ENERGY IN TUNE WITH YOU.

Enel Finance International S.A.

$1,250,000,000 3.875% Notes due 2014

Issue price: 99.730%

$1,750,000,000 5.125% Notes due 2019

Issue price: 99.560%

$1,500,000,000 6.000% Notes due 2039

Issue price: 99.463%

Unconditionally and irrevocably guaranteed by

Enel-Società per Azioni

Enel Finance International S.A. (the **Issuer** or **Enel S.A.**) is offering $1,250,000,000 3.875% Notes due 2014 (the **A Notes**), $1,750,000,000 5.125% Notes due 2019 (the **B Notes**) and $1,500,000,000 6.000% Notes due 2039 (the **C Notes** and, together with the A Notes and the B Notes, the **Notes**), each with an unconditional and irrevocable guarantee as to payment of all amounts owing in respect of the Notes from Enel-Società per Azioni (the **Guarantor** or **Enel**), as further described in this offering circular (this **Offering Circular**) under "Terms and conditions of the Notes." The Notes will be issued under the €25,000,000,000 Global Medium Term Note Programme (the **Programme**) established by Enel and Enel S.A.

The A Notes will bear interest at a rate of 3.875% per annum. The B Notes will bear interest at a rate of 5.125% per annum. The C Notes will bear interest at a rate of 6.000% per annum. Each Note will bear interest from the date of original issuance payable semi-annually in arrear on April 7 and October 7 in each year commencing on April 7, 2010 (each an **Interest Payment Date**).

The Notes will be unsecured and will rank equally in right of payment with the Issuer's other unsecured unsubordinated indebtedness. Enel's guarantee of the Notes will be unsecured and will rank equally in right of payment with Enel's other unsecured unsubordinated indebtedness.

The Issuer may redeem the Notes at 100% of their nominal amount plus accrued interest if certain tax events as described in this Offering Circular occur. In addition, the Issuer may redeem the Notes in whole or in part at any time at a redemption price equal to the nominal value of the Notes plus the applicable premium under the "Terms and conditions of the Notes—Redemption at the option of the Issuer (Issuer call)."

The Issuer has a right of substitution as set forth under "Terms and conditions of the Notes—Substitution."

The Notes will not be listed on any securities exchange or included in any automated quotation system.

Investing in the Notes involves certain risks. See "Risk factors" beginning on page 13.

The Notes have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the **Securities Act**), or any U.S. state securities laws, and may not be offered or sold within the United States or to, or for the account or benefit of, any U.S. person (as defined in Regulation S under the Securities Act (**Regulation S**)) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The Notes will be offered and sold in offshore transactions outside the United States in reliance on Regulation S and within the United States to "qualified institutional buyers" (as defined in Rule 144A under the Securities Act (**Rule 144A**))(**QIBs**), in transactions exempt from the registration requirements of the Securities Act. Because the Notes have not been registered, they are subject to certain restrictions on resale described under "Subscription and sale."

The Managers (as defined herein) expect to deliver the Notes to purchasers in registered book-entry form through the facilities of The Depository Trust Company (**DTC**) and its participants (including Euroclear Bank S.A./N.V. (**Euroclear**), and Clearstream Banking, société anonyme (**Clearstream**)) and its indirect participants on or about October 7, 2009. See "Book entry clearance systems."

Global Coordinators and Joint Bookrunners

Citi **J.P. Morgan**

Joint Bookrunners

BofA Merrill Lynch **Barclays Capital** **Credit Suisse**

Deutsche Bank Securities **Morgan Stanley**

September 30, 2009

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Notice to investors

Each of the Issuer and the Guarantor accept responsibility for the information contained in this Offering Circular. To the best of the knowledge of each of the Issuer and the Guarantor (each having taken all reasonable care to ensure that such is the case), the information contained in this Offering Circular is in accordance with the facts and does not omit anything likely to affect the import of such information.

No representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by Citigroup Global Markets Inc. or J.P. Morgan Securities Inc. (together, the **Global Coordinators and Joint Bookrunners**) or by Banc of America Securities LLC, Barclays Capital Inc., Credit Suisse Securities (USA) LLC, Deutsche Bank Securities Inc. or Morgan Stanley & Co. Incorporated (together, the **Joint Bookrunners**, and together with Citigroup Global Markets Inc. and J.P. Morgan Securities Inc., the **Managers**) as to the accuracy or completeness of the information contained or incorporated in this Offering Circular or any other information provided by the Issuer or the Guarantor in connection with the Notes.

The only persons authorized to use this Offering Circular in connection with an offer of the Notes are the persons named in this Offering Circular as the Managers.

No person is or has been authorized by the Issuer or the Guarantor to give any information or to make any representation not contained in or not consistent with this Offering Circular or any other information supplied in connection with the Notes and, if given or made, such information or representation must not be relied upon as having been authorized by the Issuer or the Guarantor or any of the Managers.

Neither this Offering Circular nor any other information supplied in connection with the Notes should be considered as a recommendation by the Issuer or the Guarantor or any of the Managers that any recipient of this Offering Circular or any other information supplied in connection with the Notes should purchase any Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer and Enel.

Neither the delivery of this Offering Circular nor the offering, sale or delivery of any Notes shall in any circumstances imply that the information contained herein concerning the Issuer or the Guarantor is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Notes is correct as of any time subsequent to the date indicated in the document containing the same. The Managers expressly do not undertake to update the financial condition or affairs of the Issuer or the Guarantor or to advise any investor in the Notes of any information coming to their attention.

