

2005 Results

2006-2010 Plan

London, 23 March 2006

Agenda

- ▶ **2005 Results**

- ▶ **2006-2010 plan**
 - **Market**
 - **Generation & Energy Management**
 - **Infrastructure & Network**
 - **International Activities**

- ▶ **Strategy and Targets**

- ▶ **Questions & Answers**

- ▶ **Annexes**

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Francesco Starace
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Operational data: Italian generation market

Generation & import (TWh)	2004	2005	%
Total demand	325.4	329.4	1.3%
Total net production ⁽¹⁾	290.0	289.7	-0.1%
Enel net production	125.9	112.1	-10.9%
Others net production	164.2	177.6	8.2%
Total import	45.6	49.2	7.7%

Source: Terna

(1) Including pumped storage

Operational data: Italian electricity market demand

Electricity sales⁽¹⁾ (TWh)	2004	2005	%
Total market sales	304.5	308.4	1.3%
Enel sales	157.8	148.2	-6.1%
Others sales	146.7	160.2	9.2%
Electricity distribution (TWh)	2004	2005	%
Enel	250.7	251.0	0.2%

(1) Net of losses on the grid

Operational data: Italian gas market

Gas sales⁽¹⁾	2004	2005	%
Total consumption (bcm)	50.8	52.3	3.0%
Enel sales (bcm)	5.2	5.1	-1.9%
Enel gas customers (thousands)	1,966	2,143	9.0%

(1) Excluding thermal generation

Operational data: Enel's international activities

Generation	2004	2005	%
Net installed capacity (MW)	3,693	3,786	2.5%
Net production (GWh)	12,321	13,625	10.6%
Distribution and sales	2004	2005	%
Electricity sales (GWh)	4,459	8,093	81.5%
Electricity distribution (GWh)	4,952	9,651	94.9%
Customers (thousands)	611	2,070	238.8%

2005 Results

Financial highlights

€mn	2004	2005	%
<i>Revenues</i> ⁽¹⁾	31,011	34,059	9.8%
<i>Ebitda</i> ⁽²⁾	8,071	7,745	-4.0%
Ebitda net of stranded costs	7,003	7,745	10.6%
<i>Group net income</i>	2,631	3,895	48.0%
of which net ordinary income ⁽³⁾	1,862	2,742	47.3%
Net debt	24,514	12,312	-49.8%

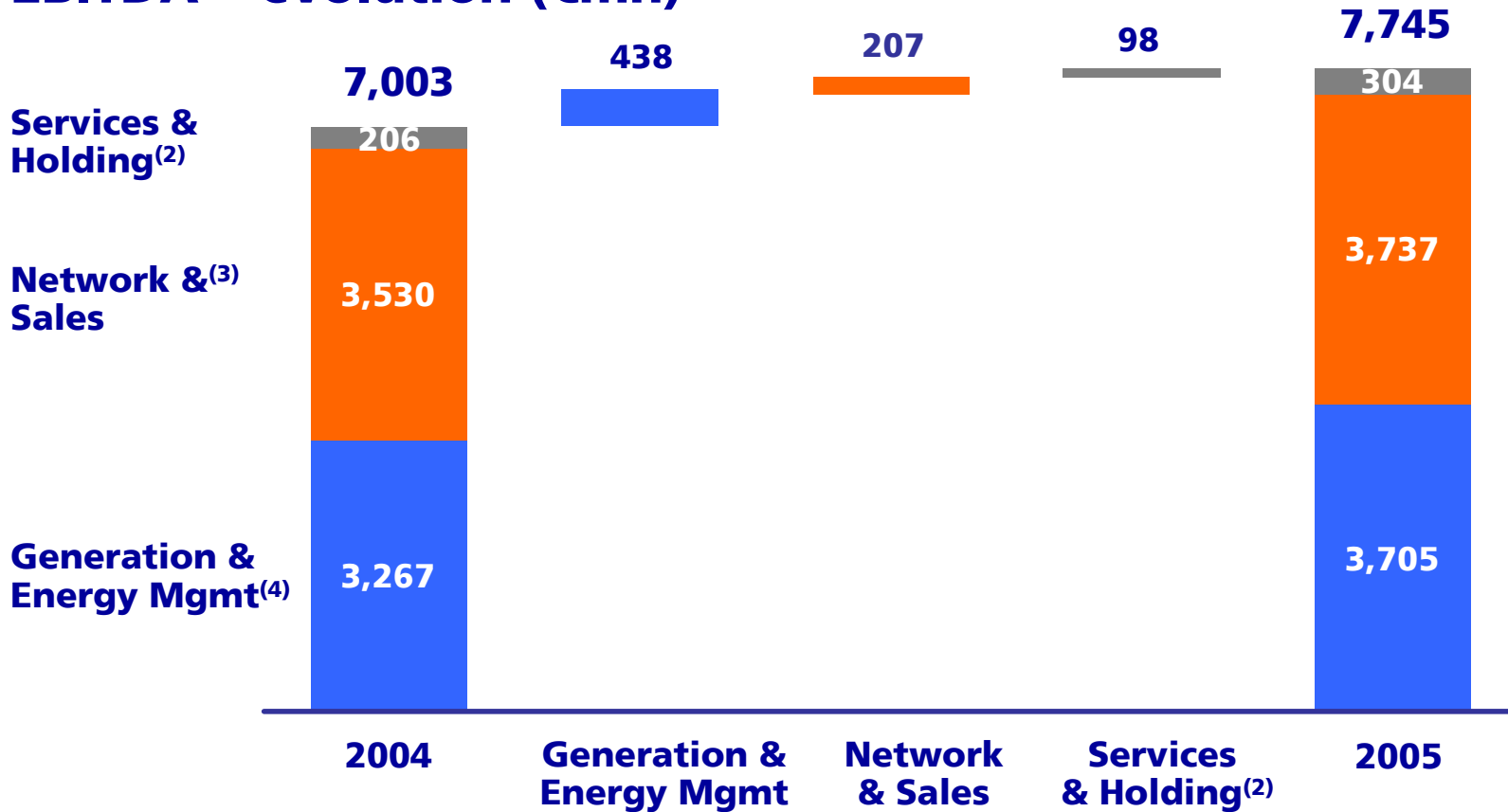
Excellent financial performance

(1) Including effect of Single Buyer's activities following the launch of the pool on April 1, 2004

(2) Both 2004 and 2005 EBITDA are reported net of capital gains on Terna disposal

(3) Net of extraordinary items

2005 Results EBITDA⁽¹⁾ evolution (€mn)



Profitability steadily growing in all business areas

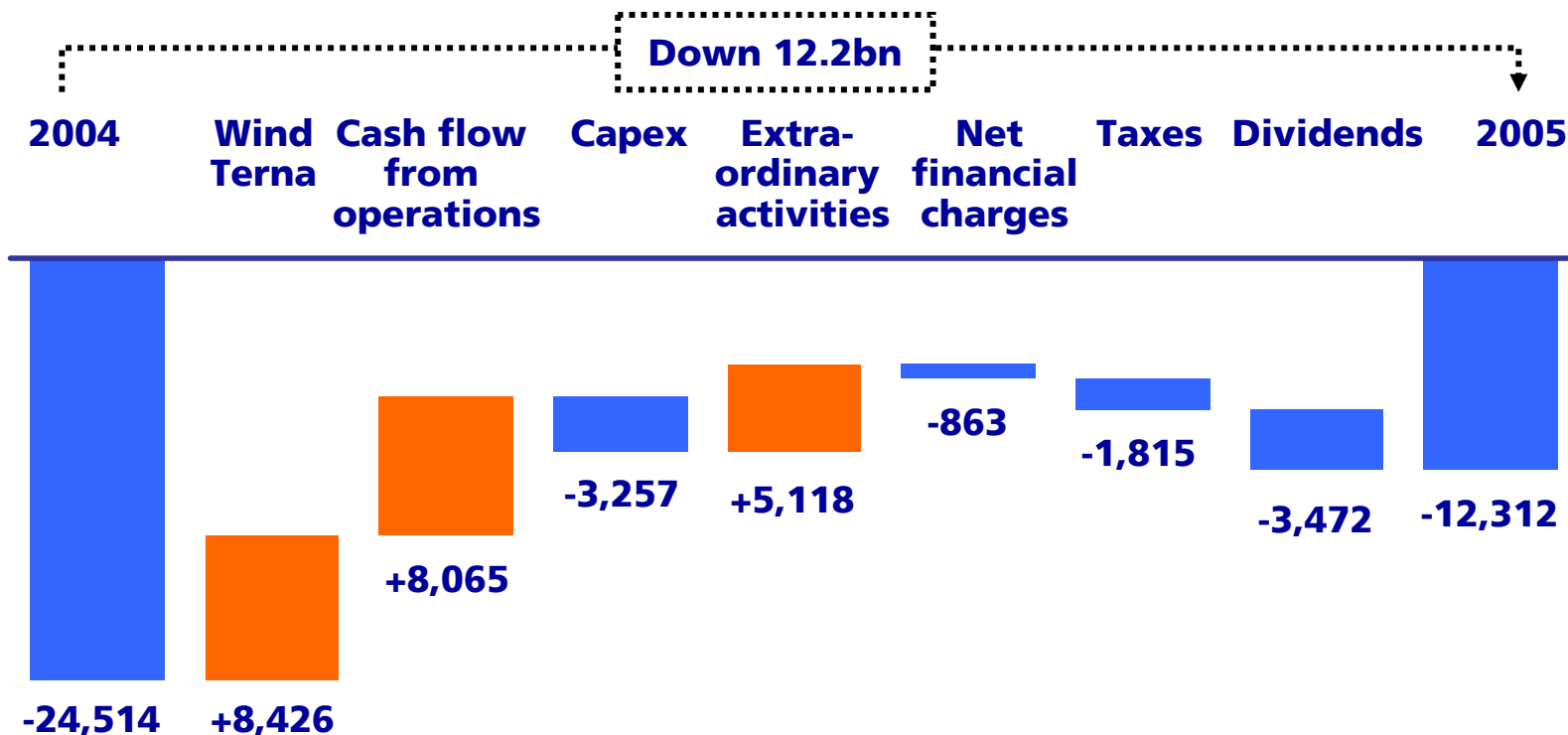
(1) 2004 EBITDA net of 2000-2003 stranded costs

