives is not met, all the allotted options automatically expire.

The plan states that the options – if the aforesaid conditions for their exercise shall be met – may be exercised as follows: 15% from 2006, 15% from 2007, a further 30% from 2008 and the remaining 40% from 2009; in any case, the options cannot be exercised after December 31, 2010.

The strike price has been set at 7.273 euro, i.e. as the arithmetical average of the reference prices of Enel shares on the Italian stock market for the period from February 28 to March 30, 2005, in compliance with the relevant tax regulations.

The Board of Directors, exercising the proxy granted by the Shareholders' Meeting held on 21 May 2004, resolved a capital increase up to a maximum of approximately 38.5 million euro to serve the exercise of the options allotted to Group executives with the 2004 Stock Option Plan, having verified the fulfillment of the related exercise conditions.

## **BOND ISSUES AND MATURING BONDS**

In 2004 Enel Spa carried out four bond issues, of which two public issues for institutional investors were conducted as part of the Medium Term Notes Programme involving a maximum of 10.0 billion euro, and two private placements totalling approximately 1,597.0 million euro.

Taking in consideration the size of such bond issues, it should be noted that:

- On 20 May 2004 Enel issued a fixed-rate public bond for institutional investors amounting to 750 million euro maturing 20 May 2011;
- On 20 May 2004 Enel issued a fixed-rate public bond with institutional investors of 750 million euro maturing 20 May 2024;

Terna conducted two public issues with institutional investors in 2004, raising a total of 1,400 million euro.

Specifically:

- On 28 October 2004 Terna issued a fixed-rate bond totalling 600 million euro maturing 28 October 2014;
- On the same date the company issued another fixed-rate bond amounting to 800 million euro maturing 28 October 2024.

Between 1 January 2005 and 30 June 2006 bonds totalling about 862.7 million euro, all issued by Enel Spa, are scheduled to mature.

Taking in consideration the size of such maturing bonds, it should be noted that:

- On 12 December 2005 a fixed-rate bond of 750 million euro will mature.

## **IMPACT OF NEW ACCOUNTING STANDARDS**

In 2004 Enel initiated a multidisciplinary project to analyse the quantitative and qualitative impact of the adoption of International Financial Reporting Standards (IFRS/IAS).

The transition process has required the adjustment of information systems and the development of appropriate IT support for the change. The preliminary impact of First Time Adoption and the Restatement of the income statement for 2004 has been assessed.

The main qualitative impacts regard:

- the rule according to which goodwill is not amortized and its retrieval must be assessed at least annually to identify a possible impairment (impairment test);
- the use of actuarial calculations to value employee termination indemnities and other personnel compensation upon retirement;
- the more restrictive determination of provisions for risks and charges, with the discounting of costs expected to be incurred when the financial effect over time is significant;
- the fair value approach in the valuation of derivative instruments;

- the non-depreciation of land on which buildings are located;
- a more restrictive interpretation of the requirements for the outright securitisation of receivables, which in the context of securitisations gives rise to the re-recording of the receivables and a corresponding increase in financial debt;
- the intangible assets cannot be recognized as assets.

According to first evaluations, still to be audited, new accounting principles could imply in 2004 a growth of about 500 million euro in the consolidated net income and a negative adjustment on the consolidated shareholders' equity for approximately 1,300 million euro.

The engagement of KPMG S.p.A. to check the assessment conducted is now being formalised.

The Enel Group will announce consolidated figures prepared in accordance with the new accounting standards as from the first quarterly report for 2005.

*The 2004 results will be presented to financial analysts and institutional investors at 10.00 a.m. at the Enel auditorium, Viale Regina Margherita 125, Rome. This will be followed by a press conference. The event will be transmitted in real time on Enel's website [www.enel.it](http://www.enel.it).*

*Once the presentation has begun, support material will be available on the same website in the Investor Relations section. The Consolidated Income Statement, the Balance Sheet and the Statement of Cash Flow and the same statements for the Parent company, Enel S.p.A., follow. These tables and related notes (the parts regarding 2004) have been delivered to the Board of Statutory Auditors and the External Auditors for their evaluation.*

## ENEL SPA'S 2004 RESULTS

Enel SpA is the holding company for the Enel Group, setting strategic objectives for Group companies and coordinating their activities.