This Offering Circular does not constitute an offer to sell or the solicitation of an offer to buy any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Offering Circular and the offer or sale of the Notes may be restricted by law in certain jurisdictions. The Issuer, the Guarantor and the Managers do not represent that this Offering Circular may be lawfully distributed, or that the Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular no action has been taken by the Issuer, the Guarantor or the Managers which is intended to permit a public offering of any Notes or distribution of this document in any jurisdiction where action for that purpose is required. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this Offering Circular nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Offering Circular or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Offering Circular and the offering and sale of the Notes. See "Subscription and Sale."

The Notes described herein have not been approved or disapproved by the U.S. Securities and Exchange Commission (the **SEC**) or any state securities commission or other regulatory authority in the United States, nor have any of the foregoing authorities passed upon or endorsed the merits of this offering or the accuracy or adequacy of this Offering Circular. Any representation to the contrary is unlawful.

Any investor in the Notes should be able to bear the economic risk of an investment in the Notes for an indefinite period of time.

This Offering Circular is being submitted on a confidential basis in the United States to a limited number of QIBs for informational use solely in connection with the consideration of the purchase of the Notes being offered hereby. Its use for any other purpose in the United States is not authorized. It may not be copied or reproduced in whole or in part nor may it be distributed or any of its contents disclosed to anyone other than the prospective investors to whom it is originally submitted.

The Notes may be offered or sold within the United States only to QIBs in transactions exempt from registration under the Securities Act. Each purchaser of the Notes is hereby notified that the offer and sale of any Notes to it may be being made in reliance upon the exemption from the registration requirements of the Securities Act provided by Rule 144A under the Securities Act.

Each initial and subsequent purchaser of Notes will be deemed, by its acceptance or purchase thereof, to have made certain acknowledgements, representations and agreements intended to restrict the resale or other transfer of such Note, as described in this Offering Circular, and, in connection therewith, may be required to provide confirmation of its compliance with such resale or other transfer restrictions in certain cases. See "Subscription and sale."

IN CONNECTION WITH THIS OFFERING, BANC OF AMERICA SECURITIES LLC, BARCLAYS CAPITAL INC., CITIGROUP GLOBAL MARKETS INC., CREDIT SUISSE SECURITIES (USA) LLC, DEUTSCHE BANK SECURITIES INC., J.P. MORGAN SECURITIES INC. OR MORGAN STANLEY & CO. INCORPORATED MAY OVER-ALLOT NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL FOR A LIMITED PERIOD AFTER THE ISSUE DATE. HOWEVER, THERE MAY BE NO OBLIGATION ON BANC OF AMERICA SECURITIES LLC, BARCLAYS CAPITAL INC., CITIGROUP GLOBAL MARKETS INC., CREDIT SUISSE SECURITIES (USA) LLC, DEUTSCHE BANK SECURITIES INC., J.P. MORGAN SECURITIES INC. OR MORGAN STANLEY & CO. INCORPORATED TO DO THIS. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME, AND MUST BE BROUGHT TO AN END AFTER A LIMITED PERIOD. ANY STABILIZATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY BANC OF AMERICA SECURITIES LLC, BARCLAYS CAPITAL INC., CITIGROUP GLOBAL MARKETS INC., CREDIT SUISSE SECURITIES (USA) LLC, DEUTSCHE BANK SECURITIES INC., J.P. MORGAN SECURITIES INC. OR MORGAN STANLEY & CO. INCORPORATED (OR PERSONS ACTING ON THEIR BEHALF) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

Notice to New Hampshire residents

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES (CHAPTER 421-B) WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER CHAPTER 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT, ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

We have not published a prospectus in relation to the Notes pursuant to Directive 2003/71/EC (together with any applicable implementing measures in any European Economic Area Member State, the **Prospectus Directive**) and are offering the Notes in those Member States that have implemented the Prospectus Directive in reliance on exemptions from the obligation to publish a prospectus provided in Article 3(2) of the Prospectus Directive.

Where you can find more information

To permit compliance with Rule 144A in connection with any resales or other transfers of Notes that are "restricted securities" within the meaning of the Securities Act, each of the Issuer and the Guarantor has undertaken in a deed poll dated November 8, 2005, as updated, amended and/or supplemented from time to time (the **Deed Poll**), to furnish, upon the request of a holder of such Notes or any beneficial interest therein, to such holder or to a prospective purchaser designated by such holder, the information required to be delivered under Rule 144A(d)(4) under the Securities Act if, at the time of the request, the Issuer or the Guarantor, as the case may be, is neither a reporting company under Section 13 or 15(d) of the U.S. Securities Exchange Act of 1934, as amended, (the **Exchange Act**) nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder. See also "General information — Documents Available."

Service of process and enforcement of civil liabilities

Enel and many of its subsidiaries are joint stock companies (società per azioni or S.p.A.) incorporated under the laws of Italy. All or a majority of the directors, officers and other executives of Enel are residents or citizens of Italy and are not residents or citizens of the United States. Furthermore, most of the assets of the group are located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon Enel or the persons mentioned above or to enforce judgments of U.S. courts predicated upon the civil liability provisions of U.S. federal or state securities laws against them. It may be possible for investors to effect service of process within Italy upon those persons or Enel or its subsidiaries provided that the requirements of the Hague Convention on the Service Abroad of Judicial and Extrajudicial Documents in Civil or Commercial Matters of November 15, 1965 are complied with.

