

**ENEL BOARD APPROVES GUIDELINES FOR NEW INDUSTRIAL  
PLAN AND RESULTS FOR THE FIRST HALF OF 2002**

***Scaroni: “Enel, we will focus on energy”***

**Greater operational efficiencies, focus on customer service, electricity and gas synergies along the value chain**

**Wind, the growth continues. Once financial independence is reached, all strategic options will be considered in a more favourable market**

**ENEL GROUP RESULTS FIRST HALF 2002**

**NET PROFIT: 1,375 MILLION EUROS (+41,3%)**

**REVENUE: 14,404 MILLION EUROS (-2,4%)**

**EBITDA: 3,869 MILLION EUROS (-11,7%)**

**EBIT: 1,448 MILLION EUROS (-27,3%)**

**NET DEBT: 23,932 MILLION EUROS**

**Milan, September 12, 2002** – The Board of Enel met today, under the chairmanship of Piero Gnudi, and examined and approved the main guidelines of the strategic and industrial plan, and the consolidated results for the six months to June 30, 2002.

**The main guidelines** for the future industrial plan call for a focus on the core energy business (electricity and gas), a reassessment of the diversified businesses developed to date, and close attention to operational efficiencies. Opportunities for growth will be closely evaluated and only taken into consideration if strategically relevant and profitable on a stand-alone basis.

**Generation and Energy management**

***Cost leadership - disciplined international growth***

- **Improve the fuel mix** bringing hydroelectric plants, low cost fuel (coals, orimulsion) and high efficiency capacity (combined cycle using natural gas) from 50% to 75%. This will lead to a reduction in production costs, below the level of new entrants.

- **International expansion:** evaluate opportunities selectively, choosing only those that are profitable on a stand-alone basis; in European countries that offer opportunities for integrated energy management across borders; in Iberia, where Enel is already present; in Central and Eastern Europe, participating with Enel's specific expertise in the privatization of public electricity operators; in the whole world in renewable energy where Enel is already the leader with 2,500 MW of capacity and where margins are attractive.

## Networks

### *More quality, lower costs*

- **Enel is already among the most efficient operators in Italy** in the electricity and gas network management both in terms of costs and quality of service; in 2001 it was the only company awarded for having exceeded the quality targets set by the regulator. **The synergies** in the electricity and gas distribution will bring additional benefits.

## Sales

### *Ready for free competition*

- **The liberalization of the energy market is a great opportunity.** Enel can count on a very strong brand, on an articulated national commercial structure, and an offer of both electricity and gas to eligible clients.

## Telecommunications

### *Defending the investment, evaluating all options*

- **Wind** is coming out of its start-up phase, which has been a success. It is growing at five times the speed of the market and has brought innovations to the market, supplying new services such as MMS and Video on mobile
- **Number portability and unbundling of the local loop** offer further scope for growth in the Italian market, which remains one of the most attractive in Europe
- **Enel will support Wind until it reaches financial independence, which is expected within two years. At that point, Enel will evaluate all options to maximize its investment in the interest of its shareholders.**

## Services

### *Refocus - Simplify*

All the activities which are not a part of the core or the telecommunications business have been grouped into a single area that reports directly to the CEO, with the aim of simplifying the business model.

*Paolo Scaroni, Chief Executive, commented: "We intend to focus our resources in the business that we know best: energy, both electricity and gas. We will make all the investments necessary to reduce our costs and improve efficiency, with the aim of becoming the most competitive producer on the Italian market. We want to grow internationally, but only if opportunities are strategically consistent and economically attractive. We believe that Wind can achieve financial independence in about two years and we will support it until that moment. Then, in a scenario which we hope will be more favourable, we will evaluate all strategic options. Enel will continue to generate a considerable cash flow which will be used exclusively in the interests of our shareholders. In a capital intensive sector like ours it is important to keep our balance sheet solid and it is our intention to maintain the current dividend policy. I am convinced that this new strategy," Scaroni concluded, "will bring very attractive returns for our shareholders."*

## CONSOLIDATED FIRST HALF 2002 RESULTS

The demand for electricity in Italy increased in the first half of 2002 by 2.2% compared with the same period a year earlier and stood at 155.1 TWh. Energy dispatched on Enel's distribution grid amounted to 126.5 TWh, a slight decrease compared with the same period a year earlier (126.9 TWh) as a result of the sale of the metropolitan grids in Rome and Turin.

Total volumes sold by Enel during the first half of 2002 on the regulated market were 82.1 TWh (90.6 TWh in the first six months of 2001). This reduction of 9.4% is due to the sale of the metropolitan networks of Rome and Turin, and to the progressive opening of the market. Enel Group sales on the free market totalled 14.7 TWh (+12.7% compared with the first half 2001), with a market share of about one third.