(2) Including intercompany adjustments

(3) Of which international: 192€mn in 2005 vs 77€mn in 2004

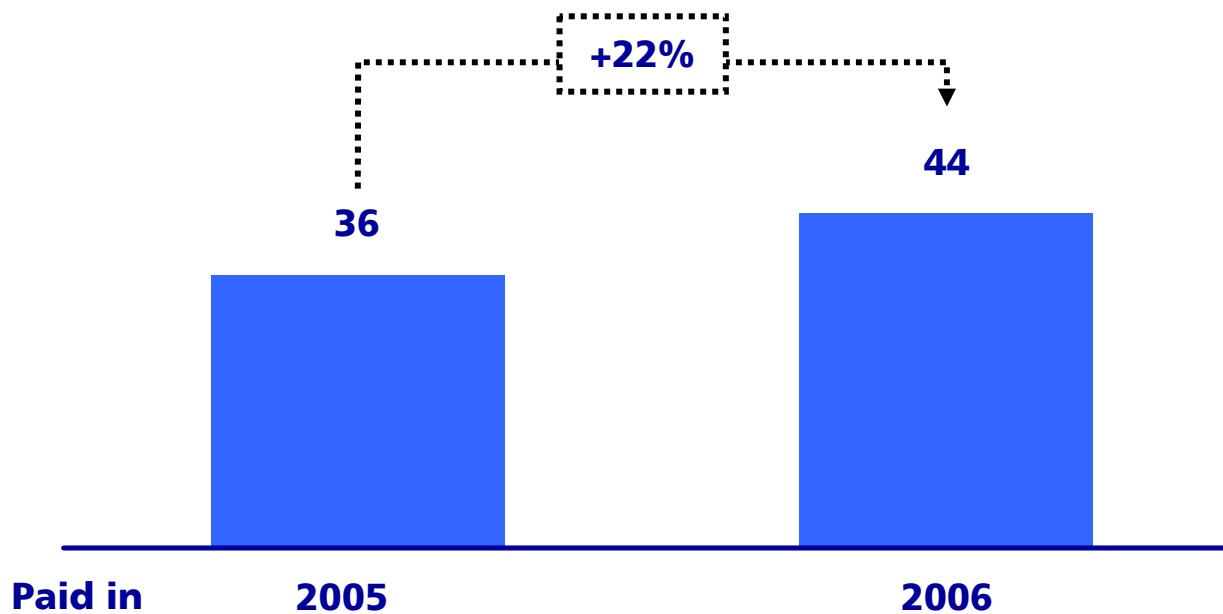
(4) Of which international: 290€mn in 2005 vs 215€mn in 2004

Net debt evolution (€mn)



Strong operational cash-flow and extraordinary items

2005 Results Dividend (€/share)



A sound and high-yield investment

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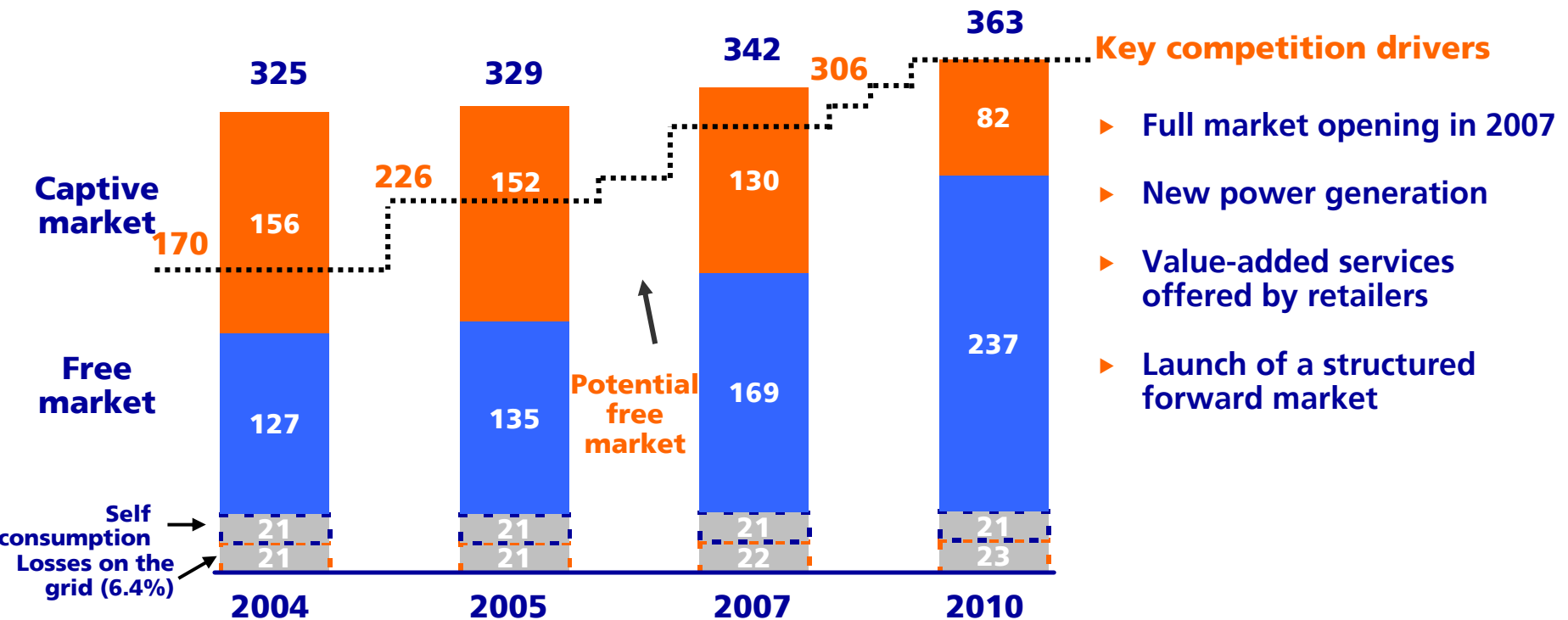
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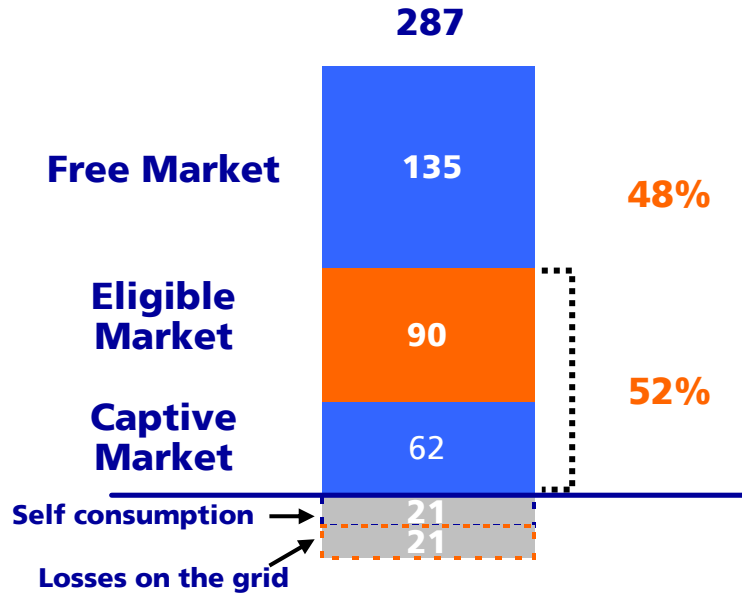
Market 2004-2010 free electricity market evolution (TWh)



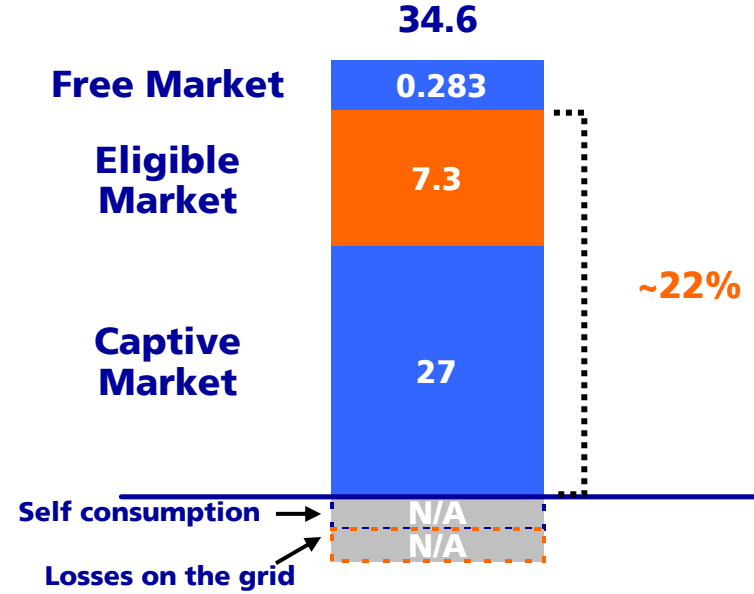
Strong potential for growth in the eligible market

Market Domestic electricity market in 2005

Electricity consumption⁽¹⁾ (TWh)



Number of customers (mn)

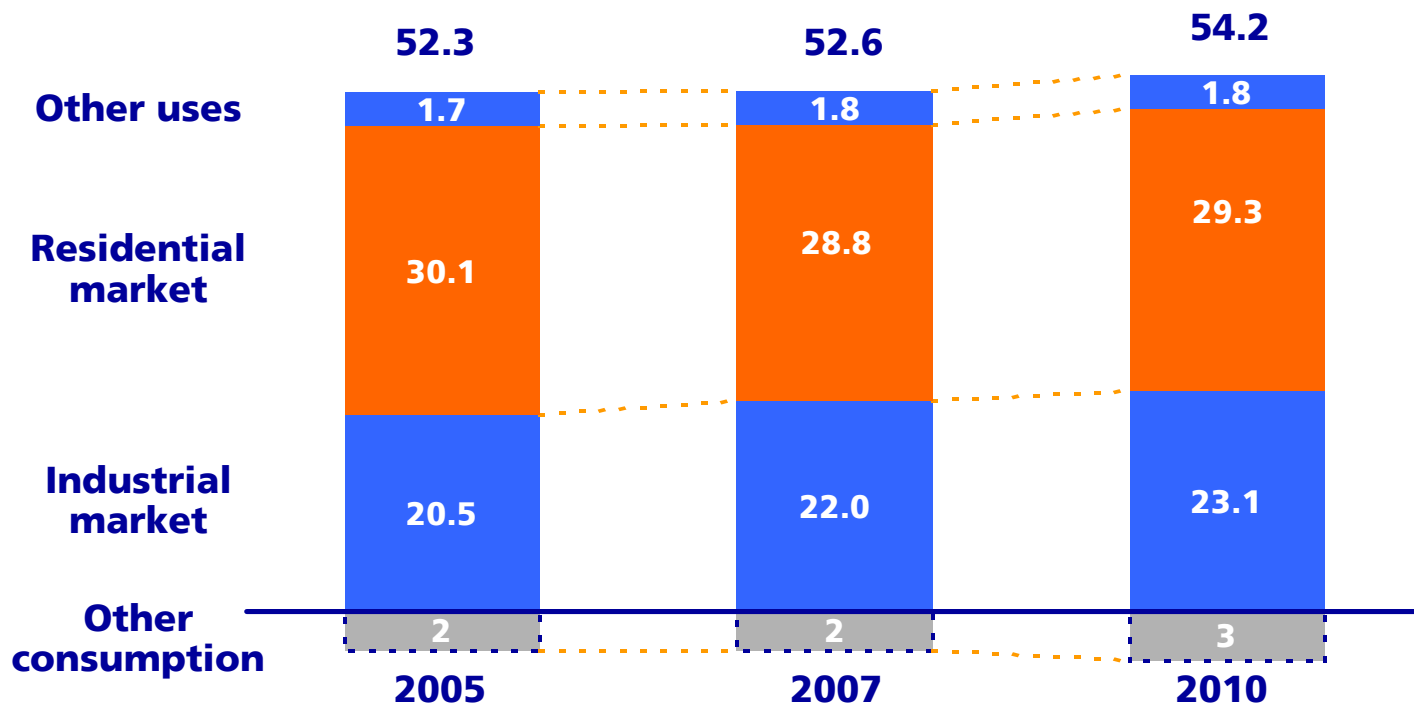


Strong potential for growth in SME and SOHO

(1) The figure of 287TWh does not include self-consumption and losses on the grid

