

# 2004 Results

Rome, March 31 2005

# Agenda

- 1. 2004 Results**
2. Strategy and targets
3. Dividends
4. Questions & Answers

# Highlights of the year 2004

## Results

- Revenues at € 36.5 bn
- EBITDA at € 11.0 bn
- Net Ordinary Income<sup>(1)</sup> at € 1.8 bn
- Group Net Income at € 3.4 bn
- Net debt at € 24.3 bn

## 2004/2003

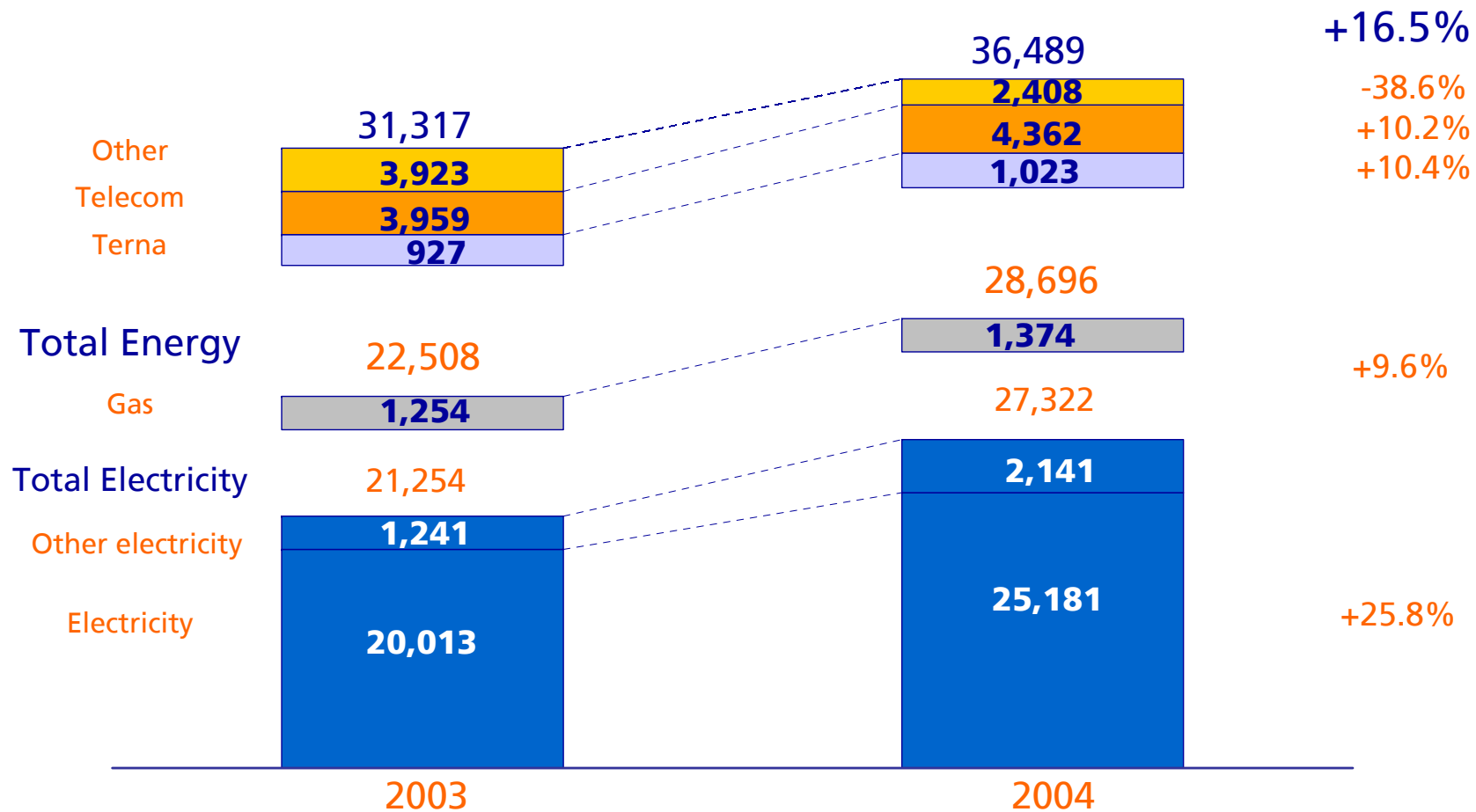
- +16.5%
- +11.9%
- +67.8%
- +36.3%
- In line

**Excellent performance on key indicators**

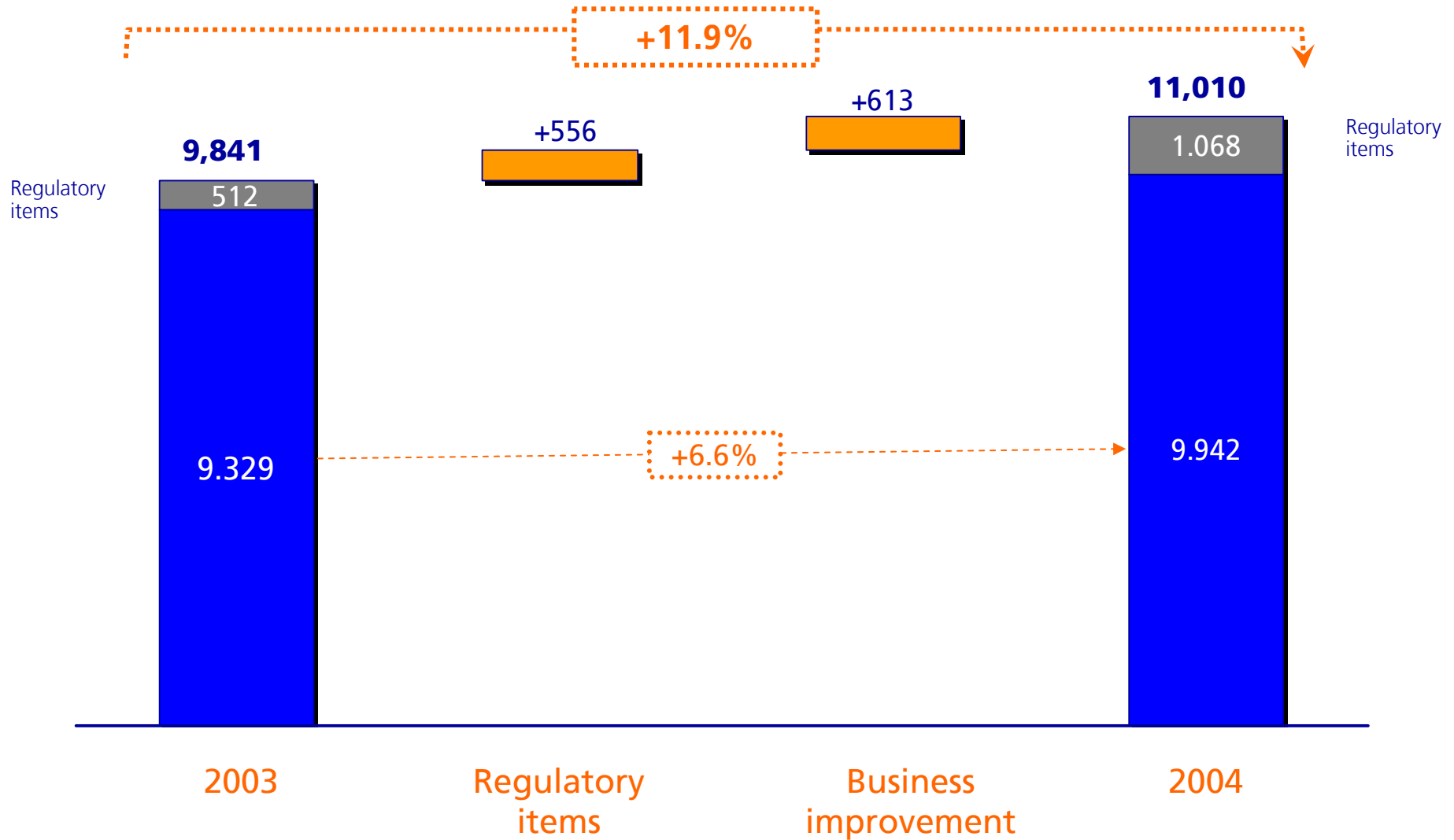
(1) Net Income less non recurring items

# Revenues

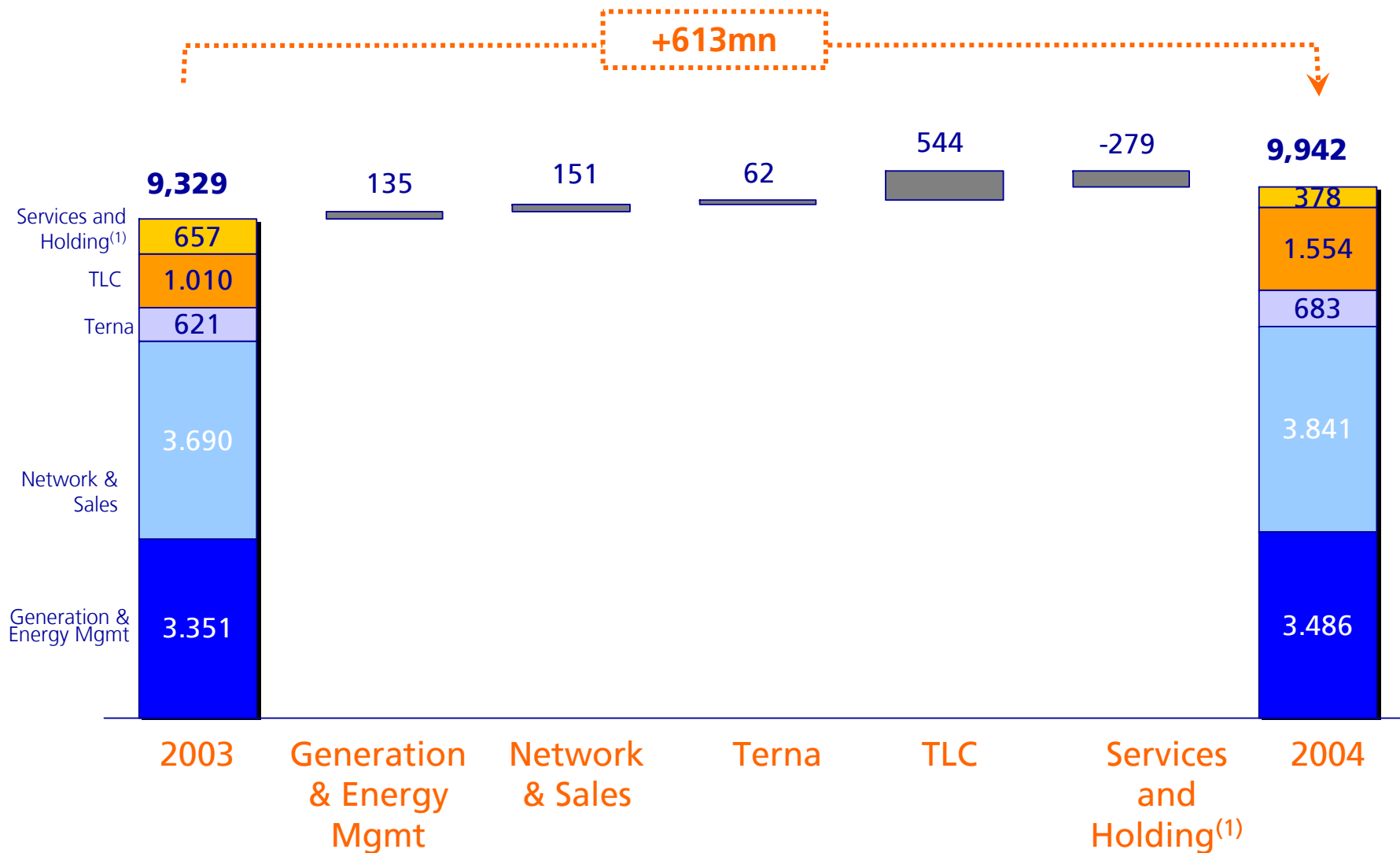
(Euro mn)



