

ENEL 2002: DIVIDEND CONFIRMED AT 0.36 EURO

COST REDUCTION OF 1 BILLION EURO BY 2005

EBITDA CAGR OF 8% TO 2005

FOCUS ON ENERGY WILL RESULT IN 9 BILLION EURO DECREASE IN INVESTMENT BY 2007; 80% OF REDUCTIONS IN NON-CORE AREAS

14 BILLION EURO IN FREE CASH GENERATED IN PERIOD 2003- 2007

Rome, March 27, 2003 – The board of Enel SpA met today, chaired by Piero Gnudi, and approved 2002 results which were presented to the financial community; along with the strategic goals of the 2003-2007 industrial plan.

FINANCIAL RESULTS

- Net revenues: 29,977 million euro (29,726 million euro in 2001 pro-forma).
- Ebitda: 7,861 million euro (8,079 million euro in 2001 pro-forma).
- Net profit: 2,008 million euro (3,961 million euro in 2001).
- Dividend per share: 0.36 euro (unchanged from 2001).
- Net financial debt on December 31, 2002: 24,467 million euro (21,930 million euro at end 2001).

IMPORTANT EVENTS: SEPTEMBER 2002 - MARCH 2003

- Focus on core business: power and gas.
- New organizational structure, by division: Generation and Energy Management, Infrastructure and Networks, Sales, Telecommunications, Services.
- Precise goals set for cost reduction and quality enhancement for the Generation and Energy Management, Infrastructure and Networks, and Sales divisions.

- Acquisition of a 900 MW lignite power plant in Bulgaria.
- Agreement with BG (British Gas) for the construction of regasification plant in Brindisi .

Paolo Scaroni, Enel chief executive said: *“Our strategic objective is to become the most efficient integrated supplier of power and gas in Italy, with a focus on the market and quality of service. Enel today has the organizational structure and industrial plan to fulfill this strategy. The plan that I presented today aims to deliver consistent Ebitda growth and 14 billion euro free cashflow by 2007”.*

STRATEGIC, OPERATIONAL AND FINANCIAL OBJECTIVES

Focus on energy:

- a detailed industrial plan to become the most efficient integrated supplier of electricity and gas in Italy;
- confirmation of Wind as a financial investment;
- foreign growth only where strategically relevant and in businesses that are profitable on a stand-alone basis.

The goal is to propose to shareholders a payout of 60-70% of ordinary profits and the distribution of 100% of net profits from disposals, subject to the target of a strong “A” credit rating for Enel.

Main targets

- **1 billion euro cost reduction by 2005.**
- **Ebitda CAGR of 8% to 2005.**
- **9 billion euro savings on capital investment, 80% of which from non-core activities.**
- **14 billion euro of free cash generated over the period 2003-2007.**

Generation and Energy Management

- **Strategy:** in power, our goal is to have the lowest production costs in the market due to the conversion of 5,000 MW to combined cycle by the end of this year and 5,000 MW to competitive fuels (coal and orimulsion) over the period of the industrial plan; to align operating costs to international benchmarks; to optimize production through a balanced fuel mix; growth in the renewable energy sector where Enel is the world leader, and acquisitions; in gas, to have the lowest supply costs in Italy (after the incumbent), as a result of a new regasification terminal at Brindisi and contracts with Gazprom (Russia) and Sonatrach (Algeria);
- **Targets:** in thermoelectric power, to reduce fuel cost and operating costs: in 2005 producing one MWh will cost 20% less than today and 30% less in 2007; in renewable energy, to reduce large hydroelectric production costs by more than 10% by 2005 and pursue growth, with plants dedicated to green certificates and investment, by 2005, of 1 billion euro at an IRR of over 20%; in gas, access to gas at a cost of between 5% and 10% lower than other operators, due to the strategy of fuel supply diversification which has already been implemented;

Infrastructure and Networks

- **Strategy:** consistent quality improvement and cost reduction, due to efficiency programs, a new centralized purchasing system, and the development of synergies between electricity distribution and gas distribution.
- **Targets:** Enel aims to be the most efficient operator, reducing the cash cost per customer by 15% by 2005, both in power and gas, in line with international best practice.

