

REPORT TO OUR STAKEHOLDERS



Sustainability Report 2004



An explanation

Corporate social responsibility, whose acronym is CSR, comprises:

- > economic responsibility (all the activities that have an economic or financial origin or relation);
- > environmental responsibility (the degree to which a company is able to govern the environmental variables and impact of its business);
- > social responsibility (the company's actions with regard to individuals and communities, interest groups, and the people who work for it).

These three components and the company's ability to keep them in an efficient and virtuous balance among themselves generate the concept of "sustainability".

In addition, Enel conceives of sustainability as a cooperative approach and a fiduciary relationship between a company and its stakeholders, with whom it enters into an ideal agreement where everyone is to the same extent called to subscribe to the corporate mission and to actively participate in carrying it out. Listening to the stakeholders' requests materializes in the Company's commitment to providing them with appropriate responses.

It is precisely because of this fundamental two-way relationship with stakeholders that nowadays one tends to consider the elements of responsibility to both the inside and the outside as automatically incorporated in the making of strategic corporate decisions.

Thus, more and more frequently today there is talk about corporate responsibility, a concept that by itself sums up a company's level of commitment to all the elements that characterize it. In this Report, the terms "CSR", "sustainability", and "corporate responsibility" are thus used as synonyms in order to adapt to the internationally most up-to-date interpretation of the terms and basic philosophy of this subject.

Unless otherwise indicated, the data and other information contained in this document refer to Enel and the consolidated companies as of December 31, 2004.

The list of the main companies is available at:

http://www.enel.it/azienda/chi_siamo/organigramma/.

Thus by "Company" or "Enel" is meant all the companies controlled by Enel SpA, which is also referred to as the "Parent Company".

Methodology

This Sustainability Report was prepared so as to be more informative with respect to the previous editions. Enel chose to make it an instrument for accurate and transparent reporting that, however, could also be used as a magnifying glass on the Company's activities. The reader will find information, comments, and in-depth discussion that make it possible to acquire more specific knowledge about corporate life and activities through the story of a year of work and the aspects of sustainability that characterized it.

A very technical part, on the other hand, has been included in the "In greater detail" section. Here we present the magnitudes that characterize our corporate responsibility: the key performance indicators (KPIs) of the aspects that constitute the priority factors of Enel's sustainability. These are items and magnitudes that throughout the Company are followed by almost 200 operating persons and 50 heads of areas or direct activities.

The construction of the tables in the appendix follows the most common international reporting criteria: those of the Global Reporting Initiative (www.globalreporting.org) in Amsterdam. The data are broken down into homogeneous groupings and every grouping is accompanied by a comment on several indicators, which facilitates their interpretation. The data also have a sign that refers to their consistency with the CSR and the principles of social commitment developed by the Ministry of Labor and Social Policies, as well as with the requirements of the analysis agencies SAM in Zürich and EIRIS, which evaluate companies on behalf of, respectively, the Dow Jones (DJSI) and Financial Times (FTSE4GOOD) international sustainability indexes.

This is a more technical section, which allows financial analysts specialized in sustainability to quickly and concisely examine the Company's activities with regard to CSR. However, the same data furnish the non-specialist reader with additional information that will enable him or her to learn more about Enel. This Sustainability Report has been approved by Enel SpA's Internal Audit Committee and Board of Directors. It has also been certified by KPMG auditors.

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Pier Giorgio Bertoncetto, Goal?

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Maurizio Tieghi, *The energy of imagination*

OUR STAKEHOLDERS

A stakeholder is anyone who has an interest at stake that could be affected, directly or indirectly, by the strategic and operating decisions of a company or an institution and, precisely for this reason, feels that he or she is entitled and authorized to express an opinion on its behavior.

This list of Enel's stakeholders and their main interests does not completely cover the classic cases, but refers to the evaluation of the needs and expectations of the interlocutors the Company considers the most important in establishing its rules of behavior and the guidelines for its corporate social responsibility, which are based on the ideal of cooperation that is the fulcrum of the latter.

Shareholders

- > Positive performance of Enel's shares on the stock market
- > Fiduciary relationship and transparent communication
- > Control of economic, environmental, and social risk
- > Effective corporate governance
- > Long-term investment in sustainability.

Lenders

- > Debt volume, use, and quality
- > Confidence of the financial and final markets
- > Short- and long-term perspectives.

OUR MISSION

We aim to be the most efficient, market driven, quality focused provider of power and gas, creating value for our customers, shareholders and people

Human resources

- > Management according to ethical principles and observance of the Code of Ethics
- > Equal opportunity for professional development
- > Job satisfaction
- > Pay in line with role
- > On-the-job training, health, and safety
- > Fair industrial relations
- > Widespread, effective, and transparent internal communication.

Customers

- > Awareness of needs
- > Quality and modernity of service
- > Service continuity
- > Fair and transparent rates
- > Transparent, clear, and widespread communication
- > New services.

Suppliers

- > Increased orders
- > Quality of relationship
- > Punctual payments
- > Fast, clear, and transparent procedures.

Institutions

- > Fairness and transparency in carrying out activities
- > Participatory and concrete dialogue.

Future generations

- > Social and environmental sustainability of development strategies
- > Effective environmental governance
- > Environmental education
- > Reduction of all emissions
- > Waste recovery
- > Reduction of internal consumption of energy and water
- > Reduction of raw-material use
- > Development of research
- > Increased energy efficiency
- > Development of renewable energy sources
- > Respect for biodiversity.

Communities

- > Transparency and punctuality in communication
- > Social and environmental sustainability of industrial installations
- > Availability of channels for direct dialogue with the Company
- > Relations with interest groups
- > Initiatives in favor of communities
- > Redistribution of income to social projects and corporate philanthropy
- > Relations with local, national, and international institutions
- > Media relations.

A declaration to our stakeholders

Ever since September 2002, Enel's strategy – based on its concentration on its core electricity and gas businesses, the creation of value for its shareholders, and a measured expansion abroad – has been supported by the pursuit of environmental and social objectives. At that time, sustainability – CSR – became an essential part of Enel's business plan, in the conviction that the success of the Enel brand and the Company's competitiveness itself are closely connected with its ability to develop and carry out sustainable choices, initiatives, and investments.

In 2004 Enel achieved all the economic objectives that it had set for itself in September 2002. This strategy had a positive effect on our results. With respect to 2003, in 2004 our gross margin

(EBITDA) increased by 11.9%, while operating earnings increased by 33.7%.

Enel's Board of Directors decided to propose to its shareholders a dividend of 0.36 euro per share, in addition to the 0.33 euro per share already paid in November 2004. In addition to the ordinary dividend for 2004, an extraordinary dividend is planned for the second half of 2005, after the sale of another tranche of Terna.

Enel today is able to generate significant cash flows, and this allows it to sustain a dividend policy that is capable of satisfying those who look to the Company as a safe haven for their savings.

Two important extraordinary transactions were successfully carried out in 2004: the sale of its real-estate business for 1.4

The corporate responsibility guidelines included in the 2005-2009 Plan

Divisions	Objectives	Action areas
Generation and Energy Management	<ul style="list-style-type: none"> > Energy efficiency > Leadership in renewable energy > Risk minimization 	<ul style="list-style-type: none"> > Optimization of technology mix and fuel mix > Adoption of nonpolluting technologies > Development of renewable energy > Environmental certification > Protection of corporate tangible and intangible assets > Upgrading of foreign subsidiaries' performance to Italian standards
Networks, Infrastructure and Sales	<ul style="list-style-type: none"> > Innovation, service, and quality for customers > Credibility and brand strengthening > Promotion of informed consumption and energy conservation 	<ul style="list-style-type: none"> > Personalization of service, with focus on information > Improvement of contact-center service level > Systematic periodical registration of perceived quality > Promotion of customer loyalty > Reduction of service interruptions > Promotion of energy conservation through differentiated rates and fine-meshed sales network for high-efficiency products
Telecommunications	<ul style="list-style-type: none"> > Improvement in the relationship of trust and loyalty with customers > Expansion of product portfolio 	<ul style="list-style-type: none"> > Personalization of service and complete information > Improvement of contact-center service level > Development of advanced technological solutions both internally and by suppliers > Development of network infrastructure > Preservation and enhancement of landscape > Systematic plan for monitoring electromagnetic emissions



Stefano Pacifici, *Some people have energy to spare*

Common concerns	Objectives	Action areas
Corporate atmosphere	<ul style="list-style-type: none"> > Motivation and welfare > Attraction and retention of the most talented human resources > Equal opportunity 	<ul style="list-style-type: none"> > Creation of a corporate atmosphere based on shared values > Implementation of a human-rights policy > Plan for internal communication on corporate values and objectives extended to the entire population > Promotion of an equal-opportunity policy aimed at reducing the gap with respect to the main European companies
People	<ul style="list-style-type: none"> > Best use of human capital > Perception of Enel as the ideal place to work 	<ul style="list-style-type: none"> > Improvement and intensification of training > Dissemination of knowledge-management systems > Extension of evaluation processes > "Personalized" professional-development paths > Strengthening the culture of sustainability
Health and Safety	<ul style="list-style-type: none"> > Maintenance of high standards of on-the-job health and safety > Promotion of safety for contractors and third parties 	<ul style="list-style-type: none"> > Expansion of measures for risk prevention and protection > Focus on training activity > Certification > Compliance of offices and industrial installations with standards > Intensification of checks > Actions aimed at the protection of contractors and third parties

billion euros and the listing of 50% of Terna on the stock exchange. Also successfully managed was the Ministry of the Economy and Finance's sale of 19% of Enel's shares, the largest public offering in the world since 2001. The concentration will be completed by the disposal of Wind.

Enel's strategy for the next five years will focus on excellence and growth. In terms of excellence, Enel wants to be the most efficient electricity producer in Italy and, from 2007, the most efficient distributor in Europe. For this reason, it will continue to vie with the best companies in the world. It has launched excellence programs in all its operating units and support departments, and has set ambitious operating and financial objectives in all its business areas.

Enel will grow in a number of areas: in the production of energy from renewable sources, where it is solidly positioned both in Italy and abroad; in the sale of gas, where it will increase the number of its customers by acquisitions and organic growth, thanks to the joint supply of electricity and gas and the credibility of its brand. In terms of international expansion, Enel will continue to pursue growth by selecting only the best investment opportunities in accordance with stringent industrial and financial criteria. Now the priority is to complete the acquisition of Slovenské Elektrárne, which is scheduled to take place by the end of 2005. Slovenské is the largest electricity producer in Slovakia, with a market share of 83%. It has a balanced generation portfolio of 6.9 gigawatts based on nuclear, coal, and hy-

Commitments and challenges

In its 2003 Sustainability Report, Enel set out the commitments and challenges for the future. Here is what was done during 2004.

- > Shareholder value: The creation of shareholder value continued as part of the pursuit of a responsible strategy (see p. 14).
- > Customer service: The quality of the service provided to customers further improved and remains a commitment of the Enel companies that are directly involved in the market. The introduction of the new electricity rates represents this commitment (see p. 26).
- > Reporting systems: The specific reporting system for sustainability was completed, while the new IT platform for collecting and managing the related data was created and is being tested (see p. 90).
- > Generation and distribution: Electricity production from gas increased, less fuel oil was used, and several generating plants were converted – or will be converted – to the use of less costly and more efficient fuels. In the distribution and sale of electricity and gas, service quality continued to improve and the cost per customer decreased (see p. 31).

- > Procurement and suppliers: Enel continued the process of supplier certification and the gradual inclusion in contracts entered into in so-called "risk countries" of ethical clauses safeguarding the principles that inform the Company's business (see p. 24).
- > Environmental management systems: As described in detail further on, the process of applying management systems meeting the ISO 14001 and EMAS international standards continued (see p. 47).
- > Emissions: The reduction of Enel's total emissions continued in 2004 and the reduction goals also remain valid for the future (see p. 56).
- > Communities: Enel continued to pursue the objective of strengthening its relationship with local communities, using its reputation, the transparency of the data and other information it transmits, and the economic, environmental and social quality of its projects (see p. 70).
- > Corporate atmosphere: Enel pursued a gradual and constant improvement of its corporate atmosphere not only through the effectiveness of its industrial relations, but also through agreement on management

programs, as described in this Sustainability Report (see p. 58).

- > Human resources: Enel is working to eliminate every kind of discrimination in the activities in which it is involved, in Italy and abroad, committing itself to the dissemination of the principles of corporate social responsibility with regard to all its stakeholders, and began the development of a policy of respect for human rights in all the countries where it operates, which will be introduced in 2005. Similarly, the enhancement and proper use of the potential of its human resources will still be a primary objective. In 2004 sustainability issues were introduced in all training activities and specific training in corporate social responsibility was started for 4,500 executives and supervisors (see p. 58).
- > Health and safety: Enel continued to pursue the objective of "zero injuries" as far as accidents involving its human resources are concerned and increased its commitment to promoting safety also among the employees of the contractors that work on its behalf (see p. 59).

dro energy and a highly competitive total generation cost.

In Romania, acquisitions in electric power distribution (Banat and Dobrogea) were recently finalized, while in North America and Latin America acquisitions in the field of renewable-source energy continued. Also concluded was a contract for the management of a 450-megawatt combined-cycle power station in St.

Petersburg, which will enable Enel to acquire detailed knowledge of the local market and thus prepare the Company for seizing opportunities in the coming years.

All these initiatives translate into financial objectives for the period 2005-2009. First of all, Enel will allocate no less than 20 billion euros to investment. Secondly, it will generate 20 billion euros of cash flow. Thirdly, it will maintain the positive evaluation of its credit (which, with a rating of "strong A", is currently among the highest in the world) and will have an 11% greater return on average capital employed (ROACE) for the next two years.

Enel also aims to make progress with regard to the issues of sustainability. Its efforts will be directed, on the one hand, to identifying additional initiatives and examples for strengthening its reputation as a company that is concerned about environmental protection and, on the other, seeking and promoting socially useful actions, creating instruments for managing and enhancing relations with stakeholders through bilateral meetings and discussions in accordance with the best international practices.

Another challenge will be to see that the culture of sustainability takes root definitively within the Company. That goes for both Italy and abroad, and will be achieved through training and internal communication activities that will produce agreement regarding the guiding principles and values, as well as their dissemination.

In particular, abroad Enel will follow a policy of respecting the



Salvatore De Blasi, *Open-air game*

diversity of ethnic traditions and customs, without demanding or imposing uniformity.

In accordance with the principles of its Code of Ethics, Enel also wants to support and disseminate a corporate policy regarding human rights, together with checks to ensure that everyone – Company and stakeholders – honors the ethical commitments undertaken. The individual will always be the focus of Enel's initiatives through an increase in systems, procedures, and training capable of ensuring on-the-job safety both for Enel personnel and for third parties.

Enel forecasts a positive 2005 and beyond. It has established a solid basis for creating further efficiency and continuing profitable growth in its core business, with a commitment to constantly maintaining its concern for the guiding principles of its corporate social responsibility and for accrediting itself both in Italy and abroad as an ethical company, thus increasing the value of its image.

Enel's shares currently appear in the most important sustainability indexes and the portion of its stock held by ethical funds constitutes 19.8% (16.2% in 2003) of the total portfolio investment in the Company by institutional investors, that is, banks, insurance companies, pension funds, and mutual funds. At the end of 2004 there were 47 investors of this kind among Enel's shareholders, as opposed to 33 in 2003. Thanks to the increased profits of its industrial and commercial activities, in 2005 Enel will be able to distribute a dividend of more than 0.36 euro per share out of its ordinary net income. ■

Ethics and good corporate governance



Piero Gnudi
Chairman

66 years old

Designated by the Ministry
of the Economy and Finance

From 1994 to 1999 a director
of IRI and subsequently
chairman of the Liquidation
Committee from 2000
until 2002

Member of the steering
committee of Assonime and
chairman of Emittenti Titoli

Member of the board and
the executive committee
of Confindustria

Vice-chairman of UniCredit
Banca d'Impresa and
a director of UniCredito

Member of the executive
committee of the Aspen
Institute

"A company like Enel – one of the largest in Italy – has an obligation to take responsibility for the social and environmental impact of its activities as well as for its economic results. In these years we have worked intensely to be in the forefront also with regard to corporate social responsibility, accepting the challenge presented by the experiences of the major international companies."

Piero Gnudi, Enel's Chairman, is one of Italy's most prominent public accountants. His career has been characterized by his work on the boards of directors of several leading Italian companies, which has led him to participate in delicate processes of change in the country's economic and industrial system.

Enel's Chairman since May 2002, Gnudi has concentrated especially on the Company's corporate governance mechanisms.

"By governance," Gnudi explains, "is meant a set of rules, processes, and management and auditing systems in order to have fair, effective, and transparent

management of a company and which allows its stakeholders (shareholders, lenders, human resources, customers, institutions, future generations, and local communities) to be promptly and accurately informed about the company's compliance with the rules it has established for itself and about the sustainability of its actions."

"Companies that are characterized by high ethical standards," Gnudi continues, "are the most attractive for young people, especially the most talented ones, and are the ones where the pride of belonging and motivation to achieve are strongest and most deeply rooted."

Enel assumes its corporate responsibility also at the international level. "We have accepted the principles of the United Nations' Global Compact and are among the 62 companies that in Davos subscribed to the Partnering Against Corruption Initiative (PACI), with its 'zero tolerance policy to stamp out corruption and bribery' that was announced at the meeting of the 2005 World Economic Forum. We are developing a corporate procedure," Gnudi adds, "that incorporates these principles, transforming them into rules and practice. Enel's presence in many international indexes that measure the sustainability of companies is an incentive for us to maintain extremely high standards in this regard."

Enel is also among the most active companies in supporting social solidarity. "Eight operating companies of the Group combined their efforts to found a non-profit organization, Enel Cuore Onlus. In 2004, the latter had 6 million euros at its disposal for funding rigorously selected, wide-ranging solidarity initiatives, which enabled incisive and enduring projects to be carried out in support of the most vulnerable people. In very little time," Gnudi says in conclusion, "Enel Cuore has become a benchmark for non-profit organizations in Italy, as well as representing one of the most familiar and recognizable faces of our system of corporate social responsibility."

Creating value with sustainability



Paolo Scaroni
Chief Executive Officer

58 years old

Designated by the Ministry
of the Economy and Finance

Chairman of the board
of directors of Alliance
Unichem Plc

Member of the board of the
Columbia University Business
School in New York City

Member of ABN AMRO
Bank's supervisory board

Member of the boards
of directors of Marzotto
and Il Sole 24 Ore

President of Unindustria
Venezia

"We want to continue to be a safe haven for those who invest in our Company, and the determination with which we are pursuing our corporate social responsibility and Enel's overall sustainability is the best guarantee we can offer."

Enel's Chief Executive Officer since 2002, Paolo Scaroni acquired in International companies the experience that got him involved with environmental, social, and corporate-governance issues in accordance with the interests of financial analysts and investors. "Beginning in 2002," Scaroni explains, "we have dedicated a lot of attention to these subjects both inside and outside our Company. We have launched a program of training in the issues of corporate social responsibility for 4,500 executives and superintendents, while including 70 specific sustainability objectives in our strategic plan. And we are gradually including these objectives in our incentive plans for executives."

In May 2005, Enel received an important acknowledgement for these activities from Sodalitas – an association promoting social entrepreneurship – as part of the Sodalitas Social Award. Scaroni also considers corporate social responsibility to be a fundamental part of Enel's life. "Our first objective is to create value with our businesses," he says, "remunerating our shareholders and gaining positions of excellence in the electricity and gas industries. In order to achieve this objective, we have to be efficient. At the same time, we want to integrate our recent acquisitions abroad also with regard to sustainability. This commitment will require further development of our capabilities in the collection and management of data regarding sustainability. A detailed example of our ability to collect and manage these data is published at the end of this Report and the reporting system used, which involves about 200 people in the Company, was considered one of the best by an important sustainability index."

"Large international investors want companies to pay dividends and minimize risk," Scaroni continues, "just like small long-term investors. For both kinds, sustainability is an important consideration in their investment decisions. Enel's shareholders include 47 ethical funds – those specialized in socially responsible investment – which hold about 20% of all the shares held by institutional investors. Along with these, we have 2.5 million individual shareholders, and 623,000 investors bought the Enel shares that were placed on the market in October 2004, while more than 220,000 people subscribed the bonds we recently issued."

Enel's structure

The following are descriptions of the activities of Enel's divisions.

Generation and Energy Management (GEM)

The division does business in Italy and abroad in the fields of the production of electricity and energy products, which break down as follows:

- > Electricity
- > Energy products
- > Related logistic services
- > Technologies connected with the development of alternative energy sources
- > Generation activities abroad.

Networks, Infrastructure and Sales

The organizational structure of the Group distinguishes two specific operating divisions:

- > The **Sales Division** develops an integrated offer of electricity and gas products and services for final customers through targeted distribution channels
- > The **Network and Infrastructure Division** manages the electricity and gas distribution networks.

Terna (Transmission networks)

Terna owns most of the national transmission network and is responsible for operating, maintaining, and developing it according to the instructions of Gestore della Rete di Trasmissione Nazionale (GRTN). It has been listed on the stock exchange since June 2004 and the process of integrating Terna and GRTN has begun.

Wind (Telecommunications)

Wind operates in the fields of mobile and fixed-line telephony and Internet services, selling them through the following brands:

- > Wind for mobile services
- > Infostrada for fixed-line, voice, and Internet services
- > Libero for its Internet portal.

In 2004, Enel's Board of Directors instructed the Chief Executive Officer to negotiate the sale of this division.

Services and Other Businesses

The Services and Other Businesses area ensures competitive services to Enel's divisions, at the same time optimizing its own activities in the external market. The following sectors are part of this area:

- > Real estate and general services
- > Engineering and construction
- > IT services
- > Training services and administrative management of personnel
- > Factoring
- > Insurance services
- > Water (from which a gradual disengagement is planned).

Parent Company

As an industrial holding company, the Parent Company, Enel SpA, establishes the strategic objectives at the Group and subsidiary levels and coordinates their activity.

It also performs the role of central treasury and covers insurance risks, provides assistance and guidelines regarding organization, personnel management, and industrial relations, as well as accounting, auditing, taxes, and legal and corporate matters.

Growing abroad too

Enel's guidelines for expanding abroad are: strengthening its positions where it is already present in central and eastern Europe (at the beginning of 2005 the contract for the acquisition of Slovenské Elektrárne, in the Slovak Republic, was signed); consolidation in Spain, which will enable the Company to grow in the field of renewable energy sources (especially wind), for which a plan has been launched that should double capacity by the end of 2007; and development of production from renewable sources in North and South America, with excellent prospects in the geothermal field. Enel is also on the lookout for opportunities in countries near Slovakia (Poland, Ukraine, Hungary, and the Czech Republic), Russia (in addition to Enel's ongoing presence in St. Petersburg), and France. However, Enel is willing to evaluate new opportunities in other

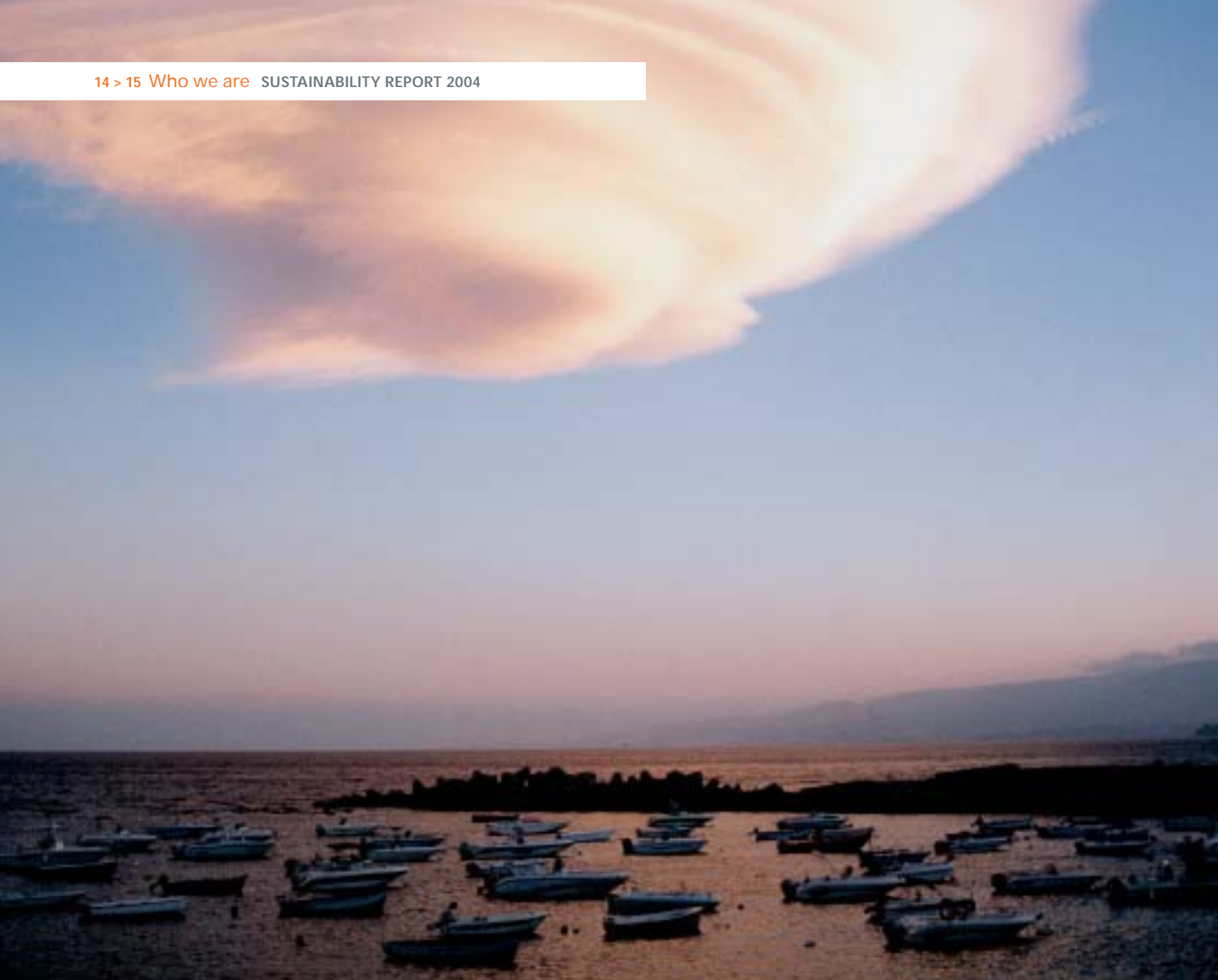
European markets, as well as in promising and fast growing markets elsewhere.

In central and eastern Europe, Enel's objective is to consolidate its growth in Slovakia by integrating the structure of Slovenské Elektrárne, which employs almost 10,000 men and women and by itself amounts to about half of the capacity that the Company had to sell to other firms in compliance with the decree that liberalized the electricity market in Italy. The Slovak plants, moreover, are well situated to export to countries such as Austria and Germany. In Bulgaria – where a privatization program, particularly in the field of generation, is in progress – Enel was the first foreign company in the industry to enter the market, with the aim of stabilizing its presence through a majority shareholding in the Maritza East III Power Company. In Romania, develop-

ment provides for Enel's presence following the completion (at the end of April 2005) of its acquisition of 51% of Electrica Banat Timishoara and Electrica Dobrogea in Constanta, which have a total of 1.4 million customers, about 17% of the Romanian market.

In the Americas, Enel Latin America manages the production of about 200 megawatts of electricity from renewable sources in Costa Rica, Guatemala, and Chile, and in El Salvador participates – through a partnership with LaGeo – in a platform for production from geothermal sources, with 114 already operative megawatts and 140 megawatts under construction. In the United States, where renewable sources once again have a particular significance, geothermal and wind are the fields where Enel sees the best prospects. ■





Vincenzo Salerno, At sunset

WHERE DOES THE VALUE ADDED GO?

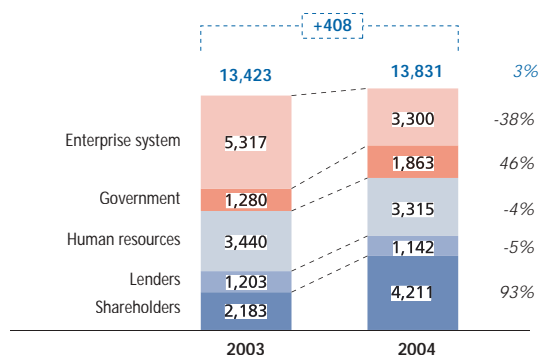
The value added measures the wealth that a company produces and then distributes among: its shareholders (dividends), human resources (salaries), lenders (banking system), and government (taxes). In other words, the enterprise produces value added, wealth measured as the difference between the revenue generated and the costs incurred during the year.

Enel contributes to the economic growth of the context in which it does business by generating wealth and distributing it to its stakeholders. In 2004, Enel created a total of 13,831 million euros of net value added for its stakeholders.

Of the wealth created by Enel, 76.14% was distributed to its main stakeholders: shareholders (private and government), lenders, human resources, government, and local communities. The resources made available to the enterprise system (23.86% of the net value added) amounted to 3,300 million euros.

As far as the distribution of wealth to its stakeholders is con-

Net value added (in millions of euros)



cerned, Enel paid its personnel 3,315 million euros and its lenders 1,142 million euros.

Shareholders were paid a dividend totaling 4,211 million euros, while the government received taxes amounting to 1,863 million euros.

A safe haven

One of the most important financial transactions carried out by Enel in 2004 was the listing on the stock exchange of its subsidiary Terna, the main owner in Italy of the high- and very-high-voltage electricity infrastructure that constitutes the national power transmission network. Terna attracted the attention of the most important Italian and foreign institutional investors and about 209,000 shareholders. In June 2004, 870 million shares, amounting to 43.5% of the company's share capital, were floated, to which were added an additional 130 million shares offered on option to the global coordinators. The latter are in charge of the offering and have the task of assisting the company to be listed and its shareholders with information and advice regarding all aspects of the process. They are banks that purchase and keep for themselves part of the shares offered, which those in the business call the green shoe. Thus, the total number of Terna shares issued for sale was about one billion, 50% of the company's share capital. The definitive price of the shares offered for sale was set at 1.7 euros per share, corresponding to a total value of 3.4 billion euros. Since June 23 Terna's shares have been listed on the online stock exchange organized and managed by Borsa Italiana.

The listing was a great success among Italian small investors. The allocation of

the billion shares on offer was almost equal between small investors and institutional investors. The former were assigned 508 million shares (almost 51%); of these, about 40% are in the hands of small Enel shareholders, while about 12% are held by people who work at Enel. Institutional investors, on the other hand, were assigned 492 million shares, that is, the remaining 49%. For the offer for sale of Terna, small shareholders were given several incentives. Whoever keeps his or her shares uninterrupted for 18 months after purchasing them (June 23, 2004) will receive one ordinary Terna share free of charge for every 20 shares assigned as part of the offering. The Enel human resources who retain ownership of their shares uninterrupted for 18 months after the purchase date (again June 23, 2004), on the other hand, will receive free of charge one ordinary Terna share for every 10 shares purchased. In

addition, Enel resources were able to use up to 70% of their retirement bonuses or obtain concessionary loans from a leading Italian bank to participate in the offering.

The definitive price of the shares offered for sale, set on June 19 at 1.7 euros, was established partly on the basis of analyses carried out by the global coordinators and, after they had expressed their opinion, by taking into account the quality and quantity of the demand expressed by the market, as well as the more general conditions of the Italian and international financial markets.

In the first year of their listing, in October 2004, Terna shares received an interim dividend for 2004 of 0.045 euro and will receive another 0.070 euro on May 26, 2005 as the balance of the dividend. Overall, therefore, for 2004 Terna paid 0.115 euro per share, which constitutes a return of close to 6% of the issue value. ■



Francesco Scaramozzino, *Pylons on the Strait*

Third tranche for 623,000 shareholders

After the public offering of Terna, another important stock exchange transaction in 2004 was the sale of the third tranche of Enel shares, which the media called “Enel 3”.

The definitive size of the offering was established as one billion shares, amounting to about 16.4% of the Company's

share capital, but the complete exercise of the green shoe (150 million additional shares) increased it to 1.15 billion shares, or about 19% of the share capital.

The offering price of the shares was set at 6.64 euros for the institutional offering. Consequently, the public offering price coincides with this level. Therefore,

the gross value of the transaction amounted to 6.64 billion euros, which became 7.5 billion with the total exercise of the green shoe, the amount in any case guaranteed by the global coordinators of the offering.

The offering terminated at the end of October 2004 with excellent results not



Michele Antonio Mercuri, *Reflections on blue*

Transparency for analysts

Meetings with financial analysts and institutional investors can be of various kinds. There are analyst meetings, which are collective; conference calls, which take place by telephone; and videoconferences. In addition, there are also road shows, when a company's top executive management travels to the capitals of world finance for one-to-one or group meetings. Individual meetings are also held in the company's headquarters.

Analyst meetings take place twice a year, when the half-year and annual results are presented and are attended by financial analysts from large merchant banks, investors, and the specialized press, while Enel is represented by its top management. The meetings are held at Enel's headquarters in Rome, with an interactive video connection with London, where much of the financial community is based. The public can follow the event on the Company's website.

After the presentation, analysts may ask for explanations and details. At the same time as the event is taking place, the presentation is published on the Enel website, where it can be downloaded. A few days later, website visitors

can watch and listen to a recording of the analyst meeting.

Conference calls are organized to make public data for the quarter or, if necessary, to explain particular aspects of the Company's life that are important for the financial world. The analysts dial a telephone number through which they can listen and ask questions. Also in this case, after a few days a recording of the conference call is made available on the Company's website.

Road shows provide opportunities for the top management to meet the world's most important institutional investors. The Chief Executive Officer and the Chief Financial Officer, together with the staff of Investor Relations (the unit that manages relations with institutional investors) and a merchant bank (which organizes and coordinates the meetings), explain and discuss questions of particular importance. Road shows also usually take place every six months, following the publication of the half-year and annual results, but may be exceptionally organized for events of extraordinary importance. In 2004, when the third tranche of Enel shares was offered for sale, the road show traveled to

Japan, the United States, Germany, Great Britain, France, and Scandinavia.

A road show allows Enel to meet an average of 150 institutional investors throughout the world, whether or not they are already shareholders.

The meetings that take place with the financial community at Company headquarters are an integral part of the activity of Investor Relations. Such meetings are frequent and the kind of information exchanged – mainly with financial analysts – is purely technical. Financial analysts use their own mathematical models, which simulate and try to predict Enel's economic and financial performance. The models with which they estimate Enel's performance and the information obtained during the meetings will provide the basis for the various studies published by the large merchant banks. These studies express a target price for Enel's shares and a rating, of which there are three large categories, from the most positive to the most negative: buy, neutral, and sell. The purpose of the meetings of the Investor Relations staff is to facilitate the work of the analysts in creating their Enel models.

only with regard to the quantity, but also the quality of the current distribution of the shareholdings.

On the one hand, the percentage of the share capital directly controlled by the government (through the Ministry of the Economy and Finance) decreased to 41.8%, while on the other there is now a large number not only of individual investors – 623,000 as of November 30, 2004 – who together own 28.5% of the total, but also and especially of both Italian and foreign institutional investors,

who hold a total of 29.7% of the share capital.

Institutional investors are the shareholders that every large group wishes to have, because they represent an authoritative public from all over the world that characteristically makes long-term investments and thus constitutes a significant, professional, and stabilizing presence in the share capital.

If we examine the composition of this large slice of the share capital, we see that only 31.5% of that 29.7% is in the

hands of Italian institutional investors, 26% belongs to British institutional investors and 22.1% to institutional investors in the United States. Thus large-scale, broad-based Anglo-Saxon capital – considered the most professionally managed and prevalently concentrated in insurance and pensions (pension funds, large insurance companies, investment funds), and therefore used to long-term investment – is by now present in the ownership of Enel with significant holdings.



Also for "Enel 3", as for the Terna transaction, small shareholders were guaranteed a few incentives: those who keep their shares uninterruptedly for at least twelve months from the date of payment will receive free of charge 5 so-called bonus shares for every 100 shares purchased.