# EBITDA



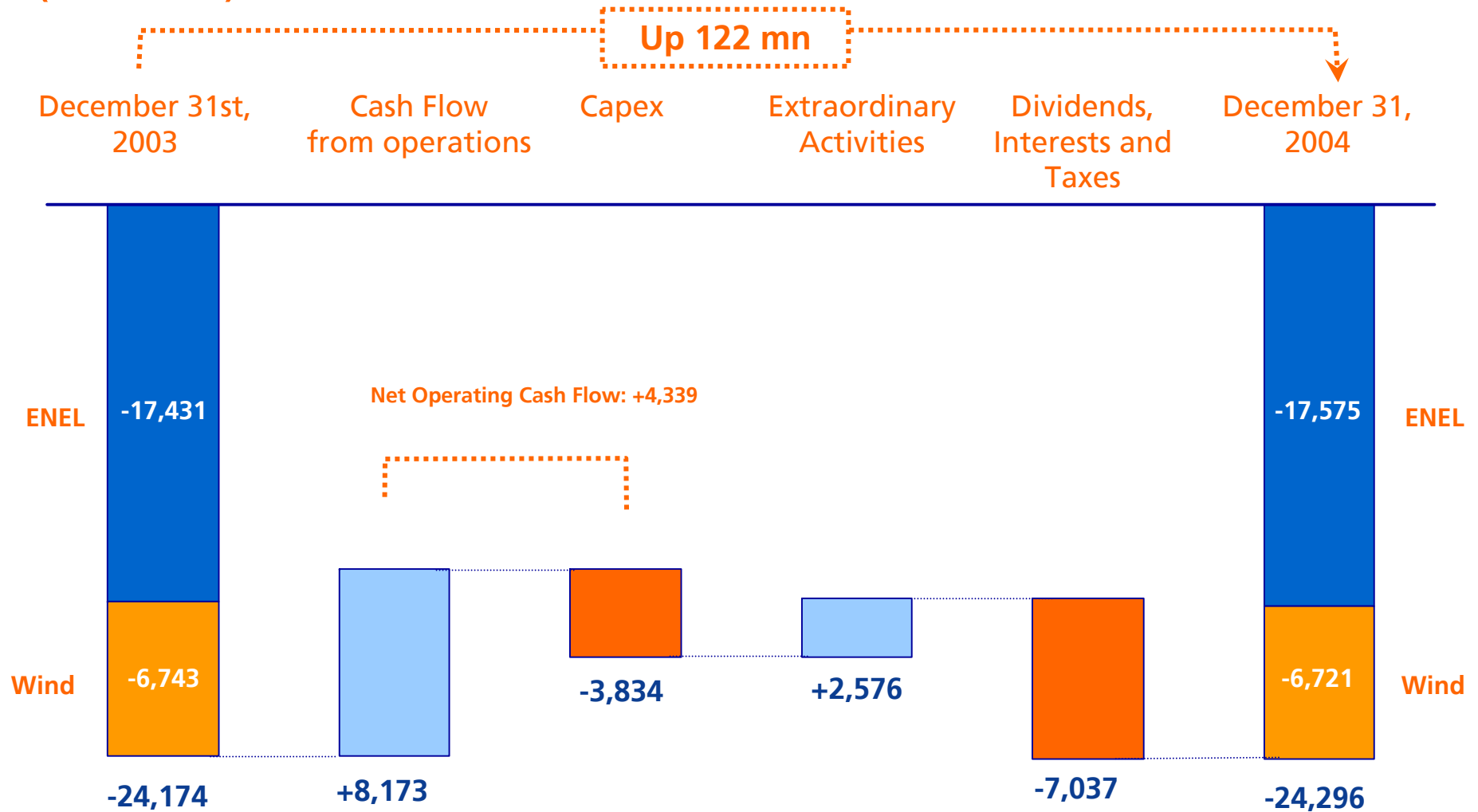
# EBITDA by division net of regulatory items



(1) Net of intercompany

# Net Debt Evolution

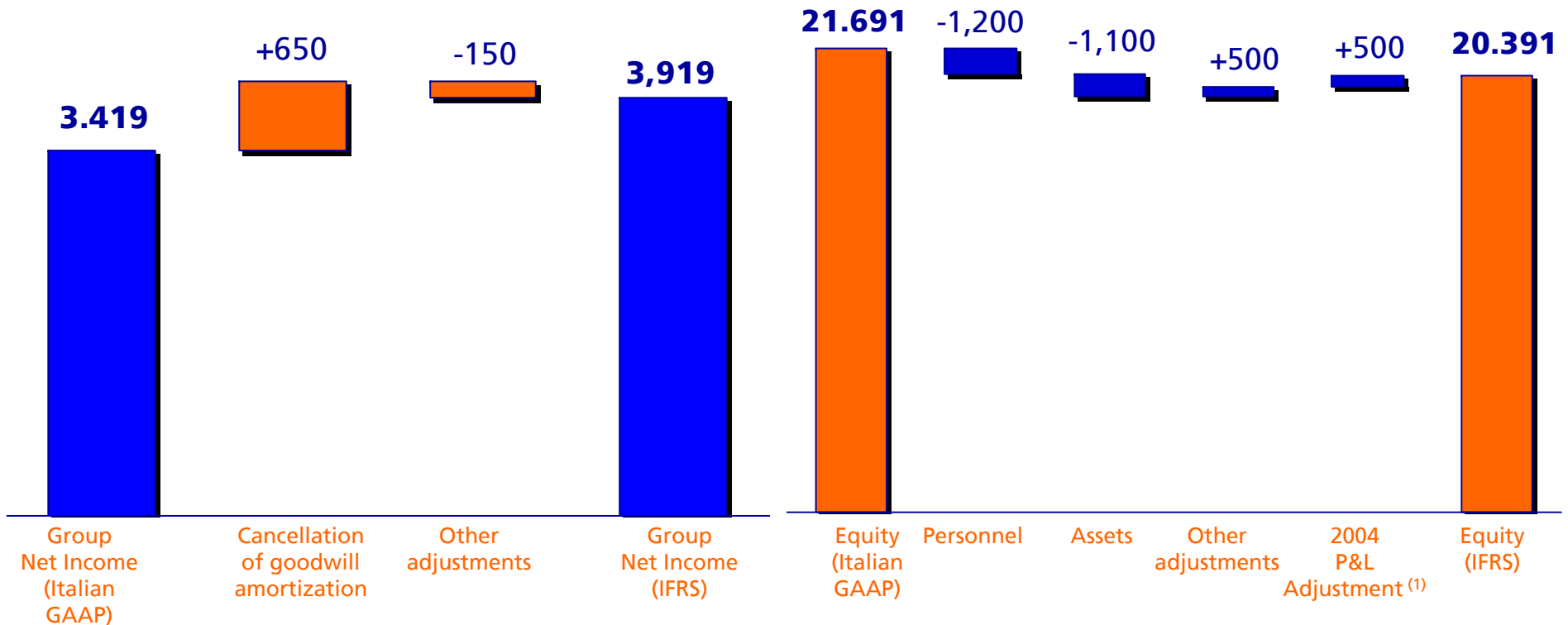
(Euro mn)



# IAS impact

IAS Pro-forma  
2004 Income Statement  
(Euro mn)

Shareholders' equity as of  
December 31, 2004 (Euro mn)



**Positive impact on net income generated by IFRS**

7



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# September 2002 strategy: delivered

## Focus on Energy

- 30 businesses reduced to 2 business units + Wind and Terna
- Increased Generation EBITDA (24% CAGR 2002-2004)
- 17% reduction of cash cost per customer in electricity distribution since 2002 (€1.2 bn cumulative cash savings<sup>(1)</sup>)

## Profitable Growth

- More than €1.1 bn invested in renewables in 2003-04
- 1.4 mn customers acquired in gas in Italy since 2002

