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## The Board of Enel approves results for first quarter ending 31 March 2004

**Operating improvement continues:  
EBITDA 2,642 million euro, +11.2%  
EBIT 1,560 million euro, + 29.6%**

**Rome, 12 May 2004** – The Board of Directors of Enel SpA, chaired by Piero Gnudi, today approved the results for the first quarter of 2004.

### Key consolidated figures (euro millions):

	Q1 2004	Q1 2003	Change
Revenues	<b>8,029</b>	8,069	-0.5%
EBITDA (gross operating margin)	<b>2,642</b>	2,376	+11.2%
EBIT (operating income)	<b>1,560</b>	1,204	+29.6%
Net income	<b>688</b>	864*	-20.4%
Net financial debt	<b>23,085</b>	24,174**	-4.5%

\*includes 317 million euro of the capital gain (net of taxes) on the disposal of Interpower, \*\*on 31 December 2003

**Paolo Scaroni**, Enel's chief executive, said: **"In the first quarter we continued to achieve all our operational and cost reduction targets. For the full year, we expect our operating income to improve significantly on 2003."**

**Revenues** amounted to 8,029 million euro and are in line with the first quarter 2003 (8,069 million euro). The volume of energy sold on the free and regulated markets rose by 6.5%. The volume of gas sold to end users rose by 19.7%. Revenues from non-core activities decreased.

**EBITDA** rose to 2,642 million euro from 2,376 million euro in the same period in 2003 (+11.2%). The new equalization rules for electricity distribution margins resulted in an increase of 304 million euro, which will be reabsorbed during the course of the year. Net of this effect and non-recurring revenues of 60 million euro booked in the first quarter of 2003, EBITDA rose by 22 million euro compared with the first quarter of 2003. Greater efficiency and cost containment offset the effects of the downward distribution tariff adjustment (effective February 1, 2004) and lower hydroelectric production.

**EBIT** amounted to 1,560 million euro, an increase of 29.6% compared with 1,204 million euro in the first quarter of 2003. EBIT benefited from the reduction (-145 million euro) of depreciation for the electricity transmission and distribution networks in Italy as a consequence of the re-definition of their residual useful

life, in line with international standards. This was in part offset by higher amortization in the telecommunications sector.

**Net income, less not recurring items and extraordinary items**, rose 26% to 688 million euro in the first quarter of 2004 from 547 million euro in the first quarter of 2003.

**Group net income** for the quarter amounted to 688 million euro, compared with 864 million euro for the same period in 2003 (-20.4%) mainly due to differences in extraordinary items. In the first quarter of this year, extraordinary items had a negative impact of 19 million euro against a positive contribution of 338 million euro in the first quarter of 2003, mainly due to the capital gain of 359 million euro (317 million euro net of taxes) on the sale of Interpower. Further, taxes in the first quarter of 2003 benefited from the reduced rate (19%) applied to the Interpower capital gain.

**The consolidated balance sheet** on 31 March 2004 registered total shareholders' equity of 22,013 million euro (21,315 million euro at the end of 2003) and net financial debt of 23,085 million euro (24,174 million euro at the end of 2003).

**Capital expenditure** for the first quarter amounted to 624 million euro.

**Headcount** at the end of March 2004 stood at 63,379, a decrease of 1,391 employees from 31 December 2003. Changes in the group's scope of activity (disposal of environmental services business and acquisition of Sicilmetano) resulted in a net reduction of 814 employees.

*An analysis by business areas follows.*

### **Generation and Energy Management**

**Results** (euro millions):

	<b>Q1 2004</b>	<b>Q1 2003</b>	<b>Change</b>
Revenues	<b>2,967</b>	3,460	-14.2%
EBITDA	<b>993</b>	1,171	-15.2%
EBIT	<b>722</b>	893	-19.1%
Capex	<b>118</b>	100	+18.0%

The division's decrease in revenues was mainly due to a fall in revenues from fuel trading, a reduction in net production (32.0 TWh compared with 32.7 TWh a year earlier), and decrease of the CT (variable tariff component related to fuel prices).

Operating income fell as a consequence of lower hydro production, from 7.0 TWh in the first quarter of 2003 to 6.05 TWh in the first quarter of 2004 (-13.7%) and the occurrence in the first quarter of 2003 of 60 million euro in non-recurring revenue. This was partially offset by greater efficiency in overall generation due to the start of production of new combined cycle plants and an improved fuel mix.