In general, final, enforceable and conclusive judgments rendered by U.S. courts, even if obtained by default, may not require retrial and will be enforceable in Italy, provided that pursuant to Article 64 of Italian Law No. 218 of May 31, 1995 (Riforma del sistema Italiano di diritto internazionale privato) the following conditions are met: (i) the U.S. court which rendered the final judgment had jurisdiction according to Italian law principles of jurisdiction; (ii) the relevant summons and complaint was appropriately served on the defendants in accordance with U.S. law and during the proceedings the essential rights of the defendants were not violated; (iii) the parties to the proceedings appeared before the court in accordance with U.S. law or, in the event of default by the defendants, the U.S. court declared such default in accordance with U.S. law; (iv) the judgment is final and not subject to any further appeal in accordance with U.S. law; (v) there is no conflicting final judgment previously rendered by an Italian court; (vi) there is no action pending in Italy among the same parties and arising from the same facts and circumstances which commenced prior to the action in the United States; and (vii) the provisions of such judgment would not violate Italian public policy.

In addition, Enel has been advised by its Italian counsel that if an original action is brought before an Italian court, the Italian court may refuse to apply U.S. law or to grant some of the remedies sought (for example punitive damages) if their application violates Italian public policy and mandatory provisions of Italian law.

Forward-looking statements

This Offering Circular contains forward-looking statements, including (without limitation) statements containing the words "anticipates," "believes," "estimates," "expects," "intends," "may," "plans," "projects," "will," "would" and similar words. These statements are based on the Company's current expectations and projections about future events and involve substantial uncertainties. All statements, other than statements of historical facts, contained herein regarding the Company's strategy, goals, plans, future financial position, projected revenues and costs or prospects are forward-looking statements. Forward-looking statements are subject to inherent risks and uncertainties, some of which cannot be predicted or quantified. Future events or actual results could differ materially from those set forth in, contemplated by or underlying forward-looking statements. The Company does not undertake any obligation to publicly update or revise any forward-looking statements.

The "Management's discussion and analysis of financial condition and results of operations" contained herein contains numerous forward-looking statements. In particular, one subsection thereof, "—Future capital expenditures," is composed nearly entirely of forward-looking statements. Statements in that subsection, which is included in this Offering Circular solely for purposes of the completeness of the information presented herein, should not be relied upon in any manner by prospective investors in the Notes.

Furthermore, this Offering Circular contains certain statements and estimates regarding the Group's competitive position in certain markets, including with respect to its preeminence in particular markets. Such statements are based on the best information available to the Group's management as of the date hereof. However, the Group faces competitive risks and its market positions may diverge from those expressed herein as a result of a variety of factors. Any failure of the Group to execute upon its plans or maintain its market positions could have a material adverse effect upon the Group, its business prospects, its financial condition and its results of operations. See "Presentation of financial and other information—Market Information" herein.

The Company may not actually achieve or realize the plans, intentions or expectations disclosed in its forward-looking statements and prospective investors should not place undue reliance on them. There can be no assurance that actual results of the Company's activities and operations will not differ materially from the expectations set forth in such forward-looking statements. Factors that could cause actual results to differ from such expectations include, but are not limited to, those described under "Risk Factors," including the following:

- The fact that Enel is burdened by significant indebtedness;

- The fact that Enel's ability to access credit and bond markets on acceptable terms is in part dependent on its credit ratings, which have come under scrutiny due to its level of indebtedness;

- The fact that Enel faces risks and expenses due to the need to integrate several recently acquired companies of material size;

- The fact that Enel is subject to differing regulatory regimes in the various countries in which it operates and that these regulatory regimes are subject to change, to the potential detriment of Enel;

- The fact that Enel is vulnerable to any decrease in demand for electricity resulting from the continuation or deepening of the current global recession;

- The fact that Enel is exposed to the risk of increases in fuel costs or disruptions in fuel supply; and
- The fact that Enel is controlled by the Italian Ministry of the Economy and Finance, which enjoys special powers not allocated to other shareholders, and which may have interests different from those of other shareholders.

The above is not an exhaustive list of the factors that could cause actual results to differ materially from the expectations set forth in such forward-looking statements and should be read together with the other cautionary statements included in this Offering Circular, including those described under “Risk Factors,” beginning on page 13 of this Offering Circular.

Presentation of financial and other information

With the exception of certain non-IFRS financial measures discussed below, the Group's financial information as of and for the years ended December 31, 2008, 2007 and 2006 included in this Offering Circular has been derived from the Group's audited consolidated financial statements as of and for the years ended December 31, 2008, 2007 and 2006 prepared in accordance with IFRS endorsed by the European Union and the Italian regulation implementing Article 9 of Legislative Decree No. 38/05 and included elsewhere herein (the **Audited Financial Statements**), which were approved by the board of directors of the Company on March 11, 2009, March 12, 2008 and March 27, 2007, respectively. IFRS differs in certain important respects from generally accepted accounting principles in the United States.