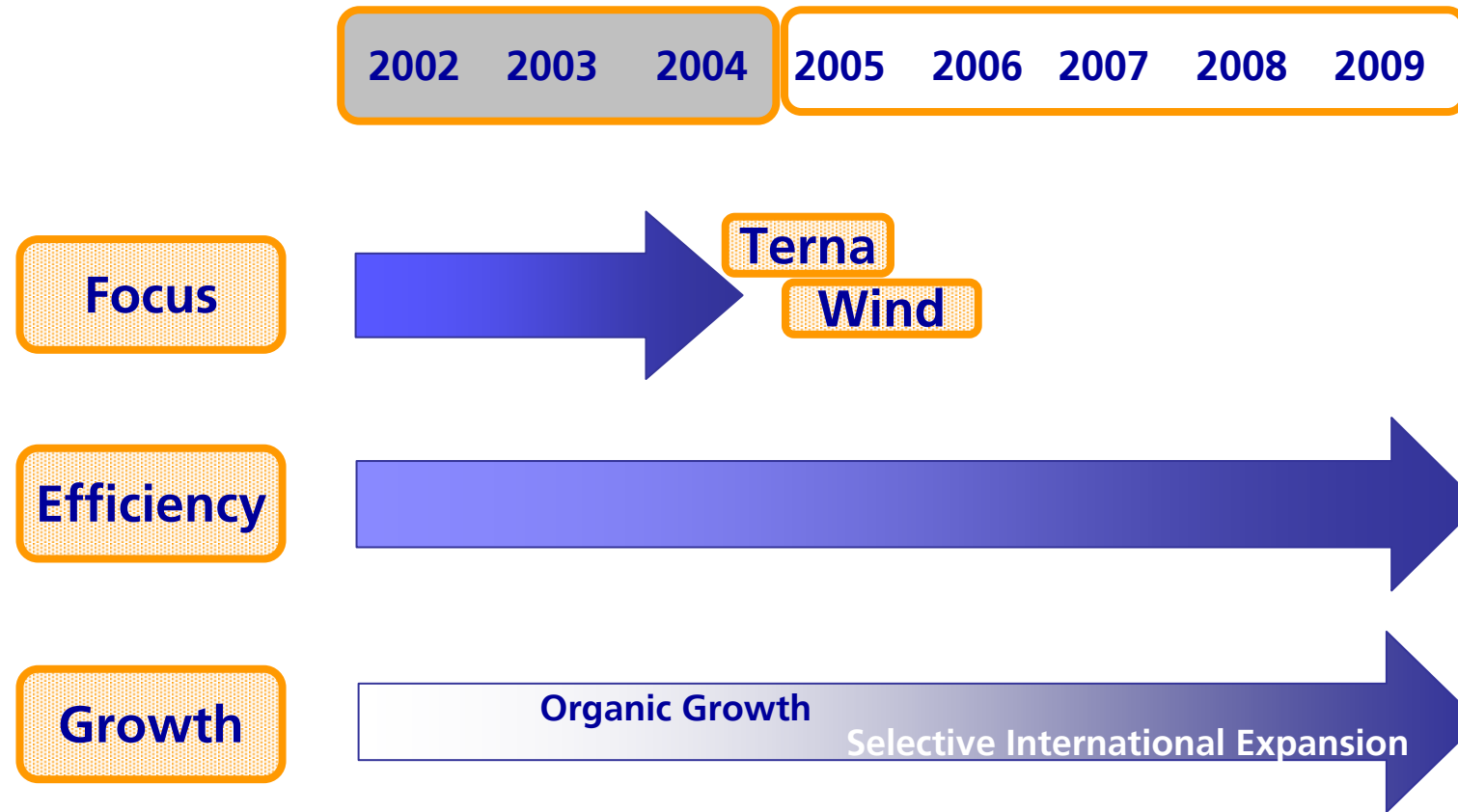
## A Safe Haven

- Net ordinary income tripled since 2002
- Delivered attractive dividend flow (€1.05/share paid since 2002)
- Maintained a “strong A” rating

**Focused and solid, ready to move forward**

(1) Based on 30 million customers, 14€ reduction 2003 vs 2002, 25€ 2004 vs 2002

# Evolving our strategy



**Cash generation continues to be our priority**

# Focus: Terna and Wind

## Terna

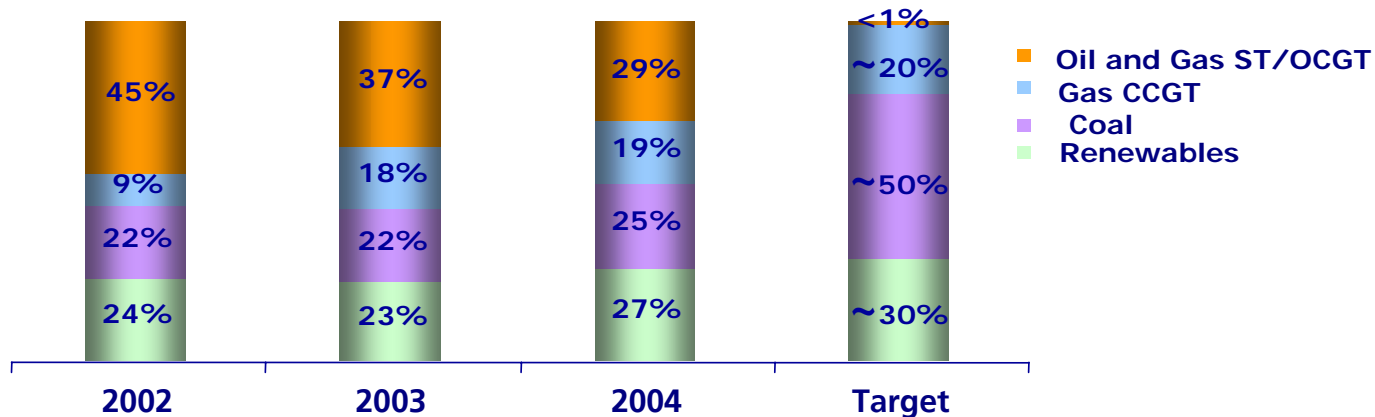
- Agreed to sell 30% to CDP
- 14% sold to the market
- ~1% retained to serve bonus shares of first tranche
- Long term stake matching voting rights (5%)

## Wind

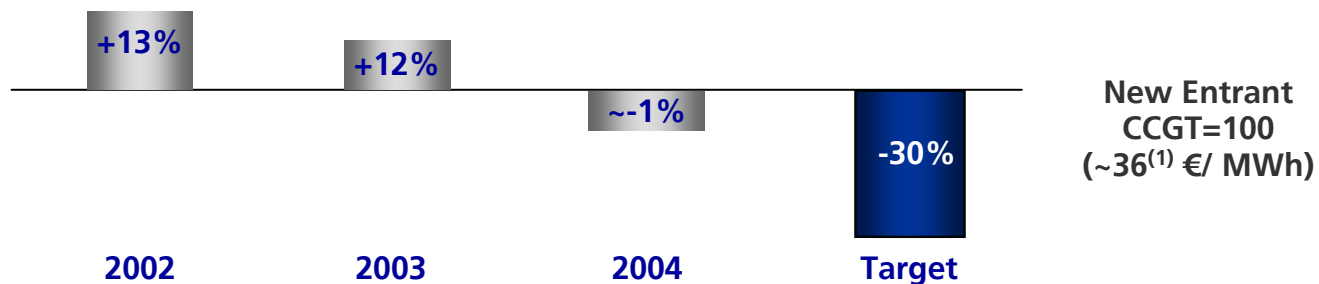
- 2004 results and outlook supporting IPO
- Currently evaluating two firm expressions of interest
- Deconsolidated at the latest by 2007

# Efficiency: Generation

Production Fuel Mix



Average fuel cost/ MWh (%vs new entrant)

