Report
on the first Quarter of 2001

Enel

Report
on the first Quarter of 2001

Enel

Enel
Società per azioni
Registered office in Rome
137, Viale Regina Margherita
Share capital
Lire 12,126,150,379,000
fully paid-in
Rome Company Register no. 7050/92
Chamber of Commerce no. 756032
Tax Code 00811720580
VAT Number 00934061003

Contents

Financial highlights	5
The Enel Group	6
Summary of operations for the first Quarter of 2001	7
Acquisition of Infostrada	10
Form and content of the Consolidated Financial Statements	11
Consolidated Income Statement	12
Consolidated Balance Sheet	13
Financial review	14
Income data by segment	18
Operating review	19

Financial highlights

	1st Quarter 2001	Pro-forma [1] 1st Quarter 2000
Operating data (in millions of euro)		
Revenues	6,940	5,899
Gross operating margin	2,191	2,200
Operating income	1,200	1,260
Net income	593	608
Financial data (in millions of euro)		
Gross capital employed	48,396	48,971 [2]
Net capital employed	42,493	42,925 [2]
Total financial debt	23,485	24,426 [2]
Consolidated net equity	18,909	18,312 [2]
Capital expenditure	614	668
Other information		
Electricity sales (TWh)	52.1	57.2
Net electricity generated (TWh)	44.1	47.3
Employees at period end (no.)	80,262	81,170 [3]
Share data (in euro)		
Net income per share	0.05	0.05
Gross operating margin per share	0.18	0.18
Operating income per share	0.10	0.10
Net equity per share	1.56	1.51 [2]

[1] Pro-forma financial data for the 1st Quarter include those of WIND on a line-by-line basis. Pro-forma Balance Sheet data at December 31, 2000 included in the present table consider the consolidation on a line-by-line basis of WIND and the impact of the acquisition of Infostrada

[2] Pro-forma data at December 31, 2000

[3] Includes 8,523 employees of WIND and Infostrada at December 31, 2000. The total number of employees of consolidated companies was 72,647

The Enel Group

Enel SpA

Electricity generation	Electricity distribution	Electricity transmission	Construction	Telecommunications Information Technology
Enel Produzione SpA	Enel Distribuzione SpA	Terna SpA	Enelpower SpA	Enel.it SpA
Erga SpA	Valdis SpA		Enelpower uk	WIND Telecomunicazioni Group
Elettrogen SpA	Enel Trade SpA		Elettroambiente SpA	Infostrada Group
Eurogen SpA	So.l.e. SpA			
Interpower SpA	Enel.si SpA			
Valgen SpA				
CHI Energy Inc.				

Fuel	Gas	Water	Real estate and services	Research
Enel.FTL SpA	Colombo Gas Group	Enel.Hydro SpA	Sei SpA	CESI SpA
	SOGEGAS Group		Dalmazia Trieste SpA	Conphoebus SpA
	Erogasud Group		Conphoebus Technology Service SpA	

Financial Services	Venture Capital	Training
Enel.Factor SpA	Enel Capital SpA	Sfera ScpA
Enel.Re Ltd	WEBiz Holding BV	
	WEBiz2 BV	
	WEBiz3 NV	

Summary of operations for the first Quarter of 2001

Demand for electricity in Italy grew in the first Quarter of 2001 by 2.4% over the corresponding period in 2000. The growth in demand was stronger in the North of Italy (up 3.2%), than in the Center (up 1%) and South (down 0.2%) of the country.

Main energy flows registered in Italy for the first Quarter of 2001 are shown in the table that follows:

Millions of kWh (font ISO)

	1st Quarter 2001	1st Quarter 2000	Change	
Net power generated	66,751	66,724	27	-
Net electricity imports	12,752	10,780	1,972	18.3%
Electricity provided to the network	**79,503**	**77,504**	**1,999**	**2.6%**
Pumping consumption	(2,490)	(2,326)	(164)	7.1%
Electricity withdrawn from the network	**77,013**	**75,178**	**1,835**	**2.4%**

Enel operated in a market opening up to an increasing number of operators characterized by the coming into full operation of the ISO (Independent System Operator).

Main energy flows for the first Quarter of 2001 are shown in the table that follows:

Millions of kWh

	1st Quarter 2001	1st Quarter 2000	Change	
Net power generated:				
- Thermal	32,804	38,930	(6,126)	-15.7%
- Hydroelectric	10,201	7,285	2,916	40.0%
- Geo-thermal	1,074	1,067	7	0.7%
- Other sources	25	9	16	177.8%
Total net generation	**44,104**	**47,291**	**(3,187)**	**-6.7%**
Electricity sold by generating companies	**1,597**	**-**	**1,597**	**-**
Energy purchases:				
- from domestic suppliers	121	10,199	(10,078)	-98.8%
- from foreign suppliers	6,299	6,444	(145)	-2.3%
- from the ISO	9,719	-	9,719	-
Total	**16,139**	**16,643**	**(504)**	**-3.0%**
Energy sales:				
Regulated market				
- High voltage	5,086	7,807	(2,721)	-34.9%
- Medium voltage	14,376	19,241	(4,865)	-25.3%
- Low voltage	26,798	25,859	939	3.6%
Total regulated market	**46,260**	**52,907**	**(6,647)**	**-12.6%**
Free market				
- High voltage	3,745	3,775	(30)	-0.8%
- Medium voltage	2,141	515	1,626	315.7%
Total free market	**5,886**	**4,290**	**1,596**	**37.2%**
Total sales	**52,146**	**57,197**	**(5,051)**	**-8.8%**