Market

2005-2010 domestic gas⁽¹⁾ market evolution (bcm)



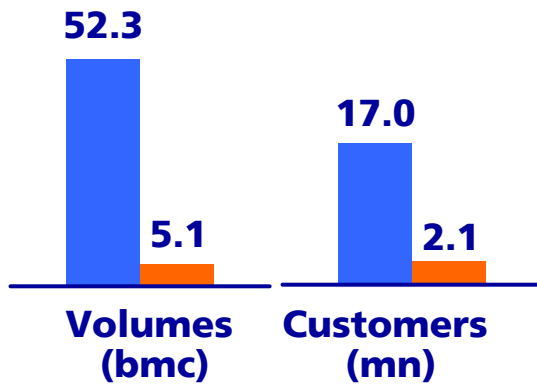
High penetration of gas distribution in Italy

(1) Excluding thermal generation. Totals do not include the item "other consumption"

Market Enel's position in 2005

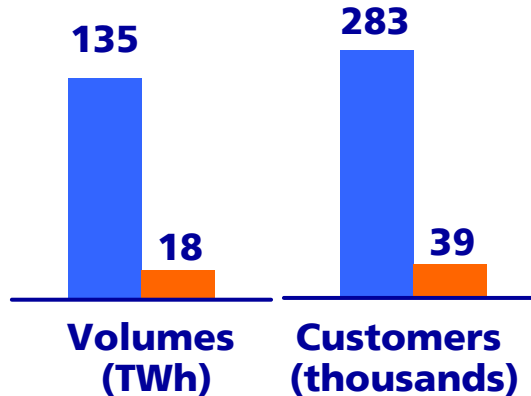
Total market ■
Enel ■

Gas



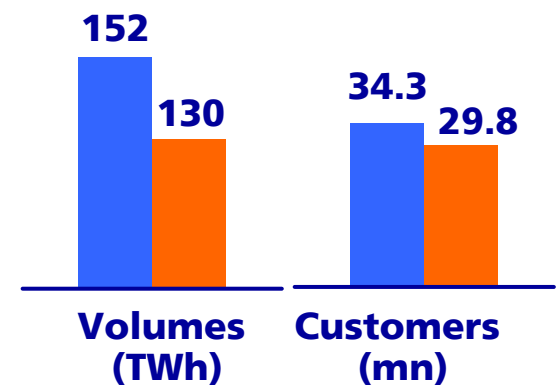
- ▶ Enel is the 2nd operator in terms of volumes
- ▶ Enel is the 1st operator in terms of CAGR 2004-05
- ▶ Positive marketing test on dual energy offer: 30% acquisitions

Electricity (free market)



- ▶ Enel is the 1st operator in terms of volumes
- ▶ Slight volume increase over the last three years
- ▶ Potential strong increase in eligible retail market

Electricity (captive market)



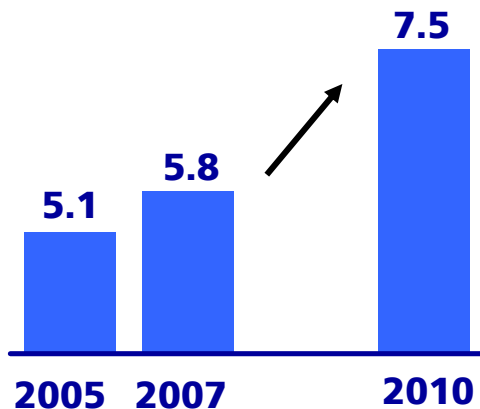
- ▶ Potential eligible market available is equal to 90TWh
- ▶ Positive impact of new tariffs launch in terms of Enel brand image: ~ 640,000 subscriptions

Dual energy offer as a tool for growth

Market Enel's targets in 2010

Gas (bcm)

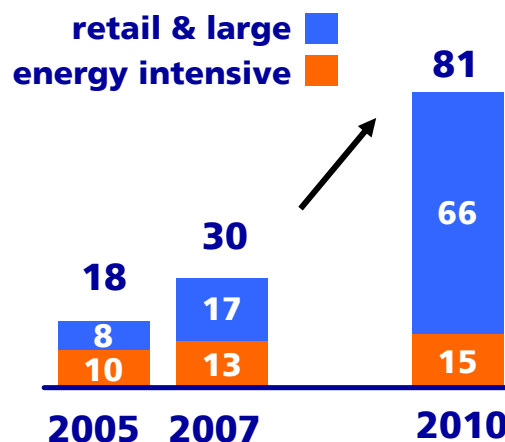
Expected market share: 14%



- ▶ Selection of market segment consistent with strategy in power market
- ▶ Dual energy offer sustains customer retention

Electricity free market (TWh)

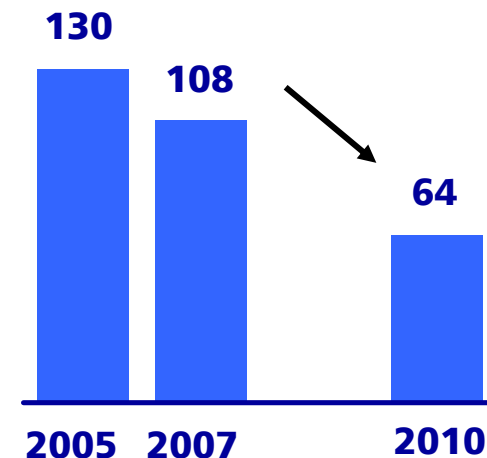
Expected market share: 34%



- ▶ Strong increase in SME and residential market
- ▶ Reduced sales to Single Buyer
- ▶ Excellence in quality service

Electricity captive market (TWh)

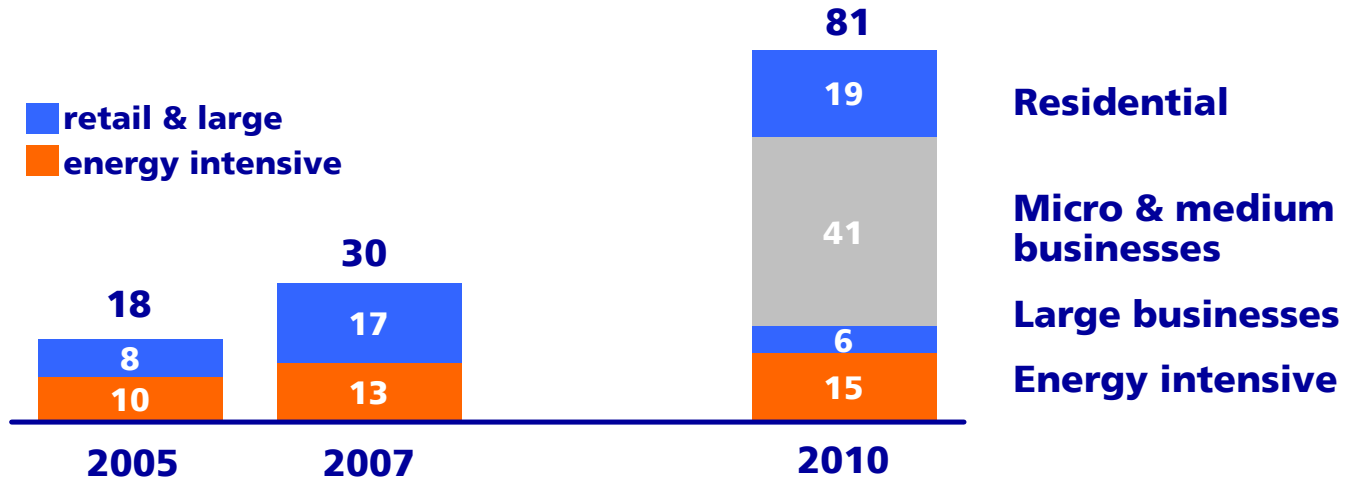
Expected market share: 81%



- ▶ Volume decline in line with Enel's increase on the free market

Focus on increasing share on the free market
Hedging production margins

Enel's domestic targets in 2010: electricity free market (TWh)



Strong penetration in SME and residential segments

Targeting 12mn customers

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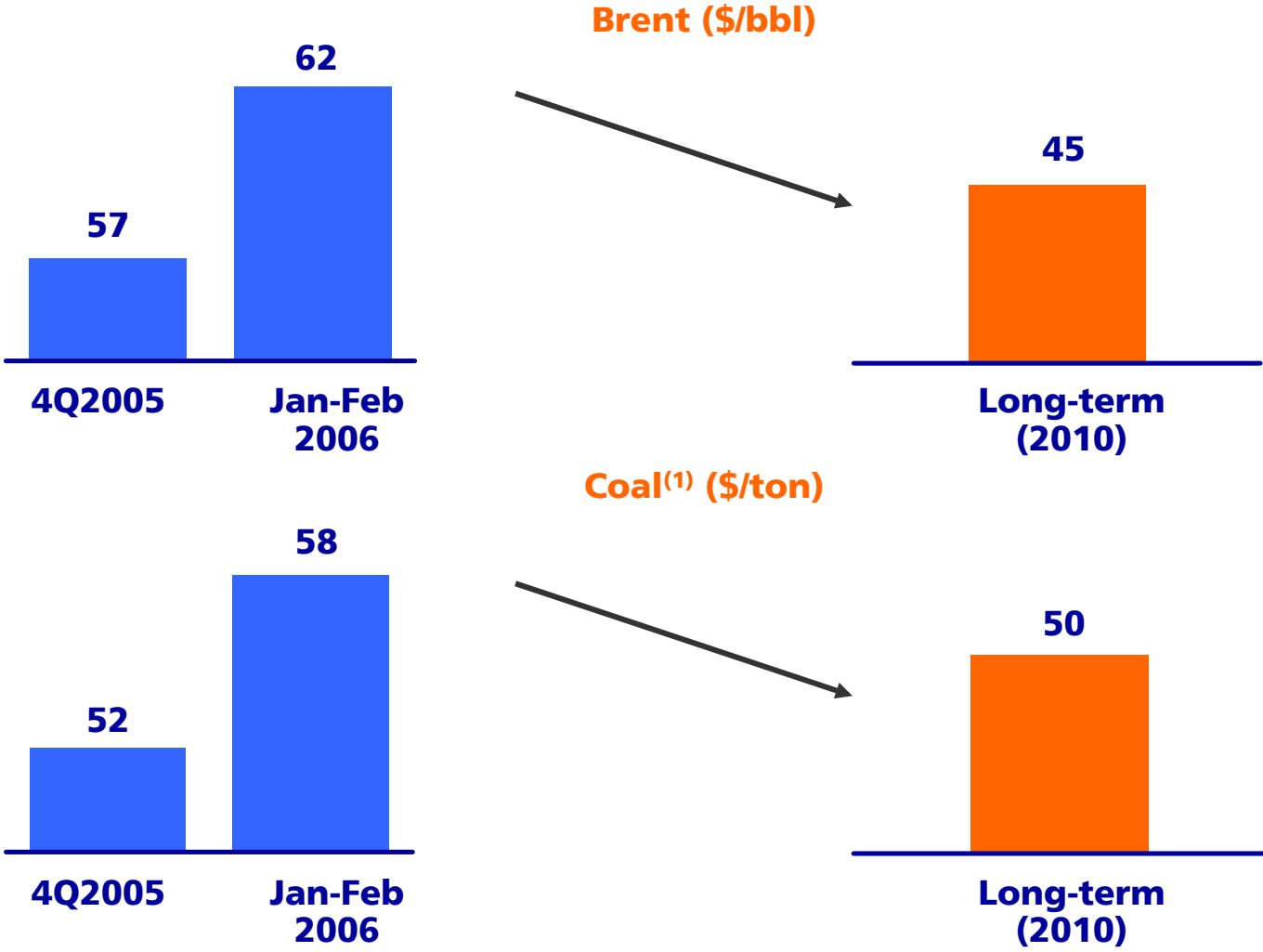
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Generation & Energy Management