On the other hand, eight shares – so-called premium bonus shares – for every hundred purchased are provided for "Enel shareholders", that is, for those already in possession of all three of the following requisites: They received bonus shares regarding "Enel 1", Enel's initial public offering, in 1999; had at least 250 Enel shares in their securities account on September 9, 2004; and always had at least such minimum quantity from that date until the day when they bought the "Enel 3" shares.

The same bonus share premium holds for Enel human resources who keep the securities uninterruptedly for twelve months from the date they paid for them. And speaking of the people who work at Enel, further confirmation of the success of "Enel 3" comes from the numbers regarding precisely this category of shareholders:

- > 17,012 of them subscribed Enel shares
- > 19,879,800 shares were purchased, and 132,001,872 euros was the total value of the shares purchased. Of these shares, 57.47% were purchased with a part of the retirement bonus, with an average of 1.9 lots of shares per person.

Calculated risks

Enel's industrial activity is exposed to a series of risks connected with the performance of financial and commodity markets. Most raw materials are purchased in international markets and consequently Enel constantly faces a double risk deriving, on the one hand, from a possible price increase in a currency other than the euro and, on the other, from a possible depreciation of the euro with respect to the most important interna-

tional currencies. These risks are mitigated by indexation to the price of commodities, as is revenue from electricity sales. As far as interest rates are concerned, the main source of risk derives instead from financial debt.

In 2004, Enel received the Corporate Risk Management Award for its risk management system, because of the clarity of the objectives (to reduce exposure to interest-rate, exchange-rate and commod-

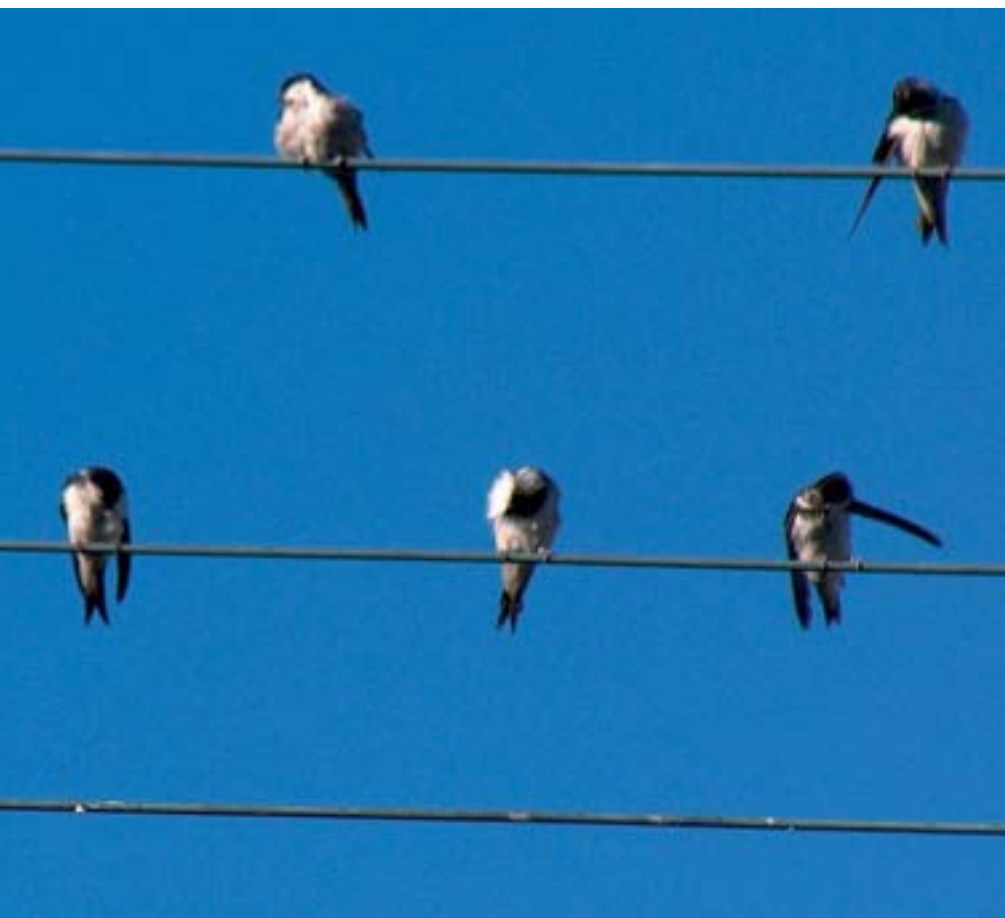


ity financial risks and, at the same time, to reduce and stabilize the average cost of financial debt); thorough knowledge of financial markets and the derivative instruments traded in these markets, of the most sophisticated pricing and risk-management techniques, and of the related financial software; and the simple and inexpensive way in which such objectives have been pursued over the years, making use whenever possible of so-called natural hedging (which allows the financial risks of a given asset or liability to be hedged by another asset or liability with

a correlation that is the opposite of the financial variables, thus avoiding recourse to financial markets) and simple derivatives (the so-called plain vanilla derivatives), avoiding the use of structured derivatives, which have a wider gap between demand and supply and thus a higher implicit cost for risk hedging. For a number of years Enel has had a policy that establishes the main guidelines of financial-risk management and control activities and sets operating limits according to which the Finance unit has to regulate its activity. The techniques of

risk measurement used for this purpose are in line with the international bank standards established by the Basel Committee. Considering obviously that Enel is an industrial and not a financial company, the risk levels assumable are determined in a much more conservative way than those established by the Committee. The main guidelines of the policy are the following:

- > hedge the financial risks of the various Group companies;
- > centralize financial-risk management;
- > constantly monitor the exposure of the Group to current and potential financial risks;
- > divide the task between those who conduct hedging transactions and those who analyze and control financial risks;
- > as part of the preparation of hedges, manage the variables and the financial risks dynamically by intervening in the markets.



Carlo Meazzi, *Distribution score*

Debt quality

The quality of Enel's debt is also constantly evaluated at the international level. For this reason, the Company is committed to maintaining an extremely solid long-term rating, amounting to A+ according to the terminology of Standard & Poor's and to A1 according to the terminology of Moody's. By now, sustainability is one of the criteria that rating agencies use to evaluate a company's creditworthiness and is applied mainly to economic and financial matters (the sustainability of debt, dividend policy, and determined financial ratios).

A QUESTION OF GOVERNANCE

For a couple of years they have been words that you often come across in newspapers, and not only financial ones: corporate governance. They have great significance for a company that has chosen to be transparent with respect to its shareholders, lenders, customers, and suppliers, because they refer to the set of rules (laws, regulations, and even self-imposed regulations) that govern the behavior of companies, especially those that are listed on a stock exchange.

Claudio Sartorelli is the Head of Enel's Department of Corporate Affairs, the department entrusted with managing and improving the Company's governance. "Ever since it was listed on the stock exchange in 1999," he says, "Enel has implemented the relevant regulations. We have also meticulously and thoroughly put into practice the recommendations and principles of the Self-regulation Code of Italian listed companies – also known as the Preda Code – drawn up by Borsa Italiana."

The system of corporate governance refers not only to the actions of the top management, but extends to the entire Company. "Everyone who works for Enel, at whatever level and in whatever area," Sartorelli explains, "is in effect responsible for ensuring good corporate governance by obeying the rules and principles established in the documents and procedures with which we have endowed ourselves, for example the observance

of job-related confidentiality or the absence of a conflict of interest in the performance of one's duties."

More generally, corporate governance also regards other sensitive matters. "Let's start with the structure of Enel's share capital," Sartorelli says. "Among those who own Enel shares we find – in addition to the majority shareholders, that is to say the Ministry of the Economy and Finance and Cassa Depositi e Prestiti S.p.A. – both institutional investors (banks, mutual funds, and pension funds, both Italian and foreign) and small shareholders. Ever since its shares were listed on the stock exchange, Enel has considered it to be in its own interest, as well as a duty with respect to the market, to ensure a continual dialogue with shareholders in general, as well as with institutional investors." And this dialogue is "founded on reciprocal understanding of the roles involved, as well as on the utmost fairness and transparency. For this reason, in addition to the unit that manages relations with institutional investors, we set up an area to which private investors can apply."

This second area is part of the Department of Corporate Affairs

and is entrusted precisely with the task of promptly furnishing answers and explanations to enquiries and requests for information that the Company receives from small shareholders, either in writing or by telephone. In 2004, answers were provided to about 600 written requests and about 500 phone calls. ■

An ear for small shareholders

Small Enel shareholders and small investors in general who have questions or misgivings may apply to: Fabio Bonomo, Head of Retail Shareholder Relations, Viale Regina Margherita 137, 00198 Rome, Italy. They may also e-mail him at azionisti.retail@enel.it or phone him by dialing ++39 06 8305 2081.



Santi Villari, Sky

Who owns Enel?

The Ministry of the Economy and Finance owns 31.35% of Enel's share capital and Cassa Depositi e Prestiti (a corporation controlled by the aforesaid Ministry) 10.25%, while the remaining 58.4% floats on the market. The latter portion will soon increase, because the Ministry of the Economy and Finance recently initiated the procedure for selling an additional 10% of its stake. Among the owners of Enel stock are both institutional investors (Italian and foreign banks, mutual funds, and pension funds) and small shareholders.

How Enel is guided

Enel's governing bodies, those that are entrusted with providing the Company with strategic guidelines and overseeing its activity, are:

- > the Board of Directors, which sees to the management of the Company;
- > the Board of Statutory Auditors, which watches over compliance with the law and the articles of incorporation and checks the adequacy of the internal audit system and the accounting system;
- > shareholders' meetings, which are entrusted with adopting resolutions on the approval of the financial statements, the allocation of net income for the year, the appointment of the members of the Board of Directors and the Board of Statutory Auditors, transactions regarding the share capital, amendment of the corporate by-laws, and the choice of the external auditor (who certifies that the financial statements are clear and give a truthful and fair representation of the Company's assets and liabilities, revenue and expenses, and cash flows), as well as on other matters entrusted exclusively to them by the law.

In 2004, the Board of Directors held 21 meetings (19 in 2003), which were duly attended by all the Directors and Statutory Auditors, as well as a representative of the Court of Accounts.

The Chairman coordinates the activities of the Board, which is currently made up by seven members. With the exception of the Chief Executive Officer, the members – including the Chairman – are non-executive Directors, in that they perform their duties without being vested with executive powers in the Company.

The six non-executive Directors have also been acknowledged as independent according to the Preda Code in that, although they carry on other professional activities and hold offices outside Enel along with their duties at Enel, none of them has financial relations with the Company itself, with its subsidiaries, with the executive Director, or with the shareholders or groups of shareholders that control the Company of such significance as to condition the independence of their judgment.

As part of its implementation of the Preda Code, Enel set up two committees within

the Board of Directors: the Internal Audit Committee and the Compensation Committee, both of which advise and make proposals to the Board. Specifically, the Internal Audit Committee contributes to the establishment of guidelines for the internal audit system (which it periodically checks to test its adequacy and actual functioning), examines the work plan drawn up by the Company's head of auditing, assesses the adequacy of the auditing standards used and their uniformity for the purpose of preparing the consolidated financial statements, and handles relations with the external auditor regarding the activities carried out by the latter on Enel's financial statements. Among its duties is the assessment of the effectiveness, efficiency, and cost-effectiveness of a number of corporate processes, including the implementation of the Code of Ethics.



The Compensation Committee, on the other hand, is entrusted with the supervision of the remuneration policy regarding the Company's most important executives, as well as the preparation of the corporate stock-option plans, that is, incentives for executives consisting in the assignment of options for the acquisition of Enel shares at a set price, in accordance with tax law, which can be exercised on the condition that determined corporate objectives are achieved and, aligning the interests of the recipients with those of the Company, can positively influence the share price.

Furthermore, Enel has also endowed itself with other corporate governance instruments. Among these – in addition to the Code of Ethics – are the dealing code (a code regulating the behavior of persons who have access to sensitive information at the Company that could influence the performance of Enel shares in the event they buy or sell such shares on the stock exchange on their own behalf) and the model of organization and management provided for by legislative decree 231/2001, which aims to prevent people working at Enel from committing crimes that entail administrative – but in fact penal – liability for the Company. It should be added that, in order to ensure the utmost compliance with the law, in 2004 Enel also promptly implemented the new regulations introduced by the reform of company law (the so-called Vietti reform), which aim to allow sub-

sidiaries to be managed according to innovative criteria of simplicity and transparency.

All in all, Enel's constant concern to im-

Among Enel's initiatives for continuing to improve its corporate governance was an examination of the functioning and efficiency of the Board of Directors, the first board review to be performed in Italy.

Already tried by other large corporations in Europe and the United States, this procedure consists in an analysis conducted by an independent certifier (Enel chose to entrust the task to Egon Zehnder International) of how the Board of Directors and its committees go about their work, in order to identify any problems that may exist and to see how such

prove its corporate governance system is an essential factor for gaining and maintaining the confidence of investors and the market. ■

About the Code of Ethics

Three years have gone by since the Code of Ethics appeared at Enel. Since then the Company has continued work for its dissemination and application.

In 2004 the course on "The Enel Group's Code of Ethics" – with an updated text of the Code and a new unit dedicated to the concept of corporate social responsibility and its connection with business ethics – was again distributed to all personnel.

In May 2004, the publication of an internal procedure for properly performing "Verification and control activities regarding the implementation of the Code of Ethics"

was also an opportunity to issue a new appeal to everyone who works at Enel to comply with it and remind them of their responsibility for registering all violations of it.

The channel through which all Enel stakeholders can report violations is accessible at the intranet website: www.enel.it/azienda/chi_siamo/codice_etico_3/segnalazione_responsabile/

Reports may also be sent to:

Codice Etico - Direzione Audit - Enel SpA
Viale Regina Margherita 137 - 00198 Rome, Italy or made by sending an email to: audit.enel.codice.etico@enel.it

An examination for Directors

activity might be improved. The analysis was conducted through questionnaires and interviews with the Directors in order to obtain, from the individual points of view, information on the work methods of the Board of Directors, as well as observations regarding possible dysfunctions or changes to be made.

On the basis of the responses received, the certifier then prepared an assessment of the functioning of the Board of Directors, which was presented to the latter.

The board review carried out highlighted the fact that one of the strong points of

Board of Directors and Board of Statutory Auditors

Board of Directors

Piero Gnudi
Chairman



Paolo Scaroni
Chief Executive Officer



Mauro Miccio

49 years old

Designated by the Ministry of the Economy and Finance

Professor of communication-related subjects

Entrepreneur in the fields of publishing and communication

Member of the board of the Unione Industriali di Roma e del Lazio

Chief executive officer of Eur SpA

Franco Morganti

73 years old

Designated by the institutional investors

Vice-president of the International Institute of Communications

Member of the board of the ANFOV (association of multimedia convergence companies)

Fernando Napolitano

40 years old

Designated by the Ministry of the Economy and Finance

Chief executive officer of Booz Allen Hamilton Italia

Member of the committee for surface digital television of the Communications Ministry

Member of the board of directors of the CIRA (Italian Center for Aerospace Research)

Francesco Taranto

64 years old

Designated by the institutional investors

Member of the boards of directors of Pioneer Global Asset Management (UniCredito Group), Kedrios, and Banca Carige

Gianfranco Tosi

57 years old

Designated by the Ministry of the Economy and Finance

Professor of iron metallurgy and the technology of metal materials

Board of Statutory Auditors

Angelo Provasoli

Chairman

62 years old

Professor of economics

President of Bocconi University

Regular member of the National Academy of Business Economics

Chairman of the executive committee of the Italian Accounting Institute

Carlo Conte

Regular Auditor

57 years old

Professor of public accounting at the Civil Service School and the LUISS School of Management

Professor of public accounting at Bocconi University

General executive at the Government Accounting Office

Franco Fontana

Regular Auditor

61 years old

Professor of economics

Dean of the Faculty of Economics at the LUISS

Director of the LUISS Management School

Enel's Board of Directors was the very constructive and highly cohesive atmosphere, which encouraged the members to express their opinions and to generate in-depth discussions of the items on the agenda with a remarkable level of independence in performing their duties. All the Directors gave an extremely positive evaluation of and expressed great confidence in the Chairman and the Chief Executive Officer, appreciating the ease

of their access to both of the latter. The Directors' opinions regarding the frequency of meetings and the flow of information they received were also positive, as was their assessment of the Board's decision-making process, which they considered optimal for achieving the convergence of opinions and thus unanimity among the members.

There were only limited areas where the certifier observed a need for improve-

ment. The most significant was for the Board of Directors to undertake an even more extensive and in-depth examination of the Company's long-term strategies. In order to meet this need, immediately after the board review an informal meeting among the Directors was organized. Subsequently, a board review supplement was conducted, which reported a positive judgment on the results of the discussion.



100,000 PROCUREMENT CONTRACTS, 2.3 BILLIONS OF VALUE

Beginning in 2003, the organization of Enel's procurement process underwent a thorough restructuring, which entailed centralization and rationalization that was unprecedented for the Company. In charge of this complex machine – which ensures Enel all the goods and services necessary for its operations – is Salvatore Sardo, Head of Procurement and Services. His is also one of Enel's most sensitive structures. Absolute transparency and rapidity are Sardo's bywords.

"In 2004, Enel entered into something like 100,000 procurement contracts, with a total value of about 2.3 billion euros," he says. "And this figure does not include fuels, telecommunications, and Enelpower's engineering projects." But why did Enel decide to centralize all its procurement? "First of all, we had to get this department, like the others, to focus on its institutional purpose, without distractions," Sardo explains, "in order to better achieve our general objectives of efficiency and profitability. And then procurement was known to be one of the areas where we could look for significant advantages in terms of efficiency regarding prices and purchasing procedures. And to this we can add the potential of

procurement via Internet and possible economies of scale."

The analysis of price efficiency is conducted in the following ways. For recurrent purchases, which represent about 52% of the procurement portfolio, it is calculated according to the variance between the price at which a contract is stipulated with a supplier and the average weighted and indexed historical prices of that determined good or service. For non-recurrent purchases (that is, those for which no easily identified historical comparison is available, amounting to about 48% of the total), the saving is calculated instead by measuring the difference between the price at which the contract with the supplier was stipulated and the cost estimate provided by the latter. For this, cost references based on comparable previous contracts are used.

"A detailed analysis of the results achieved in 2004 demonstrates that the differences among the various areas are still significant," says Sardo, "but the method did everybody good."

"The guiding principle that we follow in the management of procurement," he goes on to explain, "is to guarantee the utmost transparency of the process,

which is also one of the Company's most sensitive from the point of view of professional deontology. We have carried out initiatives regarding improvement that are valid throughout Enel, and our four main lines of action have been: focusing on the traditional actions of reducing the purchase price, further development of the system of procurement via Internet, starting up the first vendor rating system, and the launch in 2003 of a program of design-to-cost initiatives."

Vendor rating is a kind of periodically updated grade given impartially and objectively to the quality of the performance of individual suppliers. The objective of the process is to contribute to thorough knowledge about the supplier with an assessment of the quality of the goods and services provided and the extent to which they correspond to what was requested at the time of the tender, as well as to help optimize the quality-price ratio in subsequent procurement processes. Design to cost, on the other hand, has the objective of identifying technical and functional solutions that, performances being equal, allow the Company to achieve economies in terms of cost that are also valid in the future. It is a process



Daniele Sforza, *Energy 1*

that sees procurement heads seated around a virtual table with the heads of the various operating and technical areas of the Company. Their objective is, on the one hand, to optimize and standardize the technical solutions for various requirements, while also seizing opportunities deriving from a constant search in the market for innovative solutions proposed by suppliers, and on the other, to improve the commercial effectiveness of the purchase of a single product or service.

"Thus we're talking about an initiative that requires the whole Company to take a big step forward, in terms of its ability both to attentively sound out the opportunities offered by the market and to reconsider constructively the materials and processes traditionally used," says Sardo. Among the first projects started up are the revision of the technical specifications for the cables and poles of the electricity distribution network; the sale to cement makers of the ash deriving from production processes, instead of disposing of it; and the revision of the specifications of medium-voltage cables for wind farms.

"This is an innovative approach," Sardo continues, "that can be applied at various levels, from redesigning the functional specifications of power-station or network equipment to the normalization of the material required for a number of

activities, in order to achieve the largest economies of scale." In effect, there is no doubt that purchasing 1,000 pieces of the same model of switch from one supplier costs less than purchasing 100 pieces of 10 different models from 10 different suppliers.

"In the last two years we've worked intensely to ensure transparency and fairness in all the activities that concern us," says Sardo. "This is also why we include

in all the contracts we enter into information about our Code of Ethics and indicate how it can be obtained. And not only: with suppliers that carry out part of their activities in countries at risk, we take special pains – for example, through specific clauses included in contracts – to ensure that the basic rights of workers regarding such matters as minimum age, non-discrimination, safety, and health are respected." ■

Online procurement

The purchasing system based on Internet technologies, e-procurement, is a fundamental instrument for making the process and the chain for procuring the goods and services Enel needs more transparent and efficient. In effect, the Procurement Portal (www.acquisti.enel.it/acquisti/it/html/index.asp) allows many activities – including supplier qualification, online tenders, and the technical and administrative management of contracts – to be managed online.

At the end of 2004, about 200 merchandise groups were active for the purpose of qualification, with about 1,430 firms qualified through RFQ (request for qualification), an application which, in addition to allowing companies to furnish online all the information needed for the qualification process, also enables Enel to update the register of the companies qualified for the different merchandise categories that interest the Company and to have at its disposal a selection of firms whose qualifications (legal, technological, and so forth) have been

evaluated beforehand.

Another important aspect of e-procurement regards online tenders and auctions. In about two years Enel has managed more than 3,700 tenders via Internet, with a total value amounting to about 1,750 million euros. In particular, the adoption of online tenders – of which there were over 2,000 in 2004, with regard to orders amounting to about 1,200 million euros – has contributed to streamlining the issue of calls for tenders, increasing transparency, and lowering award prices. Further exploiting technological innovation, Enel introduced the new Procurement Information System, a supply chain management environment that acts as a single interface for the entire Company and allows the whole procurement process to be managed, from registration of the requirements of the different companies to the tender (both traditional and online), the subsequent award, and the issue of the contract data, and in addition provides a valid data warehouse system for operating and departmental control.



Alfredo Martinelli, *Light in darkness*

CUSTOMERS COME FIRST: TAILOR-MADE SERVICES AND RATES

In the last few years the electricity and gas markets have undergone radical changes brought about by the liberalization process in progress, which has made all the companies involved seriously reflect on how best to face the challenge. Vincenzo Cannatelli, the Chief Operating Officer of Enel's Networks, Infrastructure and Sales Divisions, talks about it.

"The gas market has been completely liberalized since January 2003, while for the electricity market we'll have to wait until July 2007, when household customers will also be able to choose their electricity supplier," he says. "It's obvious that the situation is leading us very naturally to put our customers at the center of all our activities. In other words, it is radically trans-

forming us into a customer-driven company. We're ready to accept the challenge, concentrating on our more than 23 million household customers, who for at least two more years will remain in the regulated market, but also doing business in the gas market and the free electricity market, where the competition is becoming keener and keener day by day. Even if the two categories are very different, our daily commitment, in terms of our professional approach, competence, transparency, and concern for the needs of our customers, is constant."

For example, early in 2005 Enel offered Italian families the possibility of choosing among 6 differentiated rates, each of which has been devised to satisfy the needs of a particular customer

segment. The result: 350,000 subscribers in just a few weeks. "A response that makes it possible to further differentiate rates and devise plans that are even more innovative and advantageous for all our customers, thanks, among other things, to the introduction of electronic meters, which we are exporting all over the world with the help of our partner, IBM," Cannatelli adds. The same attention is given to customers in the already liberalized market. The gas market immediately turned out to be a complex and very challenging one. "As soon as it was born, Enel Gas became the second-largest Italian gas company, with a market share of about 12% and over two million customers," he says, "but we want to double our presence in the market and have more than 3.8 million customers with the next 4 or 5 years: an ambitious objective, but one that's attainable." The strategy of Enel Gas aims to both make the current 1.9 million household customers loyal and to gain new ones by challenging the competition precisely in the cities where it is historically consolidated. "An example," Cannatelli says, "is the recent campaign launched in Milan, but also in Rome, Florence, and Turin. The latter cities are strongholds of our main competitor." In just a few months, Enel Gas has already acquired more than 70,000 customers.

To this should be added the strong competition in the free electricity market, where – together with Enel Trade – Enel Energia is the largest company, with a market share of close to 20%. "Here, too, our objective is to position the Company at higher and higher levels, ensuring at the same time the profitability that is indispensable for achieving our Group objectives," Cannatelli explains. "It's clear that in this market price – especially, but not only, for the customers with the largest consumption – is an important factor in the choice between one supplier and another. For this reason supply packages have been created that combine the price component with important innovations such as 'Two in One', the joint supply of electricity and gas, which, in addition to discounts, provides for a single bill, with indisputable advantages for the companies that subscribe."

The strategy of focusing on customers also includes the continual improvement of the electricity service, an aspect that in-

terests families, but industrial customers even more. Within the Networks and Infrastructure Division, Enel Distribuzione is moving into the forefront by achieving objectives that are excellent by any standards and at the level of the best companies in Europe. "The Electricity and Gas Authority has rewarded Enel with more than 400 million euros for its results in service quality in the last three years, and we expect further rewards in the coming years," Cannatelli continues. "In particular, we've almost closed the service gap regarding the South, which is now at the same level as the national average and the northern regions. What's more, Enel is among the first companies in Europe to have obtained ISO 14001 certification for the environmental management of a network over one million kilometers long, which, as our advertising campaign says, is longer than the distance between Earth and the moon."

The picture of Enel that emerges is that of a company resolutely focused on the needs of its customers and deeply involved in a process of continual innovation that is greatly valued in both the regulated and the already liberalized market. For this reason, the objectives set by the Sales Division and the Networks and Infrastructure Division will allow Enel to continue playing the leading energy role in Italy. ■

Rates for saving

In January 2004, Enel became the first electricity company in the world to offer tailor-made rates for its customers. According to their consumption and the rate plan they choose, the latter can save up to 80 euros a year by using electricity intelligently. This means saving up to 8% a year by directing consumption to the days and hours of the day when it costs less. Since January 2005 it has been possible to choose the "Due" rate, which reduces the cost of electricity in the evening and during weekends, while the "Sera" and "Weekend" rates – which allow customers to save by consuming mainly, respectively, in the evening and during weekends – have been available since February. Finally, the "Una - bolletta forfait" and "Agosto" rates were introduced in April. The former is for both household and non-household customers who consume little (a lump sum for the first 250 kWh consumed, of which 50 are complimentary), while the latter enables customers to save on the bills for their vacation houses.

Many channels always open

"Being a customer-driven company requires a constant refinement of sales strategies," says Matteo Codazzi, Head of the Regulated Customer Sales Business Area. "And so, in order to satisfy more and more professionally and promptly the requests of our customers, we've favored: the introduction of new technologies to make our contact channels more effective; the standardization of corporate processes; uniformity of behavior and the characterization of our service in the sign of the Code of Ethics with regard to both household customers, who will have access to the completely liberalized market beginning in July 2007, and business customers who have decided to stay in the regulated market, where rates are set by the Authority."

"A fundamental aspect of an innovative relationship with customers is the new rates, which already make it possible to save significantly," he adds. "It's on these, together with two mutually-reinforcing levers – technological and commercial innovation – that we're counting to maintain our leadership in the market."

Technological innovation is represented by the electronic meter and the general improvement of services, as described in this section. Commercial innovation entails the introduction of marketing instruments and customer care – up to

If you don't pay your bill

Enel has launched a new computerized system for managing credit and receipts that, in addition to handling all the related processes, enables the Company to improve relations with its customers. The new instrument is now used by 5,000 offices after a trial period of experimentation that lasted 9 months and gradually involved all the local units of the Sales Division. For customers with a remote-managed electronic meter Enel, in agreement with the Electricity and Gas Authority, tried out a procedure of reducing the power of those who are not up to date with their payments. Instead of having their electricity totally cut off, such customers may temporarily use 20% of the power available for essential services (lighting and refrigerator), but within one month they must see that the bill is paid.

If a customer is in arrears, the power-lowering procedure goes into effect after 20 days from

the day on which payment of the bill was due, when a reminder is sent to the customer.

If the latter does not pay the bill in the following 20 days, Enel sends a notice that the power will be reduced. Thanks to remote management, the power reduction will be seen to from a distance, that is, without a technician entering the customer's place of residence. The customer will be able to observe the power reduction directly on the display of the electronic meter, on which the message "reduce load" will appear. Thus the power reduction takes place after at least 40 days from when the unpaid bill was due.

After a trial period conducted successfully in Sardinia with a limited number of customers, the new procedure was experimentally extended for a few weeks to Piemonte, Liguria, Campania, Puglia, Basilicata, and Calabria, and in January 2005 was extended to all the other regions of Italy.

now used mainly for widely consumed goods – into the selling of electricity.

"An example is Enel Club," says Codazzi, "with a card that allows customers whose electricity bills are domiciled at a bank or post office or who pay them with a credit card to obtain discounts and advantages on a generous selection of products for their house, family, and leisure time. There are already about 1.2 million members."

Furthermore, there are over 1,000 QuiEnel contact points created to be closer to customers in selected Wind and Enel.si stores, as well as in numerous qualified municipal-government offices and post offices, where trained personnel provide customers with expert advice

and assistance. And then there is the toll-free number 800.900.800 and the customer service that is available every day of the week for finding solutions to problems of household customers.

"And in addition," says Codazzi, "we have 140 PuntoEnel and about 200 account managers for the complex transactions of business customers, as well as the possibility of doing the main kinds of business via Internet. And don't forget the development of new and more convenient ways of paying bills through 4,500 ATM machines, 2,200 machines in post offices, and Lottomatica's Puntolis, where lottery tickets are sold."

All these services are managed through strict customer-care procedures called



Maurizio Tieghi, *The energy of competition*

customer relationship management (CRM). All the commercial processes of the contact centers, PuntoEnel, account managers, and the other operating units of the Business Area are covered by CRM. About 2,300 customer-centered people work in Enel's contact centers, whose large switchboards receive misgivings and questions. Continual training took place in 2004 to develop the abilities and expertise necessary to communicate simply and professionally with customers, transmit self-confidence and reliability, and offer a high-quality service that enabled 84% of all requests and problems to be taken care of in one conversation. In 2004, these centers received more than 42 million calls (about 115,000 calls a day), amounting to 7% more than in 2003. ■

A technician in the palm of your hand

The PDA made its appearance in the toolbox of Enel technicians when the Company began replacing its electromechanical meters with the new electronic ones in order to make several processes faster and more secure. In 2005, it was to become more of a reliable colleague than an instrument, filling out forms, writing out reports on breakdowns, and containing technical inspection forms. In the future, it will register all the data that are necessary for improving service quality.

The result is less waiting time for both technician and customer. The PDA is updated by the central system during the night so that the following morning the technician can already see his work plan for the day. Furthermore, thanks to GPRS technology used for mobile phones, it can be updated during the day to direct the technician to new jobs without his having to return to his office. The advantages don't stop there. The load

of office work will also be considerably reduced, making room for another precious activity: customer service.

Those who drive Enel's customer-service vehicles are becoming familiar at first hand with what for many people is only an optional, but which becomes an extremely useful work instrument. This is a satellite navigator developed by Enel containing the maps that make it easier and faster to reach the plants on which work has to be done: power distribution transformer substations, exact points on the electricity network, and so forth.

The navigators also enables Enel's operating center to locate the various squads of technicians and react more quickly to calls for repairs or emergency situations.

The instrument installed in a vehicle for the purpose of navigation can be a laptop computer or a PDA, the same one that is used for the planning of the day's work.

The meter revolution

In the corporate jargon they are called regulated-market customers. Technicians also call them low-voltage customers. We are talking about most Italian families, who have almost 30 million contracts for the supply of electricity. Of these customers, by now 23 million have benefited from the replacement in the last three years of the old electromagnetic meters with electronic ones. The process of replacement will be practically completed by the end of 2005 and is being carried out by 650 firms that Enel has entrusted with the task, with 4,500 technicians installing the new meters at the rate of 45,00 a day. More than 20 million of them can be managed at a distance and are an integral part of the "Remote-manager" project: reading (already active for about 10 million meters), activation, disconnection, and contractual power change managed from

All the numbers of the meter

Data as of April 30, 2005

2,100,000,000	euros invested in the "Remote-manager" project
23,000,000	meters already installed
20,300,000	managed at a distance
12,000,000	read at a distance every two months to allow only the consumption recorded in the two-month period to be billed
350,000	telephone connection points for transmitting the data managed by Wind
288,000	data concentrators installed
15,000	people on three continents who ensure its success
650	firms involved in installing them
50	suppliers of construction components
5	firms involved in assembling them



Sergio Ronconi, *The elec...ic meter*



Carmine Leone, *Energy is life*

an operating center. All of these are functions that can be used at a distance without the services of a technician. As Brunello Botte, the former head of the Remote-manager project, says, it is "a silent revolution that improves service quality and the commercial relationship between Enel and its customers, in part by enabling us to know more about their needs. That will make possible what is called demand-side management, the ability to manage the demand for electricity as well as possible. In other words, the possibility of knowing at any given moment how much you're consuming and of choosing from a number of different rates induces customers to reduce consumption when demand and prices are high, thus avoiding consumption peaks and optimizing the management of the entire network."

In addition, without the remote-managed electronic meter it would be complicated to apply the new and more advantageous rates. Exactly as occurs with the telephone, electronics enable whoever requests it to pay for consumption according to the period of the year, the day of the week, and the hour of the day when the electricity is used, as described in the box dedicated to Enel's new rates on page 27.

Enel developed this innovation in-house and, through an alliance with IBM, since March 2004 has made it available to whoever in Italy and abroad wants to adopt the same system: a potential market of 700 million meters. ■

Old but good

The materials most used in the electromagnetic meters that are being replaced by electronic ones are: plastic (average 44%, maximum 69%), steel (average 32%, maximum 59%), copper (average 9%, maximum 13%), aluminum (average 7%, maximum 27%), and brass (average 6%, maximum 13%), while other materials are present at much lower concentrations. According to current regulations, none of these materials are

classifiable as dangerous because of their composition or quantity. After being removed, the electromagnetic meters are packed up and sent to Enel Distribuzione warehouses, where they are periodically subjected to a technical and economic evaluation in order to decide what to do with them (whether to re-use them as electricity meters or to recover material from them). Within the deadline established by the law, specialized firms dispose of the electromagnetic meters.

Rewarding quality

In 2004 the Electricity and Gas Authority awarded Enel Distribuzione 203 million euros for having reduced the average interruption time from 80 minutes in 2002 to 72 minutes in 2003. This achievement was even superior to the objective set by the Authority itself and marked a further improvement of about 10% with respect to the result in 2002, for which Enel Distribuzione had already received a reward of 114 million euros. Beginning in 2000, the year in which the Authority introduced the system of rewards and fines, Enel's service quality has improved overall by 50% at the national level and has earned rewards amounting to over 400 million euros.

"One of the main goals we set ourselves in 2004 was to improve the quality of the service provided," says Livio Gallo, Head of the Electricity Network and Remote Management Business Area, "and the specific actions were devoted to con-

structing new high-voltage-to-medium-voltage transformer substations, with which we rationalized and optimized the medium-voltage network. With this capital expenditure, we obtained a decrease in the average length and thus of the average power load on the lines, with a consequent reduction in losses amounting to about 4.5%, which corresponds to 96 gigawatt-hours."

Reconstruction and repowering of medium-voltage lines, using cables with diameters that on average were 30% longer than the ones previously used, further reduced leakage on the network. This work was carried out on 2.3% of the network and resulted in a reduction in annual power losses amounting to about 16 gigawatt-hours.