Following the opening up of the market, now fully underway, Enel Group sales on the free and the regulated market decline overall by 8.8% over the first Quarter in 2000. Quantities sold on the regulated market decline by 12.6%. The decrease is concentrated in high- and medium voltage segment (down 34.9% and 25.3% respectively) while demand for low-voltage electricity grew at a faster pace than in 2000. The increase for the Quarter was in fact 3.6%, against 2.6% for 2000 as a whole.
Enel Trade maintains its leadership position in the free market with a 35% market share, registering a 37.2% increase in sales volume over the first Quarter of 2000, thanks primarily to the good performance of medium-voltage sales, amounting to 2,141 million kWh, against 4,860 million kWh for the whole of 2000. High-voltage sales were affected by the possibility opening up for final users to acquire, starting in 2001, energy produced by plants falling under the provisions of CIP Regulation 6/92 and part of the electricity imported, at auctions held by the ISO.
The change in the composition of electricity purchases made by the Enel Group in the first Quarter of 2001 over the same period in 2000 is due mainly to the widening range of activities carried out by the ISO, as provided by regulations for the transition to the full liberalization of the market that will be completed through the coming into operation of the Single Buyer and the Electricity Exchange. Starting in January 1, 2001, all energy produced by plants falling under the provisions of CIP Regulation 6/92 (renewable sources) is transferred to the ISO on the basis of specific conventions, at a price determined according to the same mechanism applied in the previous year. In the first three months of 2001, Enel Trade acquired electricity produced pursuant to CIP regulation 6/92 through auctions held by the ISO, that assigned the residual part to Enel Distribuzione. Enel Trade acquired also electricity from abroad, stipulating annual and spot contracts through the ISO. Enel continued to hold long-term contracts concluded with foreign suppliers in the past.
Net power generated by the Enel Group in the Quarter amounted to 44,104 million kWh, declining by 6.7% (down 3,187 million kWh) over the same period in 2000. Following the restructuring of the market, the Group's generating companies sold to the ISO 1,597 million kWh of energy generated by plants falling under the provisions of CIP regulation 6/92. In the first three months of 2001 hydroelectric generation registered a strong growth (up 40.0%, equal to 2,916 million kWh) due to a large water supply, while thermal generation declined by 15.7%, down 6,126 million kWh.

In the first Quarter of 2001 gross operating margin amounted to euro 2,191 million, in line with the same period in 2000 (euro 2,200 million). Operating income declined in the same period by 4.8%, decreasing from euro 1,260 million in the first Quarter of 2000 to euro 1,200 million in the first Quarter of 2001. Consolidated net income decreases by 2.5%, from euro 608 million in 2000 to euro 593 million in 2001. Consolidated net income for the two quarters takes into account the line-by-line consolidation of WIND.
The economic performance in line with the first Quarter of 2000 is remarkable considering the reduction in the volume of electricity sold (down 8.8%) and the further reduction in tariffs (down 7.6% on the average, due to the introduction of a price cap and the 10 lire per kWh reduction in the portion of the tariff relating to fixed production costs, partly offset by the full-price valuation of hydroelectric energy). The effect of the liberalization process was met by an improvement in operating efficiency.

Net capital employed at March 31, 2001 amounted to euro 42,493 million, while total financial debt at the same date totaled euro 23,485 million. Shareholders' Equity (including minority interests) was equal to euro 19,008 million. The debt to equity ratio is equal to 1.2, reflecting also the acquisition of Infostrada, concluded on March 29, 2001, resulting in an increase in financial debt of about euro 8,203 million.
The pro-forma Balance Sheet at December 31, 2000, prepared to reflect the consolidation of WIND on a line-by-line basis and the acquisition of Infostrada, shows total finan-

cial debt amounting to euro 24,426 million and total Shareholders' Equity equal to euro 18,499 million, representing a ratio of 1.3 (excluding the effect of the acquisition of Infostrada, the ratio would be equal to 0.9).

At March 31, 2001, the Group employed 80,262 persons. The following table shows the breakdown of employees by segment:

Employees

	at March 31, 2001	at December 31, 2000	Change
Distribution and sale of electricity	43,416	44,205	(789)
Electricity generation	17,699	17,930	(231)
Transmission	2,949	3,001	(52)
Information systems	1,409	1,401	8
Real estate and services	1,235	1,334	(99)
Engineering and contracting	1,020	961	59
Personnel management	1,116	1,155	(39)
Materials research and testing	930	968	(38)
Parent company	531	520	11
Water sector	336	492	(156)
Gas distribution and other activities	959	680	279
Total consolidation area at 31.12.2000	71,600	72,647	(1,047)
WIND and Infostrada	8,662	8,523	139
TOTAL	**80,262**	**81,170**	**(908)**

Excluding personnel of the gas distributing companies acquired in the first Quarter of 2001 and included in the consolidation area at March 31, 2001, and other minor changes in the consolidation area, for a total of 255 employees, the decline on a comparable basis is equal to 1,302 persons (down 1.8%).

Capital expenditure in the first Quarter of 2001 amount to euro 614 million, of which euro 236 million relating to electricity distribution networks, euro 150 million to telecommunication networks, and euro 89 million to generation plants.