Sales

- **Strategy:** Enel intends to maintain a share of over 50% in the power market and to grow in gas through commercial penetration, participation in expiring concession tenders and acquisitions. The launch of the dual fuel offer to non-regulated customers and synergies in fuel supply will increase our competitive advantage.

- **Targets:** in power, to complete the Customer Relationship Management system in the first half of 2003; to open over 1,900 Enel.Si outlets under franchise by 2005; to continue to improve the quality of customer service through contact centers and the Internet; in gas, our target is to sell 7 billion cubic meters of gas (3.9 in 2002) to 3 million customers by 2007 (1.7 million in 2002).

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2002 RESULTS IN SUMMARY

Demand for power in Italy grew by 1.8% in 2002, growing from 304.8 kWh in 2001 to 310.4 kWh. Energy dispatched on Enel's distribution network was equal to 258 billion kWh (255.9 billion kWh in 2001). Sales on the regulated market and on the non-regulated market came to 194.3 billion kWh (-5.7% from 2001), as a consequence of the expansion of the non-regulated market and the sale of significant urban grids during 2001 and 2002 (Milan, Rome, Turin, and Verona). On a pro-forma basis, Enel's net production for the period, equal to 145.1 billion kWh, was in line (-0.6%) with 2001. Thermoelectric production grew by 3.2%, hydroelectric production fell 13.6% because of decreased water availability in the first months of 2002.

2002 consolidated results

For a homogeneous comparison with 2001 data, the latter are presented on a pro-forma basis: excluding Elettrogen and Valgen from January 1 and Eurogen from July 1, and including Infostrada from January 1.

Revenues in 2002 amounted to 29,977 million euro, substantially in line with 2001 (29,726 million euro).

Ebitda (gross operating margin) amounted to 7,861 million euro compared with 8,079 million euro in 2001 (-2.7%).

Group net profit in 2002 was 2,008 million euro (3,961 million euro in 2001) due to lower net extraordinary income (736 million euro in 2002 against 2,403 million euro in 2001) and included the 1,511 million euro writedown of Wind. The net profit includes 608 million euro in tax payments, representing 26% of the net profit.

The consolidated balance sheet registered total net assets of 20,842 million euro (21,109 in 2001) and net financial debt equal to 24,467 million euro (21,930 in 2001) due mainly to substantial investments, payment of the last instalment of a one-time payment to the Fondo Previdenza Elettrici (industry pension fund) of 611 million euro and the first instalment of the substitute tax paid upon the freeing up of the reserves for accelerated depreciations of 402 million euro. The ratio of debt to assets at the end of 2002 was 1.17 (1.04 at end 2001).

Total investment for the period was 5,717 million, an increase of 776 million euro from 2001 due to work on the combined cycle turbogas conversion of power plants, the installation of about 6 million electronic meters, and the expansion of Wind's network.

Group Employees at the end of 2002 numbered 71,204 (72,661 at end 2001). The balance of new hires and employees leaving the group was a negative 3,061, while acquisitions, mainly Camuzzi and Viesgo, brought a net increase of 1,604 employees.

Parent group 2002 results

Revenues in 2002 amounted to 1,971 million euro (3,928 million euro 2001). The decrease (-1,957 million euro) compared with the previous year is due to the gradual reduction of operational activities directly under Enel SpA's control.

EBIT amounted to 162 million euro (334 million euro in 2001) mainly due to a reduction in the margins on imported energy.

Income from participations, net of value adjustments, amounted to 365 million euro (2,006 million euro in 2001).

Net financial liabilities fell from 385 million euro in 2001 to 242 million euro in 2002 due to a reduction of debt and a fall in interest rates.

Net profit amounted to 2,405 million euro (3,578 million in 2001)

Net extraordinary income amounted to 2,882 million euro (3,006 million euro in 2001) mainly due to the disposal of Eurogen.

Net financial debt fell by 2,053 million euro, from 7,819 million at the end of 2001 to 5,766 million euro at the end of 2002.