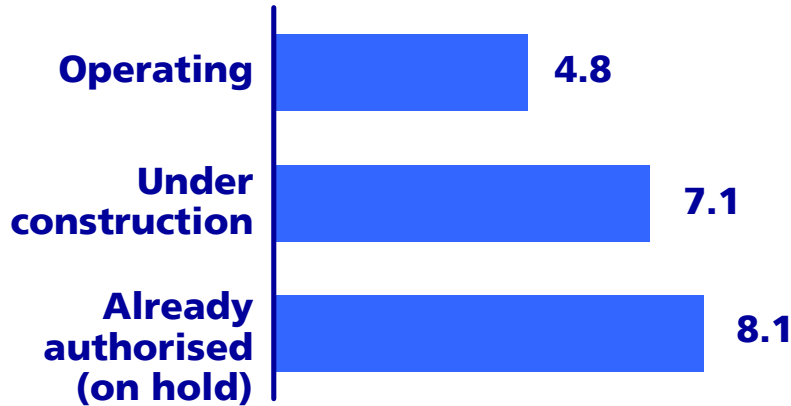
Fuel price scenario



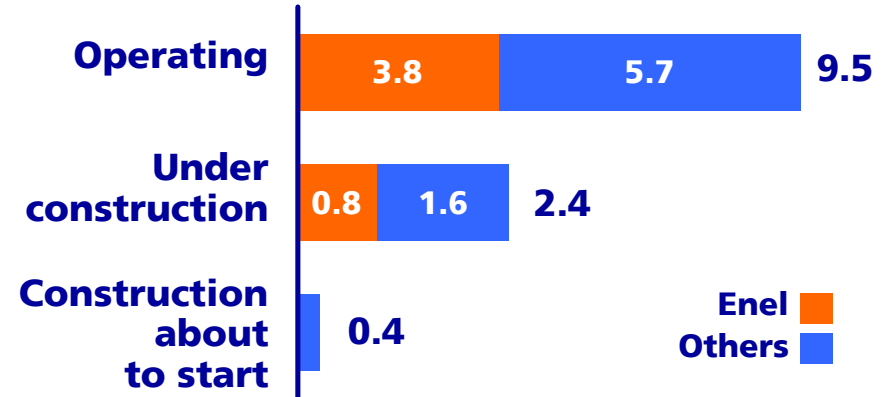
(1) CIF ARA (Rotterdam)

Generation & Energy Management Market scenario

**Additional capacity⁽¹⁾
CCGT Greenfield (GW)**



**Additional capacity⁽¹⁾
CCGT Repowered (GW)**

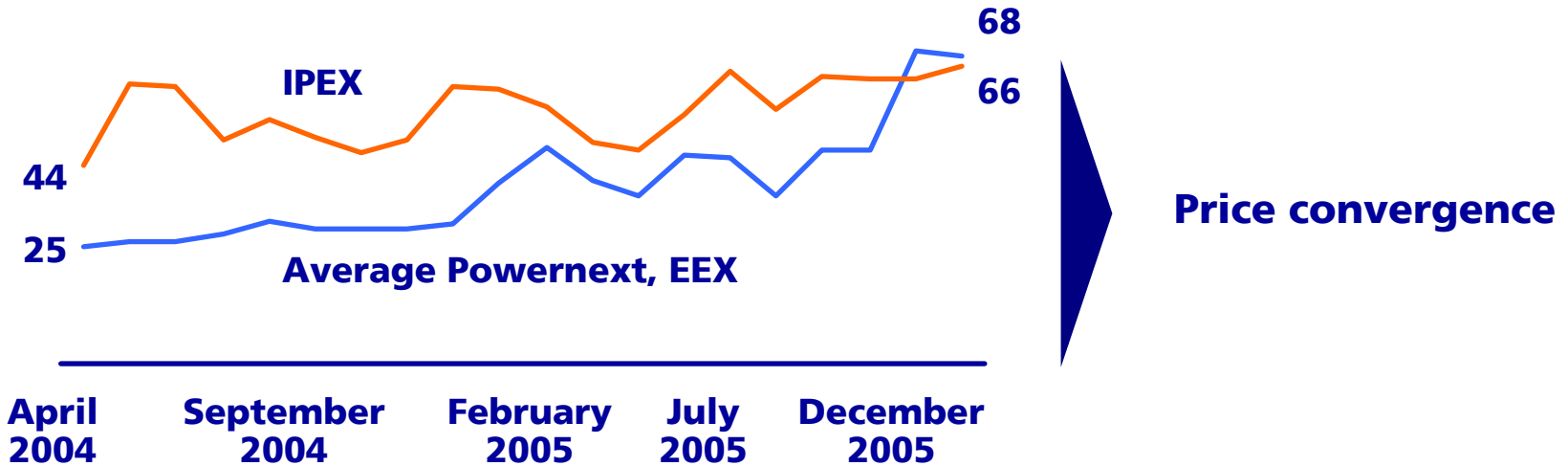


**Italian price driven by new gas-fired
CCGT (oil&gas price sensitive)**

(1) Additional capacity since 2003. Current market scenario

Generation & Energy Management Market scenario

Continental power price vs IPEX (€/MWh)

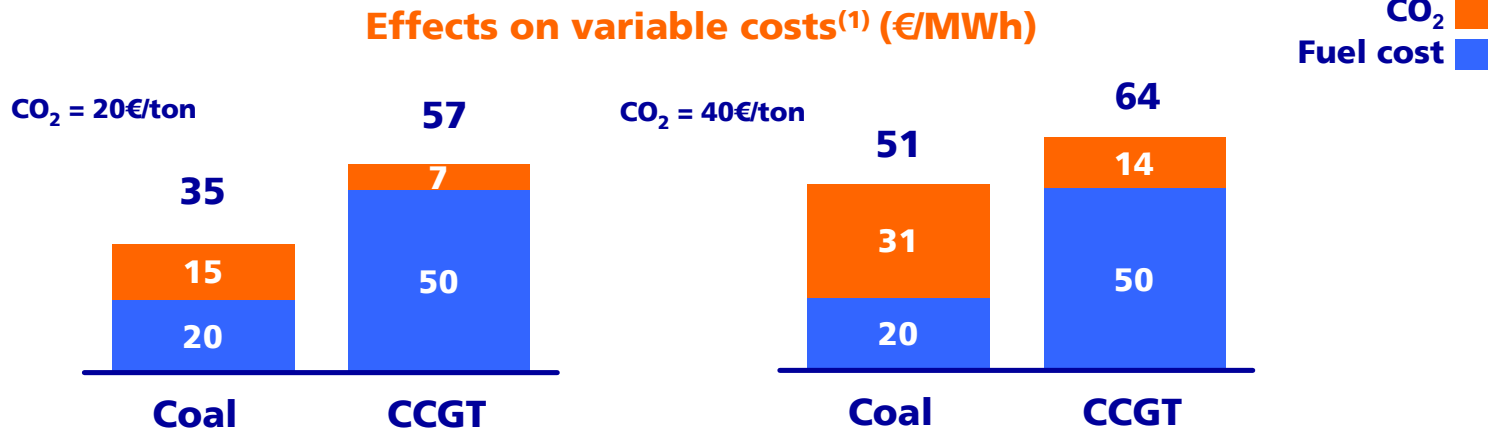


- ▶ Spread between Italian and continental price is decreasing
- ▶ Less than expected increase in import in spite of 1.3GW of San Fiorano-Robbia line already operating

New opportunities coming from export

Generation & Energy Management

CO₂ Emission Trading Scheme



Actions undertaken to develop competitive CO₂ sourcing

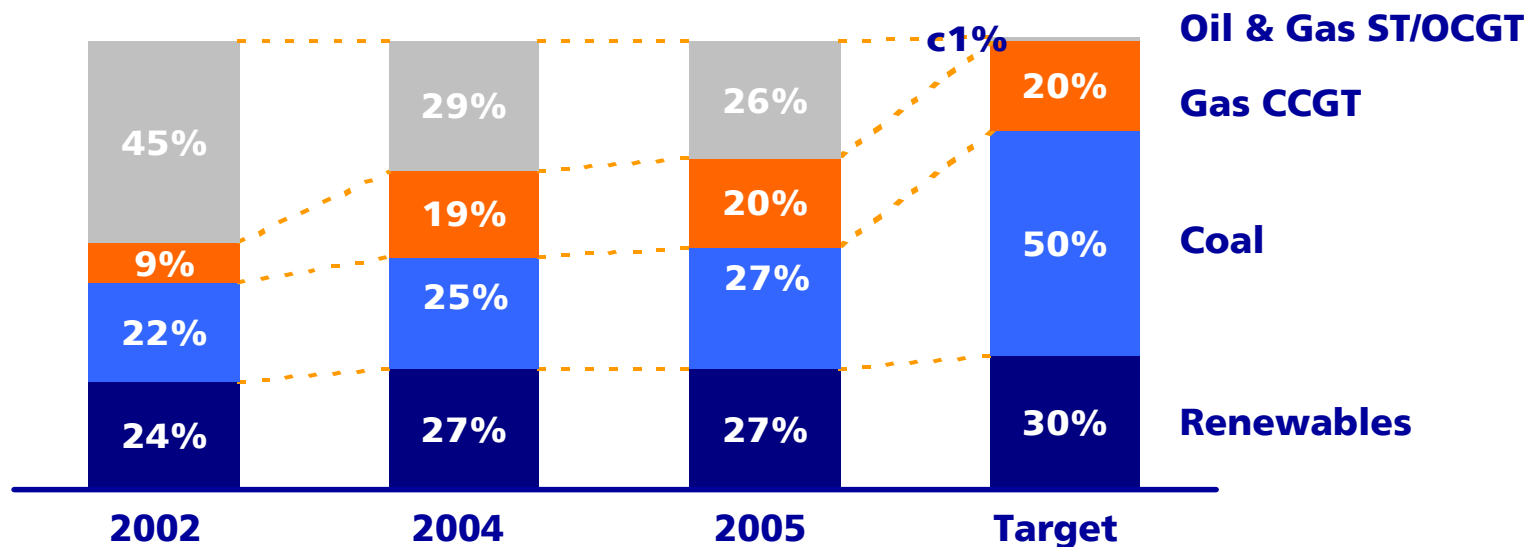
- ▶ Carbon funds: participation in ICECAP already finalised; negotiations in progress for ICF and SCF
- ▶ Direct development of JI/CDM projects leveraging on renewables competences
- ▶ Direct purchasing in large projects and in countries with large CDM potential
- ▶ Biomass co-combustion in coal facilities