The liberalization of the electricity market, and in particular the planned sale of generation capacity (Genco) and of metropolitan distribution networks will affect the Group's market shares in its core businesses. The impact of these changes on the gross operating margin for the 2001 financial year will be offset by a reduction in operating costs, the increase in electricity consumption, the development of new activities and the expected application of the stranded cost reimbursement mechanism.
The planned sale of assets will however have a positive effect in terms of cash flow and capital gains, compensating for the liberalization of the electricity market and determining an increase in the ROE.

Acquisition of Infostrada

On March 29, 2001 (pursuant to a contract signed on October 11, 2000, as amended on March 16, 2001) Enel acquired, through Enel Investment Holding BV (a Dutch company wholly-owned by Enel) from Mannesman Investment BV (a Vodafone Group company), 100% of the capital stock of Infostrada for euro 7,250 million, paid in full at the same date. As provided in the sale contract, Enel Investment Holding BV furthermore repaid to Vodafone an euro 821.3 million loan extended by the latter to Infostrada, in addition to the amount of euro 132 million forfeited by Vodafone in favor of Infostrada.

Authorization from the European Commission with regards to the telecommunications sector was obtained on January 19, 2001, while authorization for the purchase from the Italian Antitrust Authority regarding the impact on the electricity market was issued on February 28, 2001. The latter authorization is subject to the following requirements to be met by Enel:

- sale of 5,500 MW of generation capacity;
- creation of a fourth generation company to which the above generation capacity is to be transferred, 60% of which must be made up by mid-merit and peak plants;
- sale of such company within 90 days of the sale of the last generation company sold pursuant to the Bersani Decree.

Enel decided to uphold such decision of the Authority against the Lazio Regional Court, initiating the related legal action. As agreed between the parties, the outcome of such action will have no effect on the sale that Enel considers as final and unconditional.

On November 24, 2000, Enel secured with a pool of banks a revolving credit line for a total amount of euro 10 billion, aimed at providing the financial resources for a number of initiatives among which the mentioned acquisition.

Enel and France Télécom plan to merge the operations and management of WIND and Infostrada, representing the investments through which Enel is pursuing its diversification strategy in the telecommunications sector. Enel's objective is to achieve a complete integration in the operations and management of the two companies, whose activities are complementary in a number of areas, obtaining significant operating, network and sales synergies in the fixed and mobile telecommunications integrated segments and in the data transmission and Internet provider segment.

Form and content of the Consolidated Financial Statements

The Income Statement, Balance Sheet and detail of consolidated financial debt included below are reported in the same format adopted in the Financial Review section of the Report of the Board to the Consolidated Financial Statements for the year 2000. A pro-forma income statement for the first Quarter of 2000 and balance sheet at December 31, 2000 have been included for comparative purposes. Both statements include the line-by-line consolidation of WIND Telecomunicazioni, while the second includes also the effect of the acquisition of the Infostrada Group. The latter's contribution to the consolidation at March 31, 2001 is limited to balance sheet items, as the acquisition took place on March 29, 2001.

The area of consolidation at March 31, 2001 includes also newly acquired companies operating in the distribution of natural gas, and the Income Statement of CHI Energy, acquired at the end of the 2000 financial year. Since such changes in the consolidation area do not affect the comparability of data, the pro-forma Income Statement for the first Quarter of 2000 and the pro-forma Balance Sheet at December 31, 2000 do not consider the balances of such new activities.

The accounting principles and consolidation criteria adopted are in line with those previously adopted in the preparation of the Consolidated Financial Statements of the Enel Group at December 31, 2000.

In view of the new tariff system that includes from January 1, 2001 a variable element relating to the cost of fuel, Enel Distribuzione calculated revenues from the sale of electricity based on amounts supplied in the period, even where not yet recorded pursuant to meter reading timetables and invoiced at March 31, 2001. Such procedure allowed to compare revenues from the sale of electricity and the related costs, in accordance with new tariffs.

Consolidated Income Statement

	In millions of euro	%	In millions of euro	%	In millions of euro	%	In millions of euro
	1st Quarter 2001		1st Quarter 2000 pro-forma		Change		1st Quarter 2000
Revenues:							
- electricity sales	5,676	81.8	3,400	57.6	2,276	66.9	3,400
- Electricity Equalization Fund contributions	129	1.9	2,023	34.3	(1,894)	-93.6	2,023
- other revenues	1,135	16.3	476	8.1	659	138.4	335
Total revenues	**6,940**	**100.0**	**5,899**	**100.0**	**1,041**	**17.6**	**5,758**
Operating costs:							
- Personnel	909	13.1	907	15.4	2	0.2	874
- Fuels	1,407	20.3	1,331	22.6	76	5.7	1,331
- Electricity purchased	991	14.3	857	14.5	134	15.6	857
- Services, leases and rentals	1,149	16.6	480	8.1	669	139.4	351
- Fuel trading and gas purchased for distribution	163	2.3	19	0.3	144	-	-
- Materials	216	3.1	234	4.0	(18)	-7.7	198
- Other costs	102	1.5	101	1.7	1	1.0	67
- Capitalized expenses	(188)	-2.7	(230)	-3.9	42	18.3	(224)
Total operating costs	**4,749**	**68.5**	**3,699**	**62.7**	**1,050**	**28.4**	**3,454**
GROSS OPERATING MARGIN	**2,191**	**31.5**	**2,200**	**37.3**	**(9)**	**-0.4**	**2.304**
Depreciation and accruals:							
- Depreciation	946	13.6	887	15.0	59	6.7	838
- Accruals and write-downs	45	0.6	53	0.9	(8)	-15.1	45
Total depreciation and accruals	**991**	**14.2**	**940**	**15.9**	**51**	**5.4**	**883**
NET OPERATING MARGIN	**1,200**	**17.3**	**1,260**	**21.4**	**(60)**	**-4.8**	**1.421**
- Net financial expense	(226)	-3.3	(143)	-2.4	(83)	58.0	(140)
- Equity investments	-	-	-	-	-	-	(84)
INCOME BEFORE EXTRAORDINARY ITEMS AND TAXES	**974**	**14.0**	**1,117**	**19.0**	**(143)**	**-12.8**	**1,197**
- Extraordinary items	(4)	-0.1	(4)	-0.1	-	-	(4)
INCOME BEFORE TAXES	**970**	**13.9**	**1,113**	**18.9**	**(143)**	**-12.8**	**1,193**
- Income taxes	465	6.7	585	9.9	120	-20.5	585
INTERESTS	**505**	**7.2**	**528**	**9.0**	**(23)**	**-4.4**	**608**
- Minority interests	88	1.3	80	1.4	8	10.0	-
NET INCOME	**593**	**8.5**	**608**	**10.4**	**(15)**	**-2.5**	**608**