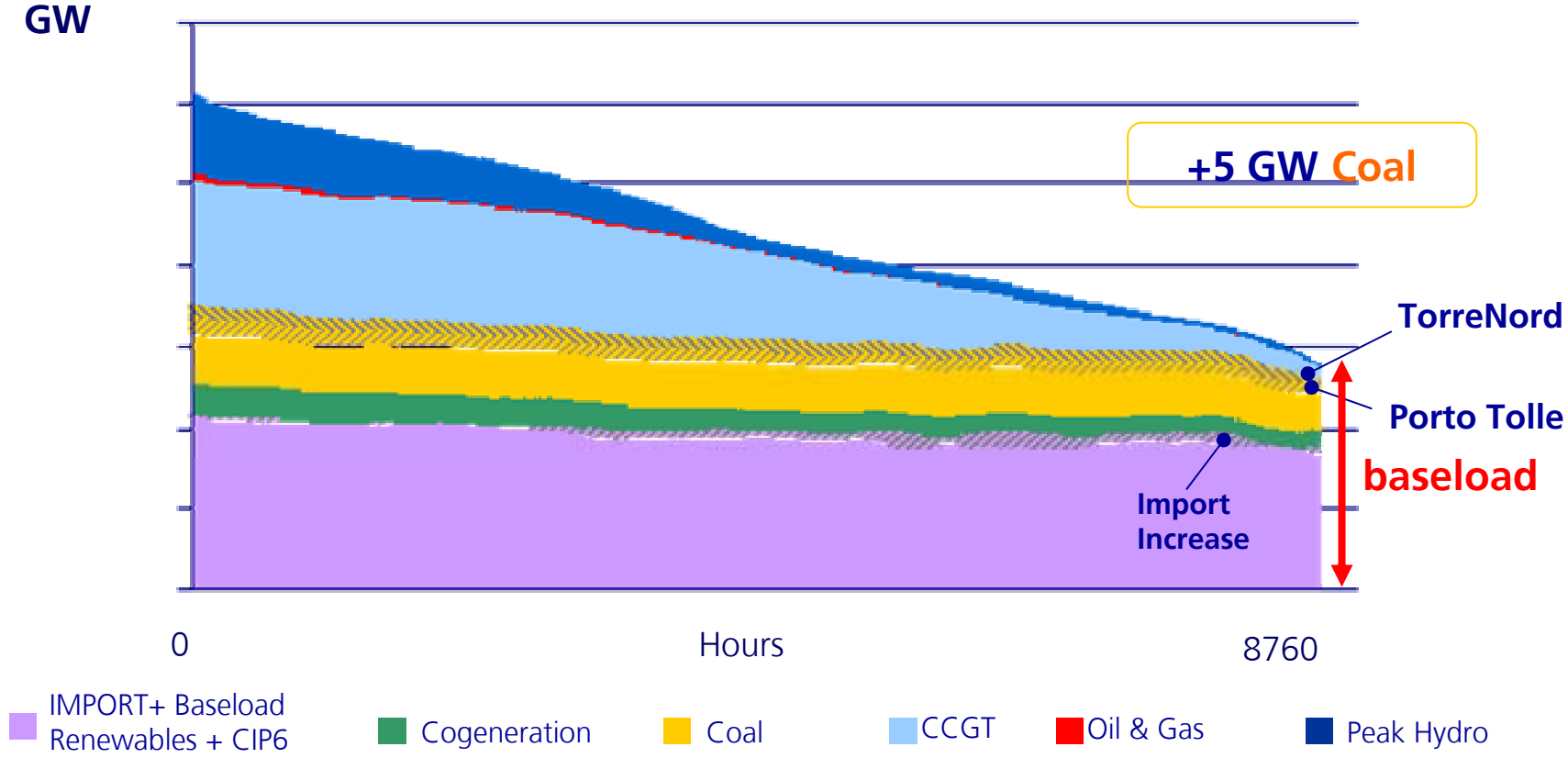


**On track to be the most efficient electricity producer in Italy**

(1) Based on 2004 fuel prices

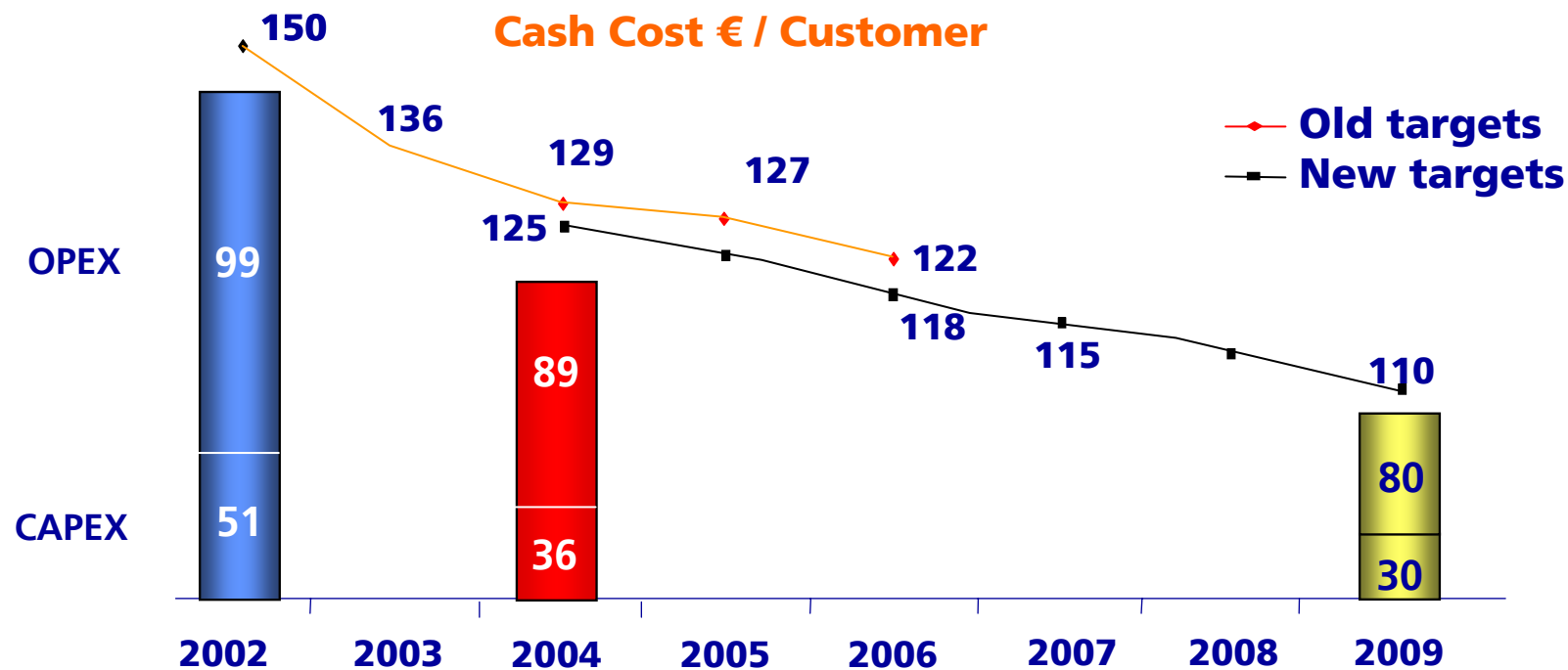
# Efficiency: Conversion to coal

2009 Market demand (estimate)



**Coal sustaining long term profitability**

# Efficiency: Electricity Distribution & Sales



**One year ahead on cash cost per customer targets**

# Growth: Renewables

Italy

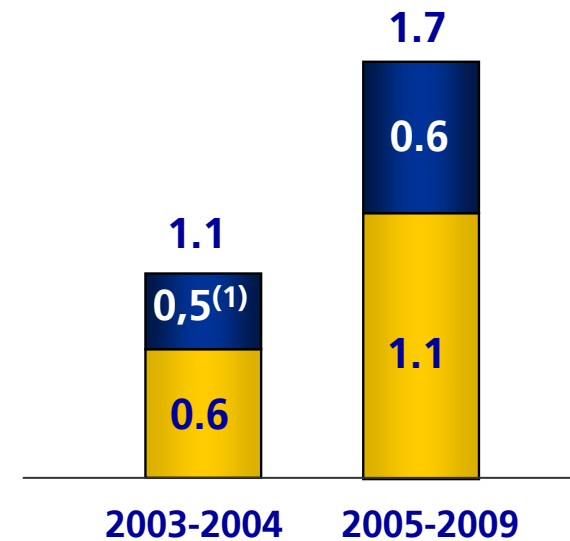
## '09-05 plan Additional capacity

- **Wind:** ~150 MW
- **Geo:** ~50 MW
- **Hydro:** ~50 MW

## IRR

>20%

## Investments (bn€)



International

- **Spain:** Enel-Union Fenosa Renewables (EUFR) ~500 MW
- **Americas:** US, El Salvador and Guatemala ~70 MW

~10%

**Safe and high return investment**

(1) Including Enterprise Value of international acquisitions



# Growth: Gas

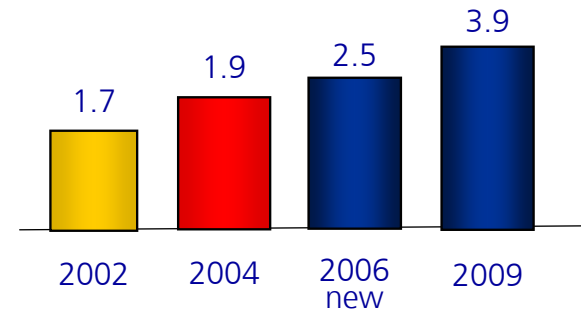
## Growth Strategy

- Acquisitions  
**+0,5 mn customers<sup>(1)</sup>**
- Renew and expand concessions  
**+0,5 mn customers<sup>(1)</sup>**
- Aggressive customers growth  
**+1,0 mn customers<sup>(1)</sup>**

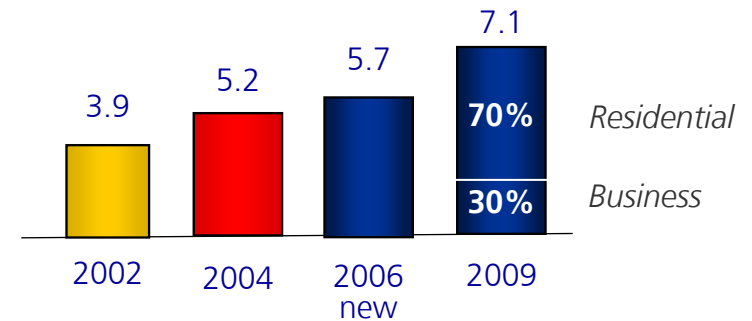
## Drivers

- Significant purchasing power
- Dual Fuel Offer
- Strong brand and unique marketing strategy

Residential customers (mn)



Sales Volumes (bcm)



**Double market share by 2009**

(1) 2009 vs 2004

# Growth: Slovenské Elektrárne

## Financials

- IRR >10%
- EPS accretive pre-goodwill from year one

## Assets

- Competitive and efficient installed capacity (6.9 GW)
- 83% market share in Slovakia



**Interconnected  
with Central Europe**

**Integrate and extract value from Slovenske Elektrárne**

# New financial targets

|   |                    |
|---|--------------------|
| <b>Cumulative CAPEX '05-'09</b>             | <b>&lt;20 bn €</b> |
| <b>Free cash flow '05-'09<sup>(1)</sup></b> | <b>&gt;20 bn €</b> |
| <b>Credit Rating</b>                        | <b>Strong A</b>    |
| <b>ROACE<sup>(2)</sup> ('05,'06)</b>        | <b>&gt;11%</b>     |

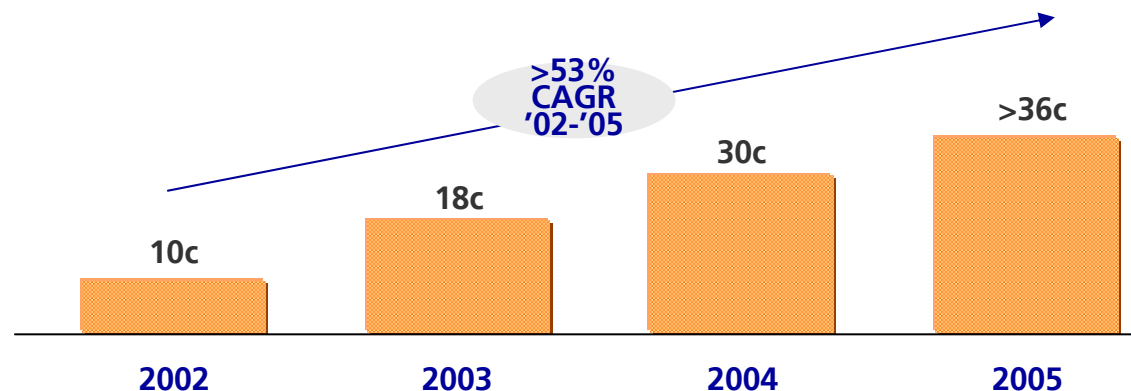
(1): Pre dividend, including Terna deconsolidation and excluding Slovenske financing (€2 bn)  
(2) ROACE= EBIT/ Average Net Capital Employed  
All figures excludes Slovenske and Terna (deconsolidated by 2nd half of 2005)

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# Income and dividends

Net  
ordinary  
Income per  
share



Dividends

- 2004 dividend of 36 c€ (paid in June 2005), includes all payments for stranded costs (11c€) and New Real (2c€)
- Additional 16-18 c€ per share Terna dividend to be paid in 2005
- Dividend on 2005 results (paid in 2006) in excess of 36 c€ per share
- Future dividends supported by ordinary income

**Focus on cash and dividends**

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# Appendix

# Financials



# Income statement (Euro Mn)

|                 | 2004   | 2003   | % change |
|-----------------|--------|--------|----------|
| Revenues        | 36,489 | 31,317 | 16.5%    |
| Operating Costs | 25,479 | 21,476 |          |
| EBITDA          | 11,010 | 9,841  | 11.9%    |
| % of Revenues   | 30%    | 31%    |          |
| EBIT            | 6,325  | 4,732  | 33.7%    |
| % of Revenues   | 17%    | 15%    |          |

## From EBIT to EPS (Euro mn)

|                                    | 2004    | 2003    | % change |
|------------------------------------|---------|---------|----------|
| EBIT                               | 6,325   | 4,732   | 33.7%    |
| Net Financial Charges              | (1,103) | (1,130) | 2.4%     |
| Net Extraordinary Items            | 298     | -136    |          |
| EBT                                | 5,481   | 3,393   | 61.5%    |
| Income Taxes                       | 1,936   | 966     |          |
| Minority Interest                  | (126)   | 82      |          |
| Group Net Income                   | 3,419   | 2,509   | 36.3%    |
| EPS (Euro)                         | 0.56    | 0.41    | 36.6%    |
| Net Ordinary Income <sup>(1)</sup> | 1,829   | 1,090   | 67.8%    |