The Board has called a shareholders' meeting for May 23 and 24, 2003. The Board will propose to shareholders the distribution of a dividend of 0.36 euro per share, unchanged from 2001. The Board has proposed June 23 as the dividend's "coupon" date and June 26 as the date of dividend payment (to which is attributed an ordinary tax credit of 56.25%).

At 2PM, Italian time, at Enel's Auditorium on Viale Regina Margherita 125, Rome, Enel's 2002 results and the objectives of the industrial plan will be presented to financial analysts and investors. This presentation will be followed by a press conference. The event will be transmitted live via the Internet on www.enel.it.

Support material for the presentation is available at the same Internet site in the Investor relations section. Attached are the reclassified consolidated and parent company balance sheet and financial statement tables which have been forwarded to the internal audit committee and auditing companies for their evaluation.

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Certain of the information included in this release is forward looking and is subject to important risks and uncertainties that could cause actual results to differ materially. The Company's outlook is predominately based on its interpretation of what it considers to be the key economic factors affecting its businesses. Forward-looking statements with regard to the Company's businesses involve a number of important factors that are subject to change, including: the many interrelated factors that affect customers' demand, including general economic conditions, industry trends, and increased competition in each of the Company's markets; the Company's ability to implement successfully its cost reduction program; future capital expenditure and investments; legislation, particularly that relating to the regulation of the markets for electricity and other public utility services, tariff regimes, the environment, trade and commerce and infrastructure development; the actions of competitors in various industries in which the Company competes; production difficulties, including capacity and supply constraints; labor relations; interest rates and currency exchange rates; political and civil unrest; and other risks and uncertainties.

ENEL SPA
Income Statement at December 31, 2002

In millions of euro	2002	2001	2002-2001
Revenues:			
- Sales to Group companies	1,702	3,542	(1,840)
- Other revenues from Group companies	222	304	(82)
- Other revenues from third parties	47	82	(35)
Total revenues	1,971	3,928	(1,957)
Operating costs:			
- Personnel	60	57	3
- Fuel purchases	578	2,267	(1,689)
- Electricity purchases	908	868	40
- Services, leases and rentals	189	239	(50)
- Other costs	49	59	(10)
Total operating costs	1,784	3,490	(1,706)
GROSS OPERATING MARGIN	187	438	(251)
Depreciation, amortization and accruals	25	104	(79)
OPERATING INCOME	162	334	(172)
- Net income (expense) on equity investments	365	2,006	(1,641)
- Net financial income (expense)	(242)	(385)	143
- Net extraordinary items	2,882	3,006	(124)
INCOME BEFORE TAXES	3,167	4,961	(1,794)
Income taxes	762	1,383	(621)
NET INCOME	2,405	3,578	(1,173)

ENEL SPA
Balance sheet at December 31, 2002

In millions of euro	at Dec. 31, 2002	at Dec. 31, 2001	2002-2001
Net fixed assets:			
- Tangible and intangible	25	25	-
- Financial	18,252	21,184	(2,932)
Total	18,277	21,209	(2,932)
Net current assets:			
- Trade receivables	19	23	(4)
- Inventories	-	1	(1)
- Net receivables from Electricity Equalization Fund	2	1	1
- Other assets	934	631	303
- Net receivables from subsidiaries and affiliated companies	275	50	225
- Net tax receivables	627	302	325
- Trade payables	(245)	(663)	418
- Other liabilities	(404)	(230)	(174)
Total	1,208	115	1,093
Gross capital employed	19,485	21,324	(1,839)
Provisions	(146)	(154)	8
Net capital employed	19,339	21,170	(1,831)
Shareholders' Equity	13,573	13,350	223
Total financial debt	5,766	7,820	(2,054)
TOTAL	19,339	21,170	(1,831)