Enel's net production in the period was 76.4 TWh, compared with 77.7 TWh in the first half of 2001, net of asset sales. The hydroelectric component fell by 31% because of lower precipitation and stood at 13.5 TWh, compared with 19.6 TWh in the first half of 2001.

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*For a homogeneous comparison with the data of the first half of 2001, the 2001 figures have been presented on a pro-forma basis and exclude Elettrogen and Valgen, disposed during 2001, while they include Infostrada from January 1<sup>st</sup>, 2001.*

**Higher Revenues**, 14,404 million euros, are slightly lower than the first half of 2001 (-2.4%). Greater revenue from telecommunications, international activities and gas partially compensated for the reduction in electrical energy sales, due mainly to the fall in fuel prices and tariff cuts.

**The gross operating margin (EBITDA)** came to 3,869 million euros against 4,380 for the same period a year earlier (-11.7%). This decrease is mainly due to the cancellation of the bonus on generation tariffs, changes in the dynamic of reimbursements of fuel costs, a further reduction of distribution tariffs and the narrowing of the contribution from the

hydroelectric component, as well as a smaller contribution from non-recurring items of 201 million euros. These are partially offset by the improvement in Wind's operating margin which grew to a positive 232 million euros, from the negative 118 million euros of the same period a year earlier, and cost savings of around 130 million euros.

The **operating income** (EBIT) was 1,448 million euros (1,991 million euros in the first half of 2001). The reduction, in absolute terms, was in line with that of the gross operating margin.

Higher depreciation in the telecommunications sector (+116 million euros) from the growth of the network and those of international activities (+71 million euros for the acquisition of Viesgo) were compensated for (-235 million euros) by the effects of the treatment of electricity connection to the fees, considered from 2002 to be entirely related to the year of their billing. Accruals rose by 47 million euros.

**Extraordinary Items** Extraordinary income came to 2.459 million euros, of which 2,340 million euros represent the capital gain from the disposal of Eurogen. Extraordinary charges came to 1,915 million euros and include 1,511 million euros due to the writedown of Wind's goodwill and 404 million euros for other charges, of which 223 million euros for incentives for workforce reductions. The writedown of Wind stems from a prudent estimate of the value of the telecommunications business, also in light of the recent performances of the sector markets.

**Income Taxes** The lower fiscal burden for the period was the result of taxation at a reduced rate of the capital gain from the sale of Eurogen, as well as the release of excess deferred tax funds related to Eurogen and benefits linked to the Tremonti-bis law.

**Net Incomes** was 1,375 million euros, an increase of about 41.3% compared with the same period a year earlier.

**The consolidated balance sheet** registers total net assets of 20,274 million euros (21,109 million euros at the end of December, 2001) and net financial debt of 23,932 million euros (21,930 million euros at the end of 2001), mainly as a result of the dividend paid by the parent company and taxation of reserves released through accelerated depreciation, paid by the main controlled companies. The debt to equity ratio at the end of the period was 1.18 compared with 1.04 at the end of 2001 and 1.3 on June 30, 2001.

**Total investments** (tangibles and intangibles) in the first half of 2002 were 2,271 million euros (2,190 million euros in the first half of 2001).

**Employees** of the Group on June 30, 2002, stood at 73,068, an increase of 407 employees from the end of 2001. The increase was the result of a variation in the operating perimeter (+1,469 employees) stemming from the acquisition of Camuzzi and Viesgo and the sale of Eurogen which brought a net reduction of 1,062 employees.



## ENEL S.P.A. RESULTS FOR THE FIRST HALF OF 2002

Revenue for the first half, consisting mainly of sales to Group companies, was 1,029 million euros, compared with 2,284 million euros in the first six months of 2001, as a result of the gradual reduction of the operating activities directly controlled by Enel Spa.

Dividends related to profits from controlled companies for the year 2001 (including tax credits and net of payments already received in 2001), totalled 779 million euros. Net extraordinary dividends were 2,933 million euros, of which 2,901 million euros stem from capital gains generated by the sale of Eurogen and calculated on the parent company valuation of the participation.

Writedowns of participations totaled 4,436 million euros, of which 4,221 million euros were relative to Enel Investment Holding BV, which holds 38.725% of WIND, following the transfer of 100% of Infostrada to WIND itself. The book value of WIND in Enel Investment Holding BV reflects the larger part of the goodwill paid by the Enel Group for acquisitions made in the telecommunications sector.

The adjustment of this value, to the result of conservative estimates which takes into account market performances, resulted in a writedown, of Wind investment, of 3,733 million euros.

The net profit for the first half was 11 million euros, compared with 328 million euros for the same period in 2001.

The parent company's net assets at the end of the first half were 11,178 million euros and net debt was 5,891 million euros.