Unaudited condensed interim consolidated financial information as of and for the six months ended June 30, 2009 and 2008 included in this Offering Circular has been derived from the Group's unaudited condensed interim consolidated financial statements as of and for the six months ended June 30, 2009 prepared in compliance with IAS 34, and included elsewhere herein (the **Unaudited Condensed Interim Consolidated Financial Statements**). The Unaudited Condensed Interim Consolidated Financial Statements were approved by the board of directors of the Company on July 30, 2009 and have been subjected to a limited review by the Group's independent auditors, KPMG S.p.A., whose report thereon, dated August 27, 2009 is included herein. Such report contains language stating: "The condensed interim consolidated financial statements present the corresponding figures included in the annual consolidated and condensed interim consolidated financial statements of the previous year for comparative purposes. The corresponding figures have been reclassified in order to reflect the changes to the financial statements schedules introduced by IAS 1 (revised 2007). As disclosed in the notes, the directors have restated the corresponding figures included in the prior year condensed interim consolidated financial statements. We reviewed such financial statements and issued our report thereon on 26 August 2008. We have examined the methods used to restate the corresponding figures and related disclosures for the purposes of our report on the condensed interim consolidated financial statements at 30 June 2009. Reference should be made to the report dated 10 April 2009 for our opinion on the prior year annual consolidated financial statements, which included the related corresponding figures."

Interim results for the first six months of 2009 are not necessarily indicative of the results of operations that may be expected for any other interim period in 2009 or for the full year.

Capitalized terms used in the following discussion are defined under "—Certain defined terms" below.

In making an investment decision, investors must rely upon their own examination of the financial statements and financial information included elsewhere in this Offering Circular and should consult their professional advisors for an understanding of, among other things: (i) the differences between IFRS and other systems of generally accepted accounting principles and how those differences might affect the financial information included in this Offering Circular; and (ii) the impact that future additions to, or amendments of, IFRS principles may have on the Group's results of operations and/or financial condition, as well as on the comparability of prior periods.

Comparability of financial information

On October 5, 2007 the Group completed a tender offer for shares of Endesa S.A. (**Endesa**), the leading operator in the Spanish electricity sector, with significant operations in other European countries and Latin America and, as a result, the Group owned 67.05% of Endesa from that date. On June 25, 2009, Enel purchased a further 25.01% stake in Endesa's share capital, and as a result now holds a 92.06% stake. See "Business description—Recent significant transactions and related material agreements—Acquisition of Endesa."

Primarily as a result of the acquisition of Endesa and other entities in recent periods, the financial information and financial data (including with respect to the Group's electricity generation capacity, electricity production, electricity distribution, network dimensions and number of employees, among other things) as of and for the years ended December 31, 2008 and 2007 and as of and for the periods ended June 30, 2009 and 2008 have been subject to different consolidation regimes and have been restated. Consequently these financial statements are not easily comparable.

Endesa consolidation

Endesa was consolidated to reflect the 67.05% proportional share owned by Enel, for approximately three months in 2007 (from the acquisition date on October 5, 2007) as compared to twelve months in 2008. For the two six month periods as of and for the period ended June 30, 2009 and 2008, Endesa was consolidated (i) for income statement purposes to reflect the 67.05% proportional share owned by Enel in both periods and (ii) for balance sheet purposes, to reflect the 67.05% proportional share owned by Enel as of June 30, 2008 and using the full consolidation method as of June 30, 2009, thereby including 100% of Endesa.

As with its other subsidiaries, Enel has not included stand-alone financial statements of Endesa in this Offering Circular. If an investor wishes to see Endesa's historical standalone financial information, it should go to Endesa's website at www.endesa.com. No information included on such website is incorporated by reference or otherwise forms a part of this Offering Circular. In addition, this Offering Circular does not include any pro forma financial information relating to the acquisition of Endesa or the subsequent purchase of Endesa shares.

In certain sections of the "Business description" herein, including under the subheading "—Markets and competition," and elsewhere herein, financial and operating data for particular periods is presented in respect of Endesa itself, even though Endesa was not during any period under consideration or for any period in respect of which data is presented herein, fully consolidated in the Enel Group for the entire period under consideration. The entire amount of the financial or operating data (whether capacity, production or otherwise) of Endesa could not be fully attributed to the Group until the acquisition of an additional 25.01% of Endesa from Acciona on June 25, 2009. Except in respect of the data referring to net efficient capacity and employees of the Group and the Iberia and Latin American division of the Group as of the period ending June 30, 2009 (with respect to which Endesa's operations are fully consolidated) or where otherwise specified herein, all operating data in respect of Endesa for the relevant periods include only the Group's 67.05% proportional share of the operating data of Endesa even after Endesa was fully consolidated in the Group.

Restatements

The 2007 financial statements were restated in 2008 to reflect variation in purchase price allocations relating to the Endesa acquisition. The Group's financial statements as of and for the year ended December 31, 2007 were prepared on the basis of provisional fair values for the acquired assets, liabilities and contingent liabilities, since the purchase price allocation process had not yet been completed. At the time of the preparation of the Group's audited financial statements as of and for the year ended December 31, 2008, the aforementioned purchase price allocation process had been completed and it indicated variations from the initial accounting determined provisionally and used in the 2007 audited financial statements. As a result, solely for purposes of the 2008 Audited Financial Statements, data for the 2007 comparison-year was restated to conform to the definitive valuations of acquired assets, liabilities and contingent liabilities. In this section, as well as in other sections of the Offering Circular, restated 2007 financial data is presented alongside 2008 data for comparison purposes only, just as it is in the 2008 Audited Financial Statements. In addition, in accordance with IFRS 5, the restated 2007 comparison-year financial information has also been modified from the 2007 Audited Financial

Statements to reflect the reclassification to “discontinued operations” of the Group’s Italian gas distribution business, given the advanced stage of negotiations for the sale of that business as of December 31, 2008, and this fact is reflected in the restated 2007 data set forth herein.