### Results (millions of euro):

	2004	2003	Change
Revenues	1,614	1,143	+41.2%
EBIT	651	227	+186.8%
Equity income	53	441	-88%
Net extraordinary income	7,696	432	-
Net income	7,985	607	-

In 2004, Enel SpA posted **revenues** of 1,614 million euro (1,143 million euro in 2003). The company's electricity sales under long-term import contracts came to 767 million euro, a decline of 98 million euro on 2003 (-11.3%), owing to a reduction of 6.5% in volumes imported and a fall of 5.2% in the unit sale price. The overall increase in revenues is essentially attributable to the reimbursement of stranded costs associated with the import of liquefied natural gas from Nigeria between 2000 and 2003 (555 million euro). With operating costs in line with those for 2003, the increase in revenues had a positive impact on EBIT.

**Equity income** is the net result of dividends distributed by subsidiaries on 2003 income amounting to 1,883 million euro and write-downs of equity investments of 1,830 million euro, mainly attributable to the losses recorded in the subsidiary Enel Investment Holding BV.

**Net extraordinary income** amounted to 7,696 million euro (432 million euro in 2003) and regarded:

- the capital gains on the disposals – carried out as part of the reorganisation of the Group structure - of the holding in Enel Green Power to Enel Produzione (3,387 million euro), of the holdings in the gas sector to Enel Distribuzione (601 million euro) and the holding in Enel.Net to Wind (296 million euro);
- the capital gain on the IPO of 50% of Terna (1,249 million euro);
- the net positive impact related to the effects of the reversal of tax-related entries in application of the new provisions of company and tax law (2,241 million euro).

**Net income** came to 7,985 million euro, compared to 607 million euro in 2003. The difference is attributable to the improvement in the operating income, the capital gains from the disposal of equity investments, the increase in dividends from subsidiaries and the net positive impact described above.

**Net financial debt** as of 31 December 2004 amounted to 1,282 million euro, compared to 6,946 million euro at end of 2003. The pronounced reduction, which totalled 5,664 million euro, is largely due to the repayment of 1,700 million euro in share capital by Terna and Enel Facility Management and the disposal of equity investments.

**Shareholders' equity** at the end of 2004 came to 16,014 million euro (11,997 million euro a year earlier). The increase of 4,017 million euro is the difference between dividend payments (2,195 million euro in respect of dividends on 2003 income and 2,014 million euro in interim dividend on 2004 income) and net income for the year.

## OPERATING REVIEW

### Generation & Energy Management Division

Results (million euro):

	2004	2003	Change %
Revenues	<b>12,982</b>	12,607	+3%
EBITDA	<b>3,999</b>	3,863	+3.5%
EBIT	<b>2,698</b>	2,457	+9.8%
Capital Expenditure	<b>857</b>	853	+0.5%

#### Operating performance on the domestic market

The generation and energy management division posted **revenues** of 12,397 million euro, a growth of 286 million euro (+2.4%) compared to the same period in 2003.

Non-recurring **revenues** in 2004 were 513 million euro and related to the reimbursement from non-recovered generation costs for the 2000-2003 period.

**Ebitda** was 3,761 million euro, an increase of 109 million euro (+3.0%) with respect to 3,652 million euro in 2003.

**Ebit** stood at 2,639 million euro from 2,388 million euro in 2003, a growth of 251 million euro (+10.5%) and benefiting from lower depreciation, amortization and accruals (142 million euro).

Net power generation in 2004 came to 125.9 billion kWh, a decrease of 8.7% on output in 2003. Thermal generation decreased by 13.9%, while hydro expanded by 10.2% owing to better water supply. Generation from other sources tripled thanks to the contribution of new wind plants.

Enel reduced production from fuel oil by 25.4% and increased that from coal by 13.8%. Natural gas generation from simple-cycle plants also decreased (by 16.9%).

#### International operations

In 2004 international operations of the generation and energy management division totalled **revenues** of 623 million euro, a 105 million euro increase on 2003. In 2004 the overall net power generation produced abroad amounted to 12,362 million kWh compared to 10,721 million kWh a year earlier.

**Ebitda**, from the division international operations, reached 238 million euro, 27 million euro growth with respect to the same figure in 2003.