Coal remains competitive

(1) At current fuel costs

Generation & Energy Management Re-powering plan

Enel's Production Mix



Highly efficient CCGTs

- ▶ 10 in operation
- ▶ 2 under construction

Coal re-powering

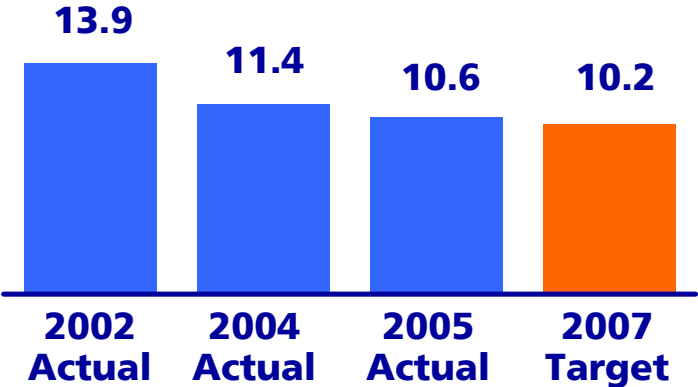
- ▶ Torre Nord
 - under construction
- ▶ Porto Tolle
 - regional EIA⁽¹⁾ obtained
 - national EIA⁽¹⁾ submitted

(1) Environmental Impact Assessment

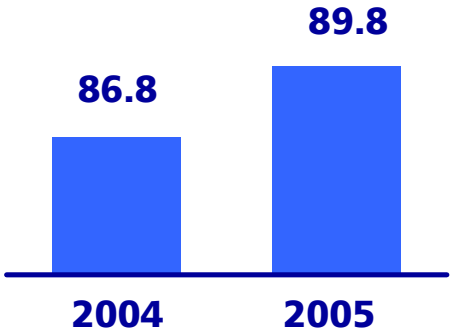
Generation & Energy Management

Operational efficiency

O&M/MW thermal (k€)

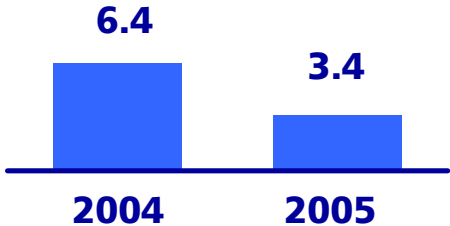


Total Quasar project coal plants availability (%)



Quasar project to yield 50€mn per year of benefits starting from 2005

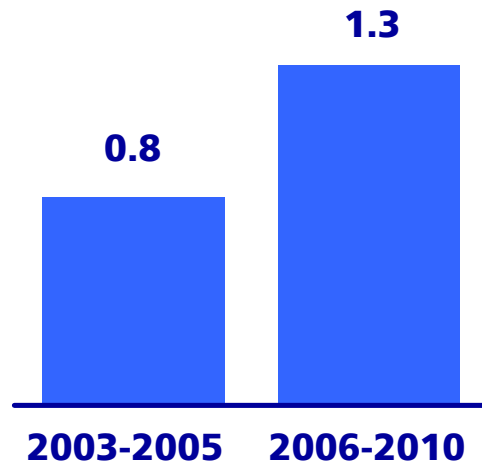
Thermal: Quasar project plants imbalanced production (%)



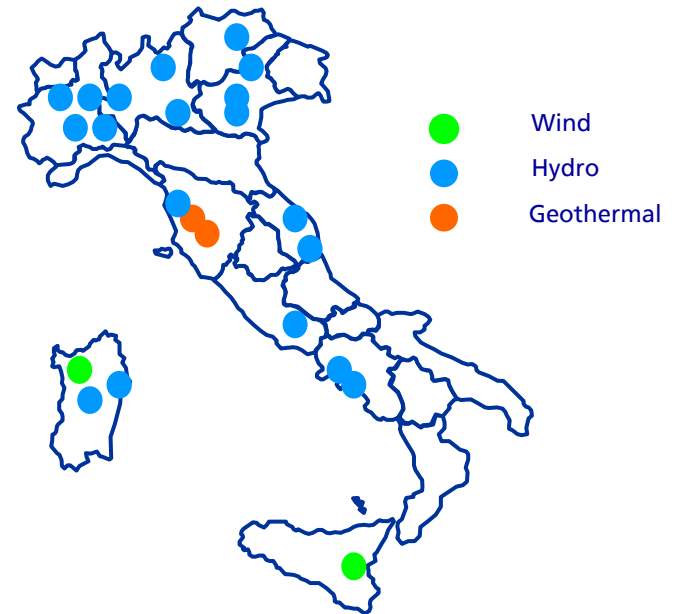
Generation & Energy Management

Growth in renewables - Italy

Investments (€bn)



112MW additional renewable capacity in 2005



Pursuing growth in renewables with 300 MW of additional capacity in 2006-2010

Generation & Energy Management Strategy

Conversion Plan

- ▶ Coal conversion program on track
 - Torre Nord: plant operational by 2008
 - Porto Tolle: plant operational by 2010

Operational efficiency

- ▶ Continuous improvement thanks to a total quality approach
 - 50€mn per year of economic benefits starting from 2005 thanks to the Quasar project

Renewables

- ▶ Pursuing growth in renewables
 - 300MW of additional capacity in the 2006-2010 period

Reinforcing leadership in the domestic generation market

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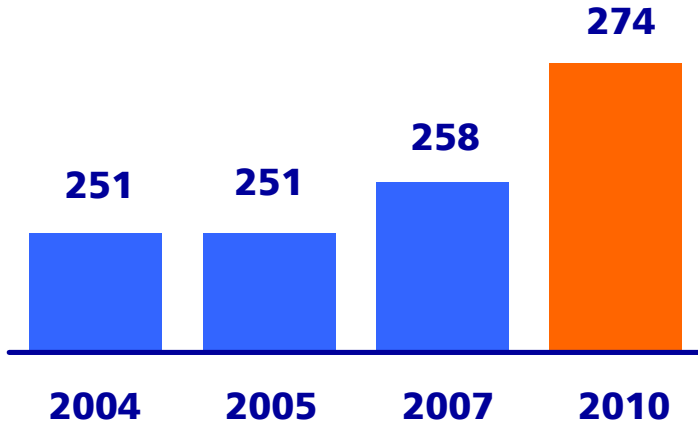
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Infrastructure & Network

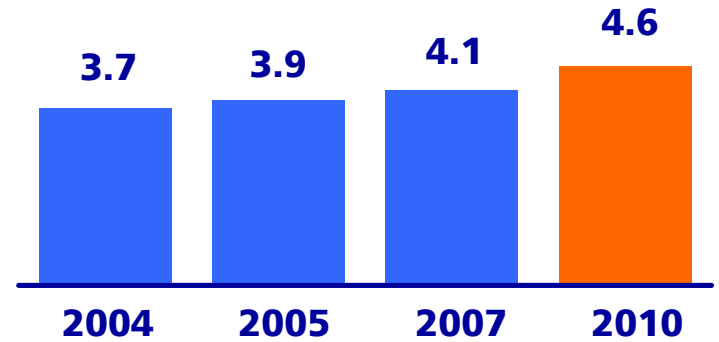
Evolution of electricity and gas

Electricity distributed (TWh)
Current market share: 81%



2005-2010 CAGR 1.9%

Gas distributed (bcm)
Current market share: 8%



2005-2010 CAGR 2.9%

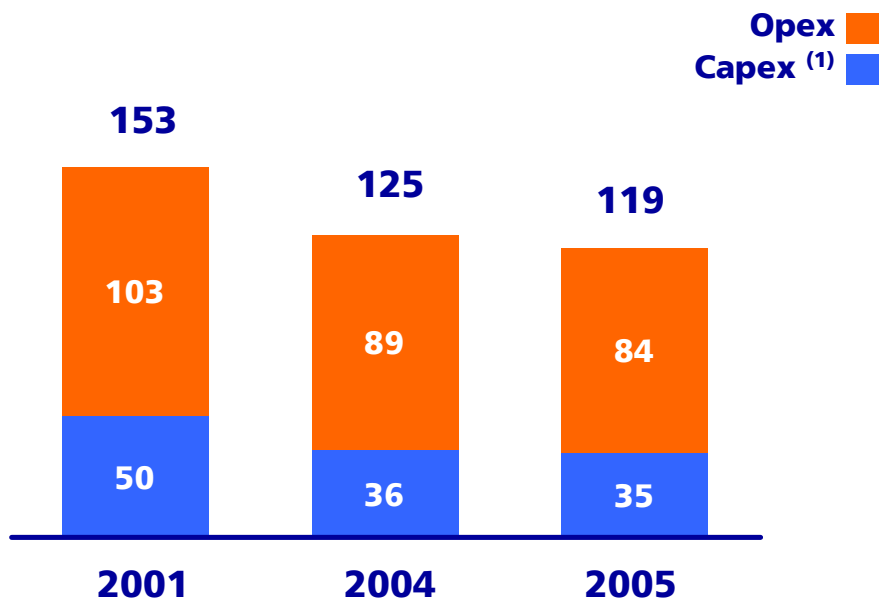
**31 million end-users
connected by 2010**