Consolidated Balance Sheet

In millions of euro		Pro-forma [1]		
	at March 31, 2001	at December 31, 2000	Change	at December 31, 2000
Fixed assets:				
- Tangible and intangible	50,723	50,971	(248)	38,066
- Financial assets	711	695	16	1,466
Total	**51,434**	**51,666**	**(232)**	**39,532**
Current assets:				
- Receivables	5,714	4,444	1,270	3,709
- Inventories	1,740	1,708	32	1,652
- Other assets and receivable from Electricity Equalization Fund	1,958	2,792	(834)	2,723
- Trade payables	(5,964)	(6,107)	143	(4,538)
- Net taxes payable	(971)	(196)	(775)	(239)
- Other liabilities	(5,515)	(5,336)	(179)	(4,867)
Total	**(3,038)**	**(2,695)**	**(343)**	**(1,560)**
Gross capital employed	**48,396**	**48,971**	**(575)**	**37,972**
Provisions:				
- Employee termination indemnity	(1,552)	(1,557)	5	(1,525)
- Retirement benefits	(409)	(414)	5	(413)
- Net deferred taxes	(2,786)	(2,862)	76	(3,152)
- Other provisions	(1,156)	(1,213)	57	(1,170)
Total	**(5,903)**	**(6,046)**	**143**	**(6,260)**
Net capital employed	**42,493**	**42,925**	**(432)**	**31,712**
Shareholders' Equity:				
-Group Shareholders' Equity	18,909	18,312	597	18,312
-Minority interests	99	187	(88)	17
Total Shareholders' Equity	**19,008**	**18,499**	**509**	**18,329**
Total financial debt	**23,485**	**24,426**	**(941)**	**13,383**
TOTAL	**42,493**	**42,925**	**(432)**	**31,712**

[1] Includes the effect of the acquisition of Infostrada

Financial review

Income Statement

Due to the integration of tariffs, starting on January 1, 2001, a large part of revenue components that until December 31, 2000 reached the Group through the Electricity Equalization Fund, revenues from the sale of electricity and Electricity Equalization Fund contributions must be considered jointly. Revenues from electric activities, defined as above, increase in the Quarter by euro 382 million (up 7%). Of these, euro 9 million represent revenues reported by CHI Energy, acquired at the end of 2000, and euro 55 million represent the difference between revenues from energy generated by renewable sources (pursuant to CIP regulation 6/92), sold in 2001 to the ISO, instead of directly to Enel Distribuzione as before. The residual amount of euro 318 million represents the balance between:

- the increase in revenue components aimed at covering the cost of fuels and the purchase of electricity from third parties;
- the decline in the volume of electricity sold (down 5,051 million kWh, or 8.8%), and
- the reduction in tariffs for the regulated market (down on the average by 7.6%), induced by the introduction of a price cap and the average reduction of lire 10 per kWh in the remuneration of fixed production costs.

The effect of the tariff cut has been partly offset in the Quarter by the shift of sales towards higher margin electricity sales. Low-voltage sales in particular represented 57.9% of total sales on the regulated market, against 48.9% in the first Quarter of 2000.

Other revenues increase by euro 659 million (up 138.4 %) due mainly to the following factors:

- growth in revenues reported by WIND, up euro 221 million (from euro 177 million to euro 398 million);
- euro 216 million in higher electricity transport revenues, resulting from the new market structure. In the first Quarter of 2000, Terna in fact invoiced electricity network usage fees directly to Enel Distribuzione and Enel Trade, while the customer is currently represented by the ISO;
- revenues from the distribution and sale of natural gas, not present in the first Quarter of 2000, amounting to euro 90 million;
- higher fuel trading revenues amounting to euro 77 million;
- higher revenues from engineering and contracting (up euro 16 million), and higher capital gains (up euro 13 million euro).

Personnel costs are in line with the first Quarter in the previous year. The improvement resulting from the reduction in the average number of employees (down 4.6% on the same consolidation area) was offset by the increase in the average unit cost, due, among other things, to a more precise definition of cost components for the Quarter and in particular the assessment of the cost of incentives to management and personnel for the Quarter.