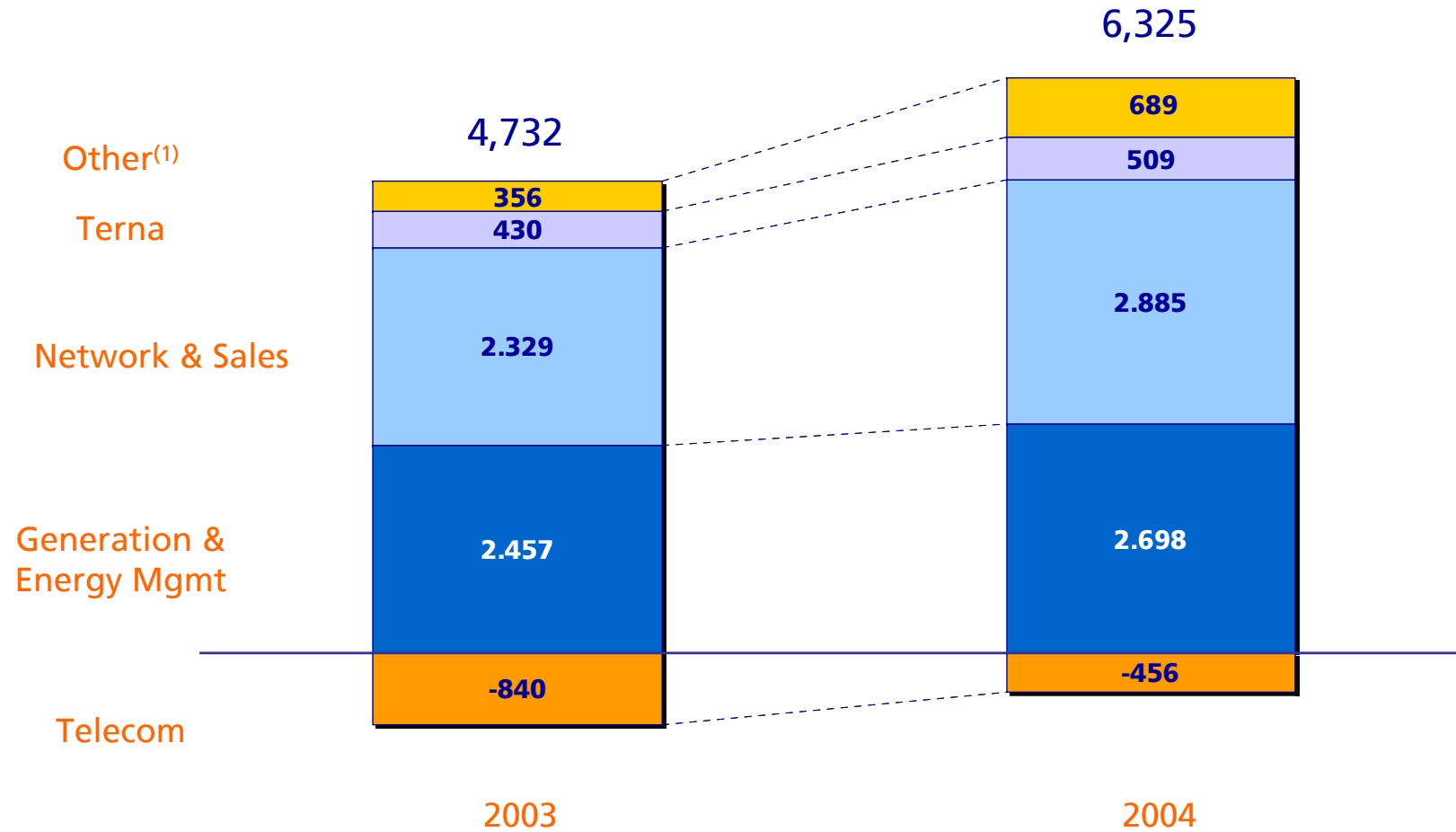
(1) Net Income less non recurring items

# Balance Sheet (Euro mn)

|                              | December 31,<br>2004 | December 31,<br>2003 | % Change |
|------------------------------|----------------------|----------------------|----------|
| Net Financial Debt           | 24,296               | 24,174               | 0.5%     |
| of which Wind <sup>(1)</sup> | 6,721                | 6,743                | -0.3%    |
| Shareholders' Equity         | 21,691               | 21,315               | 1.8%     |
| of which minorities          | 1,131                | 191                  |          |
| Leverage                     | 1.12                 | 1.13                 |          |
| EBITDA/ Interest Coverage    | 10.0                 | 8.7                  |          |
| Net Capital Employed         | 45,987               | 45,489               | 1.1%     |

(1) Excluding debt to Treasury for UMTS license

# EBIT by business area (Euro mn)



(1) Net of intercompany

# Generation & Energy Management (Euro mn)

|                                       | 2004    | 2003    | % change |
|---------------------------------------|---------|---------|----------|
| Revenues                              | 12,982  | 12,607  | 3.0%     |
| EBITDA                                | 3,999   | 3,863   | 3.5%     |
| EBIT                                  | 2,698   | 2,457   | 9.8%     |
| Capex                                 | 857     | 853     | 0.5%     |
| Net Capital Employed                  | 15,146  | 14,458  | 4.8%     |
| Headcount                             | 10,828  | 11,196  | -3.3%    |
| Net Power Generation (domestic) (GWh) | 125,868 | 137,794 | -8.7%    |

# Network & Sales (Euro mn)

|  | 2004    | 2003    | % change |
|--|---------|---------|----------|
| Revenues <sup>(1)</sup>                      | 19,466  | 20,433  | -4.7%    |
| Power  | 18,052  | 19,059  |          |
| Gas  | 1,421   | 1,374   |          |
| EBITDA                                       | 3,841   | 3,690   | 4.1%     |
| Power  | 3,575   | 3,418   |          |
| Gas  | 266     | 272     |          |
| EBIT   | 2,885   | 2,329   | 23.9%    |
| Capex  | 1,711   | 1,764   | -3.0%    |
| Net Capital Employed                         | 13,386  | 11,981  | 11.7%    |
| Headcount                                    | 35,537  | 36,826  | -3.5%    |
| Power Dispatched (GWh)                       | 250,652 | 244,426 | 2.5%     |
| Power Sold to End Users (GWh) <sup>(2)</sup> | 157,801 | 152,189 | 3.7%     |

- (1) Including Euro 7mn inter-company elisions  
(2) Including sales on the free market

# Operational data

## Power

|                                   | 2004    | 2003    | % change |
|-----------------------------------|---------|---------|----------|
| Net Power Generation (GWh)        | 125,868 | 137,794 | -8.7%    |
| Purchase of Power (GWh)           | 152,525 | 73,654  | 107.1%   |
| Sales to End Users (GWh)          | 157,801 | 152,189 | 3.7%     |
| <i>of which: Regulated Market</i> | 136,961 | 141,453 | -3.2%    |
| <i>Free Market</i>                | 20,840  | 10,736  | 94.1%    |
| Total Power Dispatched (GWh)      | 250,652 | 244,426 | 2.5%     |

## Gas

|                                 |       |       |       |
|---------------------------------|-------|-------|-------|
| Volumes Sold to End Users (mcm) | 5,186 | 4,445 | 16.7% |
| Customers ('000)                | 1,966 | 1,796 | 9.5%  |

# Terna (Euro mn)

|                      | 2004  | 2003  | % change |
|----------------------|-------|-------|----------|
| Revenues             | 1,023 | 927   | 10.4%    |
| EBITDA               | 683   | 621   | 10.0%    |
| EBIT                 | 509   | 430   | 18.4%    |
| Capex                | 277   | 371   | -25.3%   |
| Net Capital Employed | 3,691 | 3,580 | 3.1%     |
| Headcount            | 2,929 | 2,837 | 3.2%     |



# Wind

## Key Performance Indicators

|                                | 2004 | 2003 |                                     | 2004              | 2003              |
|--------------------------------|------|------|-------------------------------------|-------------------|-------------------|
| <b>Customers (mn)</b>          |      |      | <b>Profit &amp; Loss (€mn)</b>      |                   |                   |
| Fixed Active                   | 2,4  | 3,1  | Revenues                            | 4.714             | 4.383             |
| of which direct <sup>(1)</sup> | 0,5  | 0,5  | EBITDA <sup>(2)</sup>               | 1.554             | 1.010             |
| Mobile                         | 12,1 | 9,9  | EBIT <sup>(3)</sup>                 | 99                | (340)             |
| Internet Subscribers           | 17,1 | 15,2 |                                     |                   |                   |
|                                | 2004 | 2003 |                                     | December 31, 2004 | December 31, 2003 |
| <b>ARPU (€/average month)</b>  |      |      | <b>Balance Sheet (€mn)</b>          |                   |                   |
| Fixed Active Customer base     | 36,3 | 31,4 | Net Debt <sup>(4)</sup>             | 6.721             | 6.743             |
| Mobile                         | 20,8 | 22,2 | Net Capital Employed <sup>(5)</sup> | 6.714             | 6.804             |
| of which Mobile Data           | 2,7  | 2,8  |                                     |                   |                   |

- (1) Of which 424,000 physically connected (330,000 in 2003)  
 (2) Including Tellas (-25mn Euro in 2003; +2mn Euro in 2004)  
 (3) Excluding goodwill amortization  
 (4) Excluding debt to Treasury for UMTS license  
 (5) Excluding goodwill

# Services & Holding (Euro mn)

|                      | 2004  | 2003  | % change |
|----------------------|-------|-------|----------|
| <b>SERVICES</b>      |       |       |          |
| Revenues             | 1,799 | 2,742 | -34.4%   |
| EBITDA               | 298   | 481   | -38.0%   |
| EBIT                 | 130   | 213   | -39.0%   |
| Capex                | 112   | 127   | -11.8%   |
| Net Capital Employed | 915   | 2,220 | -58.8%   |
| Headcount            | 3,826 | 4,620 | -17.2%   |
| <b>HOLDING</b>       |       |       |          |
| Revenues             | 1,617 | 1,139 | 42.0%    |
| EBITDA               | 729   | 256   | 184.8%   |
| EBIT                 | 653   | 223   | 192.8%   |
| Capex                | 10    |       |          |
| Headcount            | 590   | 522   | 13.0%    |