**Ebit** stood at 59 million euro registering a 10 million euro reduction compared to 2003.

#### Targets

By 2009 Enel's goal is to reduce generation from fuel oil virtually to zero, producing about 50% of electricity from coal, 30% from renewables and the remaining 20% from gas combined-cycle plants. Once the reconversion programme is completed in 2009, Enel fuel costs is expected to be 30% lower than those of the new entrants.



Enel is already a world leader in the renewables sector and intends to expand its position further with capital expenditure of 1.1 billion euro in Italy and 600 million euro abroad in the five years from 2005 to 2009. In geothermal, Enel is the world leader with nearly a century of experience in the field. Enel will continue to invest in Italy and seize all opportunities that should arise abroad, especially in countries in North and South America where Enel is already present.

\*\*\*\*\*

## **Networks and Sales Divisions**

**Results** (million euro):

	<b>2004</b>	<b>2003</b>	<b>Change</b>
Revenues	<b>19,466</b>	20,433	-4.7%
EBITDA	<b>3,841</b>	3,690	+4.1%
EBIT	<b>2,930</b>	2,374	+23.4%
Capital expenditure	<b>1,711</b>	1,764	-3%

### **Operating performance**

#### **Electricity on the domestic market**

**Revenues** in the Networks and Sales divisions deriving from the electricity business totalled 17,619 million euro, a decrease of 1,054 million euro (-5.6%) with respect to 2003.

**Ebitda** stood at 3,512 million euro, up 158 million euro (+4.7%) compared to 3,354 million euro reported in 2003.

**Ebit** reached 2,724 million euro, up 543 million euro (+24.9%) compared to 2003.

#### **Electricity international operations**

In 2004 **revenues** from the electricity distribution activities in Spain were 433 million euro, up 47 million euro (+12.2%) compared to the same figure in 2003.

**Ebitda** was 63 million euro, in line with the figure posted in 2003 (down 1 million euro).

**Ebit** reached 31 million euro, up 1 million euro from the same figure recorded in 2003.

#### **Gas**

In 2004 **revenues** in the gas sector amounted to 1,421 million euro compared to 1,374 million euro posted in 2003 (+3.4%). Volumes reached 5,186 million cubic metres in 2004 (+16.7%) compared to 4,445 million cubic metres in 2003. As of 31 December 2004 Enel Gas customers reached 1,966,000 nationwide (11% market share).

In 2004 **Ebitda** stood at 266 million euro compared to 272 million euro of 2003.

**Ebit** was 130 million euro, up 12 million euro (+10.2%) compared to the previous year, mainly due to lower amortization, depreciation and accruals for 18 million euro

#### **Targets**

In electricity, the cash cost per customer target of 122 euro is expected to be achieved in 2005, a year ahead of schedule. The new targets are 118 euro in 2006, 115 euro in 2007 and 110 euro in 2009. Achievement of

these new targets should produce by 2009 savings of 1.5 billion euro compared to 2002. Enel has the target to bear the lowest per customer cost of all European utilities by 2007.

In gas distribution and sales, by the end of 2009, Enel's goal is to acquire 3.9 million customers and to sell 7.1 billion cubic metres of gas. This would increase Enel Gas' market share from its current level of 11% to 20%, confirming the company's solid hold on second place in the Italian market.

\*\*\*\*\*

## Terna Division

### Operating performance

In 2004 Terna posted **revenues** of 904 million euro, a 3.4% growth compared to 874 million euro in 2003.

**Ebitda** reached 601 million euro, with an increase of 1.9% compared to 590 million euro in 2003.

**Ebit** was 442 million euro, grew by 8.3% compared to 408 million euro recorded in 2003.

\*\*\*\*\*

## Telecommunications Division

### Results (million euro):

	2004	2003	Change
Revenues	<b>4,714</b>	4,383	+7.6%
EBITDA	<b>1,554</b>	1,010	+53.9%
EBIT	<b>(456)</b>	(840)	+45.7%
Capital expenditure	<b>867</b>	854	+1.5%

### Operating performance

Wind's revenues and Ebitda grew beyond expectations. Positive operating results are determined by the combination of the average revenue per user (ARPU) in mobile telephony and the increase in operating efficiency. Only 6 years after its creation, Wind is today a significant operator in the telecommunications sector. In Italy it ranks third on the mobile market, second as a fixed-line operator and it is the leading domestic Internet provider. From 2002 to 2004 Ebitda grew by 59% on a compound annual basis, revenues from mobile telephony grew by 18% and operating costs represent less than 26% of revenues compared to a previous 31%.