Fuel costs relating to thermal generation increase by euro 76 million (up 5.7%) despite a 15.7% decline in electricity generated, due to the higher average cost of fuels used in the first Quarter of 2001 resulting from high fuel prices registered in 2000.

Electricity purchases increase by euro 134 million (up 15.6%) against a reduction of 3.0% of quantities purchased due to higher energy product costs.

Costs for services, leases and rentals increase over the same period in the previous year by euro 669 million (up 139.4%), due primarily to the following factors:

- higher electricity transport costs, up euro 188 million, resulting from the restructuring of the sector, as described more in detail in the comment to electricity transport revenues;
- higher National Transmission Network usage costs relating to hydroelectric and geothermal power produced by plants that do not fall under CIP regulation 6/92 provisions (the so called "Hydroelectric revenue"), increasing by euro 228 million;
- higher costs relating to telephone links and roaming services, up euro 149 million, due to the strong increase in traffic registered by WIND. Such growth in activity generated an increase in the cost of other services amounting to euro 47 million;
- costs relating to newly acquired companies operating in the gas distribution sector, to CHI Energy (not consolidated in the first Quarter of 2000), and costs relating to the increase in activity of the engineering and contracting and fuel trading segments, amounting to a total of euro 19 million;
- higher costs relating to information systems (resulting from the introduction of the SAP system, the Contact Center project for Enel Distribuzione, and the introduction of the euro), in addition to higher transport and leasing costs following the transfer of activities to suppliers outside the Group, for a total of euro 17 million.

The cost for the acquisition of natural gas by distribution companies (not present in the first Quarter of 2000) and fuel for trading increase by euro 144 million.

The cost of materials declines by euro 18 million in the first three months of the year, due primarily to the smaller amount of plants under construction in the period.

Other costs remain basically unchanged from the first three months in the previous year.

The gross operating margin, equal to euro 2,191 million, is in line with the first Quarter of 2000 (euro 2,200 million). The euro 9 million decline represents the balance of an euro 39 million decline relating to electricity activities, the contribution of new activities (CHI Energy, gas distribution and fuel trading) totaling euro 26 million, and other positive effects amounting to euro 4 million. The lower margin from traditional activities is affected by the liberalization of the electricity market resulting in tariff cuts and a reduction in sales volumes, partly offset by the improvement in the mix of sales and the advantage connected with the control gained over the management of the fuel cycle.
While awaiting the final determination on the part of the Authority for Electricity and Gas of parameters for the calculation of stranded costs, in line with the principle adopted in the 2000 Financial Statements, the statements at March 31, 2000 do not reflect the net positive adjustments resulting from estimates made in accordance with the methods applied in 2000. Since such estimates relate to a net positive effect, no entry for stranded costs has been made in the financial statements at March 31, 2001.

Depreciation and accruals increase by euro 51 million (up 5.4%). The increase is due mainly to higher depreciation recorded by WIND following the strong investments made in the development of the network.

Due to the above phenomena, the operating income declines by euro 60 million (down 4.8%), decreasing from euro 1,260 million in the first Quarter of 2000, to euro 1,200 million in the first three months of 2001.

Net financial expense increases in the Quarter by euro 83 million (up 58%), of which euro 45 million referring to WIND following the increase in debt used to finance the high cost of the UMTS license acquired, and the remaining part relating to the increase in average financial debt registered by other Group companies, concentrated in the short-term segment.

Extraordinary charges amount to euro 4 million and are in line with those registered in the first Quarter of 2000.

Income taxes represent 48% of taxable income, against 52.5% in the pro-forma Financial Statements for the first Quarter of 2000, reflecting the line-by-line consolidation of WIND. In the first Quarter of 2000, prepaid taxes on WIND's losses for the period had not been recorded. Since the requirements requested by the accounting principles occurred in the first Quarter of 2001, prepaid taxes on WIND losses carryforward have now been recorded. Deferred taxation recorded in the first Quarter of 2001 considers also a 1% reduction in the corporate tax rate over that applicable in 2000.

Income Statement

Fixed assets at March 31, 2001 are in line with the pro-forma Financial Statements at December 31, 2000.

Current assets at March 31, 2001 remain negative at euro 2,695 million at the end of 2000 and negative euro 3,038 million at March 31, 2001. Among components are an increase in receivables from customers due to the new billing system for the regulated market, a reduction in receivables from the Electricity Equalization Fund following the payment of previous years' contributions, and an increase in net taxes payable mainly due to the recording of the tax expense for the period.

Gross capital employed at March 31, 2001 amounts to euro 48,396 million, in line with gross capital employed reported in the pro-forma balance sheet at December 31, 2000 (euro 48,971 million).

Net capital employed is in line with December 31, 2000 (euro 42,925 million, pro-forma) and amounts to euro 42,493 million.

Total Shareholders' Equity increases in the Quarter by euro 509 million due almost entirely to net income for the period, and amounts to euro 19,008 million.