# Debt structure

- Average debt maturity: 6 years 4 months
- Average cost of debt: 4.4%
- (Fixed+Hedged)/Total Long Term Debt = 58%
- (Fixed+Hedged)/Total Net Debt = 53%
- S&P's: A+/A-1 stable      Moody's: A1/P-1 stable

| (Euro Mn)                 | December 31,<br>2004 | December 31,<br>2003 | % Change |
|---------------------------|----------------------|----------------------|----------|
| Long-term                 | 18,631               | 16,472               | 13.1%    |
| Short-term <sup>(1)</sup> | 6,430                | 8,648                | -25.6%   |
| Cash <sup>(2)</sup>       | -765                 | -946                 | -19.1%   |
| Net Debt                  | 24,296               | 24,174               | 0.5%     |

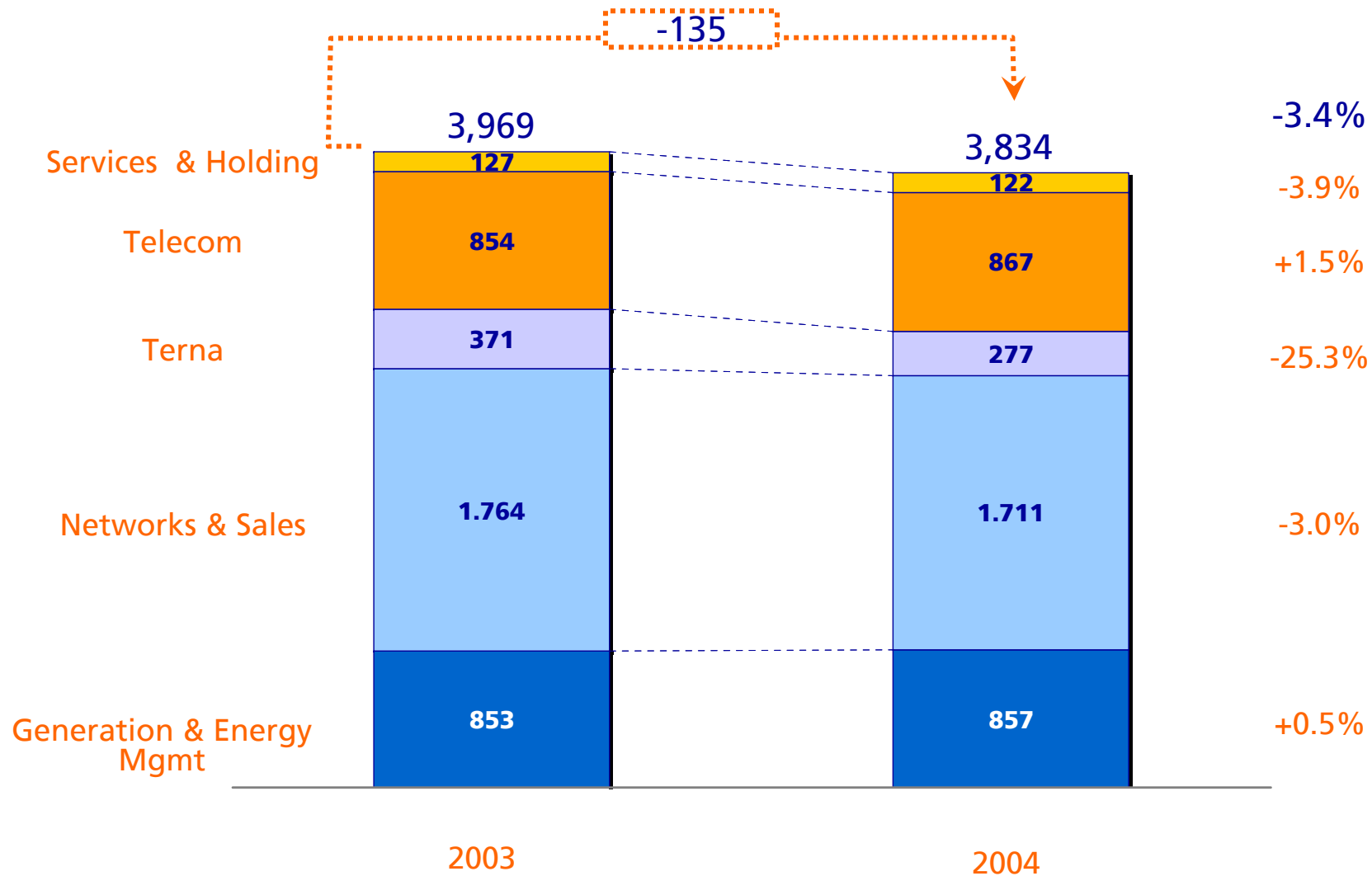
(1) Including current maturities of long term debt  
 (2) Including factoring receivables

# Consolidated Financial Highlights

## Quarterly Analysis - Income Statement (Euro Mn)

|               | 4Q04   | 4Q03  | % change | 1Q04  | 2Q04  | 3Q04  |
|---------------|--------|-------|----------|-------|-------|-------|
| Revenues      | 10,505 | 8,024 | 30.9%    | 8,029 | 8,919 | 9,036 |
| EBITDA        | 3,512  | 2,277 | 54.2%    | 2,642 | 2,707 | 2,149 |
| % of Revenues | 33%    | 28%   |          | 33%   | 30%   | 24%   |
| EBIT          | 2,207  | 856   | 157.8%   | 1,560 | 1,487 | 1,071 |
| % of Revenues | 21%    | 11%   |          | 19%   | 17%   | 12%   |
| EBT           | 1,390  | 183   | 659.6%   | 1,256 | 1,941 | 894   |

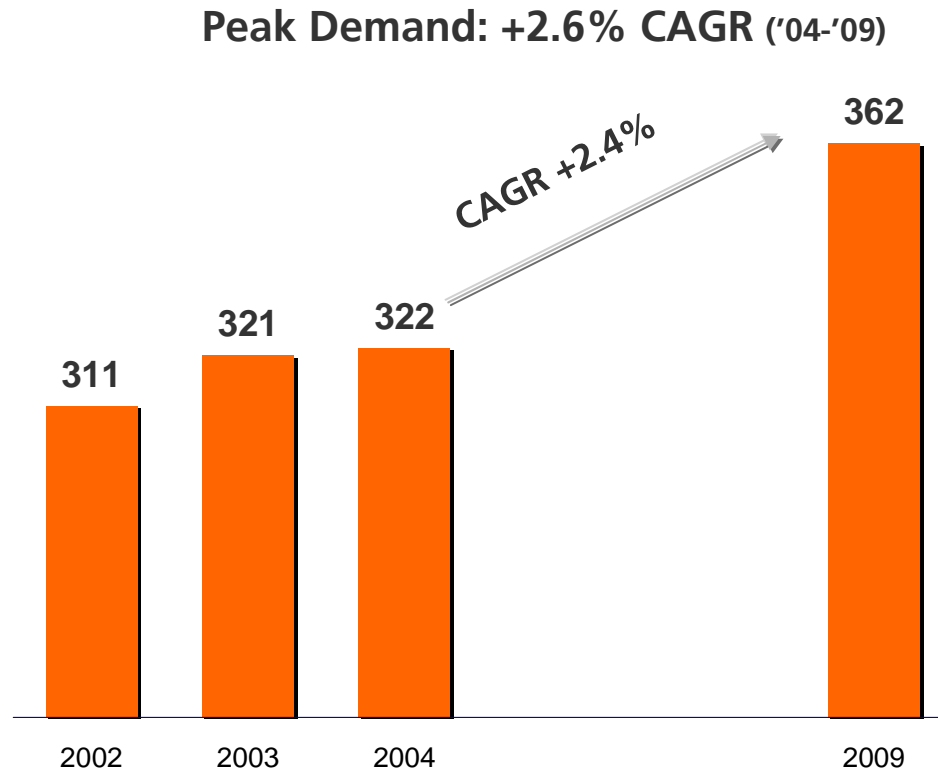
# Capex (Euro mn)



