

ENEL AND UNION FENOSA REACH AGREEMENT ON RENEWABLE ENERGY AND COMBINED CYCLE PLANT

Rome/Madrid, 16 June 2003. Enel SpA (Enel) and Union Fenosa have reached an agreement regarding stakes in Union Fenosa Energías Especiales (UFEE), the Union Fenosa's renewable energy unit, and the combined cycle plant that Union Fenosa is building in Palos de la Frontera, Huelva.

The cash consideration for UFEE is 168 million euro. This has been calculated in 178 million euro for 80% of UFEE stock, inclusive of a premium of 10 million euro for the construction of at least 300 MW by 2007. At the same time, Union Fenosa will pay Enel 10 million euro for the option to buy back 30% of the UFEE shares by 2007. The price Union Fenosa will pay to buy back the 30% stake will be based on the current value of the 80% stake of UFEE acquired by Enel, plus accrued market interest.

The perimeter of the entity being sold, which consists entirely of plants and projects for the production of energy from renewable sources, predominantly wind and hydro, includes 281 MW of installed capacity already in operation, 157 MW under construction, 324 MW planned for the next four years (2004-2007) and 874 MW of long term projects (2008-2012).

Union Fenosa will retain some mini-hydroelectric plants with a total capacity of 114 MW, which are in operation or at the design stage, as well as certain other assets and liabilities.

Enel will acquire a 50% stake in the Palos combined cycle plant by subscribing to a capital increase in the NewCo that will own the plant. Enel's outlay will be 158.5 million euro, of which 115 million euro is for the NewCo capital increase and 43.5 million for the repayment of debt existing between the NewCo and Union Fenosa. Total investment for the construction of the plant will be 520 million euro, which will be financed by the two partners with an appropriate debt and equity contribution. Enel's 158.5 million euro outlay is a part of that financing.

The two transactions will further consolidate Enel's world leadership in renewable energy, while strengthening Enel's position in Spain, where it is already present through Viesgo, an important operator with 2,400 MW and 585,000 customers.

Union Fenosa, for its part, will be able to cut consolidated debt and meet its year-end debt reduction target. This transaction accelerates Union Fenosa's divestment programme under its Strategic Plan, enabling it to surpass its goal of cutting debt to below 6,500 million euros in 2003.

Union Fenosa Energías Especiales

Union Fenosa Energías Especiales is Union Fenosa's renewable energy and cogeneration subsidiary. It has operations involving all the major power generation technologies, including wind power, mini-hydroelectric, cogeneration, biomass and waste-to-power.

Both Enel and Union Fenosa will benefit from growth in the Spanish renewable energy market, where installed capacity is expected to grow by 10% a year until 2011. The agreement is aimed at developing UFEE's renewable and cogeneration capacity to 1,000 MW by 2007.

Palos Combined Cycle power plant

The Palos CCGT plant includes three units of approximately 400 MW each under construction and due to be phased into operation between February and August 2005. The plant is assured a competitively-priced supply of gas by Union Fenosa Gas.

Enel will also bring its great experience as an international operator in electricity generation. Both companies will further benefit from the growth of the Spanish electricity market – estimated at an annual 3.5% until 2011.

Notes to editors

Enel and Union Fenosa

Enel is one of the world's major electricity companies. It is Italy's main operator with over 40,000 MW of installed capacity and is second in the distribution and sale of gas. In Italy it has about 28 million electricity customers and 1.7 million gas customers. In Spain it has a significant presence through its unit Viesgo (2,400MW), while it is the world leader in renewable energy with over 16,000 MW installed in Italy, Spain, North America and Latin America.

Union Fenosa is Spain's third-largest energy company and currently has over 8,000 MW of installed capacity worldwide, supplying electricity to over 8 million customers. Its energy business is integrated due to its presence throughout the gas chain. Union Fenosa is also active in telecommunications, engineering, information systems and consulting.

Italy's largest utility and Spain's third-largest have thus strengthened their position in CCGT, renewable energy and cogeneration in Spain and Portugal.

For Enel, the acquisition strengthens its position in Spain and complements Viesgo's generating mix.

Enel will hold a conference call at 6:15 PM (Italian time) to explain the operation to financial analysts and investors. Journalists will be able to listen in to the call.

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