**2.5 million end-users
connected by 2010**

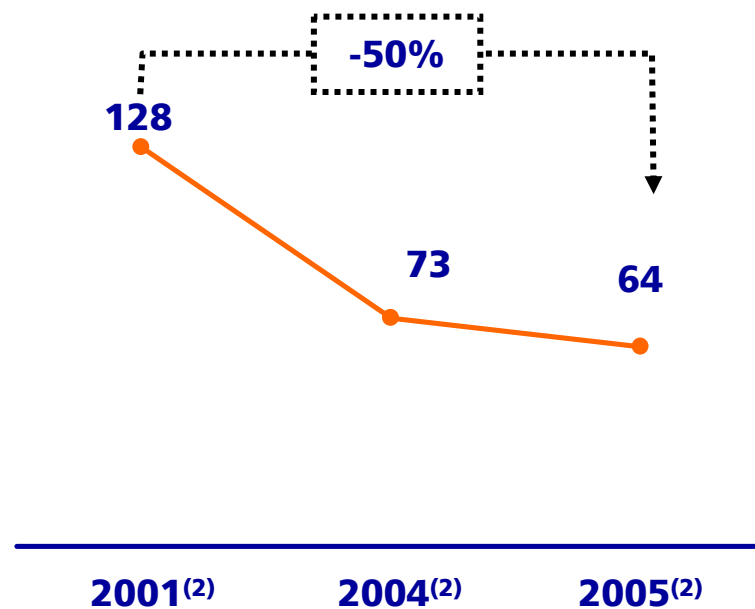
Infrastructure & Network

Results delivered: electricity

Efficiency - Cash cost (€/customer)



Quality - Minutes lost per customer



**1,000€mn savings⁽³⁾
per year**

**2002-2005 cumulated
quality bonus >450€mn**

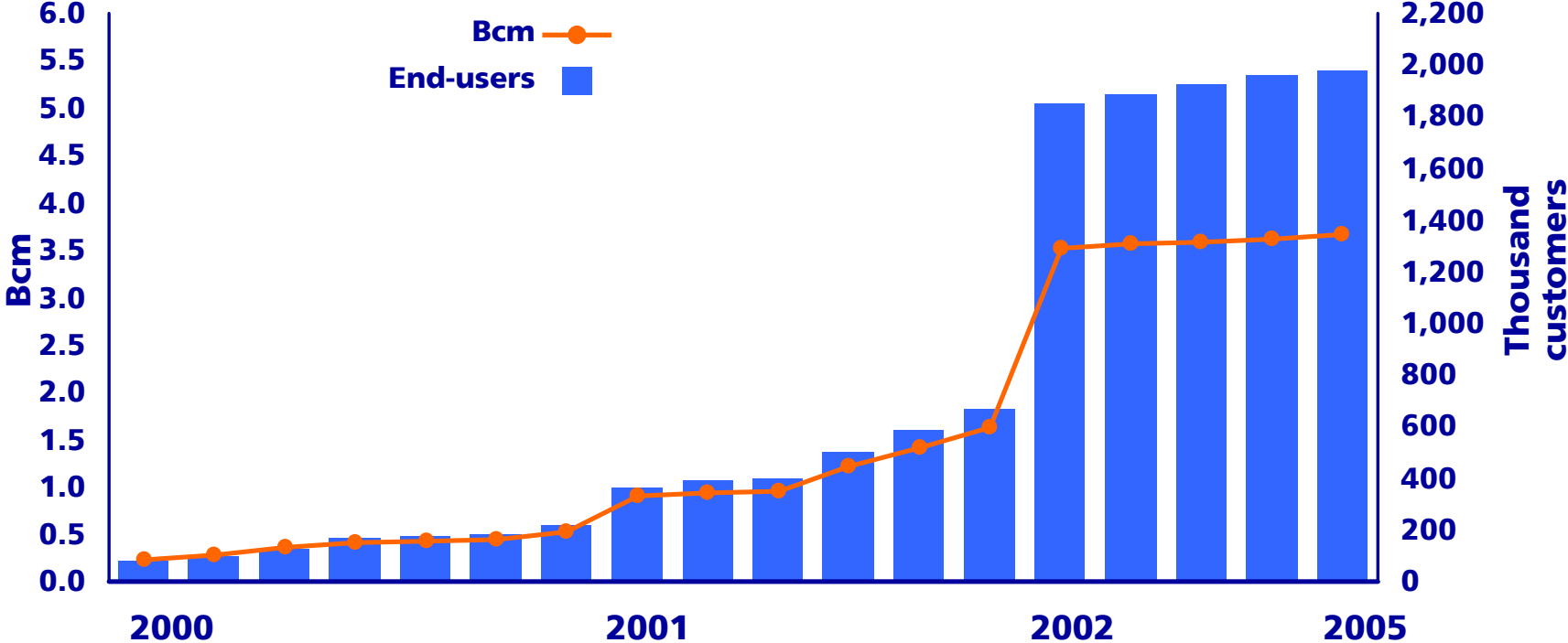
(1) Excluding AMM project

(2) Including third parties damages in according to new Italian Regulatory Authority rules

(3) Vs 2001

Infrastructure & Network

Results delivered: gas

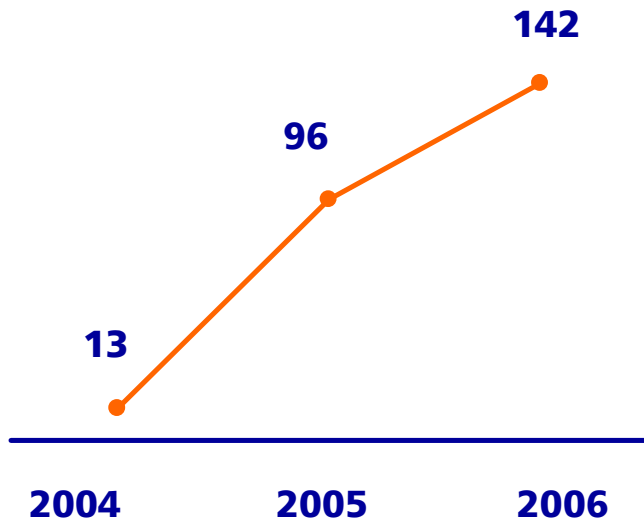


Second largest operator in Italy with 2 million end-users

Infrastructure & Network

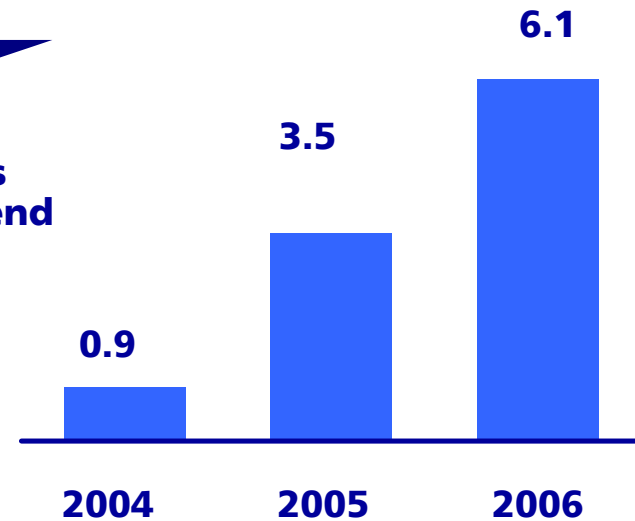
Automatic Meter Management

Remote readings (mn)



30mn units
installed by end
2006

Remote operations (mn)



- ▶ Improved accuracy and efficiency
- ▶ Fraud reduction

- ▶ Reduction in call-outs
- ▶ Bad-debt management

Significant improvements in efficiency

Infrastructure & Network

Continuous process re-engineering



Palm-top to field units

- ▶ On-line maintenance schedule
- ▶ Continuous access to the central database



Work force management

- ▶ Real-time localization of vehicles
- ▶ Optimization of field operational unit activities



Network automation

- ▶ HV and MV network remotely operated
- ▶ Automatic fault clearing procedures

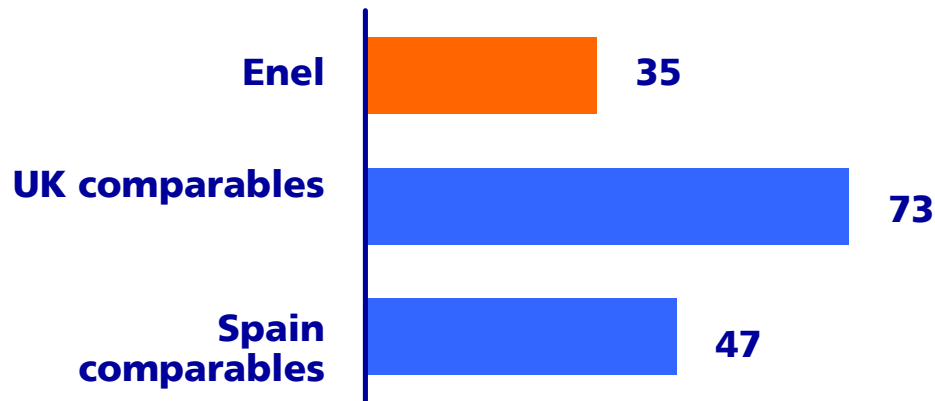
Cost reduction⁽¹⁾ 150€mn by 2007

(1) Vs 2004

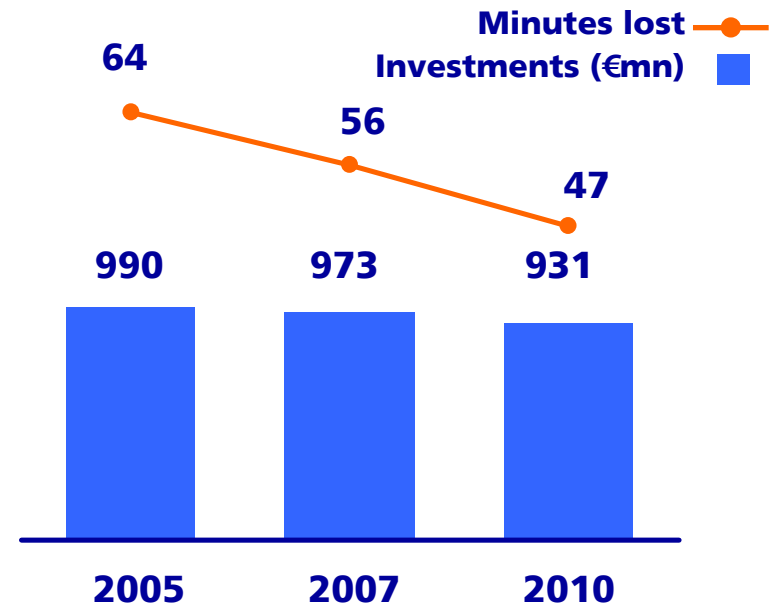
Infrastructure & Network

Risk-based asset management

Efficiency – Capex⁽¹⁾ per customer (€)