Total financial debt and changes for the period are shown in the table that follows:

In millions of euro		Pro-forma		
	at March 31, 2001	at December 31, 2000	Change	at December 31, 2000
Medium- and long-term debt:				
- Bank loans	6,570	5,803	767	3,844
- Bonds	6,471	6,675	(204)	6,675
- Own bonds and other items	(567)	(573)	6	(573)
	12,474	11,905	569	9,946
- Other financial payables	485	1,358	(873)	105
Medium- and long-term debt	12,959	13,263	(304)	10,051
Loan extended to WIND Telecomunicazioni	-	-	-	(468)
Medium- and long-term net financial position	*12,959*	*13,263*	*(304)*	*9,583*
Short-term debt:				
- 18-month loans	1,024	1,024	-	1,024
- Uses of revolving credit lines	9,024	9,048	(24)	1,666
- Other short-term bank debt	1,342	1,367	(25)	1,339
	11,390	11,439	(49)	4,029
Other short-term financial payables	214	339	(125)	317
Short-term debt	11,604	11,778	(174)	4,346
Factoring receivables	(237)	(55)	(182)	(55)
Cash at banks and short-term securities	(841)	(560)	(281)	(491)
	(1,078)	(615)	(463)	(546)
Short-term net financial position	*10,526*	*11,163*	*(637)*	*3,800*
TOTAL FINANCIAL DEBT	**23,485**	**24,426**	**(941)**	**13,383**

The reduction in total financial debt by euro 941 million over December 31, 2000 (including euro 8,203 million pro-forma adjustment due to the acquisition of Infostrada and the line-by-line consolidation of WIND), is due to euro 281 million of cash at banks relating primarily to the temporary deposit of collateral for a mortgage stipulated by SEI in the context of operations underway, to the euro 182 million increase due to factoring transactions, to the euro 174 million decline in short-term debt and the euro 304 million reduction in medium- and long-term debt.
The debt to equity ratio declines from 1.32 at December 31, 2000 (pro-forma), to 1.24 at March 31, 2001.

Income data by segment

In millions of euro	Revenues			Gross operating margin		
	1st Quarter 2001	1st Quarter 2000	Change	1st Quarter 2001	1st Quarter 2000	Change
Generation	3,555	3,218	337	1,483	1,501	(18)
Transmission	185	174	11	121	107	14
Electricity distribution and sale	5,817	3,652	2,165	407	340	67
Gas distribution and sale	91	-	91	13	-	13
Fuel trading	648	19	629	8	-	8
Telecommunications (WIND)	489	271	218	(101)	(104)	3
Real estate and services	149	152	(3)	50	50	-
Information technology	79	67	12	37	28	9
Other activities	171	204	(33)	9	20	(11)
Parent company	1,235	2,541	(1,306)	172	284	(112)
Eliminations and adjustments	(5,479)	(4,399)	(1,080)	(8)	(26)	18
TOTAL	**6,940**	**5,899**	**1,041**	**2,191**	**2,200**	**(9)**

Operating review

Generation

Electricity generation is carried out by:

- Enel Produzione, ERGA and CHI Energy (the last two operating in the renewable sources field) expected to remain part of the Enel Group;
- Eurogen, Elettrogen, Interpower and Valgen, to be divested.

The table that follows shows financial data for the first Quarter of 2001 and 2000:

In millions of euro

	1st Quarter 2001	1st Quarter 2000	Change
Revenues	3,555	3,218	337
Operating costs	2,072	1,717	355
Gross operating margin	**1,483**	**1,501**	**(18)**
Depreciation and accruals	348	353	(5)
Operating income	**1,135**	**1,148**	**(13)**

The increase in revenues over the first Quarter of 2000 is due to the increase in the tariff components aimed at reimbursing fuel costs and to the setting in 2001 of a single sale price for electricity, independently from the source from which it is produced, that includes also the share previously paid by the Electricity Equalization Fund as contribution for thermal production. Higher revenues currently deriving from the sale of hydroelectric power generated by plants that do not fall under the provisions of CIP regulation 6/92 are partly reimbursed through higher National Transmission Network access fees (the so called restitution of the "Hydroelectric Revenue"). The impact of such factors was higher than the combined effect of the reduction in the volume of electricity produced (declining by 3,187 million kWh, down 6.7%) and the lire 10 per kWh cut in the sale price of electricity imposed by the Authority, partly retrieved through the stranded cost reimbursement mechanism.

Operating costs were affected by the higher unit cost of fuel used in the Quarter, offsetting the impact of lower quantities used. Unlike the first Quarter of 2000, operating costs include fees for the access to the National Transmission Network indicated above, amounting to euro 228 million.

The gross operating margin and the operating income are however in line with the first Quarter of 2000. Their value is affected by the mechanism applied in determining the sale price of electricity destined to the regulated market (resolution 205/99 of the Authority), varying according to the time of the year and production time bands. The most favorable periods are represented by the first and fourth Quarter, while the third Quarter is the least remunerative one since production carried out in August is not remunerated. Results for the first Quarter are therefore not representative of future performance.

The above described factors have an impact of the opposite sign on results recorded by Enel Distribuzione.

The table that follows shows the breakdown of thermal generation by fuel used in the first Quarter of 2001 and 2000:

Millions of kWh

	1st Quarter 2001		1st Quarter 2000		Change	
Fuel oil	12,622	35.9%	17,075	41.1%	(4,453)	-26.1%
Natural gas	12,410	35.3%	15,365	37.0%	(2,955)	-19.2%
Coal	7,919	22.6%	6,754	16.3%	1,165	17.2%
Orimulsion and other fuels	2,174	6.2%	2,317	5.6%	(143)	-6.2%
TOTAL GROSS GENERATION	**35,125**	**100%**	**41,511**	**100%**	**(6,386)**	**-15.4%**

The higher relative usage of coal and orimulsion follows the resumption of operation of the 3rd Group of the La Spezia power plant undergoing environmental upgrade work in the first Quarter of 2000, in addition to the higher contribution of the Brindisi Sud plant.