Consolidated Income Statement

In millions of euro

	2002		2001 restated		2002-2001		2001	
		(%)		(%)		(%)		(%)
Revenues:								
- Electricity sales and Electricity Equalization Fund contributions	20,395	68.1	21,950	73.8	(1,555)	(7.1)	21,660	75.2
- Telecommunication services	3,642	12.1	3,091	10.4	551	17.8	2,817	9.8
- Other services, sales and revenues	5,940	19.8	4,685	15.8	1,255	26.8	4,304	15.0
Total revenues	29,977	100.0	29,726	100.0	251	0.8	28,781	100.0
Operating costs:								
- Personnel	3,589	12.0	3,645	12.3	(56)	(1.5)	3,722	12.9
- Fuel consumption for thermal generation	4,255	14.2	4,364	14.7	(109)	(2.5)	5,249	18.2
- Electricity purchased	4,802	16.0	5,104	17.2	(302)	(5.9)	3,649	12.7
- Interconnections and roaming	1,426	4.8	1,556	5.2	(130)	(8.4)	1,424	4.9
- Services, leases and rentals	4,284	14.3	4,158	14.0	126	3.0	4,209	14.6
- Fuel for trading and gas for distribution	2,237	7.5	1,805	6.1	432	23.9	1,005	3.5
- Materials	1,975	6.6	1,361	4.6	614	45.1	1,344	4.7
- Other costs	721	2.4	581	2.0	140	24.1	577	2.0
- Capitalized expenses	(1,173)	(3.9)	(927)	(3.1)	(246)	(26.5)	(934)	(3.2)
Total operating costs	22,116	73.9	21,647	73.0	469	2.2	20,245	70.3
GROSS OPERATING MARGIN	7,861	26.1	8,079	27.0	(218)	(2.7)	8,536	29.7
Depreciation, amortization and accruals:								
- Depreciation and amortization	4,477	14.9	4,455	15.0	22	0.5	4,459	15.5
- Accruals and write-downs	504	1.7	605	2.0	(101)	(16.7)	599	2.1
Total depreciation, amortization and accruals	4,981	16.6	5,060	17.0	(79)	(1.6)	5,058	17.6
OPERATING INCOME	2,880	9.5	3,019	10.0	(139)	(4.6)	3,478	12.1
- Net financial income (expense)	(1,178)	(3.9)	(1,176)	(4.0)	(2)	(0.2)	(1,110)	(3.9)
- Equity investments	(59)	(0.2)	(85)	(0.3)	26	30.6	(85)	(0.3)
INCOME BEFORE EXTRAORDINARY ITEMS AND TAXES	1,643	5.4	1,758	5.7	(115)	(6.5)	2,283	7.9
- Extraordinary items	736	2.5	2,403	8.1	(1,667)		2,318	8.1
INCOME BEFORE TAXES	2,379	7.9	4,161	13.8	(1,782)	(42.8)	4,601	16.0
- Income taxes	608	2.0	474	1.6	134	28.3	649	2.3
INCOME BEFORE MINORITY INTERESTS	1,771	5.9	3,687	12.2	(1,916)	(52.0)	3,952	13.7

- Minority interests	237	0.8	274	0.9	(37)	(13.5)	274	1.0
GROUP NET INCOME	2,008	6.7	3,961	13.1	(1,953)	(49.3)	4,226	14.7

Consolidated Balance Sheet

In millions of euro

	at Dec. 31, 2002	at Dec. 31, 2001	2002-2001
Net fixed assets:			
- Tangible and intangible	50,562	48,917	1,645
- Financial	600	1,399	(799)
Total	51,162	50,316	846
Net current assets:			
- Trade receivables	7,124	6,863	261
- Inventories	3,266	1,932	1,334
- Other assets and net receivables from Electricity Equalization Fund	1,042	870	172
- Net tax receivables/(payables)	669	(995)	1,664
- Trade payables	(6,726)	(6,176)	(550)
- Other liabilities	(6,615)	(5,619)	(996)
Total	(1,240)	(3,125)	1,885
Gross capital employed	49,922	47,191	2,731
Provisions:			
- Employee termination indemnity	(1,415)	(1,418)	3
- Retirement benefits	(472)	(430)	(42)
- Net deferred taxes	(1,435)	(1,219)	(216)
- Other provisions	(1,291)	(1,085)	(206)
Total	(4,613)	(4,152)	(461)
Net capital employed	45,309	43,039	2,270
Group Shareholders' Equity	20,772	20,966	(194)
Minority interests	70	143	(73)
Total Shareholders' Equity	20,842	21,109	(267)
Total financial debt	24,467	21,930	2,537
TOTAL	45,309	43,039	2,270