In addition, the construction of new medium-voltage-to-low-voltage transformer substations, with which the low-voltage network was rationalized and opti- ➤

mized, resulted in a decrease in the average length and thus of the power load on the related networks, with a reduction estimated at around 2.5% in power leakage, amounting to about 50 gigawatt-hours.

Finally, the reconstruction and repowering of about 2% of the low-voltage lines, using wires with larger diameters, resulted in a reduction in leakage estimated to amount to about one gigawatt-hour. "These figures mean less use of fossil fuels and primary energy," says Gallo, "with a corresponding reduction in CO₂ emissions estimated at about 120,000 tons a year."

The efficiency and safety of the distribution network are also priorities for Enel Rete Gas, which counts them among the first capital expenditure items. Franco Castagnola, Head of the Gas Network Business Area, says: "We have a systematic program of looking for and preventing leaks on the network. Our prevention policy is certified according to ISO standards. The technologically advanced systems used, moreover, enable us to work on medium- and low-pressure pipes in absolute safety, without interrupting the gas supply."

In addition, a project is being carried out regarding the remote control of the approximately 600 primary decompressor stations (where gas is delivered by the national network and is decompressed from 50 to 5 atmospheres) and the about 600 main secondary decompressor stations (where the gas is decompressed from 5 to



Giuseppina Buzzi, *Energy at... all costs*

0.02 atmospheres, the right pressure for household stoves and boilers).

This system will be completed in 2006 and will allow network pressures to be continuously controlled, thereby ensuring greater efficiency and safety.

"As far as the safety of the gas network is concerned," Castagnola adds, "it's important for us to have the final consumer as our ally. In particular, precautions and periodical inspections enable customers to safely use a precious fuel like methane gas."

In this regard, in April 2004 Enel Rete Gas

launched an advertising campaign on the safety of household systems. The project regarding the safety of the systems of final customers originated with the provisions of the Electricity and Gas Authority's resolution n. 64/02 and provides for communication addressed to the customers of Enel Gas (about two million) and the customers of other companies that are served by Enel Rete Gas (about 10,000). Among the objectives of the project is the strengthening of the relationship with customers, with special emphasis on practical advice regarding safety. ■

Gas comes to town

Among the Enel companies there is one that's in the forefront on the road to liberalization, but it moves like a new entry and not like an incumbent. It is Enel Gas, which was born in 2000 and by now is constantly growing.

"We're trying to emphasize to the utmost the factors of success in a liberalized industry," explains Luca Valerio Camerano, Head of the Gas Market Sales Business Area, "competitiveness, innovation, and customer care."

Enel Gas has about two million customers,

sells five billion cubic meters of gas a year, with a widespread presence in 17 Italian regions, 72 provinces, 15 main cities, and more than a thousand towns. "With these figures," Camerano says, "Enel covers about 12% of a market that by law has been entirely free since January 1, 2003. Enel Gas is the second-largest company in the Italian gas market."

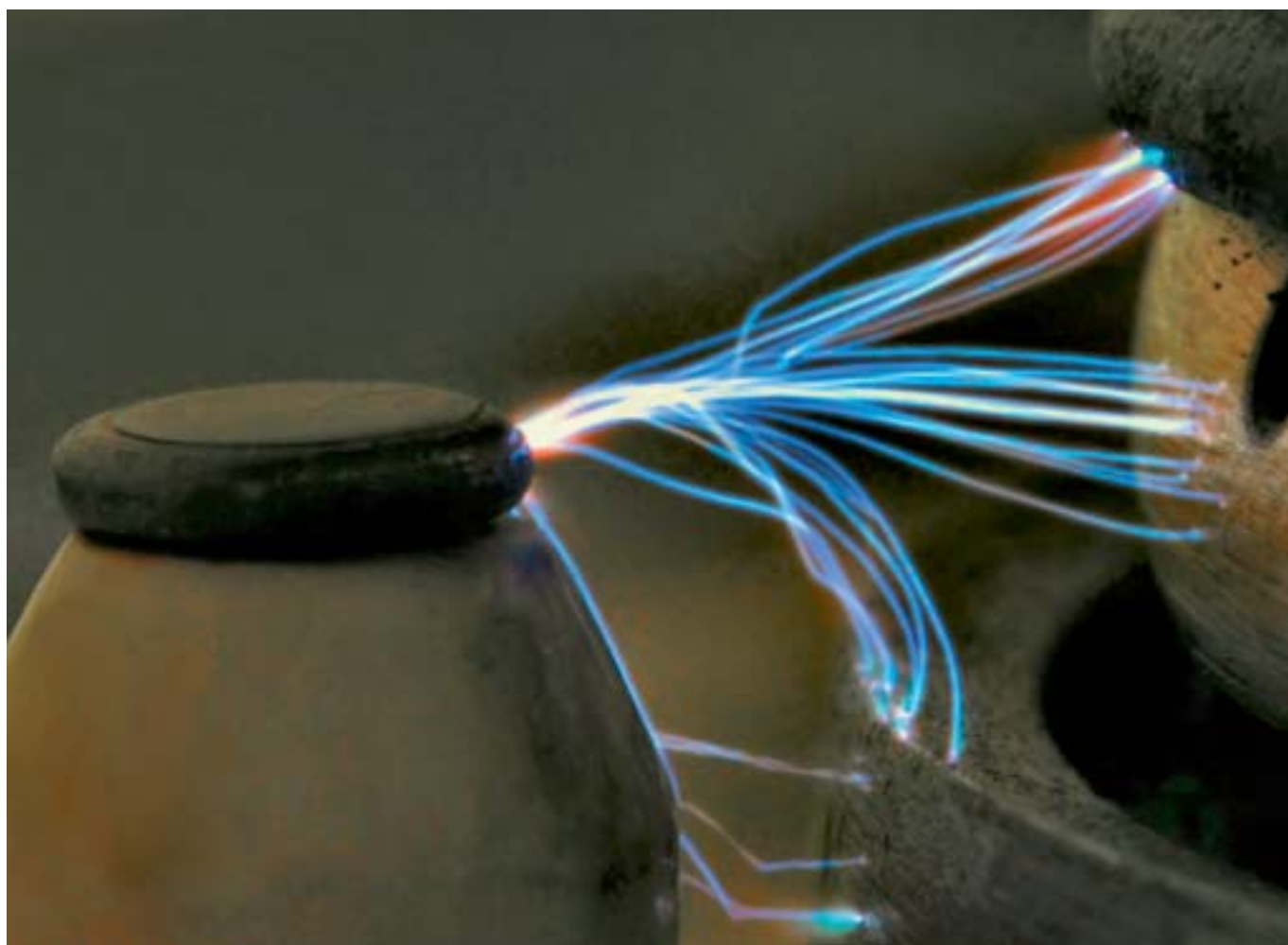
In 2003, Enel Gas expanded significantly in the most dynamic segment of the market, where it greatly increased its share and acquired significant new market po-

sitions. 2004, instead, was the year of its commercial expansion in the segments consisting of small and medium-sized firms and families. But what are the specific aspects of the challenge facing a company like Enel Gas? "I believe the main one is the nature of its mission," Camerano says, "that is, the market and the competitors." Enel Gas also operates in particular conditions. On the one hand, it competes in the free market; on the other, it is faced with a singular situ-

ation. In Italy there are about 600 small gas companies, many of which have deep local roots and a strong local identity. "Contending the market with 600 micro-monopolies requires a number of different strategies," he notes, "and especially the ability to deal with the specific problems of every single city and its inhabitants, who are still not very familiar with the mechanisms and the advantages of the liberalization." The liberalization of the gas market is still at the >

Dates and numbers of liberalization

The gas market was liberalized as from January 1, 2003 and the electricity market is rapidly proceeding towards complete liberalization, which is scheduled for July 2007. An important step in that direction was taken in July 2004, when all non-household customers were able to begin choosing their suppliers. Eligible customers numbered 200,000 before July 2004, a figure that subsequently became 6 million, and in July 2007 will become 30 million.



Pietro Danilo Modica, Gas lighter

beginning and is much more complex than, for example, that of telecommunications, for the start-up of which huge sums were invested.

"Every new market has a trailblazer," Camerano goes on, "which, exploiting its vision and its competitive advantages, decides to move first, thus promoting its development, and this is somewhat Enel Gas's role." After the first year of deeply penetrating the industrial-customer segment, Enel Gas was the first company in Italy to extend its action to very small entrepreneurs, artisans, and households by introducing tailor-made offers for them. In 2004 Enel Gas's objective was to hold on to the customers already acquired and to acquire new ones, using all the instruments that had been developed by the marketing of widely consumed goods, but which had not been used in the gas industry. "A powerful instrument is customer loyalty. The 'L'accendipremi' campaign is emblematic: a real points collection, like those millions of families participate in at thousands of supermarkets."

The other instrument is service quality: speed and efficiency in relations with customers, in assistance, in maintenance. "The objective of acquiring new customers," he goes on, "has been pursued with all the classic marketing instruments, which become revolutionary when you apply them to the gas market." First of all, this means enlarging and diversifying the range of products, and then doing the same thing with sales channels. As far as industrial customers are concerned, Enel

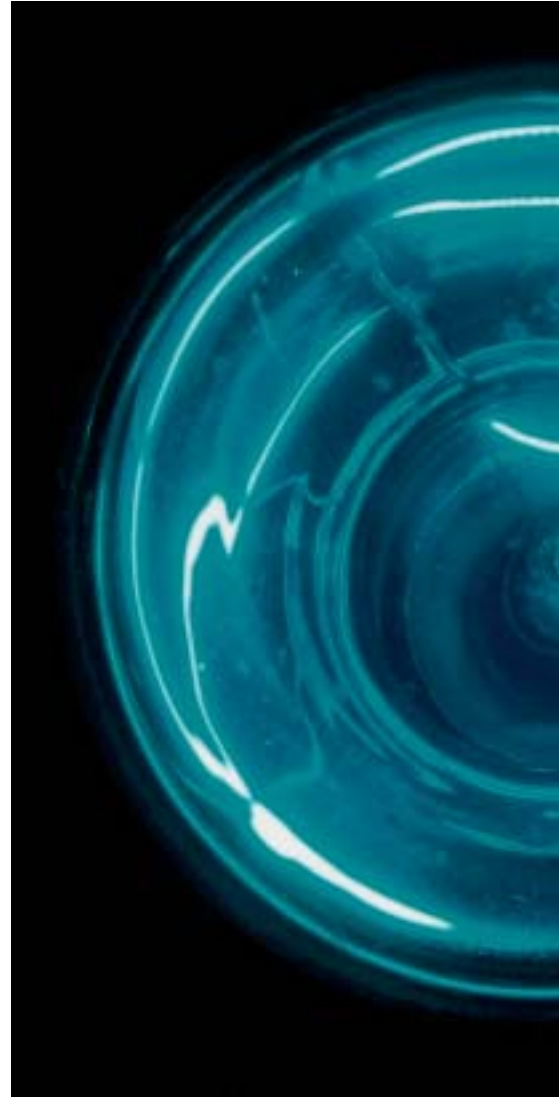
Gas has renewed its price philosophy. "For customers who prefer the certainty of a fixed price, we offer an integrated consultancy that allows us to tailor the supply to the needs of each customer, thus optimizing risk management."

With smaller customers and families the approach is different. "In this segment, the types of supply must necessarily be standardized," Camerano explains, "but we have introduced a menu of different products. For example, 'Value' and 'Recharge', two ad hoc products for so-called micro-businesses. 'Value' gives customers 150 cubic meters of gas for every 3,000 they consume, while the other product allows customers to reserve their quantity of gas for a determined period of time at a very advantageous price compared to the average, committing themselves to actually consuming it, all with Enel Gas." ■

High-efficiency big ones and little ones

Enel Energia is the Enel company that sells electricity and energy services to firms in the free market and caters to customers that consume less than 100 gigawatt-hours a year. This segment of the free market (in which, that is, customers may choose from among the different suppliers) numbers about 350,000 customers and includes those that consume more than one gigawatt-hour, that is, a

million kilowatt-hours (called large-business) and those that consume between 0.1 and 1 gigawatt-hour (called middle-business). In the final free market, Enel is the largest single supplier, with over 18 terawatt-hours (that is, more than 18 billion kilowatt-hours) sold a year, followed by other Italian and foreign companies such as Egl, Edison, Enipower, Energia, Eneco, CVA, Endesa Italia, Dalmine





Santi Villari, *Earth*

Energie, Edf Italia, and municipal utilities." In order to compete effectively," explains Luca Dal Fabbro, Head of the Electricity Market Sales Business Area, "Enel Energia has to use the utmost promptness and ability in innovating. We have to offer excellent services and propose consumption choices that are closer and closer to the needs of customers." On several occasions Enel Energia has anticipated its competitors with innovative offers, such as fixed-price electricity. "To create better products and services and generate as much value as possible takes rigorous corporate methods and process-

es, promptness, and creativity," says Dal Fabbro. Numerous very demanding Italian customers and multinational corporations, such as IBM, Blockbuster, Siemens, Consorzio Industriali di Verona, CAEM Vicenza, Lavazza, Banca d'Italia, and Rai have chosen Enel Energia as their supplier. Enel Energia is concerned about all its customers, but it is in the bracket of middle and small businesses that the company wants to grow, ensuring advanced services (such as efficient risk management), supply simplicity, and value-added services, in addition to facility of access and clear and simple contract options.

"On the sales front," Dal Fabbro notes, "we're developing a number of commercial channels that allow us to optimize the cost of contacting and acquiring customers. For larger customers who consume more, the key sales channel is constituted by our consultant-salespersons, who move around and visit them on the spot."

Enel Energia also inaugurated a business contact center for the free market (a switchboard operator answers if you dial 800.900.161), which is the preferred channel for the middle- and small-business segments. Salespersons and Internet, on the other hand, are dedicated to middle-business customers with low consumption and small-business customers, those who work in small offices, such as professionals, or at home. "These new channels allow us not only to optimize costs, but also to improve our

ability to respond to the needs of our customers," says Dal Fabbro. Enel Energia has two other leading products: "Green Energy" and "Informed Consumption". In 2004, in effect, the Company developed an integrated supply of products emphasizing environmental sustainability, thus responding to the requirements of customers who are especially concerned about the issues of corporate social responsibility. Launched in the spring of 2004, "Green Energy" is based on a special contract that guarantees to customers the supply of electricity produced from hydro or other renewable sources. This contract is highly valued by firms in the fields of tourism, bottled spring water, agribusiness, and the distribution of widely consumed goods.

"Informed Consumption" is the possibility of requesting Enel Energia's advice about how to optimize consumption and thus reduce expenses.

"For women entrepreneurs," Dal Fabbro winds up, "we have devised a single price that is stable throughout the entire period of supply and a supply bonus according to consumption, without deposits or advances on consumption or guarantees required to activate supply. Not to mention solidarity." Every 1,000 kilowatt-hours consumed, 25 eurocents will be donated to the project of the Indigenous Costa Rican Women's Organization for the production and sale of handicrafts, supported by the non-profit organization Green Cross Italia, of which Rita Levi Montalcini is president. ■

Beyond the street light

Enel Sole does business in the market for public and artistic lighting (of which it has a share amounting to 21%), working for more than half of all Italian municipalities. Its objective is to increase the number of such municipalities, of which there are currently 4,088, with 1.8 million light points managed, including 1.4 million that it owns.

"In our work we innovate in what we offer and guarantee service quality, customer care, and promptness in doing

what is needed," says Gian Mario Omarini, Head of the Public Lighting Business Area.

Enel Sole is organized on five technical and commercial macro-areas in Italy in order to be near its customers with 360 people at the service of municipalities and an investment plan on the order of 100 million euros, which will be spent in five years to keep its plants perfectly efficient, adapt them to the regulations on light pollution, and conserve energy to the benefit of the

municipalities. All that allows Enel Sole to consolidate its position as the leader in the public-illumination market.

"In our business," says Omarini, "we adopt very strict quality criteria. In effect, we're able to offer a municipal public lighting plan that, beginning with a careful study of the urban context to be illuminated, examines all the aspects regarding practicality and enhancement of the city. Furthermore, we carry out ad hoc projects prepared by our experts and using the most advanced lighting systems. Finally, through the computerized management of the plants we can monitor the failures as well as the work of our technicians, thus simplifying the management of the light sources."

An exemplary case is the city of Piacenza. The local government's priority was to ensure a uniform service and high quality standards, as well as to have a single manager for the entire public lighting system. "And that holds for most municipalities," says Omarini, "which seek savings, safety, and a better quality of life through appropriate lighting for their citizens."

In Piacenza, Enel Sole will work on the basis of a 12-year agreement that, between investment and management, has a value of more than 10 million euros. An initial investment of about 3 million euros has been planned to upgrade the entire public lighting network (more than 12,500 light points). In response to the city's needs, Enel Sole's service includes – in addition to advanced management

When the certificate is white

The decrees of the Ministry of Productive Activities of July 20, 2004, issued in agreement with the Ministry of the Environment, introduced an innovative system of promoting energy conservation in final uses. The mechanism aims to stimulate demand side management by the distributors of electricity and natural gas, charging them with achieving the national goals of reducing the consumption of primary energy through market-based energy conservation projects. In order to achieve these objectives, distributors may intervene directly to rationalize energy consumption by final users, go through subsidiaries, or acquire energy efficiency titles (EET) attesting the energy savings obtained by the energy service companies (ESCO) and certified by the Electricity and Gas Authority (the Authority). The EET, or white certificates, attest the energy savings obtained and are issued by Gestore del Mercato Elettrico to the firms (distributors, their subsidiaries, and ESCO) that have obtained the savings certified by the Authority.

EET trading will take place in a special market instituted by Gestore del Mercato Elettrico or through bilateral contracts. Beginning in 2006, by May 31 of each year distributors must demonstrate to the Authority by the EET in their possession that they have achieved the annual specific objectives established by the decrees. To carry out several energy-efficiency projects, Enel Distribution avails itself of the cooperation of various ESCO, including Enel.si and Enel Sole. The projects involve, for example, re-phasing electricity on the premises of the final customer, promoting high-efficiency electric motors, promoting through Enel Club the purchase of "Class A" high-efficiency electrical appliances, replacing traditional incandescent light bulbs with compact fluorescent ones, and – in the field of public lighting – the replacement of mercury-vapor bulbs with high-pressure sodium ones and the installation on customers' premises of plants for generating electricity from renewable sources, such as photovoltaic and thermal solar ones, and micro-generation systems.



Valter Papurel Frer, *Certainty in the dark*

standards, preventive inspections and maintenance, and access to a contact center 24 hours a day 365 days a year – a contract that guarantees transparent prices and flexible ways of paying.

The municipal public lighting plan and the energy conservation program provide for the replacement of 50% of the existing low-efficiency lamps (with mercury-vapor bulbs) by new high-efficiency lamps (mainly with high-pressure sodium bulbs). At the same time, all of the existing installations will be refurbished (con-

servative painting and upgrading of plant parts to ensure safety and reliability over time). “It’s all included in an energy-saving project,” says Omarini, “which provides for the installation of about 50 flow regulators and voltage stabilizers, which – in addition to extending the useful life of the bulbs – will allow us to reduce the power absorbed during the time of night when there is least traffic without diminishing safety.” The consumption saving that the municipality of Piacenza will obtain is estimated at 30%

and that will allow the costs to be amortized quickly.

The agreement also provides for a series of important projects to enhance the city’s artistic and cultural assets and make the city more attractive and livable. In effect, after the lighting of Palazzo Farnese, which was inaugurated on September 20, 2004, the installations for the artistic lighting of Piazza Cavalli, the city walls, and the façade of the cathedral as well as its square are at an advanced stage of planning. ■

Franchises for saving

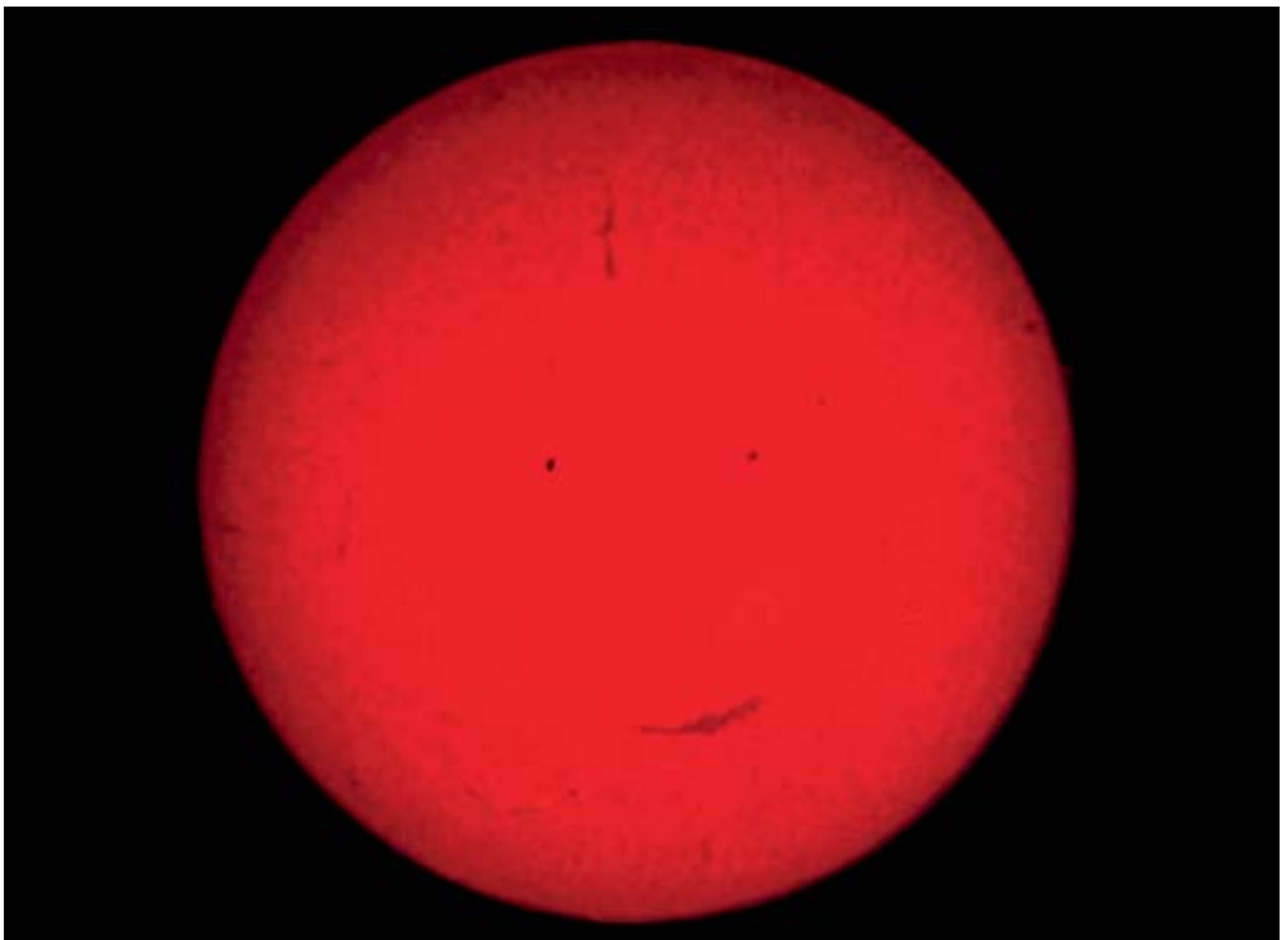
With a network of sales franchises dedicated to final customers and firms specialized in services for companies, Enel.si is one of Enel's large channels of contact with its customers. "When customers enter one of our affiliated stores they find all the services connected with both electricity and gas," explains Luigi Tedone, Head of the Appliances and

Franchising Business Area. "And in all the offers they find quality and a guarantee of compliance with Enel's ethical values. Offers that are transparent in their prices and are aimed at plant safety, respect for the environment, and energy conservation."

Enel.si offers products and services for installing, checking, and managing elec-

tricity, air-conditioning, heating, and security systems. Thanks to a careful selection of technologies and materials, Enel.si affiliated stores are also able to supply solutions that are particularly favorable to the environment, such as photovoltaic solar systems and solar systems for the production of hot water, in addition to solutions for the efficient use of energy, automation, and household security.

"These products are meant for final cus-



Mario Feraco, *The SUN: Energy that smiles at you*

Checkup for homes, offices, and workshops

Enel.si offers, among others, an exclusive checkup service regarding the size, efficiency and safety of electricity systems at home or in the work place. The checkup allows customers to: control the condition of the electric system; see if its components are the appropriate size and if they comply with regulations concerning electric systems; obtain a diagnosis of the system and advice regarding any work that should be done. In addition, Enel.si installs and renovates electric systems in homes and work places, as well as furnishing maintenance and upgrading for condominium electricity panels. Here, too, analyses of the systems and suggestions for their optimization are provided.

tomers," says Tedone, "both household and business, who are more and more interested in energy saving and more and more sensitive to issues regarding protection of the environment." These products and services exploit renewable energy sources directly and provide for the planning and installation of photovoltaic and thermal solar systems for both household and business use. In this field, there is particular interest in systems that are connected to the electricity distribution network, for which the government plans to soon introduce incentives. Thus, it will be possible to benefit also in Italy from mechanisms that reward energy produced by photovoltaic systems, going beyond the classic incentive based on a one-off contribution to the capital account.



Enel.si air-conditioning campaign

As far as photovoltaic systems are concerned, the offer focuses on the sale of kits for systems connected to the distribution network with from 1 to 20 kilowatts of power. In the last two years, Enel.si has installed systems of this kind whose total power amounts to 500 kilowatts and forecasts strong growth in 2005. With regard to thermal solar systems, Enel.si offers solutions that go from kits for small systems producing only household hot water to large systems for the production of large quantities of hot water for accommodation and sports

facilities and combined systems for environmental heating and the production of hot water. And Enel.si will soon be on the market also with innovative solutions that exploit wind.

All these products and services also require a lot of effort in training the network of affiliates. Since 2001 numerous courses on the installation of renewable-source systems have been offered in affiliated firms. The courses also include training in how to accompany customers through the procedures for obtaining funds from regional governments (which cover about 60%-70% of the investment) and the incentives offered by several banks (which offer to cover about 30% of the investment with installment payments) and assist them in testing and maintaining the system. There are currently about 300 Enel.si affiliates involved in training in technologies based on renewable energy sources. ■

Electric pedaling

A new product has appeared in the show windows of Enel.si stores: the electrically assisted pedal bicycle. In 2004, 16,000 of them were sold in Italy, and it is forecast that 30,000 will be sold in 2006. Enel.si sells two models, which have been a remarkable success.

The stalwart club

A card that identifies you and helps you to save, or to accumulate points that will earn you prizes. An approach similar to those of airlines and supermarkets, but applied for the first time to electricity and gas with the aim of attracting and rewarding the most loyal and faithful customers. In marketing jargon, this approach creates customer loyalty. And by now it involves more than a million electricity customers and 390,000 gas ones.

Here are the details.

Enel Club. This is a program dedicated to domiciled electricity customers; that is, those who pay their bills directly with a debit on their bank or post-office account or with a credit card, who – thanks to a special member's card – can enjoy discounts and facilitations at large chains of authorized stores. The public to which the Club caters is heterogeneous and vast, because it refers to about 23 million household customers of Enel Distribuzione throughout Italy. With mailings of informative material and membership forms, Enel addresses two categories of customers: those who are domiciled and those who are not. For the former, who are already enti-

MIGLIORA LA TUA VITA.
CON ENEL CLUB PUOI.

ENEL CLUB È IL CLUB CHE TI FA AVERE SCONTI SUGLI ELETTRODOMESTICI AD ALTA EFFICIENZA ENERGETICA. E SU TANTO ALTRO, DA: Unieuro, Car, Saturnette & Vignia, Telepass Family, Mondadori Multicanali, Cinema UCI Multisala, TicketOne, Avio Assistenza e dei Musei. Per te parte non costa niente. Basta avere la domiciliazione della bolletta con addobbi su conto corrente bancario, postale o carta di credito. Per sempre tutti i vantaggi che ti aspettano chiama il numero verde 800 800 819 oppure visita il sito www.enelclub.it. Con Enel Club, di Enel Distribuzione, tira un'altra aria.

Enel
L'ENERGIA CHE TI AGGIUNTA.

Fabrizio Bargelli, *Mouths for the sky*

ENVIRONMENT-PROOF POWER STATIONS

Sandro Fontecedro is the man with the responsibility of producing the electricity that Enel sells to Italy, that is, about 40% of the amount the country consumes daily. As the Chief Operating Officer of the Generation and Energy Management Division – called at Enel by the acronym GEM – he is also the man who has to carry out the big changes that the Company has planned and that will make it even more efficient in the next few years.

“We are redesigning our plants to make greater use of those with clean-coal technologies,” he explains. “We have to lower our total cost of production, of which fuel oil and gas constitute a considerable part. In this way, we’ll also ensure a better balance in our energy sources.” But if clean coal, as a technology for producing electricity, now and in the future becomes an irreplaceable means of meeting the requirements of all of Italy, Fontecedro also explains another fundamental aspect of Enel’s strategy. “We’ll continue to be a strong leader in the production of electricity from renewable energy sources. We have a capital-expenditure plan that attains 1.8 billion euros in the next four years,” he says. “Production from renewable energy sources has always distinguished us both in Europe and world-wide. Above

all, it’s a very profitable and sustainable field in the long run.”

The GEM Division must also face important international challenges. In 2004 and in the first months of 2005, Enel expanded significantly abroad and acquired generating plants in central Europe that will be renovated and modernized to bring them up to Enel’s standards. “The way we proceed is clear,” says Fontecedro. “We’ll manage these plants so as to bring them up to European standards, applying our stringent regulations with regard to the emissions of the various production cycles, as well as the safety and health of the men and women who work for Enel in these countries. It’s a matter of course that the new companies that are already or are becoming part of Enel will adopt our principles of ethics and operating transparency with regard to the people who work for these companies and local stakeholders.” In Slovakia, where Enel is acquiring Slovenské Elektrárne, Fontecedro’s division will also have to face issues regarding the integration of two nuclear generating plants. “It’s a new situation for many Enel technicians,” he says. “But both there and here in Italy we have many highly qualified people to follow the production activities, which are also effec-

tively supervised by the existing organization. The characteristics of our intervention are sustainability, safety, and maximum attention to all the critical elements, both technical ones and those regarding relations with stakeholders. We also want to ensure uniformity with our operating practices."

In Slovakia, one nuclear power plant already operates completely according to European production and safety standards, while the other one is being completed according to the strictest regulations in the industry. A third power plant, which was not acquired by Enel, is currently being decommissioned, that is, extinguished and dismantled.

In addition, the GEM Division is also completing the restructuring of its subsidiary Enelpower, Enel's civil engineering company, which will operate exclusively on behalf of Enel and will satisfy its direct requirements with regard to the construction and renovation of power plants throughout the world. "In this way," Fontecedro says, "the company's organization, relations, and mission will be extremely simplified."

Finally, in this year of radical transformations, Fontecedro's division also managed to internally create new professions. "They are those regarding the management of relations and flows with the Electricity Exchange," he says. "We have trained a number of talented and efficient sellers of electricity and expanded the duties of employees engaged with our final market."

The way to clean coal

Enel is carrying out one of the most radical industrial transformations of the last few years: making its production more efficient and improving the balance of the fuel mix used in its industrial process by converting several of Italy's largest power plants to "clean coal technology" (according to the terminology of the European Commission Clean Coal Technology Programme). Like all great transformations, this one must also take into account the interactions with the social fabric – with the communities – in which it takes place. And particularly in this case, where, even though it is used with clean technologies, the raw material employed – coal – still rouses suspicion and fears that have to be allayed not only by communicating transparently, but also by registering data that are certified and reassuring for the health of citizens

and the protection of the environment. For this purpose, Enel established in Civitavecchia an environmental Observatory, of which Umberto Veronesi, one of the world's leading experts in the field of cancer research, has agreed to assume the role of scientific supervisor. One of the most qualified institutes of environment monitoring and surveillance in Italy today, the Observatory is entrusted with the task of promoting and coordinating the activities necessary for evaluating the state of the local environment by analyzing the total level of air pollutants deriving from the various sources (energy, transportation, city traffic, the port, and other industrial installations) and studying the consequences for the inhabitants of the area. >

Sulcis

In 2005, at the "Grazia Deledda" power plant, which uses clean coal technology in the Sulcis area of Sardinia, a new 340-megawatt circulating-fluid bed power generating unit will start to operate, employing an innovative system of particulate abatement with sleeve filters. The environmental impact will be even less than with the other production units which, however, comply with environmental regulations on the emission of gases into the atmosphere. The plant will be the largest in the world employing this new technology.



Renzo Lorenzetti, *Flight* (from energy)

Specifically, as a technical institution with guidance, watchdog, and guarantee functions, the Observatory makes proposals and expresses opinions with the aim of promoting and carrying out the activities necessary for evaluating the environmental state of the area. It also makes use of the technical, scientific and administrative support provided by both public and private research institutes. The Observatory will be funded by the main industries present in the area and has already been provided with the best equipment for registering and monitoring in real time the quality of the environment – physical, geological, chemical, and biological factors of acoustic, air, water, and soil pollution – of Civitavecchia in order to protect the health of its citizens. The management committee, chaired by the mayor of Civitavecchia, consists of representatives of the Port Authority, the Ministry of Health, the Ministry of the Environment, the University Consortium of Civitavecchia, the National Health Institute, and the nearby towns. The scientific committee is made up of prominent figures from the academic and research world and is entrusted with dictating methods and validating the results achieved, and performs important roles as guide, watchdog, and stimulus. The Observatory will work in close coordination with the competent local authorities: Arpa Lazio, ASL Rome-Fiumicino, and Asp of Rome. During the initial phase of its activity, the Observatory started up a number of projects, including a website and

What is changing in Civitavecchia

In March 2004, work began on the conversion of three of the four generation units at the Torrevaldaliga Nord power station to clean-coal technologies. The first work done was to demolish the boiler of unit 4, reclaim and de-insulate part of the oil park in preparation for its subsequent demolition, and prepare the areas that will be dedicated to the worksite infrastructure. The activities entailed a gradual increase in the work force, which at the end of the year numbered more than five hundred. Among the works planned is the construction of a dock for unloading the ships that will transport coal and limestone (the main pier) and loading the ships that will

transport gypsum and ashes deriving from the combustion of coal (the secondary pier). Operation of the converted units is scheduled to begin in 2007 for unit 4 and in 2008 for units 2 and 3. In accordance with the agreements between Enel and the municipal government, demolition work is at an advanced stage also in the area of the old Fiumaretta power station. The idea is to return to the city within one year a roughly five-hectare area that can be used for services. The project aroused an intense local debate led by a “no-coke” coalition comprising a number of grass-root associations opposed to the conversion of the power stations.

Oxygenated water

As part of the maritime works that will serve the Torrevaldaliga Nord power station, Enel is replanting the meadows of *Posidonia oceanus* (a marine plant that can oxygenate water, producing an average of 14 liters of oxygen per square meter a day) from the waters of Civitavecchia to those of Santa Marinella. Specifically, in order to remedy the dispersion of a portion of the underwater cover of vegetation because of the construction of the new dock, 300,000 plants of *Posidonia* – amounting to a surface area of 10,000 m² – are being transplanted on the bottom of the sea off Santa Marinella. This is the largest experiment in restoring a sea floor ever undertaken in the world. The executive project for the replanting was approved by the Ministry of the Environment, which is also

seeing that it is properly carried out. The work is also being followed by experts appointed by the Port Authority and is divided into two parts. The first regards the uprooting from the Mattonara of Civitavecchia and the subsequent replanting at Santa Marinella, just a little further south. Selected for their quality, the plants are secured to the sandy bottom by special cement frames at a depth of 9 to 13 meters. The work began in August 2004, employed almost 50 people, and was finished in March 2005. The second part, which will begin three months after the transplantation ended, will evaluate the success of the project through underwater inspection campaigns lasting five years. During the first two years of this inspection, the plants that have not taken root or that have been carried away by the sea will be replaced.

the collection of all the environmental legislation in force at the E.U., national, and local levels. In particular, the website is a precious instrument for getting citizens familiar with the institution, facilitating the dis-

semination of research results, promoting interactivity, and listening to and registering opinions and suggestions. The results of monitoring will be made available in real time to the local authorities. ■

Combining cycles and results

The combined-cycle production technology is based on the use of one or more sets of electricity generators with gas turbines, whose exhaust fires a boiler with its residual heat. The steam produced by the boiler is used to run a steam turbine

coupled to a generator. In 2004, the following were the most important developments in several Enel plants that use this technology.