# Market & Regulation

# 2005-2009 Plan key assumptions

## Electricity demand (TWh)

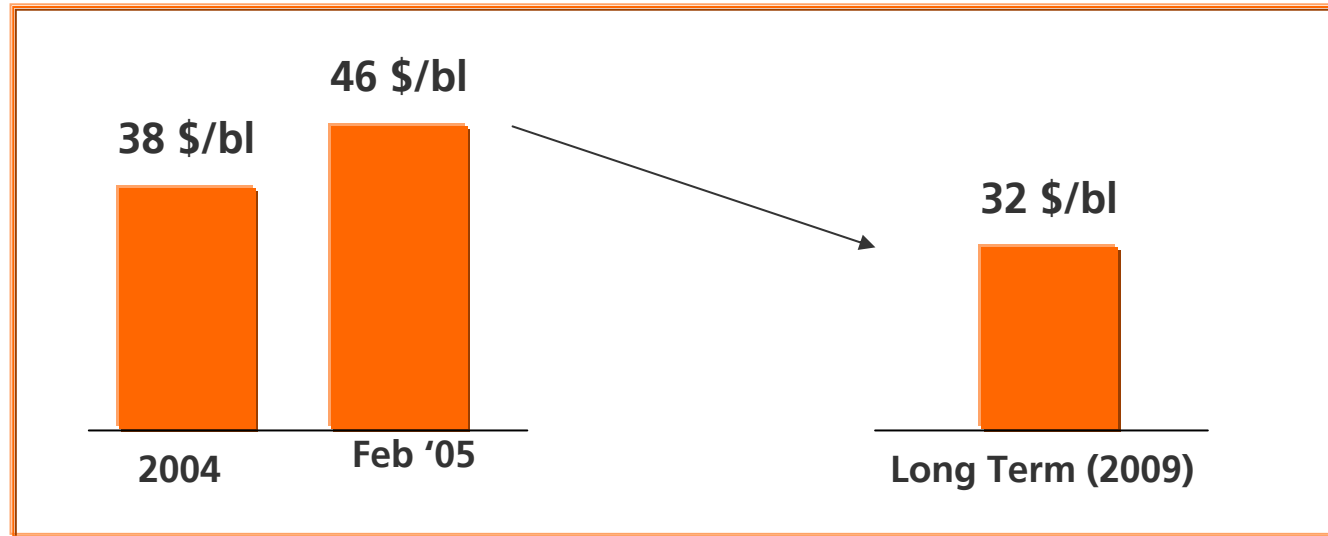


**New Entrant CCGT: +8.7 GW**  
( '05-'09)

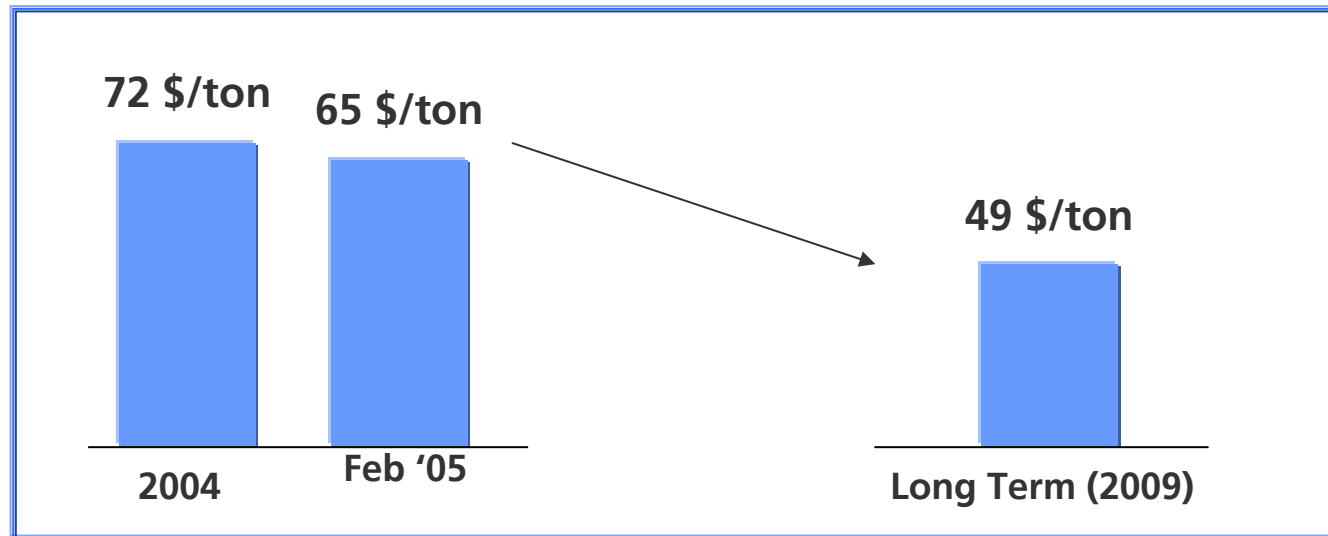
**Import: +2.2 GW**  
( '05-'09)

# 2005-2009 Fuel price scenario

**Brent**



**Coal\***





# Generation & Energy Management

## Regulatory Outlook

**2004-2005**

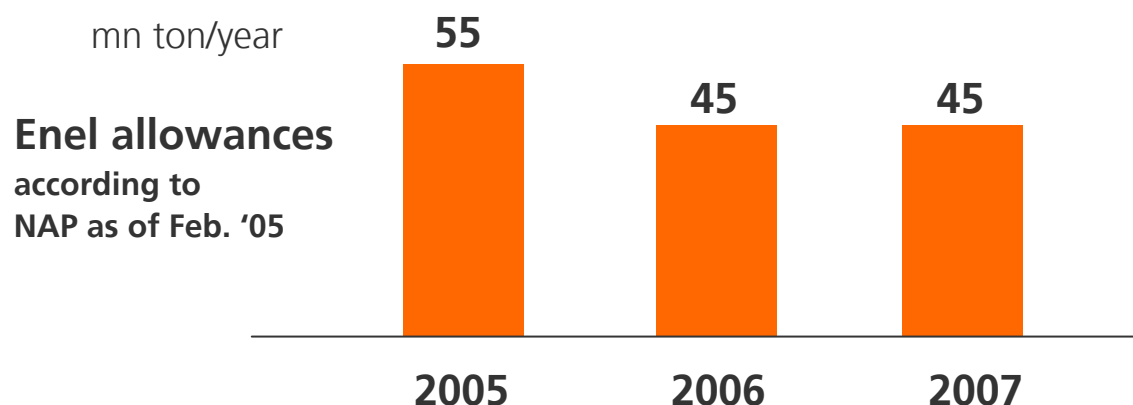
- Stranded cost recovery approved,
- Pool fully operating: demand side actively participating from 1st January 2005
- Single Buyer in full operation
- CO<sub>2</sub> NAP for Trial Period yet to be approved

**2006-2009**

- Draft NAP allowances consistent with our Business Plan assumptions
- Capacity Payment mechanism based on competitive market likely to be introduced

# ETS: National Allocation Plan\*

- 2nd draft issued in July 2004; allocations by plant defined in February 2005
- ~255 mn ton/y allocated , of which ~138 mn ton/y to the electricity sector
- Allowances based on fuel differentiation
- EU approval expected in May/June '05



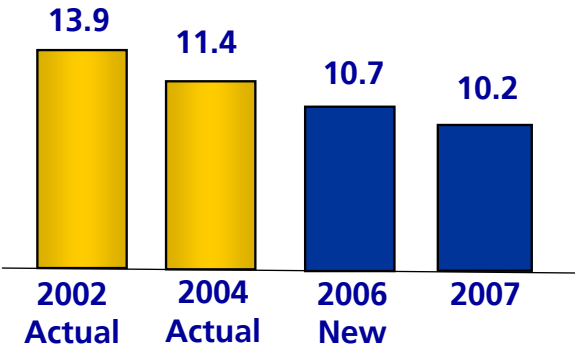
**Consistent with our  
Business Plan assumptions**

# Targets

# Generation and Energy Management

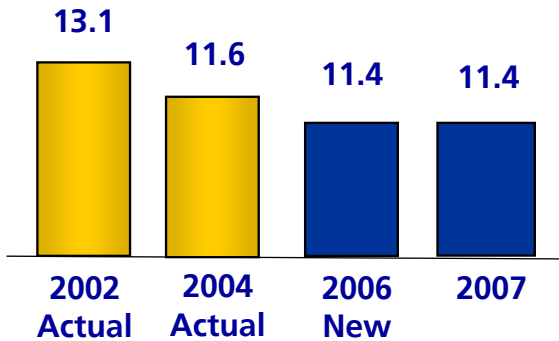
**O&M/MW  
Thermal**

kEuro



**O&M/MW  
Large Hydro**

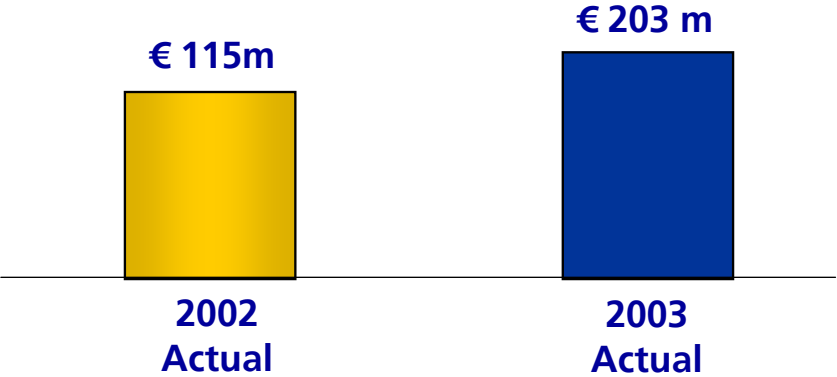
kEuro



# Distribution and Sales

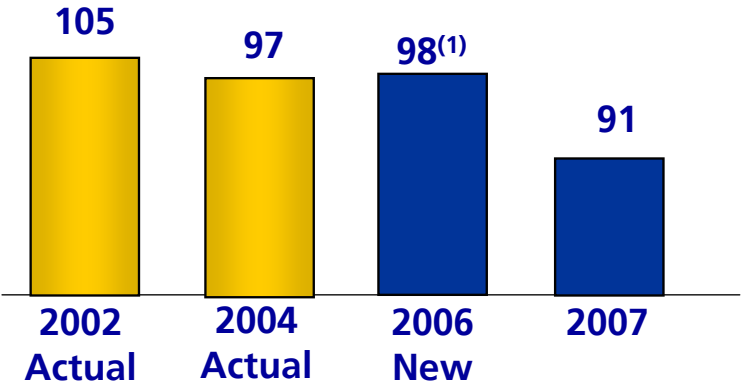
**Electricity**

### Quality Bonus



**Gas**

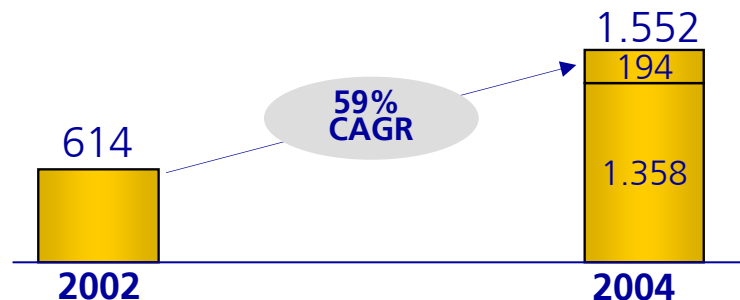
### Distribution Cash Cost € / Customer<sup>(3)</sup>



(1) Including mandatory investments on new acquired assets  
 (2) Including Sales  
 (3) Excluding Sales, Distribution only

# Wind performance 2002-04

**EBITDA  
(€ bn)**

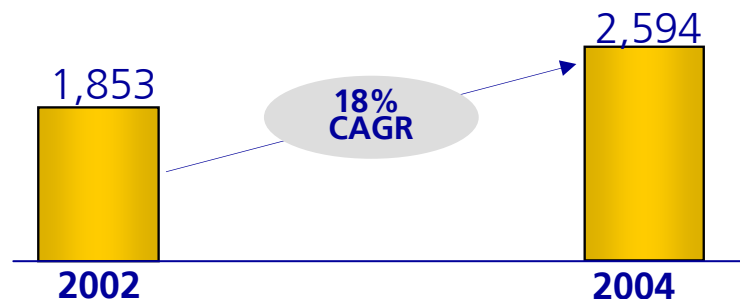


Old targets

>40%  
CAGR  
'02-'05

CAGR 59% vs.  
2002 (49% excl.  
Turnover  
Contribution)