With regard to the Unaudited Condensed Interim Consolidated Financial Statements, data in the income statement and the statement of cash flows for the first six months of 2008 have been restated for the same reasons described in the foregoing paragraph: (i) the completion of the Endesa purchase-price allocation after the preparation of the original income statement and statement of cash flows for the first six months of 2008; and (ii) the reclassification of items from the gas distribution network to discontinued operations. In each case, these adjustments were made in the Group’s published interim financial statements for the sake of comparability between data for the six-month periods ended June 30, 2009 and 2008, respectively, and have been preserved herein.

Non-IFRS financial measures

This Offering Circular contains certain non-IFRS financial measures including the Group’s “gross operating margin,” which is otherwise referred to as the Group’s “EBITDA,” and the Group’s “Net Financial Debt.” EBITDA is calculated as “operating income” plus “depreciation, amortization and impairment losses” deducting “income from equity exchange transactions” (for the respective applicable periods). References to “Net Financial Debt” are to the Group’s net financial debt calculated as described herein in “Management’s discussion and analysis of financial condition and results of operations—Debt and liquidity.” Investors should not place undue reliance on these non-IFRS financial measures and should not consider any non-IFRS financial measure as: (i) an alternative to operating income or net income as determined in accordance with IFRS; (ii) an alternative to cash flow from operating, investing or financing activities (as determined in accordance with IFRS) as a measure of the Group’s ability to meet cash needs; or (iii) an alternative to any other measure of performance under IFRS. These measures are not indicative of the Group’s historical operating results; nor are they meant to be predictive of future results. These measures are, however, used by Enel’s management to monitor the underlying performance of the Group. Since companies generally do not calculate similarly entitled non-IFRS financial measures in an identical manner, Enel’s measures may not be consistent with similar measures used by other companies. For this reason also, investors should not place undue reliance on any non-IFRS financial measures.

Market information

This Offering Circular contains statements related to, among other things, the following: (i) the size of the sectors and markets in which the Enel Group operates; (ii) growth trends in the sectors and markets in which Enel operates; and (iii) Enel’s relative competitive position in the sectors and markets in which it operates and the position of its competitors in those same sectors and markets.

Whether or not this is stated, where such information is presented, such information is based on third-party studies and surveys as well as Enel’s experience, market knowledge, accumulated data and investigation of market conditions. While Enel believes such information to be reliable and believes any estimates contained in such information to be reasonable, Enel cannot assure you that such information or any of the assumptions underlying such estimates are accurate or correct, and none of the internal surveys or information on which Enel has relied have been verified by any independent sources. Accordingly, undue reliance should not be placed on such information. In addition, information regarding the sectors and markets in which Enel operates is normally not available for certain periods and, accordingly, such information may not be current as of the date of this Offering Circular.

Certain defined terms

In this Offering Circular:

- References to the "Group," the "Enel Group," "we" or "our" are to Enel S.p.A. together with its subsidiary companies under Article 2359 of the Italian Civil Code and under Article 93 of the Italian Unified Financial Act, unless the context requires otherwise.

- References to "Enel," the "Company," the "Guarantor" or the "Parent Company" are to Enel S.p.A., unless the context requires otherwise.

- References to "Enel S.A." or the "Issuer," are to Enel Finance International S.A., unless the context requires otherwise.

- References to "Endesa" are to Endesa S.A. together with its consolidated subsidiaries unless the context requires otherwise, in which case references to "Endesa" may be references to Endesa S.A. alone (as in references to Endesa's "shares" or "share capital").

- References to "Euro," "€" or "euros" are to the currency of the member states of the European Union participating in the third stage of the European Union's Economic and Monetary Union.

- References to "U.S.$" refer to United States dollars

- References to "Sterling" and "£" refer to pounds sterling.

- References to "IFRS" are to the International Financial Reporting Standards issued by the International Accounting Standards Board, including interpretations of the International Financial Reporting Interpretations Committee (IFRIC), previously referred to as the "Standing Interpretations Committee" (SIC), and, including also, International Accounting Standards (IAS) where the context requires, as endorsed by the European Commission for use in the European Union.

- References to "Net Financial Debt" are to the Group's net financial debt calculated as described in See "Management's discussion and analysis of financial condition and results of operations—Debt and liquidity."

- References to the "Italian Unified Financial Act" are to Legislative Decree No. 58 of February 24, 1998, "*Testo unico delle disposizioni in materia di intermediazione finanziaria*," as amended.

- References to the "MEF" are to the Italian Ministry of Economy and Finance.

- References to the "AGCM" are to the *Autorità Garante della Concorrenza e del Mercato*, the Italian antitrust authority.

Rounding

Certain numerical figures set out in this Offering Circular, including financial data presented in millions or thousands and certain percentages, have been subject to rounding adjustments and, as a result, the totals of the data in columns or rows of tables in this Offering Circular may vary slightly from the actual arithmetic totals of such information.