Porto Corsini. Work on the conversion to combined cycles began in 1999. The con-

verted units started operating in 2003 and began to be fully utilized in 2004. Specifically, the work concerned the creation of two production units by partly reutilizing the engine room of the pre-existent groups 3 and 4 and demolishing the boilers and engine room of units 1 and 2. The transformation was completed by architectural modifications >



Capture and sequestration for CO₂

From January 19 to 23, 2004 Enel hosted at its Conference Center in Rome the second Carbon Sequestration Leadership Forum (CSLF), which concentrates its attention on technologies for "capturing and sequestering" carbon dioxide (CO₂), which are considered possible long-term solutions for stabilizing the concentrations of greenhouse gases in the atmosphere. The CSLF plans to monitor international projects

for developing new technologies capable of making the use of fossil fuels for producing energy compatible with the need to counter climate changes. Established at the initiative of the United States Department of Energy, the Forum was inaugurated on June 23, 2003 in Virginia. At the inaugural meeting the financial, industrial, regulatory, and technological prospects connected with the processes of capturing and

sequestering carbon dioxide were discussed and an agreement regarding international cooperation on the subject was drawn up and signed.

The Rome meeting was useful for establishing the protocols for the exchange of international information, presenting the most interesting joint projects, and describing the developments on the subject in the participating countries.

aimed at mitigating the visual impact and establishing an architectural "identity" characteristic of the Enel Group. Offices, a caretaker's lodge, and parking spaces were completed in 2004 and work was begun on creating areas of greenery in order to improve the external appearance of the plant.

Escatrón (Spain). In November 2004 Enel obtained permission to construct a combined-cycle power station in the town of Escatrón, 70 kilometers from Zaragoza. Fired by natural gas (oil will be used as an emergency fuel), the plant will have 800 megawatts of installed power and an average yield of around 58%. It will replace a 70-megawatt pressurized fluid-bed coal-fired plant with a 35% lower yield.

The project includes the construction of an approximately 8-kilometer gas pipeline connecting the plant to the national natural-gas distribution network, as well as an approximately 120,000-m³ cooling-water reservoir on the site where the previous plant kept its coal.

The high-level performance of the mod-

ern combined-cycle plant will allow its environmental impact to be significantly reduced with regard to atmospheric emissions of NO_x and CO₂, while there will be no emissions at all of SO₂ and fine particles. Work began in May 2005 and the plant is scheduled to begin operating in July 2007.

Termini Imerese. In August 2004, Enel presented a request for doubling the combined cycle of the Termini Imerese power station, in Palermo province, where a combined-cycle plant utilizing the existent steam turbine had recently already begun operating. The doubling consists in the installation of an additional gas turbine, while using the same steam turbine. The installed power of the set will be about 780 megawatts and its yield 56%.

The work will lead to a significant abatement of annual emissions: 100% for SO₂ and fine particles, 66% for NO_x, and 56% for CO. The set is scheduled to begin operating in the summer of 2007.

Santa Barbara. In November 2004, Enel obtained permission to build a natural-

gas-fired combined-cycle unit in the Santa Barbara power station at Caviglia, in Arezzo province. With about 390 megawatts of installed power, this plant will replace one of Enel's oldest thermal plants, dating from the end of the 1950s and consisting of two 125-megawatt lignite-fired units. The transformation also includes a 6-kilometer pipeline that Enel will build to connect the plant to the SNAM gas network. In addition, Enel will carry out extraordinary maintenance work on the hydraulic systems outside the plant and – at the request of Gestore della Rete di Trasmissione Nazionale (GRTN) – Terna will construct a new 380-kilovolt electric station in view of the future development of the distribution network.

With this transformation, the energy efficiency of the Santa Barbara power station will be about 56%. There will also be a decisive improvement in its environmental performance: a 100% reduction of emissions of SO₂ and fine particles, 80% for NO_x, 50% for CO, and 30% for CO₂, as well as an approximately 30% decrease in the consumption of water. ■

A system for the environment

The introduction of environmental management systems in its plants and its activities enables Enel to respond promptly and effectively to the provisions of the law and the environmental problems connected with its electricity production and distribution businesses. The Division of Generation and Energy Management's objective is to install them in all of its generating plants that as of 2008 may be still called into service by GRTN. Certified according to the ISO 14001:1996 standards, the system must be geared to the extent of the impacts caused by the various production processes and adapted to the achievement of the objectives established by corporate directives. There are two guidelines for applying the systems. The first is to adequately train and raise the awareness of the personnel involved in environmental management at different levels, while the second is to develop an internal environmental control process that is able to constantly ensure monitoring and the correspondence of environmental management to the policy and objectives that have been established, as well as compliance with applicable legislation. The production units currently certified according to ISO 14001:1996 international standards manage 70% of GEM's current installed power, compared with 51% in 2003.

The Electricity Network Business Area of the Networks and Infrastructure Division >



Nicola Caracciolo, *Energy is life!*

Scenting microorganisms

Monitoring air quality through the use of vegetal organisms, called biomonitoring, is based on the ecological changes caused by pollution. Several organisms, in particular lichens, mosses, and a few superior plants, have the ability to absorb and accumulate persistent contaminants, which are generally present in the atmosphere at very low concentrations.

These organisms have been widely used in monitoring metals, radionuclids, and non-metals like sulfur and fluorine. Enel has used supplemented biomonitoring to keep a watch on emissions from several power plants (Rossano Calabro, Civitavecchia, Montalto di

Castro, and Fusina), with optimal results, confirming what had already been registered by the physical and chemical control network in use around the plants. Biomonitoring allowed coverage of extended areas around the power plants, also taking into account the specific characteristics of the flora and fauna present. Biological monitoring is currently in progress at the Termini Imerese and La Casella power stations, while in the immediate future biomonitoring networks will also be activated around the Torrevadali Nord and Santa Barbara power stations at the request by the Ministry of the Environment.

has adopted an environmental management system that was developed according to ISO 14001:1996 standards, the first step towards EMAS 2 registration.

The environmental aspects that are significant for the electricity network, evaluated in normal conditions, are: waste production, the generation of electric and magnetic fields, the presence of plants, the holding of oils containing polychlorinated biphenyls (PCB), the holding and use of sulfur hexafluoro (SF_6), energy leaks on the network, water discharges, acoustic pollution, and the holding of materials containing asbestos, while the significant environmental aspects in exceptional circumstances are: fires and the accidental spilling of dangerous substances. The environmental management system adopted by the Electricity Network Business Area has been certified under ISO 14001:1996. As for all certifications of this kind, the document is valid for three years and attests that the Company has adopted a system of environmental management for all its activities regarding the distribution of electricity, including the planning and design, management, development, and maintenance of the electricity network. In effect, the environmental management system is applied by Enel Distribuzione throughout Italy, including both its main headquarters and its 11 Network territorial units, which are divided into 11 High-Voltage Centers, 29 Operating Centers, and 129 Zones, as well as its installations, with over one million kilometers of power

lines (19,000 kilometers of high-voltage lines, 334,000 of medium-voltage ones, and 732,000 of low-voltage ones), and more than 400,000 transformer substations (2,000 of which transform high voltage to medium voltage and 409,000 medium voltage to low voltage). The system ensures continuous monitoring and checks of all the environmental aspects concerned. It should be noted that Enel Distribuzione is the second power company in Europe to obtain this kind of certification for such a large electricity network.

At Larderello, a century ago

On July 4, 2004 Enel celebrated the centennial of geothermy. One hundred years ago, for the first time in history, steam contained beneath the crust of the earth was used to produce electricity. The area around Larderello, in Tuscany, is perhaps the most important example in the world of a geothermal site: in effect, 10% of the world's geo-



thermal production is located there. The geothermal process starts with the drilling of the wells, which can be close to 5,000 meters deep. In the hot, permeable rocks is found the steam produced by the circulation of deep water. Because of the impermeability of the cover earth, this steam does not always reach the surface. The wells are needed to make the steam available through drainage from the deep permeable areas. Enel uses drilling technologies adapted to the particular characteristics of the soil, the fluid, and the tempera-

tures. A well can produce up to 200 tons of steam an hour, although the average quantity is 60 tons. It takes only 7-8 kilos of steam to produce one kilowatt-hour of electricity. Once the steam has come out of the wells, it is channeled in pipes, which at Larderello extend for 222 kilometers. Another 244 kilometers of pipes of a different kind are used to inject the fluids back into the wells, a process that returns to the eco-system part of the fluids used in the production process, thus respecting the balance of the entire geological system of the area. Between the Larderello district, in Val di Cecina, and Mount Amiata Enel has 32 power stations fired by 392 production wells and using 55 of them for re-injection. All together these power stations have an effective power of 699 megawatts and produce electricity amounting to 25% of the require-

ments of all of Tuscany. All the power stations have been automated since 1987 and are managed from a distance-control center. In a further gesture of consideration for the environment, air quality, and local communities, Enel has developed a technology for abating several gaseous components present in the geothermal fluid: the AMIS (mercury and hydrogen sulfate abatement) process. AMIS plants will contribute to the improvement of air quality also by eliminating the particular odors of geothermal sites, to the great benefit of the local residents. Such plants are already in operation at 3 installations and 14 more will be built in the next two years. The environmental value of this technology was acknowledged at the end of 2003 by Legambiente, which awarded the project its "Environment-friendly Innovation" Prize. ■



Giancarlo Caroti, *Shapes in the Tuscan countryside*

Tele is also heating

Geothermal energy is also used for purposes other than the generation of electricity, such as furnishing heat both for houses and for industrial or other business activities. Examples of the kinds of firms that use geothermal heat are: Floramiata, a modern flower-growing establishment in the vicinity of Mount Amiata, which gets from geothermy the heat it needs for its greenhouses, which cover a surface of 22 hectares and are organized into three different centers; Ricci in Monterotondo Marittimo (Grosseto province), which uses geothermal heat in the making and ageing of cheese; Arcadia, in the same area, which raises pigs of the cinta senese breed for the production

of meat, including sausages and salami; and Parvus Flos, which grows vegetables and flowers in its greenhouses in Radicondoli. Then there is the use of geothermal heat to heat houses. In effect, all the houses in the center of Pomarance and the centers of Castelnuovo di Val di Cecina (Pisa province), Sasso Pisano (Pisa province), and Monterotondo (Grosseto province) are heated thanks to geothermal heat, with obvious benefits for the environment and the local economy. Geothermal fluid conveyed to an exchanger heats water circulating in a secondary circuit, which transports the thermal energy into the houses.

Wind in the spotlight

Net of the contribution of pumped storage, 21% of Enel's electricity production comes from renewable energy sources. In 2004 Enel started up 13 new plants built according to criteria of environmental compatibility, with a total installed capacity of 128 new hydro, geothermal, and wind megawatts. Specifically, Enel began production at five new wind plants in Sicily and Sardinia with a total installed capacity of 117 megawatts, amounting to almost half of all the new wind installations in Italy. With these new plants, Enel has become the second-largest Italian producer of wind power, with a total of 247 megawatts installed.

The development plan in this field provides for 240 million euros of capital expenditure in 2005. More than 20 plants will be started up, about one every two weeks.

These wind initiatives are accompanied by a new plan for geothermal exploration and the activation of hydro maintenance services, with the objective of increasing specific knowledge of the maintenance of large plants.

Enel's environmental commitment also continues in renewable energy sources, with ISO 14001 and EMAS certifications planned for all power stations and with the AMIS systems for the abatement of mercury and hydrogen sulfate from geothermal power stations.

Abroad, 2004 saw the continuing commitment of Enel Unión Fenosa Renovables (a company that constructs renewable-source plants in Spain, in which Enel has an 80% stake) to starting up a program of hydroelectric and wind development, which will lead to the installation of 300 new megawatts by 2007. Also in progress

are the activities for constructing a new 40-megawatt geothermal power station in El Salvador for La Geo, a Salvadorian power company in which Enel has a minority interest. Finally, at the end of 2004 Enel Latin America began work on the construction of a new 12-megawatt hydro plant in Guatemala. ■



100% green energy

Enel Energia is the first company in the free electricity market to have obtained "100% green energy" certification, the trademark of ecological energy recognized and supported by Legambiente,

the WWF, the main consumer organizations, and the Association of Renewable Energy Producers (APER). The certification is an integral and essential part of the new offer developed by Enel Energia. Customers who participate in the initiative can gain from their decision to favor the environment by putting the "100% green energy" logo on their products.

To enter into the "green contract", customers must acquire a Renewable Energy Certificate System (RECS) certificate from Gestore della Rete di Trasmissione Nazionale (GRTN), which attests that a determined quantity of electricity was generated from renewable sources. The RECS is a European program for promoting renewable energy. The certificates are issued to producers generating elec-

tricity from renewable sources in proportion to the quantity of electricity produced and are not sold in the electricity market, but in a separate one, which is not limited by the restrictions connected with transmission and distribution.

The following have already subscribed to Enel Energia's offer: Società Generale Acque Minerali – owner of the Acqua Lete, Acqua Prata, and Acqua Frizzarella brands – which also promoted the initiative with a radio, TV, and newspaper advertising campaign; ATA Hotels, one of the largest Italian companies in the travel and hotel industry, which acquired certification for their Tanka Village Resort in Cagliari and Naxos Beach Resort in Taormina; Mirage, a leading company in the fields of flooring and facing, which decided to use green energy for the entire production chain of its "Ceramic Granite" in the mountains near Modena; the >

Water and wind for 40,000

Enel's largest wind farm in Sardinia – which produces electricity for about 20,000 families – is located near Tula, in Sassari province, at an altitude of 680 meters. Inaugurated in the spring of 2004, the wind farm consists of 28 wind generators with an installed capacity of about 24 megawatts and can avoid atmospheric emissions of carbon dioxide amounting to 32,000 tons a year. It respects the landscape and nature, as well as the pre-existent activities of the area. In effect, the generators were installed along the already existent fire-containment paths of the forest area. In addition, all the excavation material was utilized in order to preserve the shades of color typical of the place and

numerous long-trunked plants representative of the native Mediterranean vegetation were planted. Access to the wind farm by road from Tula and Erula was facilitated by the improvement of the connection between the two towns. The plant area overlooks another important site: the Coghinas hydro basin, which serves the power station of the same name. Thus water and wind come together in this zone of Monte Acuto, where the electric power generated from these two renewable sources amounts to the requirements of about 40,000 families and avoids atmospheric emissions of carbon dioxide totaling about 60,000 tons a year.



Pier Giorgio Bertoncetto, *The Brenta*

Grande Albergo Cipriani in Roccaraso; the Cariolaro Paper Mills in Padua province; the Prosciuttificio Brendolan in Vicenza province; the Municipality of Viareggio, for its school buildings; and the Auditorium Parco della Musica in Rome. This kind of supply costs about 3.5% more than the normal one. Customers get returns in terms of image and reputation. Part of Enel Energia's margin is donated to the non-profit association REEF, which owns the "100% green energy" logo and is dedicated to the development and promotion of renewable energy. ■

The hydrogen challenge

Hydrogen is the most abundant chemical element in nature, but its molecule is not found in the uncombined state and must be produced from complex substances (water, methane gas, ethanol, coal, biomass) and thus cannot be considered a primary source of energy. Hydrogen can be produced in various ways, and this is important for the diversification of primary energy sources. It can be produced from fossil substances or biomass by a process called "gasification" and can be separated from water by electrolysis. Hydrogen stores the energy that is expended to produce it and can be conserved and transported. It works like a normal fuel or like a battery: a real "energy carrier", a means with which to transport energy.



Claudio Critelli, Cypress

The advantages of using this carrier consist in the fact that when it is used it generates only water and, in case of combustion in air, nitrogen oxides. Thus neither CO₂ nor other pollutants are emitted. For the production of small amounts of electricity, hydrogen can be used in fuel cells, in which energy conversion – carried out electrochemically – is extremely efficient and with zero emissions. For the production of medium and large amounts, hydrogen can be used as fuel in appropriately modified gas turbines. Enel carries out research in the field of hydrogen regarding both production and uti-

lization. With regard to the former, activities are concentrated on the production of hydrogen from coal with the objective of reducing its cost to the minimum through the use of the most economical fossil source and thanks to the possible technological integrations with the Company's coal-fired plants. As far as utilization is concerned, research is directed to the development and demonstration of extremely efficient innovative cycles that can produce electricity with zero emissions.

To try out this technology, Enel will use a pilot plant at the Pietro Vannucci power plant in Bastardo, near Perugia. In addi-

tion, as part of the Hydrogen Park Consortium-Marghera, in 2004 Enel signed an agreement for creating one of the world's most important centers for the production, use and development of hydrogen. Enel is also examining the possibility of constructing another experimental plant for producing hydrogen from coal and a subsequent hydrogen thermoelectric cycle at the Fusina/Marghera production center: an industrial-size (16 megawatt) hydrogen-fired combined cycle that will produce electricity in 2007. It will be the first plant of this kind in the world. ■

Kyoto: what it is and what it means for Enel

As part of the third Conference of the Parties (COP 3), in December 1997 the Kyoto Protocol was signed in Japan. It committed the industrialized countries and those in transition to a market economy to contain their total emissions of greenhouse gases. Meeting these commitments would entail a reduction, by the period between 2008 and 2012, of the total annual emissions of greenhouse gases of these countries by at least 5% with respect to the worrisome levels of 1990.

The percentage reductions are differentiated and each country negotiated its own reduction goals. The United States must reduce its emissions by 7% with respect to 1990 and Japan by 6%, while

Russia, Ukraine, and New Zealand are not obliged to reduce, but rather to stabilize their emissions (0% increase). Several nations, such as Norway, Iceland, and Australia are even permitted limited increases (+1%, +10%, and +8%, respectively) of their emissions.

As far as the European Union is concerned, the overall reduction goal was set at 8%, which, however, is divided among the member states according to a burden-sharing agreement signed by the E.U. Ministers of the Environment at the meeting of the Environment Council on June 17, 1998. In order to comply with this commitment, in December 2002 the Inter-ministry Committee for Economic Planning adopted its resolution n. 123

approving the National Reduction Plan regarding greenhouse gases.

The plan provides for two scenarios for 2010: a trend one, constructed by taking into account the measures already taken or in any case decided for the reduction of greenhouse gases, and a benchmark one, drawn up on the basis of measures pinpointed as of June 30, 2002 and to be implemented during the period in which the plan is valid.

Specifically, the benchmark scenario establishes the emission limits for each sector of production (energy industries, construction, transportation, agriculture).

Recently, on April 20, 2004, the Ministry of Productive Activities, in agreement with the Ministry of the Environment pub- ➤

lished the outline of the National Assignment Plan (NAP) regarding the emission shares that the Italian government intends to assign to the business sectors included in European Community directive 2003/87/CE. The NAP also establishes the procedure for calculating and assigning the reserve of shares to the so-called new entries, that is, plants that will start operating during the three-year period 2005-2007. Two additional draft ver-

sions followed, which were published in July 2004 and February 2005, respectively. The latter version presented for the first time the idea of allocation at the level of single plants. The NAP is currently being analyzed by the E.U. Commission, which will decide whether or not to accept it.

Enel believes that, as proposed by the Ministry of Productive Activities and the Ministry of the Environment, the NAP may be accepted, because – as already explained – it aims to safeguard both supply security by an appropriate modification of the fuel mix and the competitiveness of Italian firms.

In any case, given the current number of thermal power plants and the plans for

their conversion, the management of CO₂ emissions will be a more and more important aspect in the definition of Enel's strategies. Enel's conversion plan is balanced and sufficiently diversified, and the increase in emissions deriving from increased production will be offset by an equally large change in the choice of energy sources. The use of fuel oil will be replaced by the more modern and efficient combined cycle gas turbines (CCGT), which run on gas and whose CO₂ emission factor is less than half of that of fuel oil.

Having already adopted an environmental policy based on the application of innovative technologies, the constant improvement of the efficiency of its indus-

The sun in the lamp

In cooperation with Enea - the national agency for alternative energy sources – Enel is continuing its commitment to the Archimedes Project: the first application in the world of the integration of a combined cycle gas turbine and a thermodynamic solar plant. Enel and Enea are examining the possibility of building the experimental plant at the Priolo Gargallo power station near Siracusa. The large solar plant will be built on adjacent land owned by Enel and will increase the power of the existing combined cycle plant by 20 megawatts. Enough additional power will be produced to satisfy the requirements of a city with 20,000 inhabitants, with a saving of 12,500 tons of oil equivalent a year and a reduction of 40,000 tons a year in CO₂ emissions. The Archimedes Project will use a high-yield technology that produces electricity from the sun, even at night and when the sky is cloudy, thanks to a mixture of salts that conserve the heat collected during the day for a long time. In 2004 the activities regarding the working plan for the plant were carried out: the integration with the combined cycle was analyzed and the preliminary design of the components was completed.



trial processes, and the management of its plants in accordance with the international procedures required by the ISO 14001 certification and EMAS registration systems, Enel is thus ready to accept the challenge of the market for carbon dioxide emissions.

As early as 2000, this policy led Enel to sign a voluntary agreement with the Ministry of the Environment and the Ministry of Industry regarding limits on the emission of greenhouse gases, committing itself to reducing its CO₂ emissions by the end of 2006, mainly through actions in the thermal and renewable-energy fields and on the distribution network. ■



Danilo Tanara, *Energy walking on a wire*

Environmental litigation

According to Enel's Consolidated Financial Statements for 2004, environmental litigation mainly regards the installation and operation of electric plants and presents common issues for Enel Distribuzione and Terna, which succeeded Enel in their respective relations. Enel Distribuzione and Terna are involved in various civil and administrative proceedings, in which the plaintiffs request that the portions of the electricity network they own or have at their disposal be moved or the way they are operated modified because of their alleged harmfulness, even though the plants were installed in accordance with the relevant laws in force.

In some of these proceedings there have also been requests for compensation for the damage allegedly caused to health as a result of exposure to electromagnetic fields. From the procedural point of view, people who live in the vicinity of the plants frequently petition courts for urgent procedures in order to obtain the precautionary suspension or modification of the operating conditions of the latter. Nevertheless, it should be noted that the trend regarding the outcomes of the litigation in question is positive for Enel. With regard to the rulings concerned, in effect, only in sporadic cases – and, moreover, for precautionary reasons – have there been unfavorable decisions, all of which have been appealed. So far, there has been no definitive negative decision on the merits of any case and in no case has the request for compensation for damage to health been granted.

With specific regard to Enel Distribuzione, there are also legal disputes concerning the electromagnetic fields of medium- and low-voltage transformers located inside buildings, which, however, always comply with the induction limits established by Italian law. The situation regarding this litigation has taken a turn more favorable to Enel since the

framework law on protection from electromagnetic pollution (n. 36 of February 22, 2001) and the related implementing decrees (DPCM n. 11719 of July 8, 2003 and DPCM n. 11723 of July 8, 2003) became effective.

In effect, the intention was to create uniform national regulations on the issue by establishing the “exposition limits”, “prudential values”, and “quality objectives”, which were concretely specified by the aforesaid implementing decrees of 2003.

The new regulations regard both low-frequency infrastructure (such as transmission and distribution lines and distribution transformers) and high-frequency infrastructure (such as that used for telephony, including mobile-telephony services).

Also provided for is a ten-year program, from the day these decrees went into force, for renovating the national network and adapting it to the new exposure levels, as well as for recovering through rates all or part of the expenses incurred by the owners of the transmission and distribution lines and the substations according to criteria that will be determined by the Electricity and Gas Authority, pursuant to law n. 481/95, because such costs were borne in the general interest.

Also pending are several disputes regarding city planning, the landscape, and the environment connected with the construction and operation of several production plants and transmission and distribution lines. For a limited number of them it is not possible to exclude negative outcomes, whose consequences could consist in costs connected with the modification of the plants and their consequent temporary unavailability, as well as the possible payment of damages. Such costs cannot be objectively determined at the present time.



Renewable-energy campaign

MORE EFFICIENCY, FEWER EMISSIONS

With the completion of the first of two units at the Termini Imerese power station, in Palermo province, in 2004 the extremely efficient (55%) combined-cycle plants exceeded 5,000 megawatts of installed power. Another 1,100 megawatts will be available when work is completed on the conversion of the Termini Imerese and Santa Barbara (Arezzo province) power stations. The share of high-yield gas allows Enel's power plants to also use "poorer" fuels. Exploited by advanced technologies, the latter make the overall fuel mix more flexible and balanced. In effect, in 2004 natural gas and coal accounted for 44% and 32%, respectively, of gross thermal production, while fuel oil (22%) was destined to play a minor role. Also in 2004, work was begun on converting the Torvaldaliga Nord power station in Civitavecchia to coal. Thanks to the greater efficiency of the new plant (45% as opposed to the 38% of the old one), there will be a reduction in carbon dioxide emissions. Enel also maintained its commitment to renewable energy sources, which accounted for an increase in electricity production amounting to all of 2,800 million kilowatt-hours. At over 21%, this is the largest contribution to the Company's total electricity production in the last five years. With regard to renewable-source plants, wind

farms practically doubled their installed capacity (which is now about 250 megawatts) and the renovation of three hydro plants increased installed capacity by a total of 150 megawatts. With respect to 2003, specific emissions of sulfur dioxide (1.0 net grams per thermal kilowatt-hour), nitrogen oxides (0.6), and fine particles (0.04) registered a modest increase (less than 10%), which was due to the change in the fuel mix. The following data complete this concise presentation of environmental results: a large increase in the recovery of waste water and the use of untreated sea water, which cover 35% of the Company's water requirements for industrial use, in spite of an increase in water requirements for thermal production (28%); the extremely high incidence (95%) of the recovery of special waste with respect to the quantity produced, with total recovery of coal ash and gypsum from desulfurization; the constant growth of the number of low- and medium-voltage power lines in overhead or underground cables (that is, insulated wires), which now account for 83% and 39%, respectively, of the entire low-voltage and medium-voltage networks. The environmental results achieved in 2004 allow Enel to view optimistically also the application of the National Assignment Plan provided for by directive n. 2003/87/CE,

which institutes a system for trading emissions of greenhouse gases within the European Union. Aimed at containing the cost of reducing emissions of carbon dioxide, emission trading is one of the flexible mechanisms provided for by the Kyoto Protocol. In spite of the slight increase (3% with respect to 2003) by thermal plants of specific emissions of CO₂, which rose from 670 grams per net total thermal kilowatt-hour in 2003 to 690 in 2004, there was a further reduction in total specific emissions of carbon dioxide, which fell from 519 grams per net total kilowatt-hour in 2003 to 504 in 2004. With respect to 1990, when the figure amounted to 618 grams per net total kilowatt-hour, there was a reduction of 18%.

In addition, the adoption of certified systems of environmental management continued in 2004:

- > on its way towards the objective of endowing all its "organizations" (business units) and power stations with ISO 14001 certification and subsequently registering them according to the E.U. EMAS regulations, the Generation and Energy Management Division has so far certified 70% of its production capacity under ISO 14001, while 28% is also EMAS-registered;
- > ISO 14001 certification was also obtained for the entire Electricity Network Business Area of the Networks and Infrastructure Division, an event that was accompanied by impressive training activity involving more than two-thirds of the operating personnel.

Enel's commitment to the environment also concerns its plants abroad, in particular with programs for improving the environmental impact of the thermal ones located in Spain and Bulgaria and with an increase in production from renewable sources, especially through interesting initiatives in the geothermal field in Latin America. Environmental activities and results are discussed in detail in Enel's Environmental Report, which can be downloaded at http://www.enel.it/azienda/investor_relations/bilanci_documenti/bilancio_ambientale/.



62,000 OF US TO ENSURE THE BEST ENERGY

Enel is a company that at the end of 2004 employed almost 60,000 men and women at 1,550 offices in Italy and almost 1,800 people abroad in the production of electricity, the distribution and sale of electricity and gas, and diversified services. A complex organization that has to be managed with the most attentive consideration of strategy requirements and respect for its human resources, who are also stakeholders of the Company.

Paolo Ruzzini, Head of Personnel and Organization, is guided in his work by two fundamental values. "Two values that I consider the most strategic: making the best use of and enhancing the abilities of all our resources and management transparency," he says. "Our daily work is focused on getting to know and discussing with our resources. Knowledge and discussion, that is, are the key words for whoever is in charge of personnel in an organization and thus manages a company's most precious resources: people. Every decision and action of my colleagues in the personnel area goes resolutely in the direction of more and more individualized management of our resources and direct involvement of the latter in achieving the corporate objectives."

The key figure in this process is the person responsible for managing human resources. This is a new profession, which has the task of promoting the development of expertise, stressing excellence in accordance with operating requirements and the objectives of each Company sector. "All of this," says Ruzzini, "is supported and disseminated by organizational communication that is as transparent and clear as possible." The ambition



is clear: to create an Enel model for personnel management. "We're doing it through the activities that we're developing," he explains. "Of course, it's not easy to get so many people – with different histories at Enel, as well as with different and highly specialized fields of expertise – to share the same values, maintain them through the ever more frequent organizational changes, and apply them to their everyday work. But precisely the complexity of our organization led us to elaborate and perfect a management model based on the excellent capabilities and the development of our resources."

And the model – Enel's professional system – is something more than a simple census of individual abilities and expertise. During 2004 it was revised and updated. Now, as Ruzzini says, "it constitutes a link between the Company's growth strategies and its resource management policies, from recruitment and evaluation processes to decisions regarding development and training."

The Personnel and Organization Department is also entrusted with relations with the trade unions that represent the people who work with Enel. In 2004 there were intense discussions with the unions, regarding both negotiations and the carrying out of significant organizational transformations. Ruzzini says that, from this point of view, he believes "the most important event of 2004 was the signing in December of the agreement with the unions regarding the new performance-based bonus." The agreement replaced the preceding regulations, which were established in 1996 and followed by a long series of extensions. In practice, the bonus is divided into two components: corpo-



Donatella Mancusi, *Energy washing*

rate profitability, which is linked to the general performance of the Company, and productivity and quality incentives, which are linked to the achievement of objectives established by the divisions and companies. On the other hand, an issue that in the first half of 2004 engaged the local offices entrusted with electricity distribution was checking the extent to which the activities considered to characterize and distinguish the electricity industry were maintained within the Company and the guarantee of operations achieved through the availability of personnel entrusted with ensuring production and service continuity.

"In spite of a few moments of heated debate," Ruzzini continues, "the result of the check was positive, thus completing a process that had begun in 2002 and was the subject of an agreement signed in July 2003." And he concludes: "Finally, we started a discussion on the subject of strikes. I'm bringing this up last to highlight how extremely significant it is, given that Enel provides the country with a public utility service of primary importance. The discussion will continue in 2005 and concerns the revision of an agreement signed in 1991 regarding the exercise of the right to strike in essential public services. Enel needs to preserve regulations that for a long time have allowed electricity workers to strike without affecting customers. However, the Company is also proposing something new: a limited experiment with virtual strikes, that is to say, a form of protest that does not involve suspending work and thus does not impair the functioning of the service. If it is adopted, Enel would be the first company in Italy to carry out a significant, large-scale experiment in this regard."

Safety: an absolute priority

For Enel, electricity and on-the-job safety have always been inseparable. In 2004 the most challenging endeavor undertaken by the Company was its investment in training and organization. More than 280,000 hours of training – an average of 4.7 hours per person, about 20% more than in the previous year – dedicated to the subject of on-the-job safety, with technical instructions and precise operating requirements. More than 6,500 people engaged to various extents in protecting the safety and health of workers: at the end of 2004, more than one out of ten people had jobs regarding first aid or specific roles in case of an emergency. The effort to coordinate the resources involved enabled the Company to comply with the requirements of the law as well as to successfully carry out projects and initiatives regarding risk prevention and safety management regarding all personnel. Enel also cooperated with other companies in the electricity industry on matters such as risk prevention in activities affecting third parties. The safety of workers is one of Enel's permanent objectives. But how is it possible to monitor it and ascertain whether it has actually been achieved? Enel thus adopted two indices: the frequency index, that is the ratio between the number of injuries and the number of hours worked (expressed in millions) and the severity index, based on the ratio between the number of days of inactivity because of injuries and the number of hours worked (this time calculated in thousands). In 2004, the frequency index fell to 9.4, while the severity index was close to 0.30 out of a total of 983 injuries (1,033 the previous year). Of these, two of the three cases of fatal injuries regarding Enel personnel were caused by electricity and one involved an automobile accident that occurred during working hours. As far as the workers of contractor firms are concerned, the number of accidents during work on behalf of Enel remained constant, while there was a reduction in the number of serious and fatal accidents regarding third parties connected with Enel infrastructure.

If opportunity is equal

They are 12 women: 6 designated by the trade unions that represent the people who work at Enel and 6 designated by the Company at various organizational levels and in various areas. It is Enel's Equal Opportunity Commission, which has been working since 1986. "Equal opportunity is a general principle connected with the prohibition of discrimination, but here at Enel this principle is concretely applied in

all fields of activity," says Paola Giannone, the Chairperson. Enel was the first enterprise in Italy to institute such a commission, which is still engaged in analyzing the situation of women in the Company and proposing the most appropriate solutions for removing the obstacles that can make women's careers complicated and difficult. "Over the years," Giannone explains, "the Commission has received

many awards at both the national and European levels, especially for its bilateral nature, which enables the Company and the unions to work together on such a delicate matter, one which cuts across many activities and categories. But that's not all. The fact that it is part of the Department of Personnel and Organization enables its proposals to be translated into actions, projects, and initiatives."

In early 2004, the Commission was almost entirely renewed. "During the year," Giannone says, "in addition to meeting



Alfredo Pizzighello, *Laundry in the wind*

the obligations of the law, such as the bi-annual report on male and female personnel, we were also able to promote new contacts with the institutions, analyze the feasibility of corporate day-care centers, and present a project dedicated to the women and men who work in the contact centers."

With regard to the Commission's objectives for 2005, Giannone says that "our commitment for mainstreaming the full professional development of female re-

sources and the systematic integration of the respective priorities and needs of women and men becomes fundamental. In addition, we have started to examine specific measures for reconciling private life with work life. The first activity of 2005 will be to promote at Enel a study of the female population. The last investigation of this kind dates from 1987. Since then, the Company has changed and the women who work there have also changed."

At work school

For Enel, training represents a fundamental instrument for enhancing the abilities of its human resources. Innovative solutions for sharing knowledge, strategies aimed at continuous learning, original pedagogical approaches, together with careful selection processes, constant research activity, and a close relationship with universities: these are the instruments with which Sfera, the Group company dedicated to training, accompanies the different phases of the professional experience of the people who work at Enel.

Training initiatives are planned according to the specific organizational and educational needs of the beneficiaries. Aimed at ensuring the dynamic integration of capabilities and transmitting and sharing the corporate culture, they break down into: executive training, profession-based projects, institutional training, change-

management projects, and training on specific issues and on basic capabilities and knowledge. In addition, specialized activities cover the most specific training requirements of technical and industrial processes, in particular those regarding the operation and maintenance of electricity generation and distribution plants. In order to satisfy the need for continuously keeping its human resources up to date, since 2001 the Company has been using the Enel Distance Learning System (EDLS), an integrated environment of distance training services that is accessible from both work stations and home. Thanks to the EDLS, the people who work at Enel can choose from 1,400 online courses, in which a team of tutors constantly assist them by providing explanations and entering into discussions. The courses break down into various subject areas: from information techno-

Code of Ethics

The course dedicated to the Code of Ethics was created in 2002, just after Enel published the document, and was updated in 2004 with the changes made in the text when it was first revised.