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At 2:00 PM, at the Milan headquarters of Borsa Italiana, a presentation to financial analysts and investors will be held. This will be followed by a news conference. The event will be broadcast in real time on the [www.enel.it](http://www.enel.it) web site.

Support material for the presentation will also be available in the Investor Relations section of the site. Attached you will find reclassified tables on the consolidated Income Statement and Balance Sheet for the Enel Group and for the parent company Enel SpA, and it is noted that these tables and notes accompanying the data have been delivered to the Committee of Internal Auditors and the auditing company for their evaluation.

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## Consolidated Income Statement

Millions of euro	1° half							
	2002		2001 Restated		Change		1° half 2001	
		(%)		(%)		(%)		(%)
<b>Revenues:</b>								
- Electricity sales and electricity equalization fund contribution	10,140	70.4	11,433	77.5	(1,293)	(11.3)	11,372	79.6
- Telecommunications services	1,759	12.2	1,415	9.6	344	24.3	1,141	8.0
- Other services, sales and revenues	2,505	17.4	1,909	12.9	596	31.2	1,778	12.4
<b>Total revenues</b>	<b>14,404</b>	<b>100.0</b>	<b>14,757</b>	<b>100.0</b>	<b>(353)</b>	<b>(2.4)</b>	<b>14,291</b>	<b>100.0</b>
<b>Operating costs</b>								
- Personnel	1,784	12.4	1,878	12.7	(94)	(5.0)	1,891	13.2
- Fuel consumption	2,298	16.0	2,296	15.6	2	0.1	2,607	18.2
- Electricity purchased	2,188	15.2	2,329	15.8	(141)	(6.1)	1,743	12.2
- Interconnection and roaming	717	5.0	770	5.2	(53)	(6.9)	672	4.7
- Services, leases and rentals	2,048	14.2	2,047	13.9	1	0.0	2,007	14.0
- Fuel for trading and gas for distribution	853	5.9	631	4.3	222	35.2	358	2.5
- Materials	791	5.5	511	3.5	280	54.8	490	3.4
- Other costs	347	2.4	335	2.3	12	3.6	322	2.3
- Capitalized expenses	(491)	(3.4)	(420)	(2.8)	(71)	(16.9)	(415)	(2.9)
<b>Total operating costs</b>	<b>10,535</b>	<b>73.2</b>	<b>10,377</b>	<b>70.5</b>	<b>158</b>	<b>1.5</b>	<b>9,675</b>	<b>67.6</b>
<b>GROSS OPERATING MARGIN</b>	<b>3,869</b>	<b>26.8</b>	<b>4,380</b>	<b>29.5</b>	<b>(511)</b>	<b>(11.7)</b>	<b>4,616</b>	<b>32.4</b>
<b>Depreciation, Amortization and Accruals:</b>								
- Depreciations and amortizations	2,202	15.3	2,217	15.0	(15)	(0.7)	2,104	14.7
- Accruals and write-downs	219	1.5	172	1.2	47	27.3	162	1.1
<b>Total depreciations, amortizations and accruals</b>	<b>2,421</b>	<b>16.8</b>	<b>2,389</b>	<b>16.2</b>	<b>32</b>	<b>1.3</b>	<b>2,266</b>	<b>15.8</b>
<b>OPERATING INCOME</b>	<b>1,448</b>	<b>10.0</b>	<b>1,991</b>	<b>13.3</b>	<b>(543)</b>	<b>(27.3)</b>	<b>2,350</b>	<b>16.6</b>
- Net financial income (expense)	(606)	(4.2)	(519)	(3.5)	(87)	(16.8)	(521)	(3.6)
- Equity investments	(21)	(0.1)	-	-	(21)	-	-	-
<b>INCOME BEFORE EXTRAORDINARY ITEMS AND TAXES</b>	<b>821</b>	<b>5.7</b>	<b>1,472</b>	<b>9.8</b>	<b>(651)</b>	<b>(44.2)</b>	<b>1,829</b>	<b>13.0</b>
- Extraordinary items	544	3.7	29	0.2	515	-	457	3.2
<b>INCOME BEFORE TAXES</b>	<b>1,365</b>	<b>9.4</b>	<b>1,501</b>	<b>10.0</b>	<b>(136)</b>	<b>(9.1)</b>	<b>2,286</b>	<b>16.2</b>
- Income taxes	74	0.5	692	4.7	(618)	(89.3)	921	6.4
<b>INCOME BEFORE MINORITY INTERESTS</b>	<b>1,291</b>	<b>8.9</b>	<b>809</b>	<b>5.3</b>	<b>482</b>	<b>59.6</b>	<b>1,365</b>	<b>9.8</b>
- Minority interests	84	0.6	164	1.1	(80)	(48.8)	164	1.1
<b>NET INCOME</b>	<b>1,375</b>	<b>9.5</b>	<b>973</b>	<b>6.4</b>	<b>402</b>	<b>41.3</b>	<b>1,529</b>	<b>10.9</b>