Exchange rates

The following table sets forth, for the periods indicated, high, low, average and period-end noon buying rates in the City of New York for cable transfers between the Euro and U.S. dollar, as certified for customs purposes by the Federal Reserve Bank of New York, expressed in U.S. dollars per €1.00. The rates may differ from the actual rates used in the preparation of the consolidated financial statements and other financial information appearing in this Offering Circular. Enel makes no representation that the Euro or U.S. dollar amounts referred to in this Offering Circular have been, could have been or could, in the future, be converted to euros or U.S. dollars, as the case may be, at any particular rate, or at all. On September 25, 2009, the noon buying rate in the City of New York for cable transfers between euros and U.S. dollars, as certified for customs purposes by the Federal Reserve Bank of New York was €0.6811 per U.S. dollar.

	High	Low	Average	Period end
		Euros per U.S. dollar		
Year				
2008	0.8035	0.6246	0.6805(1)	0.7184
2007	0.7771	0.6681	0.7305(1)	0.6855
2006	0.8466	0.7481	0.7965(1)	0.7577
2005	0.8589	0.7364	0.8049(1)	0.8440
2004	0.8502	0.7320	0.8046(1)	0.7378
Month				
September 2009 (through September 25, 2009)	0.7025	0.6759	0.6872(2)	0.6811
August 2009	0.7105	0.6937	0.7000(2)	0.6967
July 2009	0.7219	0.7003	0.7094(2)	0.7003
June 2009	0.7255	0.7008	0.7136(2)	0.7133
May 2009	0.7538	0.7079	0.7322(2)	0.7079
April 2009	0.7750	0.7431	0.7576(2)	0.7551
March 2009	0.7969	0.7283	0.7663(2)	0.7541
February 2009	0.7970	0.7655	0.7814(2)	0.7898
January 2009	0.7810	0.7171	0.7551(2)	0.7810

(1) The average of the noon buying rates on the last business day of each month during the relevant period.

(2) The average of the daily noon buying rates for each business day during the relevant period.

Summary

This summary highlights selected information about Enel and the Notes contained elsewhere in this Offering Circular. This summary does not contain all the information prospective investors should consider before deciding to purchase Notes. This summary should be read in conjunction with, and is qualified in its entirety by, the more detailed information included in this Offering Circular, including the Audited Financial Statements and Unaudited Condensed Interim Consolidated Financial Statements included elsewhere herein. Prospective investors should read carefully the entire Offering Circular to understand Enel's businesses and the tax and other considerations which are important to a prospective investor's decision to invest in the Notes, including the risks discussed in the section entitled "Risk Factors."

Overview

The Enel Group is the leading electricity operator in both Italy and Spain and one of the leading global operators in the fields of generation, distribution and sales of electricity.

In 2007 the Group acquired 67.05% of Endesa, the leading operator in the Spanish electricity sector, with significant operations in other European countries and Latin America. On June 25, 2009, Enel purchased a further 25.01% stake in Endesa's share capital, and as a result holds a 92.06% stake. See "Business description—Recent significant transactions and related material agreements—Acquisition of Endesa."

The Group had operational generation plants (thermal, hydroelectric, geothermal and other plants) with a total net efficient capacity of 95.4 GW as of June 30, 2009 and 83.3 GW as of December 31, 2008. For the six-month period ending June 30, 2009, the Group's net production of electricity amounted to 122.4 TWh, and its distribution of electricity amounted to 179.9 TWh. For the year ended December 31, 2008, the Group's net production of electricity amounted to 253.2 TWh, while its distribution of electricity amounted to 393.5 TWh. The change from December 31, 2008 to June 30, 2009 in the amount of total net efficient capacity and net production of electricity was primarily due to the full consolidation of Endesa.

The following table sets forth key operating data for the Group as or and for the year ended 2008 and as of and for the six-month period ended June 30, 2009, in Italy and abroad.

	As of and for the year ended December 31, 2008			As of and for the six months ended June 30, 2009		
	Italy	**Abroad**	**Total**	**Italy**	**Abroad**	**Total**
Net electricity production (TWh)(1)	96.3	156.9	253.2	42.3	80.1	122.4
Net efficient capacity (GW at period end)(2)	40.3	43.0	83.3	40.3	55.1	95.4
Electricity conveyed through the grid (TWh)(1)	257.9	135.6	393.5	118.1	61.8	179.9
Electricity sold (TWh)(1)(3)	137.2	133.2	270.4	64.3	66.7	131.0
Number of end-users of the electric business (in millions at period end)(2)	30.5	18.8	49.3	29.8	27.0	56.8

(1) Includes results for the Group's 67.05% proportional share of Endesa for the entire period presented.

(2) Figures as of December 31, 2008 include results for the Group's 67.05% proportional share of Endesa for the entire period presented, and figures as of June 30, 2009 include all of the assets of Endesa.

(3) Transfers to resellers excluded.

The Enel Group is one of the principal international operators in the development and management of energy production from renewable resources, with over 500 operational plants and a net efficient capacity of 4,464 MW, as of December 31, 2008, split among wind, solar, geothermal and hydroelectric plants, as well as production from biomasses.

The Group also imports, distributes and sells natural gas in Italy, Spain and elsewhere. The Group sold approximately 8.2 billion cubic meters of gas worldwide in 2008 and 4.1 billion cubic meters of gas worldwide in the six-month period ending June 30, 2009. See "Business description—Significant events in 2008 and 2009—Sale of 80% equity stake in Enel Rete Gas" regarding the sale of our Italian gas distribution business.