In 2004, Wind posted revenues of 4,714 million euro, up 331 million euro compared to 4,383 million euro in 2003, a 7.6% increase. Revenues from mobile telephony, excluding revenues from services provided to Enel, recorded an increase of 242 million euro (+11.1%). Revenues from fixed-line telephony and internet services on the domestic market were down 75 million euro (-4.8%) while revenues from the Greek operations (Tellas) were up 66 million euro. In 2004 revenues included 194 million euro as turnover contribution under provisions for previous years and abolished by the ruling of the European Court of Justice.

**Ebitda** stood at 1,554 million euro, up 544 million euro (+53.9%) with respect to 2003. This increase is due to both a growth in revenues and a reduction in operating costs (-6.3%) for restructuring and reorganization activities started at the end of 2003.

**Operating income before amortisation of goodwill** grew by 439 million euro and recorded in 2004 a positive result of 99 million euro from a negative figure of 340 million euro posted in 2003.

**Ebit**, affected by goodwill amortisation for 555 million euro, recorded a 384 million euro increase with respect to 2003. In 2004 this figure was a negative 456 million euro (+45.7%) compared to a negative value of 840 million euro posted in the previous year.

At the end of 2004 with about 12.1 million of SIM cards in the mobile telephony market, Wind reached a market share of 19% (17.3% as of the end of 2003). Voice traffic totalled around 14 billion minutes, a 46% increase with respect to 2003.

As of the end of December 2004 Wind active fixed-line customers were 2.4 million totalling voice traffic of about 14 billion minutes in the year. In fixed-line telephony since its launch in February 2003, the Greek subsidiary Tellas registered a significant commercial performance with 696,000 customers in 2004. In Internet access Wind stood among the main providers, with 17.1 million registered customers (15.2 million in 2003) of which approximately 2.8 million are active customers. In Internet broadband services Wind significantly increased its customer base, reaching about 341,000 units compared to 141,000 at the end of 2003.

\*\*\*\*\*

## **Services and other activities Division**

**Results** (million euro):

	<b>2004</b>	<b>2003</b>	<b>Change</b>
Revenues	<b>1,799</b>	2,742	-34.4%
EBITDA	<b>298</b>	481	-38.0%
EBIT	<b>130</b>	213	-39.0%
Capital expenditure	<b>112</b>	127	-11.8%

The Services and Other Activities area provides competitive services to Enel's other divisions while optimising its own activities in the external market. In October 2004, as part of the process of focusing on Enel's core energy business, approval was given to centralise service activities and staff functions in a single Group company. This was carried out by merging Enel Facility Management (real estate services) and Enel.it (IT services) into Ape (human resource administration) with effect from 1 January 2005. As part of Enel's gradual exit from the water sector, on 22 December 2004 the Parent company and Compagnie Generale des Eaux signed an agreement for the sale of Enel's entire stake in Enel.Hydro.