As part of its international growth strategy in the renewable sources field, on May 2, 2001, ERGA announced the conclusion of a final agreement for the acquisition of Energia Global International Ltd. (EGI), a company operating in the renewable sources sector in Central and South America. The agreement provides for the payment of $73 million, in addition to $37 million of debt repayment on projects currently underway, and $124 million of debt to be assumed by Erga. EGI operates two hydroelectric plants and a wind generation plant in Costa Rica, for a total generation capacity of 54 MW, and two hydroelectric plants in Chile with a capacity of 88 MW. The company is moreover building a 14 MW hydroelectric plant in Guatemala, and has almost completed the development of two additional plants for a total of 90 MW in Costa Rica and Guatemala.

Transmission

Terna, owner of the National Transmission Network, is in charge of the operation and maintenance of high-voltage lines and the development of the network in accordance with guidelines set by the ISO.
The economic performance for the first Quarter of 2001 and 2000 is shown in the table below:

In millions of euro

	1st Quarter 2001	1st Quarter 2000	Change
Revenues	185	174	11
Operating costs	64	67	(3)
Gross operating margin	121	107	14
Depreciation and accruals	59	58	1
Operating income	62	49	13

Net income for the first Quarter of 2000 did not include fees for the transport of electricity for the free market due to regulatory uncertainties regarding such fees, lacking a decision from the ISO.
The company's operations continued in line with expectations, including in non regulated sectors, in addition to the exploitation of know-how gained in the operation, maintenance and construction of high-voltage plant and equipment.

Distribution and sale of electricity

The segment includes Enel Distribuzione and Valdis, operating in the regulated market, and Enel Trade in the free market.
The economic performance for the first Quarter of 2001 and 2000 is shown in the table below:

In millions of euro

	1st Quarter 2001	1st Quarter 2000	Change
Revenues	5.817	3.652	2.165
Operating costs	5.410	3.312	2.098
Gross operating margin	**407**	**340**	**67**
Depreciation and accruals	408	416	(8)
Operating income	**(1)**	**(76)**	**75**

The strong increase in revenues and operating costs is due mainly to the restructuring of the sector described above, according to which, starting January 1, 2001 the purchase price of electricity and sales tariffs for the regulated market include also the share relating to the cost of fuels, previously paid by the Electricity Equalization Fund to generating companies. Such element did not therefore appear in the Income Statement of Enel Distribuzione, representing only an amount payable to the Electricity Equalization Fund.
The improvement in the gross operating margin is due mainly to higher revenues from the transport of electricity invoiced by Enel Distribuzione to free market operators, in addition to lower costs for services offered within the Group.
Net income is affected by the mechanism for the determination of the cost of energy destined to the regulated market, resulting as mentioned in costs that vary according to the different period of the year.

With reference to volumes sold, Group sales on the regulated market declined sharply by 12.6%. The decline is concentrated in the high- and medium-voltage segments (down 34.9% and 25.3% respectively) following the opening up of the market, while low-voltage electricity sales continue along their growth trend, increasing by 3.6% over the first Quarter of 2000. The effect of the restructuring of the market on results for the first Quarter of 2000 had been limited, due to the initial phase of the process.
Sales on the free market increase by 37.2%, offsetting in part the decline registered on the regulated market. The growth was concentrated in the medium-voltage segment, with sales increasing from 515 million kWh in the first three months of 2000, to 2,141 million kWh in the current Quarter. High-voltage sales volume remained constant (3,745 million kWh in the first Quarter of 2001, against 3,775 million kWh in the same period in 2000), mainly due to the decision taken by a number of customers to make direct purchases at auctions held by the ISO for electricity generated pursuant to plants falling under the provisions of CIP regulation 6/92 and for energy imported. Enel Trade remains the largest operator on the free market, with a market share of 35%. The company began also operating in the natural gas sector, acting as an integrated supplier able to satisfy and manage customers' energy requirements.

With reference to the sale of metropolitan distribution networks, in the first Quarter of 2001, an agreement was reached with Acea for the sale of the electricity networks of the municipalities of Rome and Formello, serving 709,000 customers. The value of the transaction is equal to euro 568 million.
On March 31, 2001, the panel of experts appointed pursuant to the Bersani Decree to estimate the value of the Milan electricity distribution network concluded their valuation and communicated the results to the parties.

Such valuation, reached without an unanimous vote, indicated the value of the business at euro 424 million.