## **Network and Sales**

**Results** (euro millions):

	<b>Q1 2004</b>	<b>Q1 2003</b>	<b>Change</b>
Revenues	<b>5,466</b>	5,257	+4.0%
EBITDA	<b>952</b>	572	+66.4%
EBIT	<b>746</b>	247	+ 202%
Capex	<b>330</b>	393	-16.0%

## **Electricity**

Revenues for the Division deriving from the electricity sector rose to 4,894 million euro, an increase of 157 million euro from the first quarter of 2003. This increase was due mainly to the application of equalization mechanisms for distributor margins that resulted in a revenue increase of 304 million euro, which will be reabsorbed by the end of the year. Sector EBITDA grew to 805 million euro (+77.3%) because of the above-mentioned equalization mechanisms, operating cost reduction and the increase in volumes of energy transported, which more than compensated for the negative impact of the new tariffs which came into effect on 1 February 2004.

First quarter EBIT totalled 631 million euro, compared with 162 million in 2003. Of the increase, 351 million euro stemmed from the rise in EBITDA and 118 million euro largely from the reduction of amortization following the redefinition of the residual useful life of the networks, in line with international standards.

## **Gas**

Gas sector revenues in the first quarter of 2004 totalled 572 million euro (+10%). The volume of gas sold rose from 1,754 million cubic meters in the first quarter of 2003 to 2,099 million in the first quarter of this year (+19.7%). First quarter EBITDA rose to 147 million euro (+24.6%) and benefited from the increase in volumes sold and transported, as well as savings in fuel supply costs. This improvement is also reflected in first quarter EBIT which came to 115 million euro (+35.3%).

## **Transmission Networks (Terna)**

**Results** (euro millions):

	<b>Q1 2004</b>	<b>Q1 2003*</b>	<b>Change</b>
Revenues	<b>281</b>	248	+13.3%
EBITDA	<b>210</b>	183	+14.8%
EBIT	<b>166</b>	120	+38.3%
Capex	<b>59</b>	93	-36.6%

*\*actual consolidated results, not pro-forma*

Terna's revenues for the first quarter (including the networks in Brazil) rose to 281 million euro (+13.3%) because of the greater quantity of energy dispatched and withdrawn from the network, together with the increase in transportation tariffs. EBITDA rose because of higher revenues and lower operating costs. EBIT saw a more marked increase (+38.3%) because of the reduction of amortization following the redefinition of the network's residual useful life (in line with international standards) which did not apply to the results of the first quarter in 2003.

## **Telecommunications**

**Results** (euro millions):

	<b>Q1 2004</b>	<b>Q1 2003</b>	<b>Change</b>
Revenues	<b>1,075</b>	1,044	+3.0%
EBITDA	<b>285</b>	230	+23.9%
EBIT	<b>(177)</b>	(168)	-5.4%
Capex	<b>72</b>	144	-50.0%

In the first quarter of 2004, the number of Wind mobile customers rose to 10.2 million from 9.9 million on 31 December 2003, reaching an estimated 18% market share of all SIM Cards in Italy. Total mobile traffic in the first quarter of 2004 amounted to 2.8 billion minutes, an increase of 27% compared with the first three months of 2003. Revenue per customer (ARPU) rose by 7.5% from the first quarter of 2003. In fixed line telephony, Wind's active customers totaled 2.8 million on 31 March 2004, a decrease of 10% from 31 December 2003. This was due to strong competitive pressure from the incumbent, while ARPU in fixed-line telephony rose 9% compared with the first quarter of 2003. Development of innovative services (i-mode) and the broadening of Wind's commercial product range continued through the quarter.

Revenues from mobile telephony increased by 68 million euro, or 13.7% to 564 million euro, while fixed-line and internet revenues in Italy saw a fall of 44 million euro to 373 million euro. Revenues from activities in Greece (Tellas), which were not present in the first quarter of 2003, amounted to 25 million euro.

EBITDA amounted to 285 million euro (+23.9%) as a result of higher total revenues and lower operating costs.

EBIT was -177 million euro (-168 million first quarter 2003) penalized by 60 million euro of additional amortization which was not present in the first quarter of 2003 (32 million euro of amortization for the UMTS licence and 28 million euro of additional amortization for the acquisition of France Telecom's stake in Wind).