## Consolidated Income Statement

In millions of euro	(%)		(%)		(%)	
	2004		2003		2004-2003	
<b>Revenues:</b>						
- Electricity sales and Electricity Equalization Fund contributions	25,181	69.0	20,013	63.9	5,168	25.8
- Telecommunication services	4,168	11.4	3,959	12.6	209	5.3
- Gas sold to end-users	1,374	3.8	1,254	4.0	120	9.6
- Other services, sales and revenues	5,766	15.8	6,091	19.5	(325)	-5.3
<b>Total revenues</b>	<b>36,489</b>	<b>100.0</b>	<b>31,317</b>	<b>100.0</b>	<b>5,172</b>	<b>16.5</b>
<b>Operating costs:</b>						
- Personnel	3,315	9.1	3,440	11.0	(125)	-3.6
- Fuel consumed for thermal generation	3,598	9.8	4,101	13.1	(503)	-12.3
- Electricity purchased	10,465	28.7	4,620	14.7	5,845	126.5
- Interconnection and roaming	1,346	3.7	1,381	4.4	(35)	-2.5
- Services, leases and rentals	3,990	10.9	3,843	12.3	147	3.8
- Fuel for trading and gas for resale to end-users	1,817	5.0	2,378	7.6	(561)	-23.6
- Materials	1,255	3.4	1,733	5.5	(478)	-27.6
- Other costs	716	2.0	924	3.0	(208)	-22.5
- Capitalized expenses	(1,023)	-2.8	(944)	-3.0	(79)	-8.4
<b>Total operating costs</b>	<b>25,479</b>	<b>69.8</b>	<b>21,476</b>	<b>68.6</b>	<b>4,003</b>	<b>18.6</b>
<b>GROSS OPERATING MARGIN</b>	<b>11,010</b>	<b>30.2</b>	<b>9,841</b>	<b>31.4</b>	<b>1,169</b>	<b>11.9</b>
<b>Depreciation, amortization and accruals:</b>						
- Depreciation and amortization	4,173	11.5	4,516	14.4	(343)	-7.6
- Accruals and write-downs	512	1.4	593	1.9	(81)	-13.7
<b>Total depreciation, amortization and accruals</b>	<b>4,685</b>	<b>12.9</b>	<b>5,109</b>	<b>16.3</b>	<b>(424)</b>	<b>-8.3</b>
<b>OPERATING INCOME</b>	<b>6,325</b>	<b>17.3</b>	<b>4,732</b>	<b>15.1</b>	<b>1,593</b>	<b>33.7</b>
- Net financial income (expense)	(1,103)	-3.0	(1,130)	-3.6	27	2.4
- Equity income (expense)	(39)	-0.1	(73)	-0.2	34	46.6
<b>INCOME BEFORE EXTRAORDINARY ITEMS AND TAXES</b>	<b>5,183</b>	<b>14.2</b>	<b>3,529</b>	<b>11.3</b>	<b>1,654</b>	<b>46.9</b>
- Extraordinary items	298	0.8	(136)	-0.5	434	-
<b>INCOME BEFORE TAXES</b>	<b>5,481</b>	<b>15.0</b>	<b>3,393</b>	<b>10.8</b>	<b>2,088</b>	<b>61.5</b>
- Income taxes	1,936	5.3	966	3.1	970	100.4
<b>INCOME BEFORE MINORITY INTERESTS</b>	<b>3,545</b>	<b>9.7</b>	<b>2,427</b>	<b>7.7</b>	<b>1,118</b>	<b>46.1</b>
- Minority interests	(126)	-0.3	82	0.3	(208)	-
<b>GROUP NET INCOME</b>	<b>3,419</b>	<b>9.4</b>	<b>2,509</b>	<b>8.0</b>	<b>910</b>	<b>36.3</b>

## Enel Group

### Statement of Cash Flows

In millions of euro	2004	2003	2004-2003
<b>CASH FLOW FROM OPERATIONS</b>			
Net income (including minority interests)	3,545	2,427	1,118
Depreciation and amortization	4,173	4,516	(343)
Write-down of fixed assets	126	308	(182)
Net change in provisions (including termination indemnities)	(103)	167	(270)
Capital gain/losses and extraordinary items	(873)	(528)	(345)
Financial income	(370)	(425)	55
Financial expense	1,473	1,555	(82)
Income taxes	1,936	966	970
<i>Cash generated by operations before changes in net current assets</i>	<i>9,907</i>	<i>8,986</i>	<i>921</i>
(Increase)/Decrease:			
Inventories	(39)	(1,028)	989
Receivables	(1,091)	378	(1,469)
Net position with Electricity Equalization Fund	(1,241)	24	(1,265)
Accruals and prepayments	96	(19)	115
Payables	541	275	266
<i>Cash generated by operations</i>	<i>8,173</i>	<i>8,616</i>	<i>(443)</i>
Interest and other financial income received	359	425	(66)
Interest and other financial expense paid	(1,445)	(1,511)	66
Income taxes paid	(1,695)	(357)	(1,338)
<b>Cash generated by current operating activities</b>	<b>5,392</b>	<b>7,173</b>	<b>(1,781)</b>
<b>CASH FLOW FROM INVESTMENTS</b>			
Investments in intangible assets	(316)	(346)	30
Investments in tangible assets	(3,518)	(3,623)	105
Investments in consolidated subsidiaries (net of cash owned by acquired companies)	(135)	(1,601)	1,466
Investments in unconsolidated subsidiaries and associates	(57)	(37)	(20)
Disposal of consolidated subsidiaries and business units	1,950	654	1,296
Disposal of tangible and financial assets	108	230	(122)
Other changes in fixed assets	70	28	42
<b>Cash generated by (employed in) investing activities</b>	<b>(1,898)</b>	<b>(4,695)</b>	<b>2,797</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Change in financial debt	1,002	13	989
Dividends and interim dividend paid	(4,256)	(2,183)	(2,073)
Increase in capital stock and reserves due to exercise of stock options	241	-	241
Capital increases contributed by third parties	10	109	(99)
<b>Cash employed in financing activities</b>	<b>(3,003)</b>	<b>(2,061)</b>	<b>(942)</b>
Payment of tax on freeing-up of reserves, revaluation of assets and tax amnesty charges	(579)	(365)	(214)
<b>CASH FLOW GENERATED (EMPLOYED) IN THE YEAR</b>	<b>(88)</b>	<b>52</b>	<b>(140)</b>
<b>BEGINNING CASH BALANCE</b>	<b>452</b>	<b>400</b>	<b>52</b>
<b>ENDING CASH BALANCE</b>	<b>364</b>	<b>452</b>	<b>(88)</b>