Quality - Investments and service level



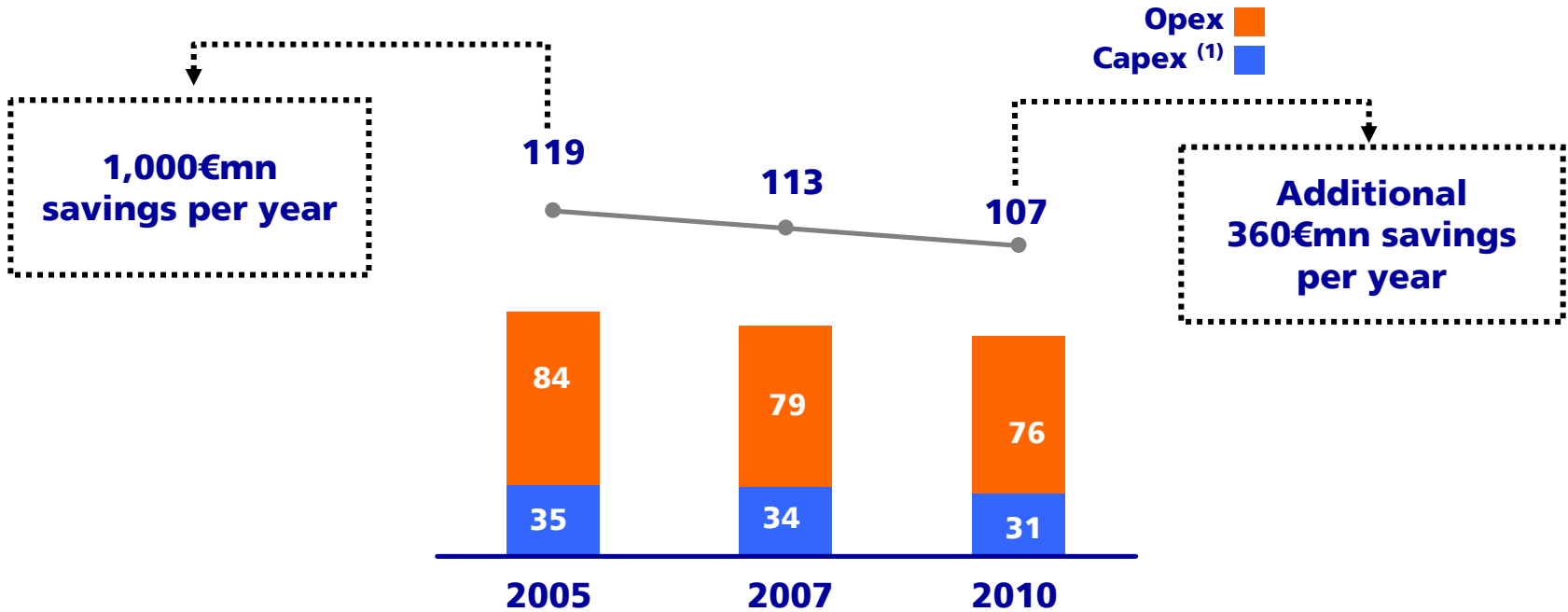
Investments based on
'scale of risk' of network
assets

Tight control of investments

(1) Excluding AMM project

Cash-cost per customer of electricity distribution

Euros per customer



1,360€mn of savings per year by 2010⁽²⁾

(1) Excluding AMM project
(2) Vs 2001

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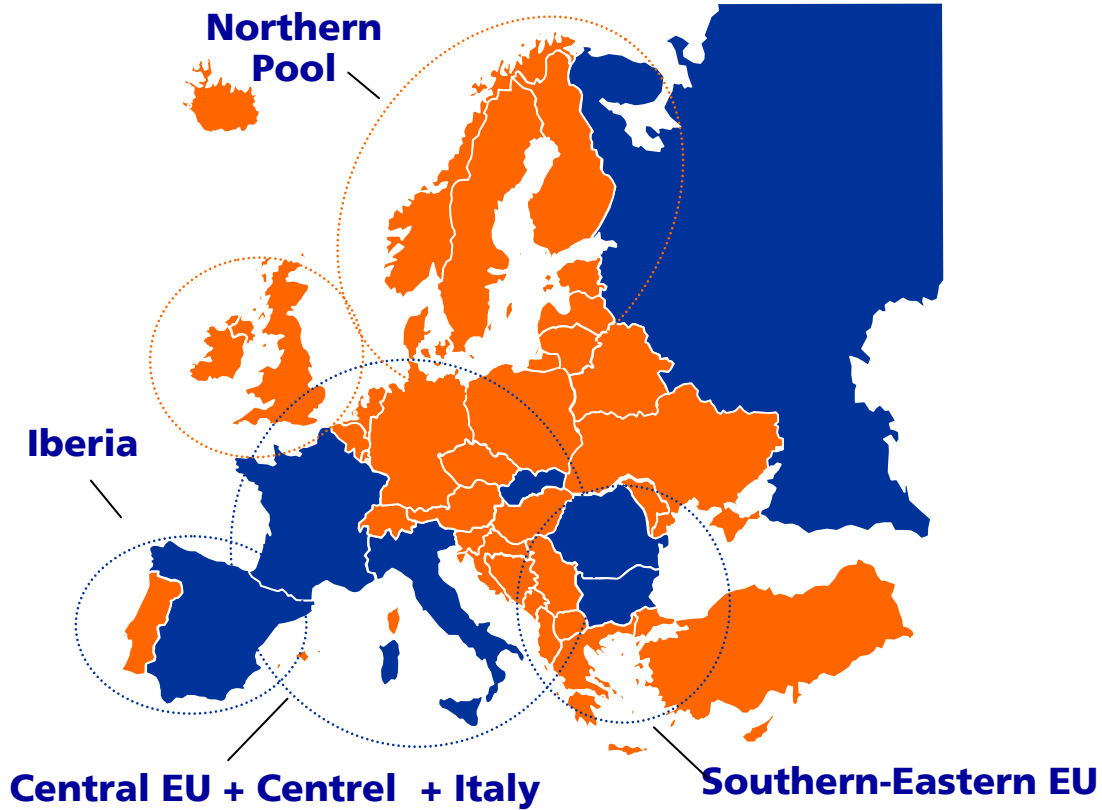
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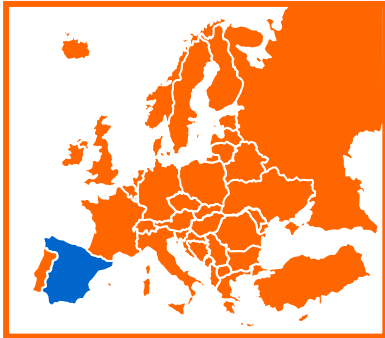
European regional markets: Enel's position



Becoming a leader in the European market

International activities

Iberia: Spain



Current market scenario

- ▶ Demand growing 4% per year
- ▶ Pool price almost doubled in 2005

Enel's current position

- ▶ Installed capacity: 2,600MW (of which 1,000MW in renewables)
- ▶ Production market share: exceeding 4%
- ▶ Customers: more than 600,000
- ▶ 2005 EBITDA: 284€mn (+42% on 2004)

Development of Enel's position

- ▶ Installed capacity: 1,625€mn investments to upgrade and increase capacity by 2010
 - 2,000MW CCGT
 - 700MW wind and hydro
- ▶ Implementation of digital meter system by 2009

Southern-Eastern Europe: Romania



Current market scenario

- ▶ EU membership in 2007
- ▶ Full liberalisation of non-residential market starting from 2006
- ▶ High return on investment
- ▶ GDP growing 4-5% per year

Enel's current position

- ▶ Electricity sold: 3.2TWh
- ▶ Electricity distributed: 4.5TWh
- ▶ Market share in electricity sales: c20%
- ▶ Customers: 1.4mn
- ▶ 2005 EBITDA: 82€mn, significantly above acquisition business plan

Development of Enel's position

- ▶ 333€mn investments planned for Banat and Dobrogea
- ▶ Shortlisted in the acquisition of Muntenia Sud
- ▶ Interested in generation assets

International activities Centrel: Slovakia



Current market scenario

- ▶ High interconnection capacity
- ▶ Few new plants expected to be built in the region
- ▶ Wholesale market price converging to German level

Enel's current position

- ▶ Installed capacity: 6,400MW
- ▶ Efficient production mix
- ▶ Domestic sales: 20TWh
- ▶ Active energy trading with countries nearby

Development of Enel's position

- ▶ 80€mn investments to uprate nuclear plants
- ▶ 2 nuclear plants under study
- ▶ 173€mn investments in renewables
- ▶ Development platform for Centrel market

International activities

Northern and Latin America



Current market scenario

- ▶ Favourable regulatory framework for renewables
- ▶ Opportunities to grow in geothermal in Latin America

Enel's current position

- ▶ Installed capacity: 600MW (completely in renewables) of which
 - 400MW in NA
 - 200MW in LA
- ▶ EBITDA 2005: 72€mn (+24% pm 2004) and continuously growing since 2001

Development of Enel's position

- ▶ Consolidation of portfolio in NA
- ▶ Opportunities in small hydro and wind in NA
- ▶ Consolidation of Lageo in LA
- ▶ Greenfield opportunities in hydro and geo in LA

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Strategy: three clear priorities

- ▶ Retain our market leadership in Italy in a liberalising market
- ▶ Improve customer value through continued investment program and cost leadership
- ▶ Continue to invest in and grow our European energy and International renewables activities, organically and by acquisitions

**Becoming one of the largest European
electricity and gas players by 2010**

Strategy and targets

Overall financial targets

- ▶ Annual OPEX reduction 2005-2007⁽¹⁾ >Euro200mn
- ▶ EBITDA CAGR 2005-2007 ≥3%
- ▶ EBITDA - International 2007 (% of total) > 10%
- ▶ ROACE (2007) 17%

Further growth will come from new international acquisitions

(1) It does not consider any change in the scope of consolidation

Strategic considerations

- ▶ Enel has already an established European footprint
- ▶ European market is consolidating
 - High capex requirements
 - Long term investment cycle
 - Effective counter-balance to global energy companies
 - Scale delivers more value to consumers
- ▶ Enel is a well capitalised, efficient and integrated operator
 - Strong balance sheet
 - Good fuel mix
 - Technology leader
- ▶ Enel will be a pan-European leader in the energy and gas business

Size, efficiency and geography matter

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Income statement

(€mn)	2004	2005	%
Operating revenues	31,011	34,059	9.8%
Operating costs	22,940	26,314	14.7%
EBITDA ⁽¹⁾	8,071	7,745	-4.0%
<i>% of revenues</i>	26%	23%	
EBIT	5,870	5,538	-5.7%
<i>% of revenues</i>	19%	16%	

(1) 2004 EBITDA includes Euro 1,068mn for past stranded costs

Annexes

From EBIT to EPS

(€mn)	2004	2005	%
EBIT	5,870	5,538	-5.7%
Net financial charges	-852	-744	-12.7%
EBT	5,018	4,794	-4.5%
Net income continuing operations	2,902	2,860	-1.4%
Net income discontinued operations	-155	1,272	
Net income (including third parties)	2,747	4,132	50.4%
Group net income	2,631	3,895	48.0%
EPS (€)	0.43	0.63	