The course is based on the principle of "online self-teaching" and its objective is to explain and disseminate the culture of the Code throughout the Company. It therefore presents the most important aspects of the Code, dwelling on the institutional aims that led to its adoption, its general principles, and its criteria of behavior, as well as analyzing its application in a concrete case. Enel's personnel can follow the five lessons that make up the course, benefiting from the multimedia content and measuring their individual learning levels through interactions and self-testing. The course has been assigned to all Enel personnel and has been published both online and on CD-ROM, so that everyone can use it.

logy, foreign languages, safety, and executive development to subjects regarding more specifically the Enel world, such as the course on the Code of Ethics, which was recently updated to include the basic issues of corporate social responsibility. In addition to the courses, the EDLS also makes it possible to consult a number of instruments that are useful for work and professional development: Italian-, English-, and French-language dictionaries, the four law Codes (Civil, Civil Procedure, Criminal, and Criminal Procedure) and complementary laws, thematic newsletters, useful websites, and much more.

How evaluation works

Personnel evaluation is a corporate process that is aimed at putting to the best use and enhancing the abilities of human resources and that helps clarify the training needs and opportunities for professional growth.

At Enel, the evaluation system exploits the potential of the corporate intranet and makes it possible for human resources to share with their heads the results achieved and, if training seems advisable, to examine the various possibilities.

The role of evaluator is generally performed by the heads of organizational units, who are entrusted with the evaluation of the people who work under them. The close relationship between the evaluator and the evaluated makes the process more reliable. It is precisely in order to ensure the characteristics of a close relationship and first-hand knowledge that in the more complex organizational units provision is made for a mechanism of delegation whereby the head – in agreement with the Department of Personnel and Organization – may designate someone to evaluate other human resources with

whom he or she is in closer contact.

The person evaluated, on the other hand, is not passive. The process provides for a final conference, which is a time for exchanging opinions and for the head to explain both the strong points and the areas needing improvement, as revealed by the evaluation.

In addition to providing the Company with information useful for formulating

new actions for developing human resources and making the best use of their abilities, these conferences constitute an opportunity for formally verifying capabilities and the contribution made by each person to the achievement of the unit's objectives.

The Department of Personnel and Organization supports and assists the evaluators and performs a fundamental role in analyzing the results and preparing the consequent actions regarding management, training, and development. ■

How you enter Enel

For the last few years Enel has chosen to adopt a philosophy of human-resource management based on enhancing and making the best use of the capabilities of the people who work at the Company, with the objective of developing internally both the technical personnel and the managers of the future. For this reason, Enel hires mainly people who have just graduated from high school or university, with the intention of having them grow inside the Company and training them in the various professions.

Within this framework, selection aims to ensure that the candidates chosen possess the capabilities expected in the various entry roles as well those that will strengthen the Enel brand on the most prestigious segments of the labor market. To this end, Enel actively cooperates with the leading universities both by providing support for the most interesting educational initiatives and by meeting students and offering thesis and internship projects. On all of these occasions Enel presents itself as a school

Teaching the environment

Developed in 2004 by Sfera, Enel's training company, the course presents the specialized content of the environmental management system of the Electricity Network Business Area. It was developed in accordance with UNI EN ISO 14001 regulations and emphasizes

the Company's commitment in the field, as also attested on video by its top management. The course is aimed at all the personnel of the Electricity Network Business Area, but its use is differentiated in order to satisfy specific professional needs: those of the heads of zones

and high-voltage centers, operating personnel, and specialized technical personnel. In addition to the introductory video-interview, the course offers multimedia content, in-depth material, useful links to websites, and interactive instruments for self-testing.



Giuliana Neroni, *Home at last*

company, that is, as one of those companies that greatly enrich the people who work there by allowing them to participate in important and stimulating projects in a complex, rapidly evolving industry.

In order to ensure uniformity in its relations with universities and other schools (in addition to uniformity in using methods and instruments), the selection process is centrally governed by the Parent Company, which also manages

the corporate data bank.

The selection process differs according to the nature and number of the positions open. In general, it provides for both group tests (aptitude as well as achievement regarding professional and technical knowledge) and individual interviews with representatives of the Department of Personnel and Organization and the organizational units concerned. For young people without specific work experience, the hiring procedure is consti-

tuted by a so-called introduction contract. The introduction into work is carried out with great commitment and attention through a gradual process of getting to know the Company, which balances training and work experiences. At the end of this period, there is a review conference, which not only provides an opportunity to evaluate the selection and any problems that may have emerged, but also allows the subsequent step in the Company to be identified. ■

Cascade communication

In 2004, Enel initiated a process of internal communication which, cascade-style, reaches the people who work at the Company. Enel's "Cascade" (this is the name of the process) went into operation on February 25 with a day entirely dedicated to the Enel Management Forum, an occasion for the Company's top management to meet and discuss with their closest staff (100 executives) about strategic, organizational, and operating issues with which Enel has to reckon. Thanks to a remarkable organizational effort, beginning with this meeting, all of Enel's departments and subsequently the people who work in them were gradually informed of and asked to subscribe to the strategic objectives and the path to "excellence", the watchword with which Enel expresses its constant commitment to improvement in all its activities.

At Enel, communicating and sharing the top management's key messages with the people working under them is the first responsibility of every department and unit head. It is of fundamental importance that all the people at Enel be familiar with the scenario in which the Company is positioned and the objectives that it has set for itself.

The "Cascade" is not a one-way communication process. At the meetings that took place during the year, question-

naires were distributed whose purpose was to learn about the needs of the personnel with regard to communication. This activity of collecting feedback will be even more thorough in 2005 with regard to both the "Cascade" and all the other channels of internal communication.

Attention to communication within Enel is such that it has led to the establishment of a coordination committee to focalize common guidelines and promote the best initiatives through the corporate instruments available: from the monthly "Enel Insieme" to Enel TV and the new portal inEnel. ■



"Enel Insieme", the first issue of Enel SpA's internal communication monthly

“Enel Insieme”

The first issue of Enel Insieme, the information monthly dedicated to the people who work at Enel, came out at the end of February 2004. Published in both print and online versions, the periodical consists mainly of four sections: The Fact, The Company, The Region, and Professions. The Fact contains the topics that each month are most interesting and have the greatest impact from Enel's point of view; The Company covers an extensive range of subjects, from sales plans, productive processes, and safety to the environment, international issues, and corporate social responsibility; The Region is the section dedicated to Enel's initiatives and projects in the various Italian regions; and Professions, finally, presents a cross-section of all the professions at Enel, from the most technical ones to those regarding support staff. Other features of “Enel

Insieme” are Antiquities (a kind of “how we used to be”), Stories of Today (which tells about significant experiences of colleagues engaged, for example, in social-service activities), Being Enel (dedicated to the projects, conventions, and initiatives planned month by month for the people who work at Enel), and The Last Page (which hosts letters from readers). And on the subject of letters, as of the end of 2004 about 200 emails had arrived at “Enel Insieme”'s box, all of which were answered. At the end of 2004 it was decided to no longer distribute the print version to only some of the personnel (22,000 copies to people at Enel who do not have access to the intranet), but to make it available to the entire Enel population. From January 2005 the circulation increased to 58,000 copies, while the online version remained available on the intranet.

Are they really like you would want them to be?

“Intranet, the corporate periodical, and TV: are they really like you would want them to be?” With this question Enel launched in 2004 an investigation of the instruments of internal communication, which was carried out through the corporate intranet. With 3,000 answers in one week, the survey had a positive response from the internal public. This is an important result, because the answers offer a cross-section of user opinion and represent – thanks to criticisms and suggestions – a point of departure for making changes and adjustments in the future. Several requests have led to concrete actions, such as the distribution of the print version of “Enel Insieme” to all the personnel. Other suggestions were accepted for the new edition of the portal (on line from February 2005). What do people want from the corporate intranet? In the first place, to be able to find out quicker what is on offer, a more extensive offer of instruments that are useful for work, and more information about Enel in the different regions of Italy. Among the changes suggested for Enel TV, the request for more information about the various professions at the Company stands out, as well as that for more information on less well-known activities and Enel's strategies. The document with the complete results of the investigation is available to everyone in a dedicated section of the intranet.

Enel's TV

Enel TV is an innovative internal communication instrument for talking with the people who work at the Company.

Through Enel TV – a real television network – it is possible to inform colleagues about corporate strategies, initiatives, and events promptly and accurately.

Over the years programming has been revised according to the communication needs and the requests of Enel's personnel. In 2004 the current programs were launched, with daily news and press review, TV-news-style filmed stories, interviews, reports, and in depth-features to tell about the life of the Company.

The first few months of 2005 saw the introduction of the new formats planned in

2004, which aimed to give voice and visibility to the people who work at Enel: “A day with ...”, for example, or “Ask ...”.

The former is a space dedicated to telling about the Company from a point of view that is perhaps not very visible, but fundamental for achieving the objectives: a day with the call-center personnel, among the workers at a power station, or in the company of an emergency repair squad. The latter program, instead, provides an opportunity for a dialogue between area heads and the corporate audience. Proposed in advance, through the inEnel portal among other channels, the suggested subjects are collected and selected by the editorial staff, which passes them on to the “expert”, who then answers questions in the studio.

Enel TV also provides another very useful

service: encrypted transmissions, which only a predetermined audience may be authorized to watch.

Currently under study is a more extensive use of this kind of transmission in synergy with the Enel Distance Learning System.

inEnel

Launched at the end of February 2005, inEnel is the new intranet portal, which is common to all employees and is differentiated according to the characteristics of each user. It is an instrument "in progress", which will evolve along the lines of a large and ambitious project aimed at creating a real internal portal for knowledge management that is open to the suggestions and proposals

of its users. All the activities regarding the design of the structure and the instruments for managing the areas dedicated to professional communities and families were completed in 2004. In addition, planning the communication areas and services addressed to all Company employees was initiated. Today, just a few months after its launch, inEnel is already – and in the future will be more and more – a unique way of benefiting from the internal information and services that the Company makes avail-

able. At the same time, it allows the creation of spaces dedicated to specific segments of the corporate population, represented by the communities. Documents, services, information, and programs can be managed and shared. In this way the portal offers an environment that facilitates the dissemination, exchange, and use of the instruments necessary for doing one's job. At this early stage, inEnel serves hundreds of communities that are already active and enables hundreds of thousands of documents to be managed. Among the instruments that will facilitate cooperation are the forum and the areas where different communities can work together and exchange documents.



Intranet portal "inEnel"



QUASAR

Efficiency fosters solidarity. With the QUASAR project – which consists in the improvement in organization and yield achieved at Enel's power plants thanks to the suggestions of the people who work there – part of the financial saving at each plant will be given to a local solidarity initiative through Enel Cuore Onlus, which will match the sum.

The initiatives will be dedicated to social work and health, charity, amateur sports, and the defense of the civil rights of disadvantaged individuals, with particular regard to the disabled, the ill, children, and the elderly.

The projects to support will be selected by the workers at the individual plants, following the method adopted by the Generation and Energy Management Division and in accordance with the goals stated in the bylaws of Enel Cuore Onlus. The first pilot initiative was begun at the end of 2004 at the Fusina power station. The beneficiary that will receive the contribution is the Riviera del Brenta branch of the ANFFAS, a non-profit association of families with subnormal members. This branch runs a center in Oriago, in Venice province, that assists the disabled and improves the quality of their lives.

In 2005, QUASAR will enable up to 500,000 euros to be contributed in support of social solidarity.



In 2004 Enel launched an awareness-raising campaign on smoking at the Company, where it was forbidden even before the national prohibition law went into effect in January 2005. The above sign forbidding smoking on the premises was put up in Enel offices throughout Italy.





INSTITUTIONS AS STAKEHOLDERS

Aware of the influence that the regulation of the energy industry has on its business activities, Enel manages its relations with institutions at the national, E.U., and international levels responsibly and transparently.

Among the most important of such institutions are the Parliament, ministries, authorities, and regional and local governments at the national level; the Parliament, the Commission, and the Council at the E.U. level; and various institutions, associations, and forums at the international level.

The Parent Company's Department of Public and Regulatory Affairs is entrusted with representing the interests of the Group in the appropriate places, assisting the top management, and evaluating the impact of both national and E.U. regulations.

Enel manages its "regulatory risk" by constantly discussing with all institutional stakeholders and participating actively in the establishment of policies regarding both energy and the environment. Such discussion always takes place in accordance with the rules of fairness and transparency and in total compliance with all laws and regulations.

In particular, regulatory authorities provide for notice and comment procedures, which ask companies to express their opinions on technical documents that will subsequently be used in drawing up specific regulations.

Enel constantly takes part in these procedures, punctually furnishing its observations.

It is thought that in the future the analysis of regulatory impact



Claudio Giuliani, *Energy: color and movement*

may constitute an important instrument for assessing the costs and benefits of a given regulation. Other instruments could consist in the establishment of programs and agendas by the various institutions and authorities so that they can announce clear and transparent objectives to the market and ensure companies and investors greater certainty.

Enel also actively participates in the elaboration of standards and guidelines regarding quality through:

- > its presence in Italian (UNI and CEI) and international (ISO, CENELEC, and IEC) bodies;
- > its participation as a promoting mem-

ber in SINCERT (accrediting body of certification agencies), with a representative on the Board and on the Steering and Control Committee;

- > its signing of the memorandum of association of the Single Accrediting Body for Institutes of Certification (SIAC);
- > its membership on the boards or on the certification committees of several of the most important Italian institutes of certification (IMQ, ICIC, ICIM, ICMQ).

The proper and complete implementation of a quality system according to the UNI EN ISO 9000 standards is one of the essential requisites Enel requires of a firm for the latter to be qualified as a supplier. For Enel, the objective of supplier certification is to replace direct investigations. In addition, Enel is present in the most important industry associations:

- > Eurelectric (Union of the Electricity Industry), which brings together European electricity companies;
- > E7, which comprises the 9 largest electricity companies in the G7 countries and whose purpose is to promote investment and training projects for sustainable development in less developed countries;
- > OME (Observatoire Méditerranéen de l'Énergie), whose purpose is to develop cooperation among the energy companies that operate in the Mediterranean basin;
- > Medelec (Comité de Liaison Méditerranéen des Associations d'Entreprises d'Électricité), which promotes the Mediterranean area;

- > World Economic Forum, an international foundation that brings together the one thousand most important economic, institutional, and academic organizations in the world;

- > EFET (European Federation of Energy Traders), whose objective is to improve the conditions of energy trading in Europe;

- > OCIMF (Oil Companies International Marine Forum), which groups the most important oil companies with the aim of promoting activities regarding the safety of transportation by sea;

- > GIIGNL (Groupe International des Importeurs de GNL), which counts more than 40 companies in 15 countries in Europe, the Americas, and Asia that import LNG;

- > Aspen Institute Italia, whose objective is the internationalization of Italy's entrepreneurial, political, and cultural leadership and the promotion of the open comparison of different cultures;
- > WEC (World Energy Council), which promotes the sustainable use of energy in terms of environmental impact in cooperation with other organizations in the energy field;

- > ICC (International Chamber of Commerce), which contributes to the development and improvement of international economic relations among the different firms;

- > RECS (Renewable Energy Certificate System), whose objective is to create a market for renewable energy in Europe.



Pier Giorgio Bertoncetto, *Ring around the roses*

DIALOGUE WITH COMMUNITIES

"Thirty million electricity customers and almost two million gas customers translates into figures a fundamental aspect of all of Enel's activities: deep-rooted relations with the local communities that for years have accommodated plants, offices, shops, and infrastructure. Enel's widespread and fine-meshed presence throughout Italy has historically stimulated a powerful vocation for integration and dialogue with local communities and institutions." With these words Gianluca Comin, Head of Communication, begins to describe the policies established by Enel in the dialogue with its community stakeholders.

Its relationship of exchange and interaction led Enel quite a while ago to assume a "social" role in the dissemination of values and the promotion of culture. In its image communication, Enel has taken a further step towards the provision of its Code of Ethics, which says: "Sponsorship arrangements, which may involve social concerns, the environment, sports, entertainment, or the arts, are undertaken only for events that offer guarantees of quality, that are of national interest or involve a significant number of citizens, and for which Enel may participate in the planning, in this way guaranteeing their originality and effectiveness."

The development of a greater social conscience in public opin-

ion and in firms leads Enel every day to decide on and openly discuss development issues with a variety of interlocutors, which inevitably makes the scenario concerned complex.

"Aware of and a promoter of this change," says Comin, "next to Enel's logo we have introduced the concept of 'Energy in tune with you', which testifies to the reader and reminds the people who work at Enel that our objective is to establish a dialogue with individuals: not only our customers, but all our stakeholders.

Conscious that a knowledgeable interlocutor is an interlocutor with whom a dialogue is easier and more direct, our daily activity, especially that of communication, offers an opportunity to make a contribution to the social and cultural development of the country, to establish a relationship with institutions and communities based on transparency and discussion."

It is in this context that for years Enel has been developing its communication, which is characterized by the increasing importance given to local aspects in the enhancement of the environment and the country's artistic heritage, encouragement of participation in genuine sports, and cultural stimulation, with a particular emphasis on science. Local connotation is significant. What is involved here are not initiatives imposed from above on local realities, but ideas that often originate in local

realities, with their needs and their specificity.

"It isn't 'aesthetic' patronage aimed at strengthening our brand that's behind these initiatives, and our aim isn't a gallery full of prestigious projects," says Comin. "Enel wants to carry out a concrete and pragmatic program that makes our dialogue and relationship with all the people who interact with the Company even more direct and effective."

The initiatives are normally based on cooperation with prestigious partners that join Enel in rediscovering the cultural heritage of these areas: national sports federations, environmental associations, cultural associations, and – in some cases – commercial partners that are determined to follow Enel in this journey in the heart of Italy.

"All of them have a common denominator, however, which derives from what we could call our cultural heritage."

The cultural heritage is part of a company's intangible assets. And it is an essential part if it is the source not only of the technical and scientific knowledge of the people who work there, but also of a series of other values. Identity, for example, which is inscribed in the spirit of service and the sense of belonging of human resources, and image, which partly reflects the reputation that the company has constructed with its actions over time.

"Our mission is to work for energy," Comin concludes, "and energy is not only the title of our projects, but also what guides their construction." ■

Five energies for one public

Energy for... is the opening slogan for the events that come into being to keep up Enel's relationship with local communities in three ways: actively participating in the life of the community; promoting new social and cultural initiatives that provide an opportunity for the community to grow, and allowing access to its facilities.

It is a container for projects, which are divided into five categories and are usually characterized by a national lead project and other projects that follow from it.

Energy for Music: Concerts of classical or contemporary music to promote live music in areas that usually have fewer opportunities for attending them and to give young musicians from the two music institutions that are our partners – the Accademia Nazionale di Santa Cecilia and the Teatro alla Scala – an opportunity to perform.

Energy for Culture: Initiatives that promote cultural activities, artistic lighting, art exhibitions, and above all involvement of students and teachers in in-depth cultural and scientific programs.

Energy for Nature: Projects aimed at the safeguard and enhancement of the environment, the study of local areas, and the development of sports and tourism, as well as the discovery of cultural and gastronomic itineraries.

Energy for Science: Initiatives dedicated to promoting scientific knowledge as the

basis for a dialogue with public opinion, which are given more and more room in Enel's programs.

Energy for Sports: Promotion of the most genuine values of amateur soccer, with prizes awarded to players, teams, referees, and fans, in cooperation with the Lega Nazionale Dilettanti.

The following are the activities that took place in 2004.

Energy for Music

The "This time we'll bring the music, you bring the light" program, a result of the cooperation among Enel, the Accademia di Santa Cecilia, and the Teatro alla Scala, fully represents the concept of "Energy in tune with you". The initiative started last year and will continue until the end of 2005. It promotes classical and contemporary music in Italy, and is dedicated especially to places that are normally ignored or merely grazed by cultural events included in the major artistic circuits.

The initiative contains the special attractiveness of a project that offers local communities a new and in many ways unexpected image of the power stations spread throughout Italy. In effect, "This time we'll bring the music, you bring the light" presents about sixty concerts of classical and contemporary music not ➤



Playbill of the "Enel for Music" project

only in theaters, but also inside power stations, which thus appear to audiences in a different light.

This program originated with Enel's decision to be a founding member of the Accademia Nazionale di Santa Cecilia, the Teatro alla Scala, and the Accademia d'Arti e Mestieri dello Spettacolo of the Teatro alla Scala, creating a partnership that enables thousands of people to attend high-level concerts free of charge and young musicians to perform for large audiences.

Energy for Culture

Enel's concern for the world of culture stems from its awareness of its social role and the need for it to take part actively in putting to good use and enhancing Italy's cultural, historical, and artistic heritage. In 2004 the Company participated in the *Montecitorio and Beautiful Painting. 1900-1945* (Fondazione della Camera dei Deputati), *Etruscan Heroes and Greek Myths: the François tomb frescoes return to Vulci* (Civita), and *Vladimir Skoda* (Comune di Pisa) exhibitions, in the celebration of the poet Dino Campana in Marrani, his home town, and in the restoration of Mario Sironi's stained glass window in the Ministry of Productive Activities.

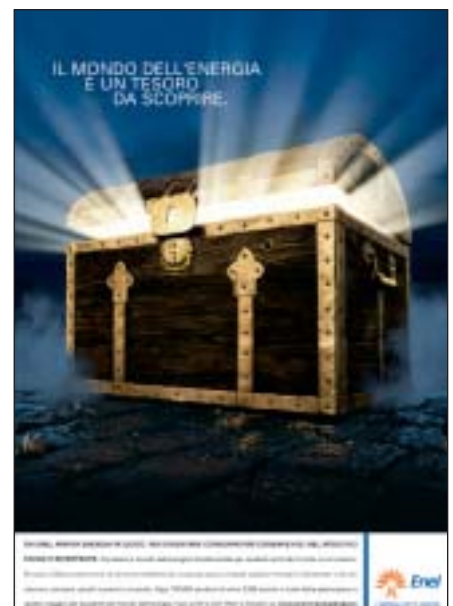
But for Enel, culture does not mean only art, but also the education of young people and the safeguard of the traditions and customs of our civilization. Therefore the Company has promoted a series of educational and cultural projects: "Energia in gioco", "Voler bene all'Italia", "Energia in Banda". The second edition of "Energia in gioco" ("Energy at play") involved more than 250,000 students from 7,500 classes in schools of all levels in an interactive journey that – through learning paths differentiated by age group and a final competition – took them inside the energy system: production sources, transmission and distribution networks.

The 2003-2004 edition involved 165,000 students and 5,000 teachers from 3,500

schools. More than 1,000 classes attended the Enel tutors' "energy lessons" and 50,000 students visited Enel power stations all over Italy in order to verify in the field the knowledge that they had acquired. The students' deep involvement resulted in the presentation of over 600 projects for making use of and enhancing local power stations through cultural activities or innovative ideas for improving the landscape and environment in the vicinity of the plants.

The 2004-2005 edition will pay even more attention to questions regarding the environment, safety, and consumption, and will also have two separate sections dedicated to the children of Enel personnel and to retired Enel personnel and their grandchildren.

In March 2004, Enel supported "Voler bene all'Italia" ("Loving Italy"), the national day celebrating the "Piccola Grande



"Energy at play" campaign



Poster for the "Loving Italy" event

Italia", promoted by the environmental association Legambiente under the aegis of the President of the Republic with the objective of defending and spotlighting the cultural heritage of the more than 1,000 small towns and villages in Italy with less than 5,000 inhabitants. In hundreds of municipalities, in effect, for a day mayors acted as guides and showed their fellow citizens, visitors, and anyone who was curious the less known sights and splendors of their areas, including exhibitions, concerts, and the local cuisine.

Enel contributed to the celebration by taking 100 musical bands to as many towns participating in the initiative. With the slogan "Let's kindle love for bands", Enel intended to highlight the artistic and cultural heritage of bands, to which it also dedicated the "Energia in Banda" ("Band Energy") project in cooperation with

Anbima (an association to which 70% of independent Italian bands belong). Thus Enel rediscovered the role of bands in social binding and cultural enrichment and contributed to the dissemination and teaching of music to young people.

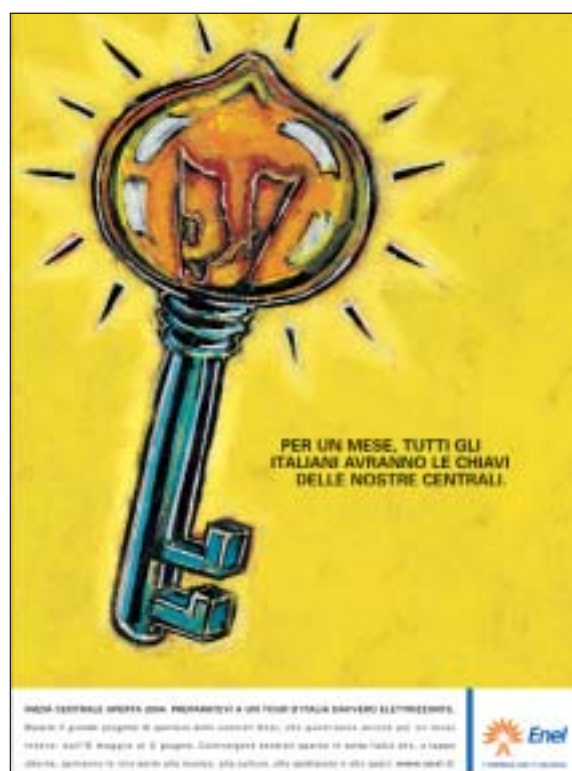
Energy for Nature

To be recognized as an essential component of not only the economic and industrial, but also the social fabric of the areas adjacent to Enel plants is the objective that the "Nature and Local Communities" project aims to achieve: "nature" to highlight the natural and environmental aspects and "local communities" to indicate the projects that aim to involve such communities with recreational activities and sports.

Well over one hundred Energy and Nature Trails have been created or cleared in mountainous areas, along rivers, in natural parks, and in protected areas. Originally created to make it possible to check and maintenance Enel plants, they have become authentic hiking trails equipped with informative signs describing the characteristics of the path and its environmental setting, as well as the main technical data regarding the power stations and how they

work. More than 40,000 hikers and cyclists a year use these trails.

In the areas of greatest environmental interest, Enel – together with the WWF Italia, and the LIPU – has also contributed to the creation of wildlife oases and new protected areas entrusted to Legambiente following the "Energy in Parks" agreement, which was also signed by Federparchi and the Ministry of the Environment. Together with the local Assorifugi, the "Girarifugi" initiative was organized in Lombardy to promote a more informed and respectful relationship with the environment in mountainous areas. An educational farm was created at Farfa in order to reclaim and protect the agrarian landscape in an area that has managed to preserve its beau- ➤



"Open power stations" campaign

ty and specificity. Other mountain activities (excursions, trekking, and guided tours) were organized in the Gesso, Susa, Introna, and Formazza valleys between the Soverzene and Malga Ciapela power stations and the Pieve di Cadore and Fedaia dikes.

Opening power stations to the public and involving locals in a series of cultural, sports, and entertainment events has become a spring tradition.

Thus Enel opened the doors of its power stations again, for the third time, in 2004 – not for just a day, however, but for a month, from May 8 to June 8. A rich program was offered by 42 power stations all over Italy representing the different ways

of producing electricity (hydro, thermal, wind, geothermal). These plants were open on the weekend of alternate weeks to anyone who wanted to see from close up how these energy factories work, what kinds of technologies they use, and how they are integrated into the surrounding environment. Traditionally, when the plants are open they also become gathering places for holding sports events, participating in contests, visiting art exhibitions, listening to music, surfing the Internet, and entertaining little children.

Opening power plants to the public provides communities with new spaces where two apparently distant cultures – Enel's industrial one and the social one of

the local people – can live together.

Finally, Enel has also produced two precious guides, which represent a real invitation to the discovery of places where the equation between energy and nature finds some of its best syntheses, but also tempting opportunities to discover traditional regional food products and the places where you can try them.

The first guide, produced in cooperation with Slow Food, was succeeded this year by *I piaceri dell'energia* ("The Pleasures of Energy"), which was created together with two exceptional partners: the Gambero Rosso and the Accademia Nazionale di Santa Cecilia. It will accompany the reader through the landscapes, oases, and trails around the power stations.

Consistency with the London Benchmarking Group

Enel thinks that support for projects with social purposes is only partly an obligation towards communities. In effect, the sums contributed should not be considered mere donations for moral reasons, but also an investment in the context in which the firm lives and works. The company identifies the value – at times tangible, at others intangible – of its actions in favor of communities. It thus has the responsibility of quantifying their benefits not only for the recipients, but also for itself, in accordance with the standards of sustainability provided by the London Benchmarking Group (LBG) and commonly accepted by those who report corporate social responsibility. For this reason, the data-gathering systems used by Enel's Communication Department distinguish among largesse (every form of support that is given gratuitously, without any obligation on the part of the recipient), investment in the community (long-term investment in

initiatives of social development that coincide with the Company's long-term objectives, with the potential to enhance its image and reputation), commercial initiatives with social impact (activities that are more closely connected with the commercial promotion of the services offered, but carried out in partnership with non-profit organizations to promote the brand or addressed to particular categories of customers), and socially sustainable business activities (activities that are closely connected with characteristic corporate management, but are capable of meeting the expectations of both customers, in terms of the provision of services at more advantageous prices, and the community, in terms of the great social and environmental impact of such services). In addition to the information provided on these pages, more specific details concerning such activities are available in the "Sustainability" section of Enel's website.

Energy for Science

A society like ours should understand the importance of science and have a proper concern for the most important subjects of research.

For years Enel has been offering its contribution to the development of a basic scientific culture with popularization activities that are given more and more space in its communication activities.

In 2004 Enel participated in the Science Festival, not only as a sponsor, but also as a disseminator of scientific knowledge applied to the issues of energy, research, and culture. The Company contributed four projects, which were connected with questions regarding energy,

the cinema, education, and industry. Specifically, the scientific and sensory aspects of geothermal energy were presented in an interactive exhibition; the "Homo Technologicus" film series (previously shown in Pisa) was dedicated to the transformations produced in the human body and mind by scientific progress; there was a space where young students were guided in the making of a video on the subjects of rational consumption and safety; and a journey was taken in the energy factory with the opening of the Enel power station at the dock of the former Lanterna seaplane base in Genoa. In 2004 Enel also conceived and promoted – in cooperation with the "Amici del Future Festival" Association – the Enel Digital Contest, a competition open to young amateur filmmakers, directors, and artists from all countries for original short films on the subject of the environment and the eco-sustainable development of energy. The objective was the production of audio-visual works by young people using new digital technologies, awarding them prizes for their creativity and fostering their involvement with the environmental issues related to energy.

Energy for Sports

"And yet, a soccer player's most important muscle is his or her heart." That's the slogan of the "Fair play in sports" project, in which Enel cooperates with the National Amateur League to promote on



Enel campaign for sports

soccer fields the most genuine values of a sport that involves millions of fans and hundreds of thousands of players. During the 2003-2004 and 2004-2005 seasons, Enel was the official sponsor of the D series, women's, and five-a-side soccer leagues. This is a world that – given its fine-meshed diffusion all over Italy – every week involves more than 10,000 playing fields, 45,000 teams, and 1.7 million card-carrying members. The objective is to develop within the world of amateur soccer a series of communication initiatives supporting the values of enthusiasm for sports, fair play, and hospitality. As far as involving local communities as an active element in the life of a power station is concerned, sports are certainly

the protagonists. The World Cup free climbing competition takes place on the wall of the Malga Bissina dike, while the Presenzano aquatic sports center has been classified by the Italian National Olympic Committee (CONI) as a CAS (center preparing young people for sports) and by the Italian Triathlon Federation as an Inter-regional Youth Center.

Bicycle racing is one of Italy's most popular sports. In 2004 the third "Gino Bartali" Enel Trophy race on the roads of the Garfagnana area, which is also referred to as "electric pedaling", took place. Elsewhere in Tuscany, the seventh edition of the "Gran Fondo delle Balze e della Geotermia" was held in the

Larderello area, while the first edition of the Enel-sponsored "From the Adriatic to the Tyrrhenian – on the roads of energy in pink" international Grand Prix passed through the Marches, Umbria, and Tuscany.

Other activities include the organization of national and international canoe and kayak contests through the rapids formed when the dikes release water.

Finally, in cooperation with the major Italian federations, sports villages have been set up in many power stations, where, under the guidance of professional instructors, visitors can try their hand at archery, the high jump, and other sports that are unusual for the public at large. ■

Space for associations

Nowadays Enel systematically addresses the more than 50 national associations representing four reference markets: the world of small and medium-sized firms (industry, crafts, agriculture, and commerce), of consumers (in particular, the associations of the CNCU – the National Council of Consumers and Users instituted at the Ministry of Productive Activities), of environmental associations, and of those representing public bodies.

In the last two years Enel has started up a series of initiatives involving information, discussion, and education with all these associations in support of its industrial projects and those regarding local marketing through periodical meetings, workshops, and discussions.

This commitment has entailed an average of over 400 meetings a year in the last two years. The most frequent subjects discussed with the associations regarded mainly the replacement of Enel's traditional meters by new electronic ones throughout Italy and the introduction of time-differentiated rates, the liberalization of the gas and electricity markets, energy efficiency in final uses, and electricity generation from traditional and renewable sources.

This approach to and organization of relations with the associations has produced positive effects, including an increasing ability to learn about the needs

represented by the various associations, the enhancement of Enel's model of relations with interest groups, and the improvement of Enel's reputation as being "close to its customers and local communities."

Another positive fallout is constituted by the informal management of a series of complaints pointed out by the associations, thereby anticipating – albeit on an experimental basis – ways for the Company to resolve disputes extrajudicially.

The Relations with Associations Unit is currently planning new ways of relating to associations based on the proactive management of relations and with the objective of improving Enel's ability to listen to the different interest groups. Four stakeholder forums will be organized and institutionalized to register the requests of the various associations on several specific subjects, improve the system for measuring relations, and to make our interlocutors aware of the strategies of social responsibility adopted by Enel. ■



Two-way symmetry

According to the Enel model, created in cooperation with the School of Management of the LUISS "Guido Carli", the following factors determine the quality of a relationship with associations: the degree of reciprocal acquaintance, the use of a common language, the investment specifically aimed at strengthening the relationship, confidence in the latter, and the mutual advantageousness of maintaining it. A two-way symmetry in communication, as recommended by the best practices. Every factor is measured and valued

according to specific qualitative and quantitative indicators such as:

- > the number of associations with which relations are considered "stable" (at least 8 contacts a year);
- > the joint participation of Enel and associations in external communication activities (co-participation);
- > the number of meetings held to develop common projects;
- > the number of participants in meetings between the Company and associations to exchange information;
- > the number of associations involved in Enel projects;
- > the number of projects carried out and/or in the process of being carried out;
- > the actions of clarification spontaneously taken by representatives of associations in order to counter/mitigate the effects of problems for the Company;
- > the joint production of informative material.

The value created by the relationship, on the other hand, is determined by the weighted analysis of the activities and projects developed in cooperation with associations both in terms of the "additional" cost directly incurred and in differential terms, that is, the cost the Company would have incurred in the absence of a relationship, and sharing, with the association concerned. The definition of the components of the economic value is not the only determinant. This, in fact, is also ac-

Wind's CSR

In 2004 Wind published its first Sustainability Report and was the first company in its industry to obtain SA 8000 certification, in addition to the environmental certifications already obtained. The first Sustainability Report was conceived and constructed to provide an overall and integrated view of Wind's strategy for sustainable development, responding to the needs expressed by the people who work for the company, its customers, local institutions, and civil society in general. The Report is organized according to the main guidelines of the Global Reporting Initiative and is accompanied by both qualitative and quantitative data and information that provide a measure – in some cases direct, in others estimated – of the actions carried out and the results achieved. The auditing firm Det Norske Veritas certified the document on the basis of the checks performed according to the DNV valuation method. The Report was approved by Wind's Board of Directors and published in September 2004. It can be consulted on Wind's website at: <http://www.wind.it/it/investitori/bilanci.php>.

companied by the analysis of the organizational and managerial impact, as well as the valuation of the possible synergy with other activities and other projects already carried out or in the process of being carried out. The system of managing the relations is currently being updated because of the repositioning of the indicators, partly in consideration of the fact that the objectives regarding the improvement of the relations that Enel had set for itself have been achieved and that, 'listening to' the associations, the Company has to set new challenges for itself. ■



Daniela Preacco, *Combative energy*

Enel Cuore for the less fortunate

Enel donated more than 6 million euros in 2004 to Enel Cuore Onlus, the non-profit association it created. Enel, Enel Distribuzione, Enel Produzione, Enel Energia, Enel Gas, Enel Sole, Enel.si, and Wind are associated in Enel Cuore, whose contributions are granted to concrete and enduring causes, mainly regarding children and the elderly.