## Consolidated Balance Sheet

In millions of euro

	at Dec. 31, 2004	at Dec. 31, 2003	2004-2003
<b>Net fixed assets:</b>			
- Tangible and intangible	49,109	50,731	(1,622)
- Financial	447	531	(84)
<b>Total</b>	<b>49,556</b>	<b>51,262</b>	<b>(1,706)</b>
<b>Net current assets:</b>			
- Trade receivables	7,818	6,991	827
- Inventories	4,214	4,211	3
- Other assets and net receivables from Electricity Equalization Fund	2,285	986	1,299
- Net tax receivables (payables)	532	(780)	1,312
- Trade payables	(6,718)	(5,835)	(883)
- Other liabilities	(7,609)	(7,627)	18
<b>Total</b>	<b>522</b>	<b>(2,054)</b>	<b>2,576</b>
<b>Gross capital employed</b>	<b>50,078</b>	<b>49,208</b>	<b>870</b>
<b>Provisions:</b>			
- Employee termination indemnity	(1,095)	(1,298)	203
- Retirement benefits	(471)	(462)	(9)
- Net deferred taxes	(947)	(476)	(471)
- Other provisions	(1,578)	(1,483)	(95)
<b>Total</b>	<b>(4,091)</b>	<b>(3,719)</b>	<b>(372)</b>
<b>Net capital employed</b>	<b>45,987</b>	<b>45,489</b>	<b>498</b>
Group Shareholders' Equity	20,560	21,124	(564)
Minority interests	1,131	191	940
<b>Total Shareholders' Equity</b>	<b>21,691</b>	<b>21,315</b>	<b>376</b>
<b>Net financial debt</b>	<b>24,296</b>	<b>24,174</b>	<b>122</b>
<b>TOTAL</b>	<b>45,987</b>	<b>45,489</b>	<b>498</b>

## Enel Spa Income Statement

In Millions of euro

	2004	2003	2004-2003
<b>Revenues:</b>			
- Sales of Electricity:	767	865	(98)
- to third parties (Single Buyer)	596	-	596
- to Group companies	171	865	(694)
- Other revenues from Group companies	253	236	17
- Other revenues	594	42	552
<b>Total revenues</b>	<b>1,614</b>	<b>1,143</b>	<b>471</b>
<b>Operating costs:</b>			
- Personnel	86	65	21
- Electricity purchased	577	608	(31)
- Services, leases and rentals	179	141	38
- Other costs	45	69	(24)
<b>Total operating costs</b>	<b>887</b>	<b>883</b>	<b>4</b>
<b>GROSS OPERATING MARGIN</b>	<b>727</b>	<b>260</b>	<b>467</b>
Depreciation, amortization and accruals	76	33	43
<b>OPERATING INCOME</b>	<b>651</b>	<b>227</b>	<b>424</b>
- Equity income (expense)	53	441	(388)
- Net financial income (expense)	(262)	(225)	(37)
- Extraordinary items	7,696 <sup>(1)</sup>	432	7,264
<b>INCOME BEFORE TAXES</b>	<b>8,138</b>	<b>875</b>	<b>7,263</b>
Income taxes	153	268	(115)
<b>NET INCOME</b>	<b>7,985 <sup>(1)</sup></b>	<b>607</b>	<b>7,378</b>

<sup>(1)</sup> Extraordinary items and Net income include euro 2,241 million related to the effects of the reversal of tax-related entries connected primarily to the write-down of equity investments, in application of new company and tax regulations.