*A conference call will be held at 17.30 Italian time for financial analysts and institutional investors. Journalists are invited to listen in to 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 2004		1st Quarter 2003		Change	
		(%)		(%)		(%)
Revenues:						
- Electricity and Electricity Equalization Fund contributions	5,315	66.2	5,139	63.7	176	3.4
- Telecommunication services	999	12.4	947	11.7	52	5.5
- Gas sold to end users	560	7.0	495	6.1	65	13.1
- Other services, sales and revenues	1,155	14.4	1,488	18.5	(333)	-22.4
<b>Total revenues</b>	<b>8,029</b>	<b>100.0</b>	<b>8,069</b>	<b>100.0</b>	<b>(40)</b>	<b>-0.5</b>
Operating costs:						
- Personnel	824	10.3	876	10.9	(52)	-5.9
- Fuel consumed for thermal generation	863	10.7	939	11.6	(76)	-8.1
- Electricity purchased	1,438	17.9	1,448	17.9	(10)	-0.7
- Interconnections and roaming	331	4.1	345	4.3	(14)	-4.1
- Services, leases and rentals	972	12.1	911	11.3	61	6.7
- Fuel for trading and gas for resale to end users	672	8.4	853	10.6	(181)	-21.2
- Materials	329	4.1	337	4.2	(8)	-2.4
- Other costs	181	2.3	223	2.8	(42)	-18.8
- Capitalized expenses	(223)	(2.8)	(239)	(3.0)	16	6.7
<b>Total operating costs</b>	<b>5,387</b>	<b>67.1</b>	<b>5,693</b>	<b>70.6</b>	<b>(306)</b>	<b>-5.4</b>
<b>GROSS OPERATING MARGIN</b>	<b>2,642</b>	<b>32.9</b>	<b>2,376</b>	<b>29.4</b>	<b>266</b>	<b>11.2</b>
Depreciation, amortization and accruals:						
- Depreciation and amortization	1,015	12.7	1,092	13.5	(77)	-7.1
- Accruals and write-downs	67	0.8	80	1.0	(13)	-16.3
<b>Total depreciation, amortization and accruals</b>	<b>1,082</b>	<b>13.5</b>	<b>1,172</b>	<b>14.5</b>	<b>(90)</b>	<b>-7.7</b>
<b>OPERATING INCOME</b>	<b>1,560</b>	<b>19.4</b>	<b>1,204</b>	<b>14.9</b>	<b>356</b>	<b>29.6</b>
- Net financial income (expense)	(285)	(3.5)	(276)	(3.4)	(9)	3.3
<b>INCOME BEFORE EXTRAORDINARY ITEMS AND TAXES</b>	<b>1,275</b>	<b>15.9</b>	<b>928</b>	<b>11.5</b>	<b>347</b>	<b>37.4</b>
- Extraordinary items	(19)	(0.3)	338	4.2	(357)	
<b>INCOME BEFORE TAXES</b>	<b>1,256</b>	<b>15.6</b>	<b>1,266</b>	<b>15.7</b>	<b>(10)</b>	<b>-0.8</b>
- Income taxes	566	7.0	440	5.5	126	28.6
<b>INCOME BEFORE MINORITY INTERESTS</b>	<b>690</b>	<b>8.6</b>	<b>826</b>	<b>10.2</b>	<b>(136)</b>	<b>-16.5</b>
- Minority interests	(2)	-	38	0.5	(40)	
<b>GROUP NET INCOME</b>	<b>688</b>	<b>8.6</b>	<b>864</b>	<b>10.7</b>	<b>(176)</b>	<b>-20.4</b>

## Consolidated Balance Sheet

In millions of euro

	at March 31, 2004	at Dec. 31, 2003	Change
Net fixed assets:			
- Tangible and intangible	50,404	50,731	(327)
- Financial	512	531	(19)
<b>Total</b>	<b>50,916</b>	<b>51,262</b>	<b>(346)</b>
Net current assets:			
- Trade receivables	7,138	6,991	147
- Inventories	4,349	4,211	138
- Other assets and net receivables from Electricity Equalization Fund	982	986	(4)
- Net tax receivables/(payables)	(746)	(780)	34
- Trade payables	(5,334)	(5,835)	501
- Other liabilities	(7,961)	(7,627)	(334)
<b>Total</b>	<b>(1,572)</b>	<b>(2,054)</b>	<b>482</b>
<b>Gross capital employed</b>	<b>49,344</b>	<b>49,208</b>	<b>136</b>
Provisions:			
- Employee termination indemnity	(1,299)	(1,298)	(1)
- Retirement benefits	(458)	(462)	4
- Net deferred taxes	(1,040)	(476)	(564)
- Other provisions	(1,449)	(1,483)	34
<b>Total</b>	<b>(4,246)</b>	<b>(3,719)</b>	<b>(527)</b>
<b>Net capital employed</b>	<b>45,098</b>	<b>45,489</b>	<b>(391)</b>
Group Shareholders' Equity	21,816	21,124	692
Minority interests	197	191	6
<b>Total Shareholders' Equity</b>	<b>22,013</b>	<b>21,315</b>	<b>698</b>
<b>Net financial debt</b>	<b>23,085</b>	<b>24,174</b>	<b>(1,089)</b>
<b>TOTAL</b>	<b>45,098</b>	<b>45,489</b>	<b>(391)</b>