Telecommunications

In the first three months of 2001 the telecommunications sector continued to grow strongly as in the past, registering a further increase in the already large customer base in all markets.
At March 31, 2001, mobile telephony customers in Italy amounted to about 45 million holders of SIM cards, representing a market penetration of such services of about 78% of the population and an increase of about 2.5 million lines over the end of 2000. At the end of March, TIM had about 22.5 million customers, with a market share of around 50%. At the same date, Omnitel had about 16 million customers, with a market share close to 35%. In the Quarter WIND had a market share of about 35% new customers net of deactivations, reaching at the end of the period a total number of customers amounting to 5.7 million, representing roughly 13% of the market, as compared with 6% at March 31, 2000. The fourth operator, Blu, reached at the end of March a 2% market share, with about 1.1 million customers.
WIND and Infostrada were also protagonists in the development of fixed telephony services. At March 31, 2001 the number of customers served by operators other than Telecom Italia was equal to about 8.5 million, representing a market penetration of over 35%. Infostrada and WIND are the main alternative operators. At the end of the period, Infostrada had a market share of customers not managed by Telecom Italia of 40%, representing a total of about 3.4 million customers. In the first Quarter of 2001, WIND achieved a market share of over 30% for new lines net of deactivations, reaching at the end of the period a total of 2.5 million lines, with a 25% market share in the market alternative to Telecom Italia.
With reference to Internet access, in the first Quarter of 2001 the growth trend registered in 2000 continued, with a market penetration of the service of about 32% of the population, equal to about 18 million registered customers, as compared to 15 million at the end of 2000.
The InWIND portal, launched at the end of 1999 and accessible from mobile phones since 2000, registered a strong progress in the Quarter, reaching in the month of March about 75 million page views and over 1 million unique visitors.
In the first three months of 2001, the development of infrastructures and of the network continued. At the end of March 2001, WIND provided mobile phone direct coverage to over 83% of the Italian population.

The economic performance of the WIND Group for the Quarter is shown below:

In millions of euro

	1st Quarter 2001	1st Quarter 2000	Change
Revenues	489	271	218
Operating costs	590	375	215
Gross operating margin	(101)	(104)	3
Depreciation and accruals	100	57	43
Operating income	(201)	(161)	(40)

Results for the first three months of 2001 confirm the growth trend of the company's activities. Revenues increased by 80.4%, while operating costs rose by 57.3%, mainly due to higher roaming and connection services relating to the increase in traffic. Gross operating margin is still negative, though declining as a percentage of sales (from 38.4% in the first three months of 2000, to 20.7% in the first Quarter of 2001).

The Infostrada Group, acquired on March 29, 2001, contributed to the Enel Group Consolidated Financial Statements limited to Balance Sheet items. The company's economic performance will be consolidated starting with April 1, 2001.
Results achieved by the Infostrada Group in the first Quarter of 2001 result from the activities described above. Revenues amounted to euro 274 million, increasing by 25.1% on the first three months of 2000, in which they amounted to euro 219 million. The gross operating margin improved from a negative value (on a comparable basis with 2001) in the first Quarter of 2000 of euro 28 million, to a negative value of euro 11 million in the same period in 2001.

Other activities

In the first Quarter of 2001 the Group saw the first tangible effects of its penetration strategy in the natural gas sector. Businesses acquired generated total sales amounting to 274 million cubic meters of gas to about 325,000 customers, representing total revenues of euro 91 million, gross operating margin of euro 13 million and operating income of euro 10 million. Companies Sogegas, Erogasud and Brianza Gas were acquired in the Quarter, in addition to a number of minor operators, with a total investment of euro 234 million. Newly acquired entities joined Colombo Gas and the Camigas Group purchased in 2000.
The concentration of activities into two companies is already underway. The two companies will be in charge of managing the distribution network and sales respectively, pursuant to current regulation (Letta Decree). The streamlining of the corporate structure represents a step in the strategy for the integration and development of the sector and the achievement of all possible synergies, both within the same sector, and jointly with the distribution and sale of electricity.

Fuel trading activities and shipping, carried out by Enel.FTL, registered in the Quarter revenues from non-Group companies amounting to euro 85 million, with a gross operating margin of euro 8 million. Enel.FTL ensured moreover the supply of fuel for the group, in addition to managing the related hedging transactions against price and foreign exchange fluctuations.

With regards to other sectors, revenues from information technology and real estate and services refer almost in full to services rendered and the lease of assets to other Enel Group companies. The decline in revenues and the operating margin of "other activities" is due primarily to the lower number of plants under construction on behalf of Group companies by the engineering and contracting segment. The next months will be characterized by the start of work on recently acquired orders from outside the Group, making Enelpower one of the main operators in the sector at the international level.

Parent company

Parent Company Enel is currently an industrial holding company, defining strategic objectives and coordinating activities of Group companies.
Enel moreover manages financial transactions for all Group companies (with the exception of WIND), manages insurance risk and coverage in addition to providing assistance and issuing guidelines on industrial relations, administrative and tax issues. The Group's Parent Company temporarily manages the procurement of a portion of the fuel used in thermal electricity generation, with a re-sale at cost to generating companies, in addition to the purchase of electricity from abroad based on long-term contracts concluded before the restructuring of the sector. Such energy is then sold at the price set by the Authority to Enel Distribuzione. In the first Quarter of 2000, Enel held also contracts for the purchase of electricity from domestic plants operating under the provisions of CIP resolution 6/92. The energy thus acquired is also sold to Enel Distribuzione in line with electricity

imported, retrieving part of the cost from the Electricity Equalization Fund. As already specified, such activity was transferred, effective January 1, 2001, to the ISO.
Lower margins recorded by the Group's Parent Company did not have an impact on the consolidated income, as they were offset by lower purchase costs from the ISO registered by Enel Distribuzione.

Graphic design
Tatjana Besekau & Skate
2, Via G.B. Martini - Rome

Publishing service
GI Grafica Internazionale
18, Via Rubicone - Rome
Coordination:
Francesco Valerio Bocci

Translation
Benedetto Pignatti

Proof-reading
Paola Urbani

Printed by
Primaprint - Viterbo

Printed in June 2001

Printed on ecological paper
Fedrigoni Symbol Freelife

Publication not for sale