In 2004 Enel Cuore's activity consisted in the following.

Abroad, it aided:

- > the Montescosso Passionist Community in Bulgaria, donating a mini-bus for transporting their pupils;
- > the "Bambini in Emergenza" Foundation in Romania, with an additional ward for their center for children with the AIDS.

In Italy, it aided:

- > the Comunità di San Patrignano's service providing education and psychological support for the children of members addicted to drugs;
- > the Comunità di San Egidio's "It's better at home" project in order to extend

- home assistance for the elderly;
- > the Meyer Foundation in Florence to create a residence for child patients and their parents;
- > the "Bambino Gesù" Children's Hospital to set up a unit dedicated to infantile diabetes;
- > the NAGA to renovate their new center providing assistance to nomads and immigrants from less developed countries;
- > the LILT (Italian Association for the Fight against Tumors) for their oncological rehabilitation center in Florence;
- > the CE.D.I.S. by donating two vehicles for transporting disabled people;
- > the Valle Castellana Croce Verde by donating an ambulance;
- > the IRPUE (Institute for the Achievement of Human Potential Europe) by donating equipment for therapy;

- > the UILDM (Italian Union for the Fight against Muscular Dystrophy) by donating equipment for their 71 centers;
- > the ATISB (Tuscan Hydrocephalus and Cleft Spine Association) by donating personal computers;
- > the "Villaggio dei Ragazzi – don Salvatore d'Angelo" to create vocational training workshops;
- > the A.I.L. (Italian Association against Leukemia, Lymphomas, and Myelomas) to finance housing and the organization of home assistance;
- > the C.N.A.O. (National Center for Oncological Adrotherapy) to realize an essential high-tech component.

More detailed information on the activities of Enel Cuore Onlus and the procedures for obtaining funds can be found on the website www.enelcuore.org. ■

Sports without obstacles

In 2004, as part of its sponsorship of local sports, Enel continued to support initiatives for people with different abilities. The following are some of them.

Sports cancel differences. In February 2004 the first Ciaspolada (Snowshoe Race) for the disabled, organized by "Gruppo Sportivo Portatori di Handicap G.S.H.", took place at the Crot-Usseglio power station in Turin province.

Sempione 82, in cooperation with Enel, a walk that took participants past the Enel power stations along the Italian-Swiss border.

The seventh edition of the "Casa Abrami" Trophy took place as usual on Lake Vagli in the Upper Garfagnana area in Lucca province, where the "Associazione Polisportiva Disabili Don Gnocchi" held its canoeing trials for the Olympics for the Disabled. Enel organized and promoted the event in cooperation with the town government of Vagli Sotto, the Montana Community, the Apuan Alps Park, and Lucca Province.

The Fourth International Swimming Meeting for able and differently able athletes took place as part of the "With

Aid for tsunami victims

175,000 euros were donated by the people who work at Enel to help victims of the tsunami as part of the aid program of Italian companies, which is coordinated by union representatives and Confindustria.



Duilio Polidori, *Energy fusion*

open arms, sportingly together” project, one of the initiatives promoted by Enel in Omegna.

In La Spezia another course in sailing was held for junior high school students in the province who are differently able.

As part of the “Water: Communication Mediator” Autism Project – promoted by Enel in cooperation with La Spezia Province, the local school authorities, and National Health Service local unit ASL 5 – a course was held at the municipal swimming pools in La Spezia.

During 2004 about 7,500 young people engaged in canoeing, rowing, dragon boating, sailing, and swimming in the artificial basin of the Presenzano power station, guided by professional instructors. These “Giornate Azzurre”, the summer camps, and the sports days organized by

Enel in cooperation with the CONI of Caserta and the Italian Federation of Sports for the Disabled, involved the participation of numerous handicapped athletes. In cooperation with the city of Naples, Enel also sponsors one-week camp stays there for young people at risk of juvenile delinquency.

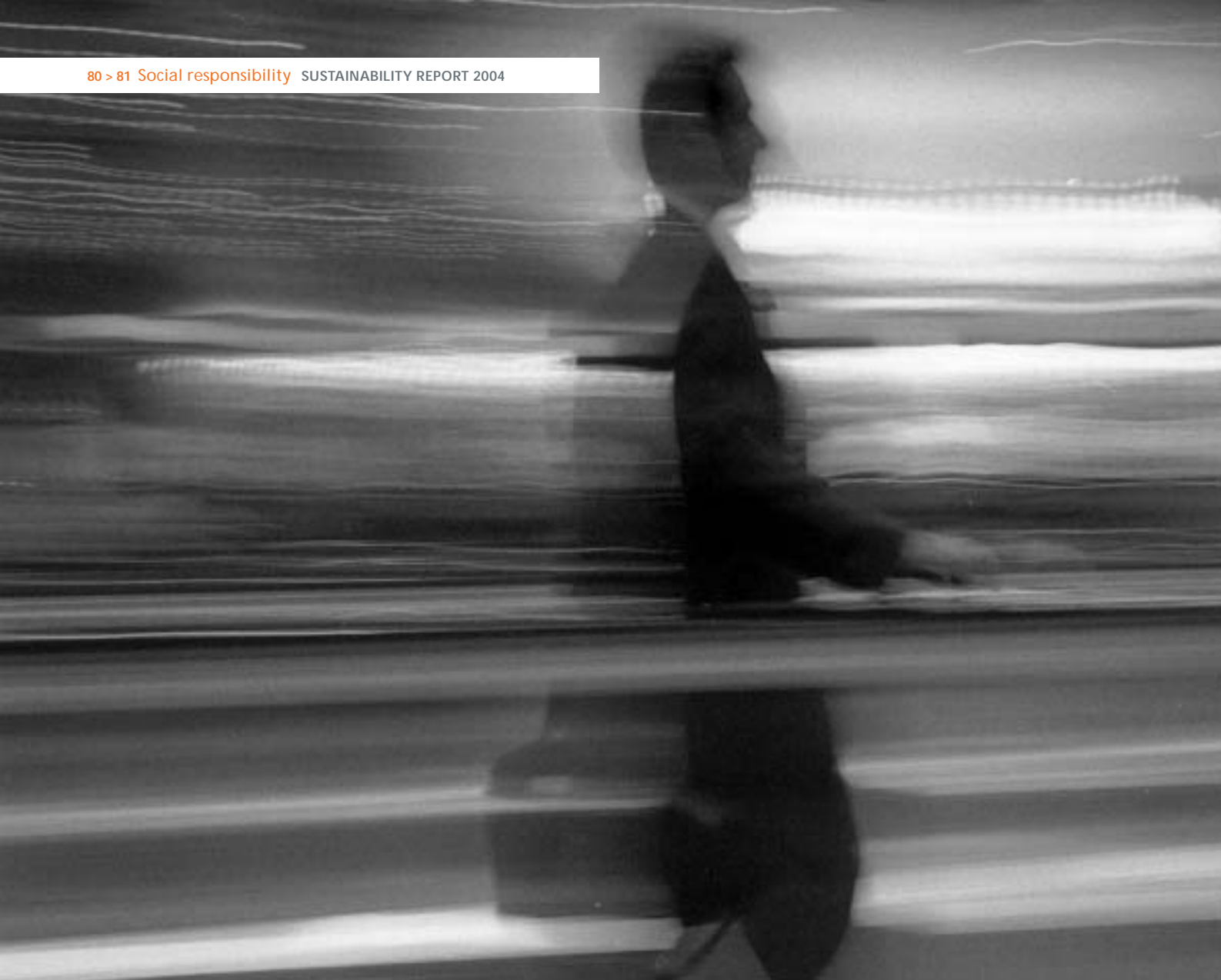
Beyond sports, there is also the “Art: an instrument for growing” project, dedi-

cated to students who are differently able or live with other kinds of hardship. The project is organized by Enel, in cooperation with La Spezia Province, the La Spezia city government, and the local educational authorities, and provides differently able students an opportunity to benefit from a creative experience conducted by a therapist specialized in working with schools. ■

Access portal

When it restyled its Internet portal – which has been on line in its new version since August 2004 – Enel adopted the guidelines of the W3C, the World Wide Web Consortium regarding accessibility. The design and development group paid close attention to the needs of users, concentrating their efforts on increasing the extent to which the blind and the disabled in general can use it.

The strong points of the new portal, in effect, are its easy navigation (that is, fewer passages are necessary to get to information or a service), the graphics (thought out with particular attention to the use of color), and iconography that is uniform and consistent with the various service and content levels, as well as the possibility of promptly adapting it to new regulations on accessibility.



HOW ENEL COMMUNICATES

How do you effectively communicate Enel's services and products for customers without dissipating the institutional heritage of a company that is known for its presence, reliability, and solidity? The challenge is to represent forcefully and simply an Enel that is resolutely customer-centered, but at the same time is concerned about the protection of the environment and the role of research and innovation, all the while respecting customers and its closest stakeholders. Many companies are extremely concerned only about financial communication. Others concentrate all their efforts on an exaggerated amount of commercial advertising. For Enel, a significant part of its everyday dialogue with customers, communities, and stakeholders in general concerns all the Company's activities, and not only the performance of its accounts and its shares on the stock market or the promotion of its latest rates.

In 2004, the most effort was dedicated to representing Enel's strategy of concentrating on the electricity and gas businesses

by establishing a strong link between communication initiatives and the energy that Enel produces, distributes, and sells. In advertising, the light bulb is highlighted as the essence of the energy message. But there are also projects that consolidate the positive values of Enel's tradition, a heritage that the Company wants to protect and preserve.

Concern for customers, on the other hand, is communicated through the promotion of Enel's services and products, with messages that are easy to understand and custom-made for the chosen target. In communicating to support its commercial activities, Enel seeks to also emphasize its closeness to all its stakeholders, in the conviction that the messages may be received and understood not only by its customers, but also by institutions, associations, and interest groups. This is why Enel highlights its activities in research, innovation, and environmental protection. The Communication Department's activity is based on advertising campaigns, relations with international, national, and local me-



Joaquín Fernández-Caro Yélamos, *Person in flight transfer*

dia, renewed respect for the coordinated identity of the Enel brand, and the establishment of a single format for all publications. Initiatives for customers, local marketing programs, and new sales channels are all initiatives that derive from listening to customers and collecting the indications that come from the public.

Enel's market is Italy and, more and more, the countries it is entering as a producer or distributor of electricity. Proper communication helps to disseminate Enel's style, model, and culture. As described in the following pages, the Company's presence and the activities that it dedicates to social matters and local communities are communicated. These activities are evaluated by the public, which, with its choices, rewards or punishes Enel's choices every day. ■

Under the eyes of the media

In 2004, Italy's large national newspapers dedicated more than 5,200 articles to Enel, while 14,500 appeared in provincial, regional, or inter-regional ones: an average of 54 articles every day the newspapers came out. The Company

was also the subject of more than 600 reports on the radio and just over 2,000 on television. This massive exposure originates in a constant relationship between Enel's press office and the media. In addition to its daily media contact and support work, during the year it issued 111 press releases at the national level and organized 17 press conferences. To these should be added financial news and comments, as well as ones connected with Enel's services, the detailed information requested by journalists, and the news published by Italian and international agencies.

Among the general topics that contributed to a positive image of Enel were:

- > the positive financial results, from the preliminary ones for 2003 to the third quarter of 2004;
- > the good performance of Enel shares on the stock market for most of the year and the Company's dividend policy;
- > the success of the public offerings of 50% of the subsidiary Terna and of the third tranche of Enel shares;
- > the Company's focusing on its core businesses, with the disposal of real estate and its water distribution business, as well as the sale or listing of its telecommunications subsidiary, Wind;
- > Enel's expansion abroad in Bulgaria, Romania, Russia, and Slovakia and ➤

Visibility also has an index

For Enel, in 2004 the global visibility index – which measures presence in the media, weighted by the number of readers or viewers of the latter – was three times the average for national newspapers and periodicals, one and a half for local newspapers and national TV, average for local TV, and all of five times the average for national radio.

The qualitative index of visibility is measured by an index number between -1 and +1, and in 2004 was:

- > 0.84 for the national and multi-regional press;
- > 0.45 for local newspapers;
- > 0.66 for national radio;
- > 0.64 for national TV;
- > 0.93 for satellite TV;
- > 0.41 for local TV.

The image profile that emerges from an analysis of the media is of a company that is growing, dynamic, positive on the stock market, competitive, innovative, technologically advanced, and sensitive to art, culture, and social problems. Average transparency, efficiency, independence from politics, with quality products and services, attentive to customers. The areas that need improvement: internal cohesion, external legitimacy, respect for the environment, reliability, prices.

the talks with Électricité de France with regard to cooperation in the future;
> the success of Enel's bond issue in the first months of 2005.

There were also other media subjects that helped to confirm Enel's positive image: those connected with its consolidated technical capability and its excellence in terms of customer service.

With regard to electricity generation, for example, Enel's cooperation with Enea on the Archimedes project for building an experimental plant at the Priolo Gargallo power station near Siracusa that will be the first in the world to use an innovative technology integrating a gas combined cycle with a thermal solar plant and the celebration of the geothermal centennial, which emphasized Enel's great capabilities in these fields.

Then there were the messages sent to the market and consumers, such as the presentation of Enel Gas's offers, with the "Valore Casa" and "Ricarica" marketing campaigns, as well as the numerous customers acquired during the year, the inauguration of new QuiEnel counters in many cities, the agreement with IBM for the sale to other companies of the electronic meter developed by Enel, the introduction of the new differentiated rates approved by the industry Authority and by the consumer associations, and the bonus awarded Enel by the Electricity and Gas Authority for the improvement in the Company's service.

A very important contribution to the positive image of the Company, especially in



Joaquín Fernández-Caro Yélamos,
Testing power at the "Feria de Sevilla"

local newspapers, came from the many CSR initiatives carried out in 2004. These also include the publicity connected with Enel's admission to the U.N.'s Global Compact program, the Company's concern for corporate governance issues, its admission to the main ethical indexes,

Good and bad

Since October 2003, Enel has had all the media articles and programs regarding the Company analyzed by the Istituto Etnolab, which examines the quantity and quality of its presence and draws up a profile of Enel's image therein. In 2004, 5,254 articles in the national and multi-regional press (including 419 negative ones) and 14,460 articles in local newspapers (including 3,365 negative ones) were collected and analyzed. Enel was discussed 615 times (92 negative) on national television and 2,064 times (281 negative) on local TV stations.

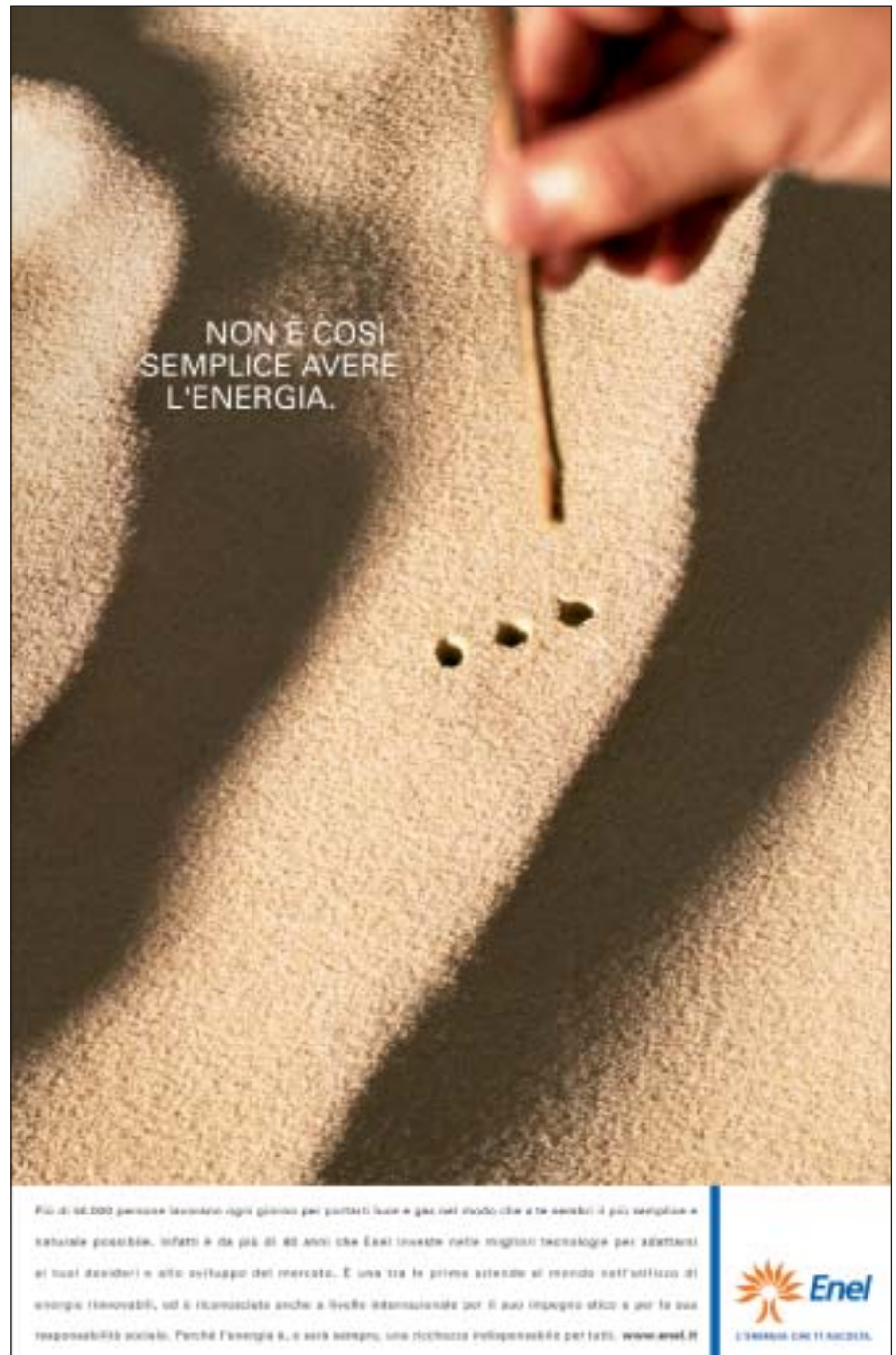
and the concrete start-up of the activities of the non-profit organization Enel Cuore.

But the press office's activity does not always regard favorable reactions of the mass media. A few issues that constituted areas of negative visibility for Enel in 2004 were the polemical aftermath of the blackout in September 2003 and the scheduled interruptions in June of that year; the decisions of several justices of the peace regarding damages to be paid by Enel; an investigation by the industry Authority that ended with a voluntary payment by Enel and led to criticism by several consumer associations; the inquiry by the Ministry of Productive Activities on the blackout; the power failures and poor service caused by bad weather, with the related difficulties in contacting the toll-free number; the criticism from trade unions regarding service quality and the re-organization of the personnel, which led to a strike; the criticism from the civil service on the closing of a few service centers, and the stance of the chairman of the Antitrust Authority on Enel's stake in Terna-GRTN and the lack of competitiveness of the Italian energy sector.

Finally, there were debates in local newspapers regarding the regasifier project in Brindisi, the Matera-S. Sofia electric power line, the use of geothermal resources in Tuscany, the enlargement of wind farms in Sardinia, and the protest of former Enel trainees at the Rossano Calabro power station.

Light and gas, but branded

Closeness to customers and the central importance of their needs were the guidelines that inspired Enel's advertising campaigns in 2004. For the institutional campaign, the objectives were to add value to the Enel brand and disseminate awareness in the public of the role of energy not only as a factor of economic growth, but also as an everyday presence. In order to achieve them, Enel decided to use a method of communicating appropriate for transmitting the concept of listening and establishing, in the perception of consumers, images and positive values connected with the Company. The brand was recognized because of its values: technical quality, the central importance of customers, the defense of ethical principles, and concern for so- ➤



Institutional campaign

How much is a good name worth?

Enel attributes great importance to surveys on brand equity, the perception and value of the corporate brand in the mind of the public. These surveys provide indications that are useful in advertising initiatives. 2004 was the second year in which a survey was carried out, thus enabling the Company to compare the results and variances after one year. The survey was carried out on a sample of 1,500 people representative of the Italian population 18 to 64 years old, 750 firms, and more than 80 opinion leaders, important people in the worlds of the economy, industry,

politics, culture, and the media. With respect to the results of 2003, in 2004 all the indicators registered a significant increase, which is attributable to the communication and information activity and to the commercial, technical, and financial strategies carried out by the Company during the year. In effect, the propensity to become or remain an Enel customer increased by 2%. The following so-called image factors also increased:

> safety and reliability (is expert in the energy field and is able to resolve crisis situations);

> size (is important internationally and is visibly present throughout Italy);
> appeal (communicates with the public, does interesting and useful advertising).
There were also improvements, albeit slightly smaller, in matters closer to the product (offers extra services, transparent rates, high quality), where the advertising campaign dedicated to the new rates is expected to have a big influence. An increase of four percentage points was registered in the sample's perception with regard to Enel's ethical approach to its business.

cial questions and the environmental impact of the Company's activities.

Thus, after a number of campaigns focused on the promotion of specific services or products, in March 2004 Enel again carried out a campaign of institutional communication on television that emphasized a culture that is competitive at all levels, basing it on the relationship between people and energy: inserting a plug into a socket or lighting a gas stove, highlighting the importance of that energy – which is often used without thinking about it – in everyday life. With a very simple and clear message: how important electricity is and all the work, resources, people, and technology there are behind the habitual gesture of switching on an electric appliance.

To do this, we used a hyperbole that makes energy always available with the even simpler gesture of making the three holes of an electrical socket anywhere.

Furthermore, considering the number of Enel's stakeholders (customers, communities, shareholders, interest groups, etc.), it is a great commitment for the Company to ensure all of them access to information, while introducing innovations. In 2004, advertising activity used a wide range of traditional media (television, radio, the press, bill posting, Internet), supplemented by collateral communication channels (free-of-charge daily newspapers, personalized letters, local events, special initiatives like the "Letter to Civitavecchia"), as well as innovative or special projects, such as the Internet event dedicated to the list-

**QUATTRO OTTIME RAGIONI
PER SCEGLIERE ENEL GAS.**

CONVENIENZA, SEMPLICITÀ, AFFIDABILITÀ E PREMI.
Cambiare fornitore di gas è semplice: basta una firma per avere molto più di una forniture di gas. Scegliendo Enel Gas avrai un risparmio immediato sulla tua bolletta senza cambiare gli impianti o il contatore. Avrai offerte e servizi adeguati ai tuoi consumi, tariffe chiare e trasparenti e tutta la garanzia che solo una grande azienda è in grado di offrirti. E poi un mondo di premi e sconti a tua disposizione. Per saperne di più chiama il numero verde 800.888.888. Oppure rivolgiti al tuo negoziante, a casa tua o al nostro consulente ai recapiti di più vicino Punto Qui Gas. www.enelgas.it

Enel Gas
L'ENERGIA CHE TI ACCOMPAGNA

Enel Gas campaign

Illuminated advertising

Paolo Ettore, the Chief Executive Officer of Saatchi & Saatchi Italia, the advertising agency that has been working with Enel for three years, says: "Enel understood right away the new trends of the market. Through an attentive reading of the needs of society and its customers, it grasped the implications and repercussions of the dissemination of the principles of social responsibility. In effect, business ethics is not only an illuminated manager's choice, but a necessity." And he continues: "Enel has an important role in society and quickly understood that consumers are more and more choosing the products of socially sustainable firms." "The natural evolution of consumers", Ettore goes on, "thus accompanies firms in their

transformation and accentuates a direct and transparent approach, as is implied in the concept of 'Energy in tune with you'."

But customers are not just consumers; frequently they are shareholders or potential shareholders. "I believe that Enel has succeeded in getting people to perceive that, in addition to transparency, its behavior is characterized by the application of internal rules that go beyond simple compliance with the law. And that an investment in Enel does not entail the risks that you find elsewhere," Ettore concludes: "The Company had the courage to approve an advertisement that was not dedicated to itself, but to the public, thereby involving its stakeholders in a more open relationship."

ing of Terna on the stock exchange or the Mickey Mouse project, where the weekly comic book presented adventures of Walt Disney's characters, in which they explained the importance of an appropriate and rational use of electricity.

Every time that Enel prepares a creative brief – that is, a document that explains to the advertising agency what you want to highlight in the messages to be transmitted to customers and the public – the principles of corporate social responsibility

chosen by the Company must be kept in mind. Thus the Company uses a methodical approach in its strategic and creative process and pays attention even to the weakest signals. It tries to maintain a strong stylistic consistency and completes its commercial and institutional messages with those aspects of social, environmental, and economic responsibility that it considers significant.

Precisely for this reason Enel has increased its demand for market research and has devised a model of brand equity (the value the brand has for the public) that can be considered the “dashboard” for monitoring the Company's image and the increase or decrease in the value of its brand. With a sample of more than 3,000 people, these surveys can be considered real polls of stakeholders, because all social and economic categories are represented in them. Brand equity surveys can provide information that is useful for understanding the Company's relationship with different publics, their preferences, and the related growth dynamics.

An example of advertising in 2004 that took into account all these elements was the Gas Safety campaign, with which Enel Gas, the company that handles gas distribution, reminded consumers of the importance of a periodical checkup and maintenance of household gas systems. Household safety is a subject that Enel believes should be tackled regardless of the commercial advantages that might be gained from doing so. Enel Gas and Enel Rete Gas do not present boiler ➤

DA OGGI, PUOI SCEGLIERE
UN MODO PIÙ INTELLIGENTE
PER RISPARMIARE
SULL'ENERGIA ELETTRICA.

DUE FASCE ORARIE PENSATE PER CHI CONSUMI MOLTO O HAI UNA SECONDA CASA.
Con la tariffa Due di Enel Distribuzione l'elettricità costa il 10% in meno tra le 20 e le 7 dal lunedì al venerdì, durante tutta la tua settimana e nei festivi. Due ti può convenire se consumi almeno il 67% dei consumi nella fascia oraria di risparmio. Se hai il contatore elettronico telematico e un contratto da 3 kW a 15 kW, scopri i vantaggi della tariffa Due, quanto puoi risparmiare e come attivarla. Chiama il numero verde 800 000 000, vai sul sito www.prontoenel.it o vai al tuo gestore dell'energia.

due
tariffa elettrica

Enel
L'ENERGIA CHE TI ASCOLTA.

checkup and maintenance services in their commercial offer.

Another example of the presence of corporate social responsibility in advertising is constituted by the Two campaign. Beginning in July 2004 Enel was able to offer its customers the possibility of choosing the first innovative differentiated rate, called Two, which was offered experimentally to take into account the different consumption habits of customers. A modern and rational solution, which – in addition to rewarding customers for a more intelligent use of electricity – channels consumption to the hours when there is least demand, thus contributing to prevent overloading the national electricity network.

This was only the first step in the revolution, which in 2005 is taking on a more and more definite shape, with the promotion of other specific rates that can personalize customers' expenditure on electricity according to their needs and habits.

In addition to its marketing and sales effectiveness, Enel's advertising activity is characterized by the dissemination of initiatives that have social, cultural, and environmental backgrounds.

In order to produce and distribute energy, Enel inevitably operates in densely populated areas or in areas with highly valued landscapes, each with its own peculiarities and characteristics. From the point of view of communication, Enel has chosen to deal with environmental issues not only through large-scale ad-

vertising (as in the campaign on renewable energy sources), but also through targeted, local communication in support of the actual actions that the

Company carries in a number of different places.

This awareness entails advertising that is attentive to ethics. In all their advertising,



PER LA TUA AZIENDA SCEGLI TAGLI SU MISURA.

FINALMENTE PER L'ENERGIA ELETTRICA PUOI SCEGLIERE ENEL ENERGIA.
 Qualunque sia il taglio di energia elettrica di cui hai bisogno, Enel Energia offre soluzioni su misura e servizi personalizzati proprio per la tua azienda. Perché la scelta del fornitore di energia elettrica meriti efficienza, qualità, innovazione, e l'affidabilità di un grande nome. Numero verde 800-500.501 - www.enelenergia.it

Enel Energia
 L'ENERGIA CHE TI AGGIUSTA.



Terna public offering campaign



Enel Rete Gas campaign

as in the content of their communication, Enel demands of its partners the utmost attention to the application of the rules that protect minorities and religious credos and to sensitivity towards issues currently being debated, as well as to compliance with regulations safeguarding labor and copyrights and to the confidentiality of sensitive information and personal data. The sustainable approach to advertising naturally extends to animals, the landscape, and valued artifacts.

A typical example: during the production of the advertising campaign for the public offering of shares of its subsidiary Terna – whose plan called for aerial views of the Furlo dike – to avoid disturbing several species of birds that live in the area and at that time were nesting, Enel decided to shoot the scenes elsewhere. Finally, convinced of the ever-growing identity between external public and internal public and the uniformity of views among its external stakeholders, Enel

considers its human resources an effective sample for evaluating the Company's initiatives. Through internal communication channels, such as Enel TV, which is viewable on the computer, and its website, it has become a habit to offer the people who work in the Company a preview of its advertising projects, as well as to furnish more detailed information. No one is able to assess the truth and honesty of an institutional or commercial promise as well as a person who works at Enel. ■



Aligi De Marchi, *The colors of Enel*

SUSTAINABILITY AT ENEL

It was between 1999 (the year in which Enel was privatized and listed on the stock exchange) and 2002 (the year in which one can consider as concluded the process of reducing its size that was imposed by law as part of the liberalization of the Italian electricity market) that it became a priority for the Company to increase its value by achieving the utmost efficiency, according to the rules of the market.

In terms of sustainability and within the CSR framework, Enel thus created a model of corporate governance based on two fundamental elements:

- > agreement within the Company on the corporate values and objectives;
- > the establishment of a policy for its management in order for corporate social responsibility to become a concrete concept.

Agreement stems from internal rules that the Company voluntarily decides to assume through its Code of Ethics. Approved in March 2001 and disseminated thereafter, the Code talks about fiduciary duties and a cooperative approach, that is, a

kind of social compact among those who, in various ways, participate in the carrying out of its mission.

The establishment of a policy, that is, Enel's commitment to follow a model of corporate governance informed also by CSR, is supported by the preparation and defense of the Sustainability Plan, which – through a structured process of planning and control – ascertains whether or not the sustainability objectives, both quantitative and qualitative, are achieved, as well as supporting their development through appropriate instruments.

In 2004, the activities and responsibilities connected with sustainability were concentrated within the Parent Company with the creation of the Corporate Social Responsibility unit (as part of the Communication Department) and the EnelData unit (as part of the Administration, Finance, and Control Department). Both units cooperate in helping the Company's top management to establish the priorities and objectives of sustainability, indicating the guidelines that the Parent Company's departments and the Enel divisions and companies should pursue by

drawing up specific short- and medium-term action plans, which, consolidated and approved by the Chief Executive Officer, constitute the Sustainability Plan. The process of checking Enel's performance with respect to the objectives takes place through the collection and processing of accounting and extra-accounting data regarding specific key performance indicators (KPIs) of sustainability, which require the involvement of both the Parent Company (on cross-company data) and the divisions and companies (on the specific data concerning their fields). Specifically, within the different structures and professional families there are persons responsible for collecting, checking, and processing the KPIs concerned. The consolidation of the data takes place under the responsibility of EnelData, which is entrusted with coordinating the entire collection process and shares with the Corporate Social Responsibility unit the qualitative parts and the comments accompanying the results. This system helps Enel achieve the CSR objectives integrated in the long-term growth strategies and is functional to the preparation of the annual Sustainability

Report. All the activities of the Corporate Social Responsibility unit and the EnelData unit are subjected to the evaluation, control, and approval of the Internal Audit Committee, which was instituted by the Board of Directors and is constituted by the

Chairman, the two Directors designated by the minority shareholders, and by the Head of the Auditing Department. The Sustainability Report is approved by the Internal Audit Committee and the Board of Directors. ■

A responsible reading

It talked about CSR planning and control, sustainability, and ethical funds.

It discussed de-localization, sustainable development, and equal opportunity.

It explained cause-related marketing, the triple bottom line, and payroll giving.

These and many others are the subjects dealt with in 2004 by *Il Giornale della Sostenibilità* – available at www.enel.it/

azienda/sostenibilita/giornale_sostenibilita/ – published by the Corporate Social Responsibility unit to foster the dissemination of the culture of CSR and of commitment to sustainable development within the Company, but also among the external public

Il Giornale della Sostenibilità is a benchmark for many CSR scholars and for all those who are interested in critically examining the good intentions of socially responsible companies. In 2004, the pages of the *Giornale* registered an average of almost 9,000 hits a month. ■

Responsibility in Italian universities

In 2004, Italian universities organized 12 meetings in which Enel's Corporate Social Responsibility unit took part with talks and reports. The objective of this experience was, and continues to be, to present Enel's Sustainability Report, but even more to inform those present about the beginning of a thorough integration of corporate social responsibility in the Company's strategic development plans. Numerous requests for discussion followed the presentations. The main issues concerned the interaction between the Company and society, the Company and the environment, society and the environment, business ethics, corporate social responsibility as an instrument of sustainability, and the relationship between the Company and the needs and expectations of its stakeholders.

This Report to our stakeholders was edited by the Corporate Social Responsibility unit, which is part of the Communication Department. To contact Enel's CSR unit, send an email to: sostenibilita@enel.it or write to: Enel SpA, Corporate Social Responsibility, viale Regina Margherita 137, 00198 Rome, Italy.



Home page of *Il Giornale della Sostenibilità*

THESE NUMBERS

The following tables show the magnitudes that Enel considers fundamental for its sustainability auditing and reporting.

The tables contain:

- > the description of the magnitude recorded;
- > the unit of measurement in which it is expressed;
- > the datum for 2004;
- > the datum for 2003;
- > the absolute or percentage change between the two years;
- > the number of the family of data or magnitudes indicated by the Global Reporting Initiative, with which the magnitudes measured by Enel are compatible or homogeneous;
- > the number of the family of data or magnitudes included in the set of indicators elaborated by the Italian Ministry of Labor and Social Policies in preparing its Corporate Social Responsibility-Social Commitment Project (CSR-SC), with which the magnitudes measured by Enel are compatible and homogeneous;
- > the direct or indirect correspondence or the homogeneity of the magnitude recorded by Enel with the requisites required by the SAM and EIRIS sustainability analysis firms, which use special questionnaires to evaluate the companies to be included in the sustainability indices of, respectively, Dow Jones (Dow Jones Sustainability Index) and the Financial Times (FTSE4GOOD).