In the first six months of 2009, the Group's total revenues were €28,457 million (compared to €29,324 million for the same period in 2008) and the net income attributable to shareholders of the Parent Company was €3,524 million (compared to €2,739 million for the same period in 2008). In 2008, the Group's total revenues were €61,184 million (compared to €43,688 million in 2007), and the net income attributable to shareholders of the Parent Company was €5,293 million (compared to €3,916 million in 2007).

As of June 30, 2009, the Group employed a total of 83,749 employees, of which 39,594 were employed in Italy and 44,155 were employed abroad (including all of Endesa's employees as of the period end).

The Company is incorporated under the laws of Italy as a joint stock company (società per azioni). Its registered office is at Viale Regina Margherita 137, in Rome, and its main telephone number is +39 06 83051. The Company is registered with the Italian Companies' Register of the Chamber of Commerce of Rome under registration no. 00811720580. Pursuant to Article 3 of the Company's articles of association, the Company shall remain in existence until December 31, 2100; however the Company's corporate duration may be further extended by a shareholder resolution.

Strategy

The strategic priorities of the Group for the upcoming five years include:

- Consolidating and integrating the Group's international assets;
- Consolidating leadership positions in the Group's core markets;
- Continuously improving through incentive programs for operational excellence and efficiency;
- Focusing on the growth of renewable energy;
- Promoting and developing new technologies, in particular those concerning carbon capture and sequestration, hydrogen power, solar generation and smart grids; and
- Achieving financial stability by: (i) increasing operational efficiency and optimizing investment plans; (ii) selling other non-strategic assets; (iii) increasing capital (which has been achieved through the successful rights offering which closed on July 8, 2009); and (iv) revising the policy on dividends such that, beginning with the 2009 fiscal year, Enel expects to pay dividends equal to 60% of net income each year, rather than pay a fixed dividend amount.

See also "Forward-looking statements" and "Management's discussion and analysis of financial condition and results of operations—Future capital expenditures."

Summary terms of the Notes

This summary must be read as an introduction to this Offering Circular and any decision to invest in the Notes should be based on a consideration of this Offering Circular as a whole. Words and expressions defined in the section entitled "Terms and conditions of the Notes" in this Offering Circular shall have the same meanings in this summary. All references to a numbered "Condition" shall be to the appropriate Condition in the section entitled "Terms and conditions of the Notes." For a detailed description of the Notes, please refer to "Terms and conditions of the Notes."

Issuer	Enel Finance International S.A. (the **Issuer** or **Enel S.A.**). Enel S.A. was incorporated for an unlimited duration as a public limited liability company under the laws of Luxembourg on July 3, 1997. Enel S.A. is registered with the Luxembourg trade and companies register under number B.60.086. Enel S.A. operates as a financing company for the Group, raising funds through bond issuances, loans and other facilities. The share capital of Enel S.A. amounts to €1,391,900,230 and is represented by 139,190,023 shares with a nominal value of €10.00 each.
Guarantor	Enel-Società per Azioni (the **Guarantor** or **Enel**).
Notes offered	US$1,250,000,000 3.875% A Notes due 2014. US$1,750,000,000 5.125% B Notes due 2019. US$1,500,000,000 6.000% C Notes due 2039.
Issue Price and minimum aggregate principal amount	A Notes: 99.730% of the nominal amount, plus accrued interest from the issue date, if any. B Notes: 99.560% of the nominal amount, plus accrued interest from the issue date, if any. C Notes: 99.463% of the nominal amount, plus accrued interest from the issue date, if any. The minimum aggregate principal amount of Notes which may be purchased by a QIB pursuant to Rule 144A is $100,000.
Stated Maturity Date . .	A Notes: October 7, 2014. B Notes: October 7, 2019. C Notes: October 7, 2039.
Interest	The A Notes will bear interest at a rate of 3.875% per annum. The B Notes will bear interest at a rate of 5.125% per annum. The C Notes will bear interest at a rate of 6.000% per annum.
Interest Payment Dates	Each Note will bear interest from the date of original issuance, and such interest will be payable semi-annually in arrear on April 7 and October 7 in each year commencing on April 7, 2010 (each an **Interest Payment Date**).