## Enel Spa Statement of Cash Flows

In Millions of euro

	2004	2003	2004-2003
<b>CASH FLOW FROM OPERATIONS</b>			
Net income	7,985	607	7,378
Depreciation and amortization	5	4	1
Write-downs of equity investments	1,830	1,290	540
Net capital gains on the sale of equity investments	(5,494)	(448)	(5,046)
Net change in provisions (including termination indemnities)	109	(18)	127
Effects of reversal of tax-related entries	(2,241)	-	(2,241)
<b>Cash generated by operations before changes in net current assets</b>	<b>2,194</b>	<b>1,435</b>	<b>759</b>
(Increase)/Decrease:			
Net receivables from subsidiaries	508	(142)	650
Net tax receivables	(79)	299	(378)
Other assets and liabilities	(413)	(220)	(193)
<b>Cash generated by current operating activities</b>	<b>2,210</b>	<b>1,372</b>	<b>838</b>
<b>CASH FLOW FROM INVESTMENTS</b>			
(Investments) / Sale of equity investments	7,430	(373)	7,803
Change of other assets	(8)	4	(12)
<b>Cash generated by (employed in) investing activities</b>	<b>7,422</b>	<b>(369)</b>	<b>7,791</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Change in net financial debt with third parties:			
- medium and long-term	(210)	403	(613)
- short-term	(433)	(2,603)	2,170
Change in net financial debt with Group companies	(5,134)	3,456	(8,590)
Dividend paid and interim dividend paid	(4,209)	(2,183)	(2,026)
Increases in capital stock and reserves due to exercise of stock options	241	-	241
<b>Cash employed in financing activities</b>	<b>(9,745)</b>	<b>(927)</b>	<b>(8,818)</b>
<b>CASH FLOW GENERATED (EMPLOYED) IN THE YEAR</b>	<b>(113)</b>	<b>76</b>	<b>(189)</b>
<b>BEGINNING CASH BALANCE</b>	<b>133</b>	<b>57</b>	<b>76</b>
<b>ENDING CASH BALANCE</b>	<b>20</b>	<b>133</b>	<b>(113)</b>



## Enel Spa Balance Sheet

In Millions of euro

	at Dec. 31,2004	at Dec. 31,2004	Change	
			<i>Effects of tax-related entries</i>	<i>Current</i>
<b>Net fixed assets:</b>				
- Tangible and intangible	33	22	3	8
- Financial	16,650	17,778	2,643	(3,771)
<b>Total</b>	<b>16,683</b>	<b>17,800</b>	<b>2,646</b>	<b>(3,763)</b>
<b>Net current assets:</b>				
- Trade receivables	158	6	-	152
- Other assets and net receivables from Electricity Equalization Fund	1,435	1,085	-	350
- Net receivables from subsidiaries and associates	(91)	417	-	(508)
- Net tax receivables	407	328	-	79
- Trade payables	(327)	(290)	-	(37)
- Other liabilities	(327)	(275)	-	(52)
<b>Total</b>	<b>1,255</b>	<b>1,271</b>	<b>-</b>	<b>(16)</b>
<b>Gross capital employed</b>	<b>17,938</b>	<b>19,071</b>	<b>2,646</b>	<b>(3,779)</b>
Provisions	(642)	(128)	(405)	(109)
<b>Net capital employed</b>	<b>17,296</b>	<b>18,943</b>	<b>2,241</b>	<b>(3,888)</b>
Shareholders' Equity	16,014	11,997	2,241	1,776
Net financial debt	1,282	6,946	-	(5,664)
<b>Total</b>	<b>17,296</b>	<b>18,943</b>	<b>2,241</b>	<b>(3,888)</b>