Useful links:

- > Global Reporting Initiative: www.globalreporting.org
- > Ministry of Labor and Social Policies: <http://www.welfare.gov.it>
- > SAM: <http://www.sam-group.com/html/main.cfm>
- > Dow Jones Sustainability Index:
<http://www.sustainability-index.com>
- > EIRIS: <http://www.eiris.org>
- > FTSE4GOOD: <http://ftse.com>

ACRONYMS

ACR	Abandoned Call Rate
BOD	Board of Directors
CCGT	Combined Cycle Gas Turbine
DPS	Dividend per share
DT	Distance Training
EBITDA	Earnings Before Interest, Tax, Depreciation, and Amortization
EBT	Earnings Before Tax
EDLS	Enel Distance Learning System
EIB	European Investment Bank
EPS	Earnings per Share
GARP	Growth at Reasonable Price
GEM	Generation and Energy Management
IPO	Initial Public Offering
IRAP	Imposta Regionale sulle Attività Produttive (regional tax on firms)
IRES	Imposta sul Reddito delle Società (corporate income tax)
IVR	Integrated Voice Response
KM	Knowledge Management
LV	Low Voltage
NIS	Networks, Infrastructure and Sales
MV	Medium Voltage
N.A.	Not Available
ORIM	Orimulsion
PCB	Polychlorinated Biphenyls
R&D	Research & Development
ROACE	Returns on Average Capital Employed
S&P	Standard & Poor's
SRI	Socially Responsible Investment
TLC	Telecommunications (Wind)
TSR	Total Shareholder Return

LEGEND Units of Measurement SR 2004

,000	thousands	h	hours
,000 €	thousands of euros	h/per emp	hours per employee
#	number	index	rating
#/month	number per month	index n.	index number
%	percentage	km	kilometers
,000 kg	thousands of kilograms	kW	kilowatts
,000 tons	thousands of tons	l/kWh	liters per kilowatt-hour
bil min	billion minutes	mil	million
cm/emp	cubic meters per employee	mil €	million euros
d	days	mil cm	million cubic meters
€	euros	mil min	million minutes
€/month	euros per month	min	minutes
€/MWh	euros per megawatt-hour	mtoe	million tons of oil equivalent
€/s	euros per share	MW	megawatts
g/kWh	grams per kilowatt-hour	sec	seconds
GWh	gigawatt-hours	t	tons
		TW	terawatts
		TWh	terawatt-hour

ETHICAL AUDITING

Magnitude recorded	UM	2004	2003	2004-2003	Companies	GRI	CSR-SC	SAM	EIRIS
Ethical auditing						-	-	●	●
Code of Ethics Implementation						HR1÷HR8	7.6	●	●
Reports received	(#)	43	21	105%	Group	HR9	-	●	●
Customers	(#)	21	10	-	Group	-	-	-	-
Employees	(#)	15	10	-	Group	-	-	-	-
Communities	(#)	2	1	-	Group	-	-	-	-
Suppliers	(#)	5	0	-	Group	-	-	-	-
Code of Ethics Violations	(#)	13	9	44%	Group	HR10	-	●	●

In 2004 the reports received and the violations ascertained were considerably more numerous with respect to 2003. The increase reflects the effectiveness of the initiatives undertaken to disseminate the Code externally and of the internal training courses according to the communication plan introduced during 2004 by the Internal Audit Committee, the body of the Board of Directors entrusted with overseeing compliance with the Code of Ethics. The nature of the violations did not require any disciplinary measures to be taken, because the investigations carried out ascertained that the violations were slight, resolved the issues in question, and made the corporate areas involved aware of the need to be more attentive to the provisions of the Code of Ethics in carrying out their duties.

The prompt investigations and the involvement of the corporate departments in resolving the cases in question contributed to the further dissemination and strengthening of Enel's ethical principles.

CORPORATE GOVERNANCE

Magnitude recorded	UM	2004	2003	2004-2003	Companies	GRI	CSR-SC	SAM	EIRIS
Corporate governance						LA11; LA13	2.5	●	●
Board of Directors of Enel SpA						LA11; LA13	2.5	●	●
Total members BOD	(#)	7	7	0%	Enel SpA	LA11; LA13	-	●	●
Women on BOD	(#)	0	0	-	Enel SpA	LA11	2.5.4	●	●
Meetings of BOD	(#)	21	19	11%	Enel SpA	-	2.5.3	-	●
Internal dealing						-	6.3	●	●
Shares controlled by BOD and important persons	(,000)	244.6	100.3	144%	Enel SpA	-	6.3.1÷6.3.2	●	●

Among Enel's initiatives to continue improving its corporate governance is also the one undertaken – for the first time in Italy – to carry out a review of the functioning and effectiveness of the Board of Directors.

Among the aspects of excellence, the board review that was performed highlighted the fact that a very constructive and cohesive atmosphere prevails in the body. This encourages the members to state their opinions and expand the discussion of the matters considered, with a high level of independence in performing their duties. All the directors were extremely positive in their evaluations of the Chairman and the Chief Executive Officer, expressing great confidence in them and valuing the fact that they are readily accessible. They are also positive in their evaluation of the frequency of meetings and the flow of information that they receive.

LENDERS

Magnitude recorded	UM	2004	2003	2004-2003	Companies	GRI	CSR-SC	SAM	EIRIS
Lenders						EC6	5	-	-
Debt						EC6	5; 5.1÷5.3	-	-
Total debt	(mil €)	24,296	24,174	1%	Group	EC6	5	-	-
Debt to equity	(#)	1.16	1.13	3%	Group	EC7	5	-	-
Rating						-	2.4	-	-
S&P:					Group	-	2.4	-	-
> Long-term	(index)	A+	A+	-	Group	-	-	-	-
> Outlook	(index)	Stable	Negative	-	Group	-	-	-	-
> Short-term	(index)	A-1	A-1	-	Group	-	-	-	-
Moody's:						-	2.4	-	-
> Long-term	(index)	A1	A1	-	Group	-	-	-	-
> Outlook	(index)	Stable	Negative	-	Group	-	-	-	-
> Short-term	(index)	P-1	P-1	-	Group	-	-	-	-
Contributions						EC9	6.4	-	-
Total contributions	(,000 €)	32,710.6	29,461.7	11%	excluding foreign and TLC	EC9	6.4	-	-
> Energy networks	(%)	59.7	31.2	91%	excluding foreign and TLC	-	-	-	-
> R&D	(%)	7.0	6.5	7%	excluding foreign and TLC	-	-	-	-
> Renewable	(%)	32.8	44.3	-26%	excluding foreign and TLC	-	-	-	-
> Other	(%)	0.5	18.0	-97%	excluding foreign and TLC	-	-	-	-
Projects financed	(#)	69.0	52.0	33%	excluding foreign and TLC	EC9	6.4	-	-
Loans granted by the EIB and others						EC9	6.4	-	-
Total concessionary loans	(mil €)	3,573	3,720	-4%	excluding foreign	EC9	6.4	-	-
> Energy networks	(%)	68.5	69.0	-1%	excluding foreign	-	-	-	-
> R&D	(%)	0.6	0.7	-18%	excluding foreign	-	-	-	-
> Renewable	(%)	12.0	12.1	-2%	excluding foreign	-	-	-	-
> Other	(%)	18.9	18.2	4%	excluding foreign	-	-	-	-
Index concessionary loans	(%)	14.7	15.4	-5%	excluding foreign	EC9	6.4	-	-
Projects financed	(#)	24	36	-33%	excluding foreign	EC9	6.4	-	-

The indicators show:

- > a stable level of total debt;
- > a constant and positive evaluation by specialized agencies;
- > a larger amount of contributions, which is reflected in the increased number of projects financed (+33% for 69 projects).

The financing lines concern the project areas.

SHAREHOLDERS

Magnitude recorded	UM	2004	2003	2004-2003	Companies	GRI	CSR-SC	SAM	EIRIS
Shareholders						-	2	-	●
Composition of shareholder base ⁽¹⁾						-	2.1	-	●
Shareholdings						-	2.1	-	●
> <i>Ministry of the Economy</i>	(%)	41.8	61.0	-31%	Parent Company				
> <i>Institutional investors</i>	(%)	29.7	17.2	73%	Parent Company				
> <i>Retail shareholders</i>	(%)	28.5	21.8	31%	Parent Company				
Institutional investors						-	2.1.2	-	-
> <i>Italy</i>	(%)	31.5	22.5	40%	Parent Company	-	2.1.2	-	-
> <i>UK</i>	(%)	26.0	29.3	-11%	Parent Company	-	2.1.2	-	-
> <i>Rest of Europe</i>	(%)	19.9	20.3	-2%	Parent Company	-	2.1.2	-	-
> <i>North America</i>	(%)	22.1	25.8	-14%	Parent Company	-	2.1.2	-	-
> <i>Rest of the world</i>	(%)	0.5	2.1	-76%	Parent Company	-	2.1.2	-	-
Concentration index (Incidence of first 50)	(%)	34.2	25.2	36%	Parent Company	-	2.1.1	-	-
Investment style of institutional investors						-	-	-	-
> <i>GARP</i>	(%)	19.7	16.0	23%	Parent Company	-	-	-	-
> <i>Growth</i>	(%)	32.4	25.6	27%	Parent Company	-	-	-	-
> <i>Index</i>	(%)	15.9	16.6	-4%	Parent Company	-	-	-	-
> <i>Value</i>	(%)	19.0	20.8	-9%	Parent Company	-	-	-	-
> <i>Hedge</i>	(%)	11.8	19.1	-38%	Parent Company	-	-	-	-
> <i>Other</i>	(%)	1.2	1.9	-37%	Parent Company	-	-	-	-
Socially responsible investors (SRI) ⁽¹⁾							-	-	-
Presence of SRI funds	(#)	47.0	33.0	42%	Parent Company	-	-	-	-
Enel shares held by SRI funds	(mil)	360.1	168.4	114%	Parent Company	-	-	-	-
Incidence of SRI funds	(%)	19.8	16.2	22%	Parent Company	-	-	-	-
Breakdown by geographical area						-	-	-	-
> <i>Italy</i>	(%)	32.1	20.3	58%	Parent Company	-	-	-	-
> <i>UK</i>	(%)	35.0	30.4	15%	Parent Company	-	-	-	-
> <i>Rest of Europe</i>	(%)	25.3	39.4	-36%	Parent Company	-	-	-	-
> <i>North America</i>	(%)	7.6	9.9	-23%	Parent Company	-	-	-	-
Presence of SRI funds in top 10	(#)	2.0	2.0	0%	Parent Company	-	-	-	-

(1) At November 30, 2004.



SHAREHOLDERS

Magnitude recorded	UM	2004	2003	2004-2003	Companies	GRI	CSR-SC	SAM	EIRIS
Share performance						-	2.3	-	-
Financial performance of shares	(%)	40.7	8.7	368%	Parent Company	-	2.3	-	-
Dividend yield	(%)	9.5	6.7	42%	Parent Company	-	2.2.1	-	-
Enel in world stock indexes						-	2.2.1	-	-
> E100 FTSE Eurotop 100	(%)	1.0	0.411	131%	Parent Company	-	-	-	-
> MIBTEL	(%)	7.9	6.766	17%	Parent Company	-	-	-	-
> MIB30	(%)	10.5	8.578	22%	Parent Company	-	-	-	-
> MIBHIS	(%)	7.9	6.766	17%	Parent Company	-	-	-	-
> MIBPUBLH	(%)	28.5	27.807	2%	Parent Company	-	-	-	-
> BE500 /Bloomberg Europe	(%)	0.8	0.637	18%	Parent Company	-	-	-	-
> BEELECT / BE%= Electric	(%)	18.6	17.056	9%	Parent Company	-	-	-	-
> SX5E / DJ Euro STOXX 50	(%)	1.7	0.928	80%	Parent Company	-	-	-	-
> SXXE / DJ Euro STXX	(%)	1.1	0.597	77%	Parent Company	-	-	-	-
> SX6E / DJ Euro Utilities	(%)	14.4	9.209	57%	Parent Company	-	-	-	-
Enel in the main sustainability indexes						-	2.2.1	-	-
> DJSI		YES	YES		Parent Company	-	-	-	-
> FTSE 4Good		YES	YES		Parent Company	-	-	-	-
> Vigeo		YES	YES		Parent Company	-	-	-	-
> E. Capital Partners		YES	YES		Parent Company	-	-	-	-
> AXIA		YES	YES		Parent Company	-	-	-	-
Shareholder return						-	2.2.3	-	-
EPS	(€/s)	0.44	0.41	7%	Parent Company	-	2.2.3	-	-
DPS	(€/s)	0.69	0.36	92%	Parent Company	-	2.2.1	-	-
TSR from the IPO	(%)	3.18	-5.46	158%	Parent Company	-	-	-	-
Communication with shareholders						-	2.7	-	●
Meetings with investors	(#)	257	93	176%	Parent Company	-	2.7.1÷2.7.6	-	-
Information on CSR	(#)	29	n.a.	-	Parent Company	-	-	-	●
Retail shareholder requests for information	(#)	623	148	321%	Parent Company	-	2.7.1	-	-

SHAREHOLDERS

Magnitude recorded	UM	2004	2003	2004-2003	Companies	GRI	CSR-SC	SAM	EIRIS
Economic performance						EC7	-	-	●
Revenue	(mil €)	36,489	31,317	17%	Group	EC7	-	-	●
EBITDA	(mil €)	11,010	9,841	12%	Group	EC7	-	-	-
> <i>GEM</i>	(%)	36.0	38.9	-8%		-	-	-	-
> <i>MIR</i>	(%)	34.6	37.2	-7%		-	-	-	-
> <i>TLC</i>	(%)	14.0	10.2	37%		-	-	-	-
> <i>Terna</i>	(%)	6.1	6.3	-2%		-	-	-	-
> <i>Services</i>	(%)	2.7	4.8	-45%		-	-	-	-
> <i>Parent Company</i>	(%)	6.6	2.6	154%		-	-	-	-
Group net income	(mil €)	2,706	2,509	8%	Group	EC7	-	-	●
ROACE	(%)	13.9	10.4	33%	Group	EC7	-	-	-
Value added for stakeholders	(mil €)	13,831	13,423	3%	Group	EC1	-	-	-
> <i>Revenue</i>	(mil €)	36,489	31,317	17%	Group	-	-	-	-
> <i>External costs</i>	(mil €)	21,834	17,722	23%	Group	-	-	-	-
> <i>Gross added value</i>	(mil €)	14,655	13,595	8%	Group	-	-	-	-
> <i>Extraordinary expenses/income</i>	(mil €)	818	136	501%	Group	-	-	-	-
> <i>Asset adjustments</i>	(mil €)	6	36	-83%	Group	-	-	-	-
> <i>Net value added</i>	(mil €)	13,831	13,423	3%	Group	-	-	-	-
> <i>Shareholders</i>	(mil €)	4,211	2,183	93%	Group	-	-	-	-
> <i>Lenders</i>	(mil €)	1,142	1,203	-5%	Group	-	-	-	-
> <i>Employees</i>	(mil €)	3,315	3,440	-4%	Group	-	-	-	-
> <i>Government</i>	(mil €)	1,863	1,280	46%	Group	-	-	-	-
> <i>Enterprise system</i>	(mil €)	3,300	5,317	-38%	Group	-	-	-	-
Taxes	(mil €)	1,863	1,280	46%	Group	EC8	-	-	-
> <i>IRES, IRAP and other taxes</i>	(mil €)	1,511	943	60%	Group	-	-	-	-
> <i>Foreign taxes</i>	(mil €)	22	23	-4%	Group	-	-	-	-
> <i>Other taxes</i>	(mil €)	195	192	2%	Group	-	-	-	-
> <i>License fees net of contributions received</i>	(mil €)	135	122	11%	Group	-	-	-	-

The data regarding share performance show a positive trend.

What should be highlighted here is the significant increase (+42%) in the presence of socially responsible investors in the share capital, as well as their geographical distribution.

Investment styles show a further increase in growth and similar styles (GARP-value) amounting to 71.1% of the institutional total. This increase is the result not only of overall management and the effectiveness of the business plan, but also of several fundamentals of our Social Responsibility:

- > the transparency and effectiveness of our financial communication;
- > a good capability of responding to requests for information and an increase in the number of meetings with ethical analysts;
- > widespread information on the criteria of risk control, which determine the propensity to invest;
- > a distribution of value added that ensures stakeholders a constant concern for their interests, in addition – of course – to those of shareholders.

SUPPLIERS

Magnitude recorded	UM	2004	2003	2004-2003	Companies	GRI	CSR-SC	SAM	EIRIS
Suppliers						EC3	4	-	●
Kind of suppliers						EC3	4.1.1	-	-
Number of suppliers	(#)	19,723	16,883	17%	excluding TLC, foreign and fuels	-	4.1.2	-	-
Supplier concentration (top 10)	(%)	32.0	19.0	68%	excluding TLC, foreign and fuels	-	4.1.2	-	-
Procurement and fuels						EC3	-	-	-
Purchases of materials and services	(mil €)	5,087.3	4,763.0	7%	excluding foreign	EC3	-	-	●
> <i>Supplies</i>	(mil €)	2,861.4	2,388.0	20%	excluding foreign	-	-	-	-
> <i>Contract work</i>	(mil €)	717.5	969.0	-26%	excluding foreign	-	-	-	-
> <i>Services</i>	(mil €)	1,508.4	1,406.0	7%	excluding foreign	-	-	-	-
Fuel purchases	(mil €)	3,454.7	3,184.0	9%	excluding foreign	EC3	-	-	-
> <i>Gas</i>	(mil €)	1,053.8	1,183.0	-11%	excluding foreign	-	-	-	-
> <i>Oil</i>	(mil €)	1,116.3	1,014.0	10%	excluding foreign	-	-	-	-
> <i>Coal</i>	(mil €)	560.2	412.0	36%	excluding foreign	-	-	-	-
> <i>Services</i>	(mil €)	724.4	575.0	26%	excluding foreign	-	-	-	-
Management instruments						EC3	-	-	●
Active qualifications	(#)	2,663	2,625	1%	excluding TLC, foreign and fuels	EC3	-	-	●
Online tenders	(%)	32.0	18.0	78%	CPC* excluding Terna 2004	EC3	-	-	●
Online purchases	(%)	84.0	58.0	45%	CPC* excluding Terna 2004	EC3	-	-	●
Litigation with suppliers						-	-	-	●
Total proceedings	(#)	629	547	15%	excluding foreign	-	-	-	●
Incidence of litigation as defendant	(%)	72.8	73.9	-1%	excluding foreign	-	-	-	●
New proceedings	(#)	193	171	13%	excluding foreign	-	-	-	●

* CPC (Corporate Procurement and Contracts) includes Enel Distribuzione, Enel Sole, Enel.si, Enel Produzione, Enel Green Power, Enel.it, Enel FM.

In about two years Enel managed more than 3,700 tenders via Internet, amounting to a total of around 1.75 billion euros. In particular, the adoption of online tenders – over 2,000 in 2004, totaling around 1.2 billion euros – contributed to streamlining calls for bids, increasing transparency, and lowering award prices.

ELECTRICITY MARKET

Magnitude recorded	UM	2004	2003	2004-2003	Companies	GRI	CSR-SC	SAM	EIRIS
Electricity market						EC1	3	●	●
Customer portfolio						EC1	3.1÷3.1.2	●	-
Sales revenue from final customers	(mil €)	16,577.9	16,541.0	0.2%	Group	EC1	-	●	-
> <i>Regulated</i>	(mil €)	15,054	15,741	-4%	Enel Distribuzione	-	-	-	-
> <i>Free - business</i>	(mil €)	648.5	510.0	27%	Enel Energia	-	-	-	-
> <i>Free - top</i>	(mil €)	827.4	238.0	248%	Enel Trade	-	-	-	-
> <i>Deval</i>	(mil €)	48.0	51.6	-7%	Deval	-	-	-	-
Volume sold to final customers	(TWh)	157.8	152.2	4%	Group	EC1	-	-	-
> <i>Total regulated market</i>	(TWh)	136.6	141.1	-3%	Enel Distribuzione	-	-	-	-
> <i>Consumers</i>	(TWh)	53.9	51.7	4%	Enel Distribuzione	-	-	-	-
> <i>Other uses</i>	(TWh)	82.7	89.4	-7%	Enel Distribuzione	-	-	-	-
> <i>Total free market</i>	(TWh)	20.8	10.7	95%	Enel Energia + Enel Trade	-	-	-	-
> <i>Free - business</i>	(TWh)	7.5	6.1	22%	Enel Energia	-	-	-	-
> <i>Free - top</i>	(TWh)	13.4	4.6	190%	Enel Trade	-	-	-	-
Volume transported	(TWh)	250.7	244.4	3%		-	-	-	-
Customers	(,000)	29,535.5	28,918.5	2%	excluding Deval	EC1	3.2	●	-
> <i>Consumers</i>	(,000)	23,106.3	22,513.5	3%	Enel Distribuzione	-	-	-	-
> <i>Regulated market - business</i>	(,000)	6,421.6	6,400.9	0%	Enel Distribuzione	-	-	-	-
> <i>Total regulated market</i>	(,000)	29,527.9	28,914.4	2%	Enel Distribuzione	-	-	-	-
> <i>Free market</i>	(,000)	7.6	4.1	85%	Enel Energia + Enel Trade	-	-	-	-
Customer growth in free market	(customers/month)	627.5	25	-	free market	EC1	3.2.2	●	●
Switching rate	(%)	1.4	-0.7	282%	free market + regulated market	-	3	-	-
Market share	(%)	52.3	50.6	3%	excluding Deval	EC1	3	●	●
Customer value						EC1	3.4÷3.6	●	-
Average sales revenue per customer	(€/month)	567.4	607.8	-7%	Enel Distribuzione	EC1	-	●	-
Sales network (regulated market)						EC2	-	●	-
Contact points (Italy - electricity)	(#)	1,089	1,061	3%	Enel Distribuzione	EC2	-	-	-
> <i>Qui Enel in Enel.si</i>	(#)	527	582	-9%	Enel Distribuzione	-	-	-	-
> <i>Qui Enel in Wind</i>	(#)	353	415	-15%	Enel Distribuzione	-	-	-	-
> <i>Qui Enel in city halls</i>	(#)	104	44	136%	Enel Distribuzione	-	-	-	-
> <i>Qui Enel in post offices</i>	(#)	105	20	425%	Enel Distribuzione	-	-	-	-
Other indirect - free market	(#)	15	-	-	Enel Energia	-	-	-	-
Contact points (Spain - electricity)	(#)	26	-	-	Viesgo	EC2	-	-	-



ELECTRICITY MARKET

Magnitude recorded	UM	2004	2003	2004-2003	Companies	GRI	CSR-SC	SAM	EIRIS
Supply activation									
Execution of simple jobs	(d)	8.9	9.0	-1%	Enel Distribuzione	-	-	-	-
Supply activation	(d)	1.9	2.1	-10%	Enel Distribuzione	-	-	-	-
Service management (regulated market)						EC1	-	-	-
Productivity of indirect channels	(,000)	1,377.0	1,232.7	12%	Enel Distribuzione	-	-	-	-
Portal productivity	(,000)	984.0	646.0	52%	Enel Distribuzione	-	-	-	-
Calls answered by call center	(,000)	13,302.4	14,428.2	-8%	Enel Distribuzione	-	-	-	-
Call center (regulated market)									
Service level	(%)	84.0	81.0	4%	Enel Distribuzione	-	-	-	-
Average waiting time	(sec)	180.0	167.0	8%	Enel Distribuzione	-	-	-	-
Effectiveness	(#)	92.4	94.9	-3%	Enel Distribuzione	-	-	-	-
Operator training	(h per employee)	31.2	19.5	60%	Enel Distribuzione	-	-	-	-
Technical quality						EC1; PR4÷PR8	-	●	●
Index of service continuity	(min)	60.0	72.0	-17%	Enel Distribuzione	-	-	●	-
Investment in quality	(mil €)	333	477	-30%	Enel Distribuzione	-	-	●	-
Customer satisfaction and customer loyalty (regulated market)						EC1	3.3.1-3.3.2	●	●
Written complaints	(,000)	268.9	269.5	0%	Enel Distribuzione	EC1	3.3.1	●	-
Answering time for written complaints	(d)	14.0	8.9	58%	Enel Distribuzione	EC1	3.3.1	●	-
Expenditure for loyalty campaigns	(mil €)	5.4	5.8	-7%	Enel Distribuzione	EC1	3.3.2	-	-
Litigation with electricity and gas customers									
Total proceedings	(#)	25,526	11,638	119%	excluding foreign	-	-	-	-
> Electricity	(#)	23,378	n.a.	-		-	-	-	-
> Gas	(#)	1,938	n.a.	-		-	-	-	-
> Other	(#)	210	n.a.	-		-	-	-	-

Consumers find it easier and easier to communicate with Enel through marketing and customer-care instruments such as: Enel Club, which currently has about one million members; the 1,100 Qui Enel desks in Wind and Enel.si stores; the approximately 100 contact points in city halls; the approximately 100 contact points in authorized post offices; the 140 PuntoEnel stands for business customers; the 4,500 ATMs for paying bills, together with the 2,200 post-office automated tellers and the authorized Lottomatica Puntolis sellers of lottery tickets.

This closeness of customers is also evident in their increasing use (+52%) of the Enel portal (www.enel.it), where they can take care of various matters regarding their contracts.

The decrease in calls to which the call center responded and the increase in the service-level index indicate an overall improvement and the greater effectiveness of the first responses of operators in resolving problems.

GAS MARKET

Magnitude recorded	UM	2004	2003	2004-2003	Companies	GRI	CSR-SC	SAM	EIRIS
Gas market						EC1	3	●	●
Customer portfolio						EC1	3.1÷3.1.2	●	-
Revenue from sales to final customers (mil €)		1,374	1,254	10%	Group	EC1	-	●	-
Volume sold to final customers (mil cm)		5,186	4,445	17%	Group	EC1	-	-	-
> Business customers (mil cm)		2,404	1,780	35%	Enel Gas	-	-	-	-
> Consumer customers (mil cm)		2,782	2,665	4%	Enel Gas	-	-	-	-
Volume sold to third-party customers (mil cm)		1,666	2,329	-28%	Enel Trade	-	-	-	-
Customers (,000)		1,966	1,796	9%	Group	EC1	3.2	●	-
> Business customers (,000)		2.0	1.6	24%	Enel Gas + Enel Trade	-	-	-	-
> Consumer customers (,000)		1,963.6	1,794.0	9%	Enel Gas	-	-	-	-
Growth of customer base (#/month)		14,827	6,322	135%	Enel Gas	EC1	3.2.2	●	●
Switching rate (%)		2.9	4.3	-34%	Enel Gas	-	3	-	-
Market share (%)		11.0	9.4	16%	Group	EC1	3	●	●
Customer value						EC1; PR1; PR2	3.4÷3.6	●	-
Average revenue per customer (€/month)		748.4	716.2	4%	Enel Gas	EC1	-	●	-
Sales network (Italy)						EC2	-	●	-
Contact points (#)		75	21	257%	Enel Gas	EC2	-	-	-
Formation of indirect network (#)		418	12	3383%	Enel Gas	EC2	-	-	-
Outbound network (#)		38	0	-	Enel Gas	EC2	-	-	-
Effectiveness of outbound network (#)		33,332	0	-	Enel Gas	EC2	-	-	-
Supply activation						-	-	-	-
Execution of simple jobs (d)		7.1	5.3	34%	Enel Gas	-	-	-	-
Supply activation (d)		2.6	2.5	4%	Enel Gas	-	-	-	-
Service management						EC1	-	-	-
Productivity of indirect channels (,000)		14	0	-	Enel Gas	-	-	-	-
Portal productivity (,000)		90	n.a.	-	Enel Gas	-	-	-	-
Calls answered by call center (,000)		1,447	1,506	-4%	Enel Gas	-	-	-	-
Effectiveness of the structure (€)		n.a.	n.a.	-	Enel Gas	EC1	3.3.1	-	-
Call center						-	-	-	-
Service level ⁽¹⁾ (%)		50.0	77.0	-35%	Enel Gas	-	-	-	-
IVR effectiveness (%)		32.0	42.5	-25%	Enel Gas	-	-	-	-
Average waiting time (sec)		65.0	27.0	141%	Enel Gas	-	-	-	-
Effectiveness (#)		98.7	97.6	1%	Enel Gas	-	-	-	-
Operator training (h/per emp)		270	113	139%	Enel Gas	-	-	-	-

(1) Operator answer within 45 seconds.



GAS MARKET

Magnitude recorded	UM	2004	2003	2004-2003	Companies	GRI	CSR-SC	SAM	EIRIS
Customer satisfaction and loyalty									
Index of customer satisfaction	(#)	7.7	7.6	1%	Enel Gas	EC1; EC2	3.3.1-3.3.2	●	●
Written complaints	(,000)	896.0	648.0	38%	Enel Gas	EC1; EC2	3.3.1	●	-
Answering time for written complaints	(d)	9.4	8.7	9%	Enel Gas	EC1; EC2	3.3.1	●	-
Expenditure for loyalty campaigns	(mil €)	4.6	1.1	318%	Enel Gas	EC1; EC2	3.3.2	-	-
Litigation with electricity and gas customers									
Total proceedings	(#)	25,526	11,638	119%	excluding foreign	-	-	-	-
> <i>Electricity</i>	(#)	23,378	n.a.	-		-	-	-	-
> <i>Gas</i>	(#)	1,938	n.a.	-		-	-	-	-
> <i>Other</i>	(#)	210	n.a.	-		-	-	-	-
Incidence of litigation as defendant	(%)	59	20	195%	excluding foreign	-	-	-	-
New proceedings	(#)	15,187	1,960	675%	excluding foreign	-	-	-	-
Index of success in definitive rulings	(%)	42	58	-29%	excluding foreign	-	-	-	-

The litigation recorded for the electricity and gas markets derives essentially from proceedings initiated by customers in consequence of the black-out in September 2003.

TLC MARKET

Magnitude recorded	UM	2004	2003	2004-2003	Companies	GRI	CSR-SC	SAM	EIRIS
TLC market						EC1	3	-	-
Customer portfolio						EC1	3.1÷3.1.2	-	-
Total revenue	(mil €)	4,714	4,383	8%	TLC	EC1	-	-	-
Total volume	(bil min)	27,806.6	24,528.0	13%	TLC	EC1	-	-	-
> Fixed-line	(bil min)	13,971.3	15,035.1	-7%	TLC	-	-	-	-
> Mobile	(bil min)	13,835.3	9,492.9	46%	TLC	-	-	-	-
Customers	(,000)	17,279	16,100	7%	TLC	EC1	3.2	-	-
> Fixed-line	(,000)	2,367	3,100	-24%	TLC	-	-	-	-
> Mobile (SIM)	(,000)	12,112	9,900	22%	TLC	-	-	-	-
> Internet (active customers)	(,000)	2,800	3,100	-10%	TLC	-	-	-	-
Market share (mobile)	(%)	19.1	17.3	11%	TLC	EC1	3	-	-
Value per customer						EC1	3.4÷3.6	-	-
Average revenue per customer (mobile) (€/month)		20.8	22.2	-7%	TLC	EC1	-	-	-
Average revenue per customer (fixed-line) (€/month)		36.3	31.4	16%	TLC	EC1	-	-	-
Sales network						-	-	-	-
Contact points	(#)	2,166	2,075	4%	TLC	-	-	-	-
Training for indirect network	(#)	3,728	2,900	29%	TLC	-	-	-	-
Outbound network (consumers)	(#)	80	67	19%	TLC	-	-	-	-
Outbound network (business)	(#)	200	n.a.	-	TLC	-	-	-	-
Supply activation						-	-	-	-
Supply activation	(d)	16.9	36.0	-53%	TLC	-	-	-	-
Service management						-	3.6	●	-
Responses from the call center	(,000)	23,578	20,912	13%	TLC	-	-	●	-
Call center						-	-	●	-
ACR	(%)	7.4	11.0	-33%	TLC	-	-	●	-
IVR effectiveness	(%)	68.1	68.1	0%	TLC	-	-	●	-
Average waiting time	(sec)	40.9	47.2	-14%	TLC	-	-	●	-
Effectiveness	(%)	84.9	85.0	0%	TLC	-	-	●	-
Operator training	(h/per emp)	174.2	177.7	-2%	TLC	-	-	-	-
Technical quality						-	3.6	-	-
Network coverage	(%)	98.9	98.6	0%	TLC	-	-	-	-
Calls without interruption	(%)	97.7	98.1	0%	TLC	-	-	-	-
Customer satisfaction and loyalty						EC1	3.3.1-3.3.2	-	-
Customer satisfaction index	(#)	91.0	86.0	6%	TLC	EC1	3.3.1	-	-
Litigation with TLC customers						-	-	-	-
Total proceedings	(#)	1,369	818	67%	TLC	-	-	-	-
Incidence of litigation as defendant	(%)	93	84	11%	TLC	-	-	-	-
New proceedings	(#)	1,160	772	50%	TLC	-	-	-	-
Index of success in definitive decisions	(%)	80	77	4%	TLC	-	-	-	-

ENVIRONMENTAL MANAGEMENT SYSTEMS

Magnitude recorded	UM	2004	2003	2004-2003	Companies	GRI	CSR-SC	SAM	EIRIS
Environmental management systems						-	8	●	●
Environmental certification						-	8.2	●	●
ISO 14001 certifications	(#)	20	18	11%	GEM	-	8.2	●	●
EMAS certifications	(#)	10	10	0%	GEM	-	8.2	●	●
Installed power covered by ISO 14001 certification	(%)	70.4	51.1	38%	GEM	-	8.2	●	●
Installed power covered by EMAS certification	(%)	28.0	27.0	4%	GEM	-	8.2	●	●
Research and innovation						EN35	8.2	●	-
Research expense	(mil €)	20.2	18.5	9%	GEM	EN35	8.2	-	-
Research personnel	(#)	160.6	169.5	-5%	GEM	EN35	8.2	-	-
Environmental expense						EN35	8.2	-	-
Environmental expense (current account) ⁽¹⁾	(mil €)	495	637	-22%	excluding foreign	EN35; EN27; EN29	8.2	-	-
Personnel working on environmental issues	(#)	260.0	248.0	5%	excluding foreign	-	8.2	-	●
Safety systems						EN34	8.2	-	●
Inspections on transport ships						EN34	-	-	●
> Oil products	(%)	100.0	71.0	41%	excluding foreign	EN34	-	-	●
> Coal	(%)	10.0	1.0	900%	excluding foreign	-	-	-	-

(1) Environmental expense has been reported according to the FEEM (Eni Enrico Mattei Foundation) guidelines in "Il bilancio ambientale d'impresa".

ENERGY EFFICIENCY OF GENERATING PLANTS IN ITALY

Magnitude recorded	UM	2004	2003	2004-2003	Companies	GRI	CSR-SC	SAM	EIRIS
Energy efficiency of generating plants in Italy						EN14	8.1.1	●	-
Generating plants						-	8.1.1	●	-
Net efficient thermal power	(MW)	26,837	26,719	0%	excluding foreign	-	8.1.1	●	-
> Coal and orimulsion	(MW)	4,616	4,648	-1%	excluding foreign	-	-	-	-
> CCGT	(MW)	5,005	4,711	6%	excluding foreign	-	-	-	-
> Oil/gas	(MW)	15,086	15,526	-3%	excluding foreign	-	-	-	-
> Other	(MW)	2,130	1,834	16%	excluding foreign	-	-	-	-
Net efficient renewable power	(MW)	15,210.0	15,126.9	1%	excluding foreign	-	8.1.1	●	-
> Hydro	(MW)	14,317.8	14,330.1	0%	excluding foreign	-	-	-	-
> Wind	(MW)	246.5	127.7	93%	excluding foreign	-	-	-	-
> Geo	(MW)	642.0	665.5	-4%	excluding foreign	-	-	-	-
> Other	(MW)	3.6	3.6	0%	excluding foreign	-	-	-	-
CCGT incidence	(%)	18.6	17.6	6%	excluding foreign	-	8.1.1	●	-
Renewable energy development	(MW)	125.5	85.9	46%	excluding foreign	-	8.1.1	●	●
Net thermal production	(TWh)	91.9	106.7	-14%	excluding foreign	-	8.1.1	●	●
> Coal and orimulsion	(TWh)	31.5	30.4	4%	excluding foreign	-	-	-	-
> CCGT	(TWh)	32.1	24.8	30%	excluding foreign	-	-	-	-
> Oil/gas	(TWh)	28.1	51.2	-45%	excluding foreign	-	-	-	-
> Other	(TWh)	0.1	0.3	-58%	excluding foreign	-	-	-	-
Net renewable production	(TWh)	26.6	23.8	12%	excluding foreign	-	8.1.1	●	●
> Hydro	(TWh)	21.3	18.7	14%	excluding foreign	-	-	-	-
> Wind and solar ⁽¹⁾	(TWh)	0.2	0.1	205%	excluding foreign	-	-	-	-
> Geo	(TWh)	5.1	5.0	2%	excluding foreign	-	-	-	-
Pumped-storage hydro production	(TWh)	7.4	7.3	1%	excluding foreign	-	8.1.1	●	●
Fuel mix						EN1	-	●	●
Fuel consumption	(Mtoe)	20.1	23.3	-14%	excluding foreign	EN1	-	●	●
> Coal and orimulsion	(%)	37.6	31.6	19%	excluding foreign	-	-	-	-
> Oil	(%)	24.3	28.0	-13%	excluding foreign	-	-	-	-
> Gas	(%)	38.1	40.4	-6%	excluding foreign	-	-	-	-
Productivity						-	-	●	●
CCGT plant yield	(%)	52.4	51.8	1%	excluding foreign	-	-	●	●
Unavailability for call into service - coal	(%)	4.8	6.2	-23%	excluding foreign	-	-	-	-
Green energy						-	-	●	●
Green-certificate production	(TWh)	1.4	0.7	105%	excluding foreign	-	-	●	●
Green-certificate coverage requirement	(%)	64.6	33.5	93%	excluding foreign	-	-	●	●
Green energy sales	(GWh)	67.2	0.0	-	excluding foreign	-	-	●	●
Investment						-	8.1.1	-	●
Investment in efficiency	(mil €)	213.9	304.0	-30%	excluding foreign	EN19	8.1.1	-	●
Environmental investment	(mil €)	36.7	64.3	-43%	excluding foreign	EN19	8.1.1	-	●
Investment in renewable energy	(mil €)	335.1	226.7	48%	excluding foreign	EN17	-	-	●

(1) Excluding isolated solar plants (589 kW from 199 plants).