**Mobile  
Turnover<sup>(1)</sup>  
(€ mn)**



15%  
CAGR  
'02-'05

Ahead on  
target

**OPEX/  
Revenues  
(%)**



22%  
'05

Planned  
savings fully  
achieved

(1) Excluding Handsets Revenues

# Summary of Targets

|   |                                  | <u>2002<br/>Actual</u> | <u>2004<br/>Actual</u> | <u>2006<br/>old</u> | <u>2006<br/>new</u>     |
|---|----------------------------------|------------------------|------------------------|---------------------|-------------------------|
| <b>Generation<br/>and Energy<br/>Management</b> | Fuel Cost Index <sup>(1)</sup> % | 100                    | 87                     | 86                  | 86                      |
|   | O&M / MW Thermal k€              | 13.9                   | 11.4                   | 10.8                | 10.7                    |
|   | O&M / MW Large Hydro k€          | 13.1                   | 11.6                   | 11.5                | 11.4                    |
| <b>Distribution<br/>and Sales</b>               | Cash cost - Electricity €        | 150                    | 125                    | 122                 | 118                     |
|   | Cash cost - Gas €                | 105                    | 97                     | 92                  | 98 <sup>2</sup>         |
| <b>Other</b>                                    | Opex/MWh - Terna €               | 0.95                   | 0.84                   | **                  | **                      |
|   | Opex Revenues - Wind %           | 31                     | 25.6                   | 21                  | 21                      |
| <b>Total Opex Reduction</b>                     |                                  |                        | €~800 mn               | € 1.1 bn            | € 1.2 <sup>(3)</sup> bn |

\*\*Target will be updated in a dedicated Terna session

(1) Brent at 23 \$/bbl  
 (2) "one off" mandatory investments on newly acquired assets included  
 (3) Targets include impact of all efficiency programs

# Past Financial targets (ITA-GAAP)

|                                     | Target    | Delivered as of 2004 |
|-------------------------------------|-----------|----------------------|
| '02- '05 EBITDA CAGR <sup>(1)</sup> | 8%        | 14%                  |
| '03- '07 free cashflow              | € 16bn    | € 6.6bn              |
| '03 - '07 CAPEX                     | € 20.9 bn | € 7.8bn              |
| '06 vs.'02 OPEX reduction           | €1.1 bn   | €0.8 bn              |

(1) Excluding Terna and stranded cost



# International assets

## Enel North America

- ✓ 410 MW Hydro, wind and other renewable in US (and Canada)



## Enel Latin America

- ✓ More than 200 MW hydro, geo and wind in central America and Chile
- ✓ El Salvador [Geo]: 12,5% (growing) participation in LAGEO

**Spain**

- ✓ Viesgo: 2.366 MW coal, oil, hydro: more than 600.000 customers
- ✓ 80% of Enel Unión Fenosa Renovables 445 MW
- ✓ Escatron CCGT: operation started 800MW

**Russia**

- ✓ Operation NWPP, CCGT S. Petersburg 450 MW

**Slovakia**

- ✓ 66% of Slovenské Elektrárne 6.881 MW

**Romania**

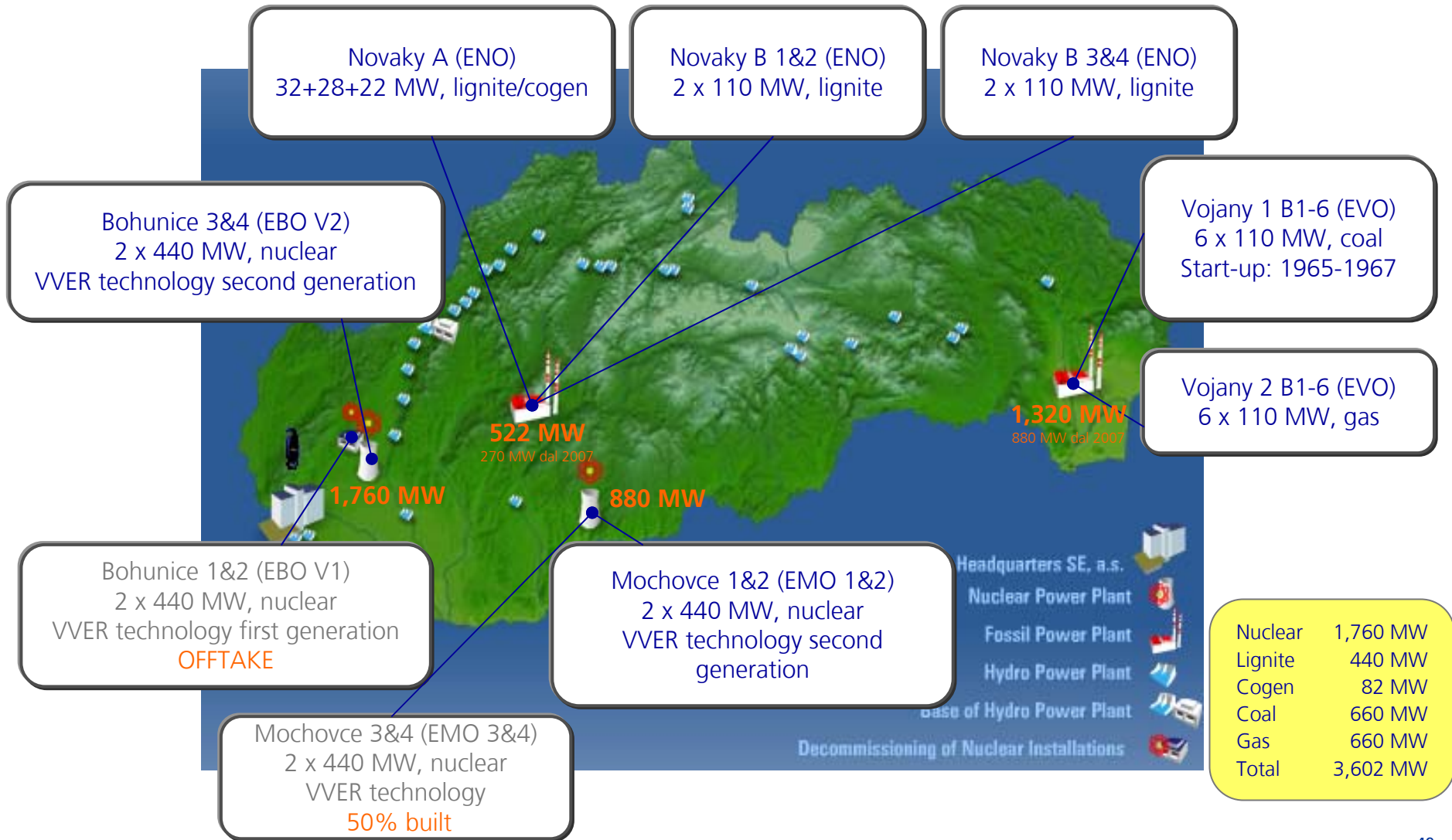
- ✓ 51% distribution company Banat & Dobrogea
- ✓ 1,4 mn customers for total 7.7 TWh distributed

**Bulgaria**

- ✓ 60% di Maritsa East III Power Holding BV company that owns the lignite power plant of Maritsa East III 840 MW

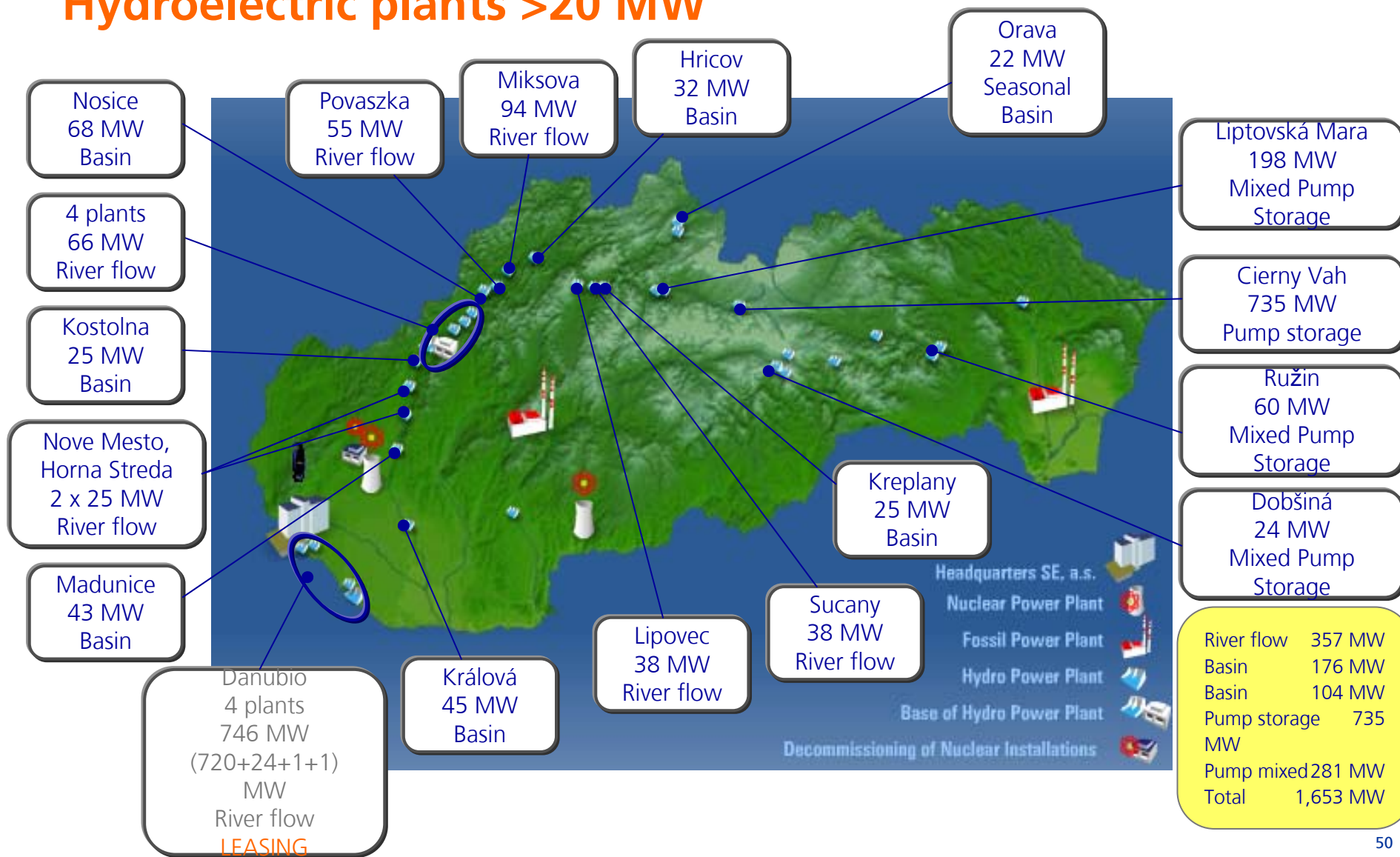
# Slovenské Elektrárne

## Thermal capacity



# Slovenské Elektrárne

## Hydroelectric plants >20 MW



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