## Consolidated Balance Sheet

Millions of euro	As of 30.06.2002	As of 31.12.2001	Change
Net fixed assets:			
- Tangible and Intangible	49,627	48,917	710
- Financial	719	1,399	(680)
<b>Total</b>	<b>50,346</b>	<b>50,316</b>	<b>30</b>
Net current assets			
- Trade receivables	7,273	6,863	410
- Inventories	2,404	1,932	472
-Other assets and net receivables from Electricity Equalization Fund	787	870	(83)
- Trade payables	(5,903)	(6,176)	273
- Net taxes payable	(199)	(995)	796
- Other liabilities	(6,358)	(5,619)	(739)
<b>Total</b>	<b>(1,996)</b>	<b>(3,125)</b>	<b>1,129</b>
<b>Gross Capital Employed</b>	<b>48,350</b>	<b>47,191</b>	<b>1,159</b>
Provisions:			
- Employee termination indemnity	(1,428)	(1,418)	(10)
- Retirement benefits	(489)	(430)	(59)
- Net deferred taxes	(966)	(1,219)	253
- Other provisions	(1,261)	(1,085)	(176)
<b>Total</b>	<b>(4,144)</b>	<b>(4,152)</b>	<b>8</b>
<b>Net capital employed</b>	<b>44,206</b>	<b>43,039</b>	<b>1,167</b>
<b>Shareholders' equity:</b>			
Group shareholders equity	20,139	20,966	(827)
Minority interests	135	143	(8)
<b>Total shareholders' equity</b>	<b>20,274</b>	<b>21,109</b>	<b>(835)</b>
<b>Total financial debt</b>	<b>23,932</b>	<b>21,930</b>	<b>2,002</b>
<b>TOTAL</b>	<b>44,206</b>	<b>43,039</b>	<b>1,167</b>



## Enel SpA income statement

1° half

Millions of euro	2002	2001	Change
Revenues:			
- Sales to Group companies	886	2,101	(1,215)
- Other revenue from group companies	123	140	(17)
- Other income	20	43	(23)
<b>Total revenues</b>	<b>1,029</b>	<b>2,284</b>	<b>(1,255)</b>
Operating costs:			
- Personnel	29	29	-
- Fuel purchases	339	1,434	(1,095)
- Electricity Purchases	459	425	34
- Services and rentals	94	108	(14)
- Other costs	23	41	(18)
<b>Total operating costs</b>	<b>944</b>	<b>2,037</b>	<b>(1,093)</b>
<b>GROSS OPERATING MARGIN</b>	<b>85</b>	<b>247</b>	<b>(162)</b>
Amortizations and accruals	12	14	(2)
<b>OPERATING INCOME</b>	<b>73</b>	<b>233</b>	<b>(160)</b>
- Dividends and tax credits	779	1,261	(482)
- Net financial income (charges)	(130)	(204)	74
<b>INCOME BEFORE EXTRAORDINARY ITEMS AND TAXES</b>	<b>722</b>	<b>1,290</b>	<b>(568)</b>
- Net extraordinary income (charges)	2,933	25	2,908
- Writedown of investments	(4,436)	(783)	(3,653)
<b>INCOME BEFORE TAXES</b>	<b>(781)</b>	<b>532</b>	<b>(1,313)</b>
Income taxes	(792)	204	(996)
<b>NET INCOME</b>	<b>11</b>	<b>328</b>	<b>(317)</b>



## Enel SpA Balance Sheet

Millions of euro	As of 30.06.2002	As of 31.12.2001	Change
Net fixed assets:			
- Tangibles and intangibles	27	25	2
- Financial	18,325	21,184	(2,859)
<b>Total</b>	<b>18,352</b>	<b>21,209</b>	<b>(2,857)</b>
Net working capital:			
- Customer receivables	32	23	9
- Inventories	-	1	(1)
- Equalization fund receivables	2	1	1
- Other assets	1,839	631	1,208
- Subsidiaries and associates	313	50	263
- Net tax credits	(177)	302	(479)
- Suppliers	(457)	(663)	206
- Other liabilities	(424)	(230)	(194)
<b>Total</b>	<b>1,128</b>	<b>115</b>	<b>1,013</b>
<b>Gross invested capital</b>	<b>19,480</b>	<b>21,324</b>	<b>(1,844)</b>
Provisions	(2,411)	(154)	(2,257)
<b>Net invested capital</b>	<b>17,069</b>	<b>21,170</b>	<b>(4,101)</b>
Equity	11,178	13,350	(2,172)
Net financial debt	5,891	7,820	(1,929)
<b>Total</b>	<b>17,069</b>	<b>21,170</b>	<b>(4,101)</b>