The increase in net efficient power from renewable energy in spite of the decrease in hydroelectric and geothermal production was determined by a 93% increase in the wind component, which attained 246.5 MW. In effect, wind plants more than doubled their net production, to 0.2 TWh. Green-certificate production also increased, covering 61.1% of requirements. Together with the sale of green energy (67.2 GWh), this figure attests a commitment that is more and more oriented to sustainable growth. Highly significant is the investment in renewable energy sources, which shows an increase of 48% with respect to 2003.

NETWORK ENERGY EFFICIENCY

Magnitude recorded	UM	2004	2003	2004-2003	Companies	GRI	CSR-SC	SAM	EIRIS
Network energy efficiency						-	-	●	-
Electricity distribution						-	-	●	-
Availability of transmission network	(%)	99.2	99.1	0%	excluding foreign	-	-	●	-
Construction/development of LV/MV lines	(km)	0.0	0.0	-	excluding foreign	EN17	-	●	-
Gas distribution						-	-	●	-
Gas leaks	(#)	498	509	-2%	excluding foreign	EN13	-	●	-
Network check	(%)	50	45	11%	excluding foreign	-	-	●	-
Remote-controlled substations	(#)	199	92	116%	excluding foreign	-	-	●	-

The availability of the transmission network is still excellent.

The reduction of gas leaks on the network (-34%) fully describes Enel's commitment to safety and the constant improvement of its ability to check and modernize.

RATIONAL USE OF ENERGY

Magnitude recorded	UM	2004	2003	2004-2003	Companies	GRI	CSR-SC	SAM	EIRIS
Rational use of energy						EN17	8.1	-	●
Promotion of energy efficiency						EN17	8.1.1	-	-
Micro-generation	(kW)	1,890	388	387%	excluding foreign	EN17	-	-	-
Electronic meters installed	(,000)	20,801	13,387	55%	excluding foreign	EN17	-	-	-
Customers with two-bracket rates	(#)	17,509	0	-	excluding foreign	-	-	-	●

Very significant is the increase in micro-generation, an innovative service that distributes production among small generating plants, which use natural gas in a co-generation system and are located directly on the premises of the final user.

The great success of the two-bracket rates a few months after they were launched attests Enel's attentiveness to its customers. In effect, their application – made possible by the installation of electronic meters that allow consumption to be read at a distance – and the subsequent adoption of additional differentiated rates are responses to precise needs of customers, who can adjust their consumption to their life styles.

ENVIRONMENTAL PERFORMANCE

Magnitude recorded	UM	2004	2003	2004-2003	Companies	GRI	CSR-SC	SAM	EIRIS
Environmental performance						-	8.1	●	●
Polluting emissions						EN10	8.1.4	●	●
Specific emissions of SO ₂	(g/kWh)	1.02	0.94	8%	GEM excluding foreign	EN10	8.1.4	●	●
Specific emissions of NO _x	(g/kWh)	0.61	0.58	4%	GEM excluding foreign	EN10	8.1.4	●	●
Specific emissions of H ₂ S	(g/kWh)	4.60	4.84	-5%	GEM excluding foreign	EN10	8.1.4	●	●
Specific emissions of particulates	(g/kWh)	0.04	0.03	10%	GEM excluding foreign	EN10	8.1.4	●	●
Emissions of greenhouse gases									
Emissions of CO ₂	(mil t)	63.4	71.5	-11%	GEM excluding foreign	EN8	8.1.4	●	●
Specific emissions of CO ₂ (net fossil thermal production)	(g/kWh)	690	670	3%	GEM excluding foreign	EN8	8.1.4	●	●
Emissions avoided	(mil t)	18.3	15.9	15%	GEM excluding foreign	-	8.1.4	●	●
Other emissions of greenhouse gases (CO ₂)	(,000 t)	33.3	24.5	36%	GEM excluding foreign	EN30	8.1.4	●	●
Other emissions of greenhouse gases (SF ₆)	(,000 t)	5.8	5.0	15%	GEM excluding foreign	EN30	8.1.4	●	●
Other emissions of greenhouse gases (CH ₄)	(,000 t)	6.6	6.3	4%	GEM excluding foreign	EN30	8.1.4	●	●
Waste management						EN2	8.1.6	●	●
Waste produced	(,000 t)	1,912	1,807	6%	excluding foreign	EN2	8.1.6	-	●
Hazardous special waste produced	(,000 t)	38	34	11%	excluding foreign	EN2	8.1.6	-	●
Waste recovery	(%)	95	91	4%	excluding foreign	EN31	8.1.6	-	●
Asbestos disposal	(t)	2,047.5	2,010.0	2%	excluding foreign	-	-	-	-
Transformers and equipment with PCB out of total transformers and equipment	(%)	8.6	10.8	-21%	excluding foreign	EN2	8.1.6	-	●
Water requirements						EN5; EN21	8.1.2	-	-
Specific requirements for thermal production	(l/kWh)	0.52	0.41	28%	excluding foreign	EN5	8.1.2	-	-
Impact on landscape/communities						EN20; EN23÷EN25	-	-	●
Cabling index	(%)	69.0	68.5	1%	excluding foreign	-	-	-	●
LV lines	(%)	82.7	82.5	0%	excluding foreign	-	-	-	-
MV lines	(%)	39.0	38.3	2%	excluding foreign	-	-	-	-
Incidence of low-visual-impact plants	(%)	12.4	9.4	32%	excluding foreign	EN14	-	-	●
Plants rebuilt	(%)	7.0	27.0	-74%	excluding foreign	EN14	-	-	●
Environmental litigation						EN16	-	-	-
Total proceedings as defendant	(#)	364	n.a.	-	excluding foreign	-	-	-	-
> Pollution (water, air, land, acoustic)	(%)	8.8	n.a.	-	excluding foreign	-	-	-	-
> Environmental impact	(%)	15.1	n.a.	-	excluding foreign	-	-	-	-
> Electromagnetic fields	(%)	62.6	n.a.	-	excluding foreign	-	-	-	-
> Other	(%)	13.5	n.a.	-	excluding foreign	-	-	-	-
New proceedings	(#)	44	n.a.	-	excluding foreign	-	-	-	-

GENERATING PLANTS ABROAD

Magnitude recorded	UM	2004	2003	2004-2003	Companies	GRI	CSR-SC	SAM	EIRIS
Generating plants abroad									
Environmental certifications									
Plant sites with certification	(#)	6	4	50%	international	-	8.2	●	●
Degree of certification coverage	(%)	3.4	2.9	16%	International	-	8.2	●	●
Generating plants abroad									
Net efficient power	(MW)	3,688	3,829	-4%	international	-	8.1.1	●	-
> Spain	(%)	69.8	67.2	4%		-	-	-	-
> Eastern Europe	(%)	14.9	19.1	-22%		-	-	-	-
> Latin America	(%)	10.1	8.5	19%		-	-	-	-
> North America	(%)	5.2	5.1	1%		-	-	-	-
Thermal efficient power	(MW)	2,213.7	2,410.5	-8%	international	-	8.1.1	●	-
> Coal	(MW)	1,410.0	1,593.0	-11%	international	-	-	-	-
> Oil/gas	(MW)	731.0	731.0	0%	international	-	-	-	-
> Other	(MW)	72.7	86.5	-16%	international	-	-	-	-
Renewable efficient power	(MW)	1,474.4	1,418.2	4%	international	-	8.1.1	●	-
> Hydro	(MW)	1,128.5	1,077.2	5%	international	-	-	-	-
> Wind	(MW)	346.0	341.0	1%	international	-	-	-	-
Net total production	(TWh)	12.3	10.7	16%	international	-	8.1.1	●	●
> Spain	(%)	56.1	54.9	2%		-	-	-	-
> Eastern Europe	(%)	26.1	25.7	2%		-	-	-	-
> Latin America	(%)	7.5	7.3	4%		-	-	-	-
> North America	(%)	10.3	12.2	-16%		-	-	-	-
Net thermal production	(TWh)	8.6	7.6	13%	international	-	8.1.1	●	●
> Coal	(TWh)	7.5	6.7	13%	international	-	-	-	-
> Oil/gas	(TWh)	0.7	0.8	-12%	international	-	-	-	-
> Biomass and co-generation	(TWh)	0.4	0.2	140%	international	-	-	-	-
Net renewable production	(TWh)	3.7	3.1	20%	international	-	8.1.1	●	●
> Hydro	(TWh)	2.9	2.9	0%	international	-	-	-	-
> Wind	(TWh)	0.8	0.2	231%	international	-	-	-	-
Fuel mix									
Fuel consumption	(Mtoe)	2.4	2.1	16%	international	EN1	-	●	●
> Coal and orimulsion	(%)	86.7	75.1	15%	international	-	-	-	-
> Oil	(%)	9.0	3.8	137%	international	-	-	-	-
> Gas	(%)	4.3	7.4	-42%	international	-	-	-	-
Productivity									
Thermal plant yield	(%)	29.1	30.0	-3%	international	-	-	●	●
Unavailability for call into service	(%)	11.3	10.3	10%	international	-	-	-	-

GENERATING PLANTS ABROAD

Magnitude recorded	UM	2004	2003	2004-2003	Companies	GRI	CSR-SC	SAM	EIRIS
Polluting emissions						EN10	8.1.4	●	●
Specific emissions of SO ₂	(g/kWh)	31.8	28.7	11%	Maritza and Viesgo	EN10	8.1.4	●	●
Specific emissions of NO _x	(g/kWh)	3.0	2.2	39%	Maritza and Viesgo	EN10	8.1.4	●	●
Specific emissions of CO ₂	(g/kWh)	1,037.1	996.7	4%	Maritza and Viesgo	EN30	8.1.4	●	●
Specific emissions of particulates	(g/kWh)	0.90	0.87	4%	Maritza and Viesgo	EN10	8.1.4	●	●
Waste management						EN2	8.1.6	●	●
Waste produced	(,000 t)	1,960.7	n.a.	-	international	EN2	8.1.6	-	●
Hazardous special waste produced	(,000 t)	3.6	n.a.	-	international	EN2	8.1.6	-	●
Waste recovery	(%)	47.9	n.a.	-	international	EN31	8.1.6	-	●
Impact on landscape/communities						EN20; EN23÷EN25	-	-	●
Cabling index	(%)	10.7	n.a.	-	international	-	-	-	●
> LV lines	(%)	9.9	n.a.	-	international	-	-	-	-
> MV lines	(%)	12.4	n.a.	-	international	-	-	-	-

PERSONNEL NUMBER AND COMPOSITION

Magnitude recorded	UM	2004	2003	2004-2003	Companies	GRI	CSR-SC	SAM	EIRIS
Personnel number and composition						LA1	1	●	●
Number						LA1	1.1	●	●
Employees	(#)	61,898	64,770	-4%	Group	LA1	1.1	●	●
> GEM	(#)	9,983	10,318	-3%		-	-	-	-
> NIS	(#)	35,126	36,424	-4%		-	-	-	-
> TLC	(#)	7,976	8,769	-9%		-	-	-	-
> Terna	(#)	2,871	2,821	2%		-	-	-	-
> International	(#)	1,752	1,710	2%		-	-	-	-
> Services	(#)	3,600	4,206	-14%		-	-	-	-
> Parent company	(#)	590	522	13%		-	-	-	-
Employees in Italy	(%)	97.1	97.1	0%	Group	LA1	1.1.5	●	●
Composition						LA1	1.1	●	-
Index of professional rank (executives out of total)	(%)	1.1	1.2	-6%	Group	LA1	1.1.1	●	-
Executives	(#)	705	785	-10%	Group	-	-	-	-
Supervisors	(#)	4,847	4,979	-3%	Group	-	-	-	-
White-collar	(#)	38,027	39,409	-4%	Group	-	-	-	-
Blue-collar	(#)	18,319	19,597	-7%	Group	-	-	-	-
Employees with university degree	(%)	11.3	10.8	5%	Group	LA1	1.1.7	●	-
University graduate	(#)	7,002	7,008	-0.09%	Group	-	-	-	-
High school graduate	(#)	26,805	26,691	0.43%	Group	-	-	-	-
Other	(#)	28,091	31,071	-9.59%	Group	-	-	-	-
Average age seniority	(years)	44.1	43.9	1%	Group	LA1	1.1.2	●	-
> under 35	(#)	12,085	12,937	-7%	Group	-	-	-	-
> from 35 to 44	(#)	16,545	17,882	-7%	Group	-	-	-	-
> from 45 to 54	(#)	27,649	29,233	-5%	Group	-	-	-	-
> from 55 to 59	(#)	5,237	4,371	20%	Group	-	-	-	-
> over 60	(#)	382	347	10%	Group	-	-	-	-
Average company seniority	(years)	19.2	19.0	1%	Group	LA1	1.1.3	●	-
> less than 10	(#)	15,990	15,976	0%	Group	-	-	-	-
> from 10 to 19	(#)	14,230	16,201	-12%	Group	-	-	-	-
> from 20 to 29	(#)	21,794	25,738	-15%	Group	-	-	-	-
> from 30 to 34	(#)	8,657	5,389	61%	Group	-	-	-	-
> more than 35	(#)	1,227	1,466	-16%	Group	-	-	-	-
Flexible labor: relations and practice						LA1	1.1.6	●	-
Fixed-term employees	(%)	0.1	0.8	-86%	Group	LA1	1.1.6	●	-
Utilization of part-time	(%)	3.5	4.0	-11%	Group	LA1	1.1.6	●	-
Utilization of overtime	(%)	6.0	6.3	-5.5%	only electricity employees	LA1	1.1.6; 1.1.5	●	-
Interns at Enel	(#)	159	183	-13%	Group	LA1	1.4.3	●	-
Changes in number						-	1.2	●	-
New hires	(#)	1,256	1,379	-9%	Group	LA1	-	●	-
Terminations	(#)	3,214	6,238	-48%	Group	LA1	1.2.3	●	-
Personnel turnover	(%)	5.0	8.8	-43%	Group	LA2	1.2.1	●	-
Utilization of internal mobility	(#)	1,364	1,618	-16%	Group	LA2	1.2.1	●	-

PERSONNEL SATISFACTION AND DEVELOPMENT

Magnitude recorded	UM	2004	2003	2004-2003	Companies	GRI	CSR-SC	SAM	EIRIS
Professional satisfaction and development						-	1.6	-	-
Pay						-	1.6	●	●
Cost per employee	(,000 €)	53.3	51.2	4%	Group	EC5	1.6.1	●	●
Variable pay	(%)	4.5	4.3	5%	Group	EC12	1.6.1	●	-
Diffusion of financial incentives ⁽¹⁾	(%)	4.0	3.3	22%	Group	LA12	1.6.1	●	●
Executives with stock options	(%)	90	65	38%	Group	LA12	1.6.3	●	●
Development						-	-	●	-
Evaluation of skills/performance	(#)	4,256.0	0.0	-	excluding TLC and foreign	-	-	●	-
Diffusion of skill evaluation (supervisor and executives)	(%)	93.4	0.0	-	excluding TLC and foreign	-	-	●	-
Internal development (appointments of new executives)	(%)	68.4	33.9	102%	excluding TLC and foreign	-	-	●	-
Rank promotions (personnel)	(%)	12.5	19.1	-34%	only electricity workers	-	-	●	-
Training						LA9	1.4	-	●
Training hours per employee	(h)	25.3	27.0	-6%	Group	LA12	1.4.2	-	●
Evaluation of DT course quality	(#)	4.5	4.2	7%	Group	LA9	1.4	-	-
Accessibility of EDLS	(%)	61.1	46.7	31%	Group	LA9	1.4	●	●
Accesses from home	(#)	5,446	14,910	-63%	Group	LA9	1.4	-	●
Incidence of DT	(%)	3.4	7.5	-54%	Group	LA9	1.4	-	●
> Total DT hours ⁽²⁾	(,000 h)	52.1	127.5	-59%	Group	-	-	-	-
> GEM	(%)	2.5	4.5	-44%	Group	-	-	-	-
> NIS	(%)	4.2	10.4	-60%	Group	-	-	-	-
> Terna	(%)	6.1	9.4	-35%	Group	-	-	-	-
> Parent Company	(%)	9.2	8.6	7%	Group	-	-	-	-
> Other	(%)	1.8	2.0	-10%	Group	-	-	-	-
Courses available online	(#)	4,872	4,379	11%	Group	LA9	1.4	●	●
Productivity of the EDLS	(%)	84.1	30.7	174%	Group	LA16	1.4	●	●
Knowledge management and internal communication						LA17	1.10	●	●
Diffusion of Company intranet	(%)	71.0	61.0	16%	Group	LA17	1.10	●	●
Expenditure for KM systems	(mil €)	5.7	1.5	280%	Group	LA17	1.10	-	●
Intranet accesses (workday)	(#)	6,200	n.a.	-	Group	-	-	-	●
Enel TV accesses (workday)	(#)	1,000	n.a.	-	Group	-	-	-	●
Hard copies of "Enel Insieme"	(#)	22,000	n.a.	-	Group	-	-	-	●
Redemption of instrument survey	(%)	10	n.a.	-	Group	-	-	●	-
Evaluation of "Enel Insieme" (from -2 to 2)	(#)	0.5	n.a.	-	Group	-	-	-	-
Evaluation of Enel TV (from -2 to 2)	(#)	0.5	n.a.	-	Group	-	-	-	-
Evaluation of intranet (from -2 to 2)	(#)	1.1	n.a.	-	Group	-	-	-	-
Dissemination of sustainability						HR8	1.10	-	●
Training in the environment and safety	(h/per emp)	6.5	7.5	-13%	GEM, NIS, and Power	-	1.10	-	●
Corporate atmosphere						-	1.12	-	●
Fringe benefits	(€)	2,216.6	2,332.0	-5%	only electricity workers	EC12	1.12	-	●
Litigation with employees						-	-	-	-
Total proceedings	(#)	3,560	3,222	10%	excluding foreign	-	-	-	-
Incidence of proceedings as defendant	(%)	82.0	99.5	-18%	excluding foreign	-	-	-	-
New proceedings	(#)	648	610	6%	excluding foreign	-	-	-	-
Index of success in definitive rulings	(%)	70.8	63.1	12%	excluding foreign	-	-	-	-

(1) Excluding individual and collective financial incentives for supervisors.

(2) The value does not include course hours of CD-based training.

EQUAL OPPORTUNITY

Magnitude recorded	UM	2004	2003	2004-2003	Companies	GRI	CSR-SC	SAM	EIRIS
Equal opportunity						LA10	1.3	●	●
Equal opportunity						LA10	1.3	●	●
Female employees	(#)	11,463	11,813	-3%	Group	LA11	1.3.1	●	●
Female employees	(%)	18.5	18.2	2%	Group	LA11	1.3.1	●	●
Rank level of female employees (supervisors and executives)	(%)	15.6	15.0	4%	Group	LA11	1.3.1	●	●
Pay of female employees (supervisors and executives)	(%)	89.5	88.6	1%	Group excluding foreign and TLC	LA11	1.3.2	●	●
Disabilities						LA10	1.3.3	●	-
Disabled employees	(#)	3,484	3,687	-6%	excluding foreign	LA11	1.3.3	●	-

The increase of the percentage of women in the middle and upper ranks and of their pay confirm Enel's commitment to creating within the Company the most favorable conditions for the development of female personnel.

SAFETY

Magnitude recorded	UM	2004	2003	2004-2003	Companies	GRI	CSR-SC	SAM	EIRIS
Safety						LA5; LA7	1.11.1	●	●
Employee on-the-job injuries						LA5; LA7	1.11.1	●	●
On-the-job injuries	(#)	13	10	30%	excluding foreign	LA5; LA7	1.11.1	●	●
> fatal injuries	(#)	3	4	-25%	excluding foreign				
> serious injuries	(#)	10	6	67%	excluding foreign				
Index of injury frequency	(#)	9.46	9.69	-2%	excluding foreign	LA5; LA7	1.11.1	●	●
Index of injury severity	(#)	0.30	0.34	-11%	excluding foreign	LA5; LA7	1.11.1	-	●
Expenditure on safety	(mil €)	48.7	32.2	51%	excluding foreign	LA5	1.11.1	-	●
Medical checks	(#)	22,058	n.a.	-	excluding foreign	LA5	1.11.1	-	●
On-the-job injuries of contractor workers and injuries of third parties						LA5	1.11.1	●	●
On-the-job injuries of contractor workers	(#)	38	37	3%	excluding foreign	LA5	1.11.1	●	●
Injuries of third parties	(#)	56	67	-16%	excluding foreign	LA5	1.11.1	●	●
Certifications						LA6; LA14; LA15	1.11.1	-	-
OHSAS 18001 certified sites	(#)	83	n.a.	-	excluding foreign	-	1.11.1	-	-

In 2004 the index of frequency fell to 9.4, while the index of severity was close to 0.30. The three fatal injuries that regarded Enel employees were due to electrical causes and a car accident that occurred during work hours. As far as workers for contractors during work on behalf of Enel are concerned, the number remained constant, while the number of severe and fatal injuries of third parties connected with Enel's infrastructure decreased.

TRADE UNION RELATIONS

Magnitude recorded	UM	2004	2003	2004-2003	Companies	GRI	CSR-SC	SAM	EIRIS
Relations with unions						LA3	1.9	●	●
Management of relations with unions						LA3	1.9	●	●
Average rate of union membership (%)	(%)	73.9	75.2	-2%	only electricity employees	LA3; LA4; LA13	1.9.2; 1.9.3	●	●

RELATIONS WITH THE MEDIA

Magnitude recorded	UM	2004	2003	2004-2003	Companies	GRI	CSR-SC	SAM	EIRIS
Media relations						-	7.4	-	-
Corporate image						PR9; PR10	-	-	-
Presence index	(#)	4,495	n.a.	-	excluding foreign	-	7.4	-	-
Global visibility index	(#)	1,485,697	n.a.	-	excluding foreign	PR9; PR10	7.4	-	-
Qualitative index of visibility (from -1 to +1)	(index)	0.8	n.a.	-	excluding foreign	PR9; PR10	7.4	-	-
Image profile (from 1 to 5)	(index)	3.4	n.a.	-	excluding foreign	PR9; PR10	-	-	-

In 2004, 5,254 articles in the national and inter-regional press (including 419 negative ones) and 14,460 in local periodicals (including 3,365 negative ones) were collected and classified. The corresponding figures for national radio and TV networks were 615 (92 negative) and 2,064 (281 negative), respectively.

INITIATIVES IN FAVOR OF COMMUNITIES

Magnitude recorded	UM	2004	2003	2004-2003	Companies	GRI	CSR-SC	SAM	EIRIS
Initiatives in favor of communities						EC10	7	●	●
LBG approach						EC10; SO1	7.2	●	●
EBT allocated to social initiatives	(%)	0.52	0.34	54%	excluding foreign	EC10; SO1	7.1	●	●
Largesse	(,000 €)	8,126.5	2,488.0	227%	excluding foreign	EC10; SO1	7.1	●	●
> <i>Enel Cuore Onlus</i> (not-for-profit organization)	(,000 €)	6,280.0	560.0	1,021%	excluding foreign	-	-	-	-
> <i>Others</i>	(,000 €)	1,846.5	1,928.0	-4%		-	-	-	-
Investment in communities	(,000 €)	10,451.2	8,680.0	20%	excluding foreign	SO1	7	●	●
Business initiatives with social impact	(,000 €)	2,161.3	102.4	2,011%	excluding foreign	SO1	7	●	●
Socially sustainable business initiatives	(,000 €)	1,798.0	113.4	1,486%	excluding foreign	SO1	7	●	●



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(Translation from the Italian original which remains the definitive version)

Report of the auditors on the sustainability report Attestation

To the board of directors of
ENEL S.p.A.

- 1 We have carried out the compliance procedures and analyses on the sustainability report of the ENEL Group at 31 December 2004, described in paragraph 2 of this report.

The aim of the procedures was to evaluate the board of directors' statement, included in the paragraph entitled "Methodology" of the sustainability report of the ENEL Group at 31 December 2004, that such report was prepared in compliance with the guidelines established by GRI – Global Reporting Initiative – and the CSR – SC (Corporate Social Responsibility – Social Commitment) principles promulgated by the Italian Ministry of Labour and Production Activities. The preparation of the sustainability report in accordance with such principles is the responsibility of the parent company's management.

- 2 In order to evaluate the board of directors' statement referred to in paragraph 1, we have performed the following procedures, in accordance with the International Standards on Assurance Engagement 3000 – "Assurance Engagements on other than Audits or Reviews of Historical Information" established at an international level by the International Auditing and Assurance Standards Board (IAASB) and in compliance with Research Document no. 1 of the GBS "Guidelines for auditing Social Reports":

- verification that the financial figures and information are consistent with those included in the consolidated financial statements of the ENEL Group as at and for the year ended 31 December 2004, approved by the board of directors, and on which we issued our audit report dated 10 May 2005;
- analysis of how the processes underlying the generation, recording and management of quantitative data operate. In particular, we have performed the following procedures:
 - interviews and discussions with management delegates and personnel of certain group companies, to obtain an overview of the group's activity, to gather information on the IT, accounting and reporting systems used in preparing the sustainability report, and to document the processes and procedures used to gather, combine, process and transmit data and information of the various group companies to the office that prepares the sustainability report;
 - sample-based analysis of supporting documentation used in preparing the sustainability report to confirm the reliability of the interview-derived information, as well as the effectiveness of processes and their adequacy in relation to business objectives, and the internal control system in relation to the correct management of data and information;

- analysis of the completeness of the qualitative information included in the sustainability report and its consistency throughout. This activity was carried out in accordance with the previously-mentioned guidelines;
 - verification of the stakeholders' involvement process, in terms of the methods used and analysis of the minutes summarising the salient features arising from meetings held with them and comparing them with the information disclosed in the sustainability report;
 - obtaining the representation letter, signed by the parent company's legal representative, on the reliability and completeness of the sustainability report and information and data contained therein and on its compliance with relevant preparation guidelines and principles.
- 3 Based on the procedures performed, we believe that the sustainability report of the ENEL Group at 31 December 2004 complies with the preparation guidelines and principles described in the paragraph entitled "Methodology" of such report. Moreover, the financial figures and information contained in the sustainability report are consistent with the figures and information included in the consolidated financial statements of the group and with the documentation we were provided with, and meet the content requirements established by the guidelines governing sustainability report preparation.
- 4 We draw your attention to the following matters set out by the directors in the sustainability report of the ENEL Group at 31 December 2004:
- ENEL's strategy is focused on reaching efficiency and growth. To this aim, the Group's investment policies included investing in new electricity-generating plants, including coal plants in Italy and nuclear plants abroad, with a view to improving overall production cost efficiency;
 - the ENEL Group has pending litigation and other uncertain positions, mainly relating to tariffs, the environment and urbanisation. Should their outcome be unfavourable to the Group, the possibility of which is considered remote, the Group would incur charges of an amount that cannot presently be quantified.

Rome, 16 May 2005

KPMG S.p.A.

(Signed on the original)

Marco Maffei
Director of Audit

THE WORDS OF ENERGY

Acquirente Unico (Single Buyer)

A corporation formed by Gestore della Rete di Trasmissione Nazionale to ensure the supply of electricity at competitive prices and in conditions of continuity, safety, and efficiency to "regulated customers" so as to allow such customers to also benefit from the advantages of the liberalization of the industry.

Biomass

Non-fossil organic matter utilizable as a source of energy: agricultural and forest remains, food-industry waste, dung, organic parts of urban waste, expressly cultivated plant species, and other vegetal species used to purify organic sewage.

Co-generation

The combined production of electricity and heat under the conditions established by the Electricity and Gas Authority.

Combined cycle (CCGT)

A technology used in electricity generation plants, comprising one or more sets of gas-turbine generators, whose exhaust heats a boiler (which may also be fired by a supplementary fuel). The steam produced by the boiler is used to drive a steam turbine coupled to a generator.

Commodity risk

The risk regarding the businesses of electricity generation and the sale of electricity and gas deriving from changes in oil prices and the euro-dollar exchange rate.

CO₂ equivalent of average specific emission

Emission of greenhouse gases expressed in terms of CO₂ (according to the total heating potential of the single gases) and with regard to the net total production of electricity

Dispatching

The activity that coordinates the use and operation of generating plants, the transmission network, and auxiliary services.

Electricity and Gas Authority

The independent body, established by law n. 481 of November 14, 1995, that regulates and supervises the services of the electricity and gas industries.

Electricity exchange

A market that all producers, eligible customers, and Acquirente Unico may access to buy and sell electricity.

Electrolysis

The process that transforms electric energy into chemical energy, and is thus the opposite of what occurs in a battery. The electrolysis of water produces gaseous hydrogen and oxygen.

Eligible customer

A natural or legal person who is able to enter into electricity supply contracts with any producer, distributor or wholesaler both in Italy and abroad, without depending on the distributor whose network he is connected to.

Since July 1, 2004, all customers other than domestic ones have been eligible

EMAS

Eco-Management and Audit Scheme. A scheme of environmental management and auditing according to E.U. Regulation 761/2001.

Fuel cells

Electrochemical devices that convert the energy produced during chemical reactions directly into electric energy. They are classified according to the electrolyte used in the process: PEFC (polymeric electrolytes), AFC (alkaline electrolytes), etc. A number of fuels may be used, including natural gas, liquefied petroleum gas, and hydrogen.

Gasification

A process that converts coal (or other fossils) into gaseous compounds (carbon dioxide, methane, carbon monoxide, hydrogen, and mixtures of them that can be burned to produce energy). It takes place through a reaction with air, steam, oxygen, or mixtures of them.

Geothermy

The natural phenomenon, and its exploitation to produce electricity, of the heat (geothermal heat) present in large quantities in strata of the Earth's crust as deep as several thousand meters, which is made available through geothermal fluid (mainly water or steam) at relatively high pressures and temperatures.

Gestore del Mercato Elettrico - GME (Manager of the Electricity Market)

A company incorporated by Gestore della Rete to which is entrusted the organization and economic management of the electricity market, according to criteria of neutrality, transparency, objectivity, and competition among producers, and which also ensures the economic management of an adequate availability of the power reserve.

Gestore della Rete di Trasmissione Nazionale or Gestore della Rete - GRTN (Independent System Manager)

A corporation that is responsible for the transmission of electricity on the high- and very-high-voltage network – the management of which is entrusted to the company as a concession (Ministerial Decree of July 17, 2000) – as well as for dispatching, the activity that coordinates the functioning of the production plants, the national transmission network, and the networks connected to it, as well as the auxiliary services of the electric power system.

As part of a group, Gestore della Rete incorporated Acquirente Unico and Gestore del Mercato Elettrico, corporations of which it is the sole shareholder.

Gigawatt (GW)

One billion watts (one million kilowatts).

Gigawatt-hour

One million kilowatt-hours.

Green electricity

A commonly used term indicating electricity produced from renewable energy sources, that is, ones that are able to continuously renew themselves, such as hydro, geothermal, solar, wind, and biomass sources.

Greenhouse effect

The increase of the temperature of the Earth's surface and atmosphere caused by the accumulation in the atmosphere of gaseous substances that absorb infrared radiation. These substances ("greenhouse gases") are produced mainly by the combustion of fossil fuels such as wood, coal and oil for use in industry, transportation, and households and can change the degree of transmission of the heat of the atmosphere by limiting its dispersal outside.

Greenhouse gas

A gas deriving from human activity and potentially capable of increasing the greenhouse effect. The Kyoto Protocol of 1997 identifies six gases with a greenhouse effect (carbon dioxide, sulfur hexafluoride, methane, nitrogen protoxide, hydrofluorocarbons, and perfluorocarbons) and sets goals for their limitation.

Gross efficient power (in MW)

The maximum quantity of electric power that can be continuously produced during a given, sufficiently long period of operation, assuming that all parts of the plant – from the terminals to the generators – are functioning.

Gross production (in kWh)

The total quantity of electricity (including that generated by pumping) produced by all the generating units concerned (thermal prime motor and one or more electricity generators coupled mechanically), as measured at the output terminals of the main generators..

Hydroelectric

A hydroelectric plant is a plant in which the potential energy of water is transformed into electric energy. There are three kinds of hydroelectric plants: run-of-river, storage, and pumped storage. They basically consist of two parts: a powerhouse (turbine-generator units and connected works) and hydraulic works (dikes, reservoirs, intakes, conduits, etc.).

ISO 14001

The international standard for the adoption of environmental management systems issued by the ISO (International Organization for Standardization).

Kilovolt (kV)

One thousand volts.

Kilowatt (kW)

One thousand watts.

Kilowatt-hour (kWh)

One thousand watts supplied or demanded for one hour.

Megavolt ampere (MVA)

The unit of measure of total electric power (active and reactive).

Megawatt (MW)

One million watts.

Megawatt-hour (MWh)

One thousand kilowatt-hours.

Micro-generation

The generation of electricity with small plants that, because of their flexibility, can be installed all over.

Net efficient power (in MW)

The maximum quantity of electric power that can be continuously produced during a given, sufficiently long period of operation, assuming that all parts of the plant are functioning, as measured at the point of entry into the network; that is, net of the power absorbed by the plant itself and the power lost in the transformers required to raise the voltage to the network value.

Net production (in kWh)

Gross electric power production net of the electricity absorbed by auxiliary generation services and losses in the main transformers.

Orimulsion

A fossil fuel from the basin of the Orinoco River in Venezuela, consisting of very fine bitumen dispersed in water.

Photovoltaic

The direct transformation of the energy of light into electric energy.

Power transformer

A static device that transforms a system of alternating current into another system – generally with a change in current and voltage, but at the same frequency – in order to transmit electric power.

Rating

A concise judgment expressed by a firm specialized in the analysis and assessment of companies, in the form of a letter or number representing the financial situation of the company analyzed.

Regulated customer

A customer who may enter into an electricity supply contract exclusively with the distributor that provides the service in the area where the customer is located.

Risk management

Processes and instruments whose purpose is to prevent and manage unforeseen circumstances and exceptional events that can have impacts of various kinds and intensities on a company.

Sustainability index

Stock-market index based on the trading of shares of listed companies selected according to requisites of economic, environmental, and social responsibility.

Switching rate

The percentage obtained by calculating the balance between customers acquired and customers lost divided by the number of customers at the end of the period.

Terawatt-hour (TWh)

One billion kilowatt-hours.

Thermal

A thermal plant is a plant that uses fossil fuels (coal, natural gas, fuel oil, orimulsion) to generate electricity

Unavailability for call into service

The fraction of nominal power that is unavailable because of unscheduled and/or unplanned causes during the periods in which the plant is called upon to produce.

Volt

The basic unit of electric force.

Watt

The basic unit of electric power.

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