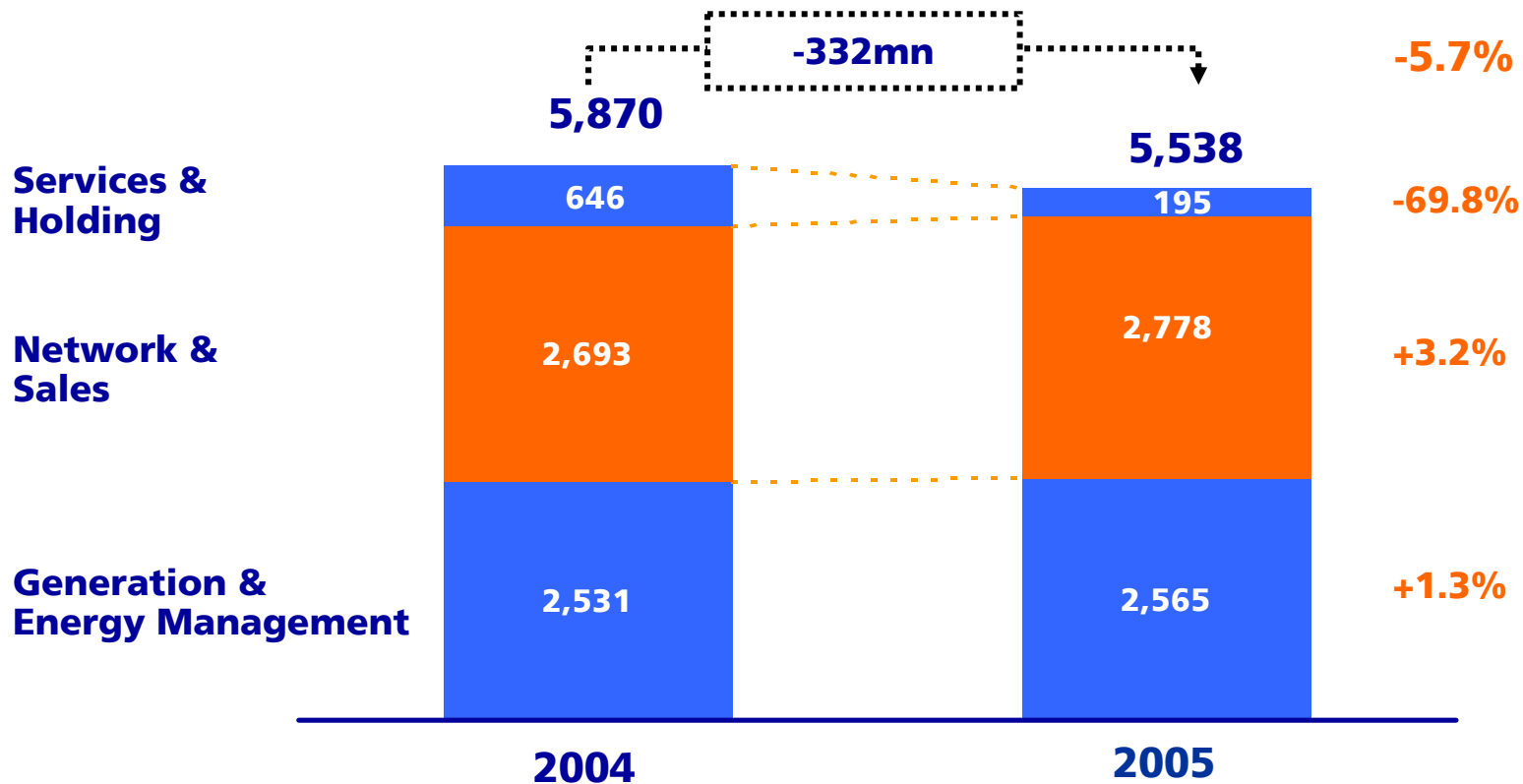
Annexes

Balance sheet

(€mn)	2004	2005	%
Net financial debt	24,514	12,312	-49.8%
Shareholders' equity	19,066	19,416	1.8%
Net capital employed	43,580	31,728	-27.2%

(1) ROACE = EBIT/Average Net Capital Employed. EBIT does not include 1,068€mn for past stranded costs

Annexes EBIT by business area (€mn)



Annexes

Generation & Energy Management

(€mn)	2004	2005	%
Revenues⁽¹⁾	13,028	14,215	9.1%
<i>Italy</i>	12,446	13,376	7.5%
<i>International</i>	622	914	46.9%
EBITDA	3,780	3,705	-2.0%
<i>Italy</i>	3,565	3,415	-4.2%
<i>International</i>	215	290	34.9%
EBIT	2,531	2,565	1.3%
<i>Italy</i>	2,435	2,403	-1.3%
<i>International</i>	96	162	68.8%
Capex	857	1,027	19.8%
Net capital employed	14,931	14,700	-1.5%
Headcount	10,828	9,904	-8.5%

(1) Total revenues net of -40€mn and -75€mn intercompany adjustments in 2004 and 2005, respectively

Annexes

Network & Sales

(€mn)	2004	2005	%
Revenues⁽¹⁾	19,254	20,422	6.1%
<i>Power</i>	17,865	18,818	5.3%
Italy	17,474	17,905	2.5%
International	391	913	133.5%
<i>Gas</i>	1,396	1,602	14.8%
EBITDA	3,530	3,737	5.9%
<i>Power</i>	3,305	3,495	5.7%
Italy	3,228	3,303	2.3%
International	77	192	149.4%
<i>Gas</i>	225	242	7.6%

(1) Total revenues net of -7€mn and Euro +2€mn intercompany adjustments in 2004 and 2005, respectively

Annexes

Network & Sales - Continued

(€mn)	2004	2005	%
EBIT	2,693	2,778	3.2%
<i>Power</i>	2,551	2,630	3.1%
Italy	2,505	2,487	-0.7%
International	46	143	210.9%
<i>Gas</i>	142	148	4.2%
Capex	1,711	1,692	-1.1%
Net capital employed	12,334	13,421	8.8%
Headcount	35,537	35,783	0.7%

Annexes

Services & Holding

(€mn)	2004	2005	%
Revenues	3,443	2,763	-19.8%
<i>Holding</i>	1,649	1,103	-33.1%
<i>Services and other</i>	1,794	1,660	-7.5%
EBITDA	866	316	-63.5%
<i>Holding</i>	652	67	-89.7%
<i>Services and other</i>	214	249	16.4%
EBIT	753	207	-72.5%
<i>Holding</i>	647	53	-91.8%
<i>Services and other</i>	106	154	45.3%

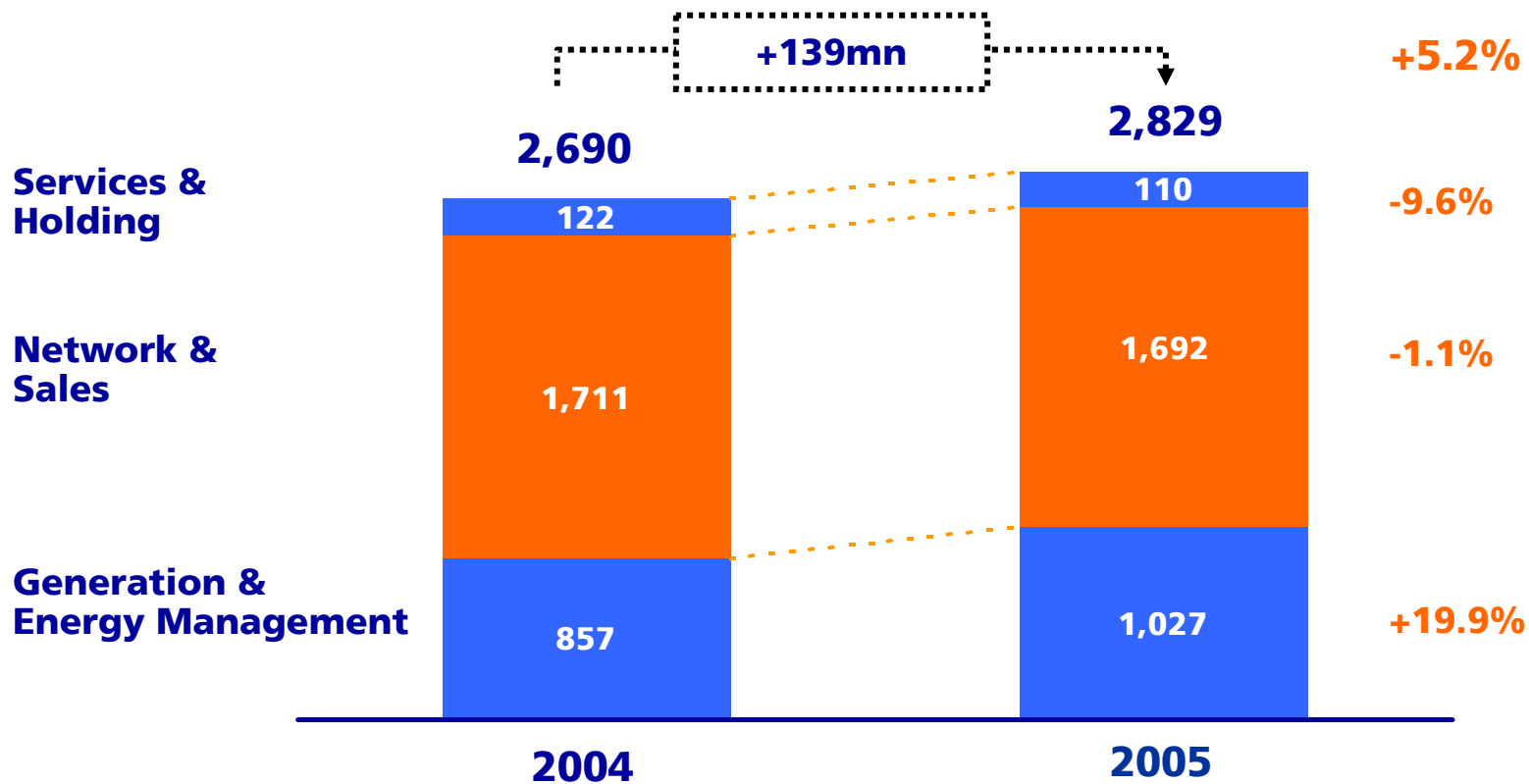
Annexes

Services & Holding - Continued

(€mn)	2004	2005	%
Capex	122	110	-9,8%
<i> Holding</i>	10	11	10,0%
<i> Services and other</i>	112	99	-11,7%
Net capital employed⁽¹⁾	885	639	-27,8%
Headcount	4.416	6.091	37,9%
<i> Holding</i>	590	569	-3,6%
<i> Services and other</i>	3.826	5.522	44,3%

(1) Services and other only

Capex by business area: continuing operations (€mn)



Annexes

Debt structure

- ▶ Average debt maturity: 7 years and 7 months
- ▶ Average cost of debt: 4.3%
- ▶ (Fixed+hedged)/Total long-term debt: 84%
- ▶ (Fixed+hedged)/Total net debt: 81%
- ▶ Rating:
 - S&P's = A+/A-1 negative; Moody's = Aa3/P-1 stable

(€mn)	2004⁽¹⁾	2005	%
Long-term	18,696	10,904	-41.7%
Short-term ⁽²⁾	6,589	2,296	-65.2%
Cash ⁽³⁾	-771	-888	15.2%
Net debt	24,514	12,312	-49.8%

(1) Including both continuing and discontinued operations

(2) Including current maturities of long-term debt

(3) Including factoring receivables

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