Form of Notes	The Notes will be issued in registered form only.
Currency	U.S. dollars.
Taxation	All payments in respect of the Notes will be made without deduction for or on account of withholding taxes imposed by any Tax Jurisdiction (as defined herein), except as provided in Condition 8 (Taxation) under "Terms and conditions of the Notes." In the event that any such deduction is made, the Issuer or the Guarantor, will, except in certain limited circumstances provided in Condition 8 (Taxation), be required to pay additional amounts to cover the amounts so deducted.
Negative pledge	The Notes contain a negative pledge provision described in Condition 4 (Negative Pledge) under "Terms and conditions of the Notes."
Further issuances	We may, at our option and without the consent of the then existing Noteholders, issue additional notes in one or more transactions after the date of this Offering Circular with terms and conditions (other than the issuance date and the amount and date of the first interest payment thereon and the issue price) identical to the Notes. These additional Notes will be deemed to be part of the same Series as the relevant Notes offered hereby and will provide the holders of these additional Notes the right to vote together with holders of the Notes issued hereby.
Status of the Notes	The Notes will constitute direct, unconditional and (subject to the provisions of Condition 4 (Negative Pledge)), unsecured and unsubordinated obligations of the Issuer and will rank pari passu without any preference among themselves and at least equally with all other outstanding unsecured and unsubordinated obligations of the Issuer, present and future, other than obligations, if any, that are mandatorily preferred by statute or by operation of law.
Use of proceeds	We expect to use the net proceeds from the issuance of the Notes for the general corporate purposes of the Enel Group, including the repayment of existing indebtedness.
Guarantee	The Notes issued will be unconditionally and irrevocably guaranteed by Enel. The obligations of Enel under its guarantee will be direct, unconditional and (subject to the provisions of Condition 4 (Negative Pledge)) unsecured and unsubordinated obligations of Enel and will rank at least equally with all other outstanding unsecured and unsubordinated obligations of Enel, present and future, other than obligations, if any, that are mandatorily preferred by statute or by operation of law.
Ratings	Enel's long-term debt is currently rated A- (stable outlook) by Standard & Poor's and Fitch and A2 (negative outlook) by Moody's Investors Service. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, change or withdrawal at any time by the assigning rating agency. Neither the rating agency nor the Issuer is obligated to provide the holder with any notice of any suspension, change or withdrawal of any rating.
Optional Redemption . .	The Notes will be redeemable at the option of the Issuer at any time, in whole or in part, at a redemption price equal to the greater of (i) 100% of the nominal amount of the Notes to be redeemed plus accrued and unpaid interest, if any, to (but excluding) the date of redemption and all additional amounts, if any, then due or (ii) the

	sum of the present values of the remaining scheduled payments thereon discounted to the date of redemption on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate (as defined below) plus 0.25 per cent. for the A Notes, 0.30 per cent. for the B Notes and 0.30 per cent. for the C Notes plus accrued and unpaid interest, if any, to (but excluding) the date of redemption and any additional amounts.
Tax Redemption	The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time on giving not less than 30 nor more than 60 days' notice to the Principal Paying Agent and, in accordance with Condition 14, the Noteholders (which notice shall be irrevocable), if (a) on the occasion of the next payment due under the Notes, the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 8 or the Guarantor would be unable for reasons outside its control to procure payment by the Issuer and in making payment itself would be required to pay such additional amounts, in each case as a result of any change in, or amendment to, the laws or regulations of a Tax Jurisdiction or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after the date the Subscription Agreement is executed and (b) such obligation cannot be avoided by the Issuer or, as the case may be, the Guarantor taking reasonable measures available to it; provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer or, as the case may be, the Guarantor would be obliged to pay such additional amounts were a payment in respect of the Notes then due.
Form, Denomination And Title	The Notes are in registered form and, in the case of definitive Notes, serially numbered, in denominations of US$100,000 and integral multiples of US$1,000 in excess thereof. Subject to as set out in "Terms and conditions of the Notes", title to the Notes will pass upon registration of transfers in accordance with the provisions of the Agency Agreement. The Issuer, the Guarantor, the Principal Paying Agent, the Registrar and any other agent appointed under the Agency Agreement will (except as otherwise required by law or ordered by a court having jurisdiction or an official authority) deem and treat the registered holder of any Note as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes but, in the case of any Global Note, without prejudice to the provisions set out in the next succeeding paragraph. For so long as the DTC or its nominee is the registered owner or holder of a Global Note, DTC or such nominee, as the case may be, will be considered the sole owner or holder of the Notes represented by such Global Note for all purposes under the Agency Agreement and the Notes except to the extent that in accordance with DTC's published rules and procedures any ownership rights may be exercised by its participants or beneficial owners through participants.

	Notes which are represented by a Global Note will be transferable only in accordance with the rules and procedures for the time being of DTC.
Substitution	The Issuer may at any time, without the consent of the Noteholders, substitute the Guarantor for itself as principal debtor under the Notes. See Condition 16 (Substitution) under "Terms and conditions of the Notes."
Transfer and selling restrictions	The Notes have not been and will not be registered under the Securities Act or any state or other securities laws of any other jurisdiction of the United States. Consequently, the Notes may not be offered or sold within the United States, or to or for the benefit or account of a U.S. person, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act, and in any case in accordance with any other applicable securities laws of any other jurisdiction. The Managers will arrange for resale of the Notes to QIBs pursuant to Rule 144A or to non-U.S. persons pursuant to Regulation S. See "Subscription and sale."
Governing law	The Notes, the Guarantee and the Agency Agreement will be governed by, and construed in accordance with, English law. The Subscription Agreement (as defined in "Subscription and Sale") is governed by, and shall be construed in accordance with, New York law.
Principal Paying Agent	The Bank of New York Mellon.
Registrar	The Bank of New York Mellon (Luxembourg).
Listing	The Issuer does not intend to list the Notes on any securities exchange.
Security Codes	**A Notes** CUSIPs: 144A - 29268B AD3 Reg S - L2967V EB7 ISINs: 144A - US29268BAD38 Reg S - USL2967VEB73 **B Notes** CUSIPs: 144A - 29268B AE1 Reg S - L2967V EC5 ISINs: 144A - US29268BAE11 Reg S - USL2967VEC56 **C Notes** CUSIPs: 144A - 29268B AF8 Reg S - L2967V ED3 ISINs: 144A - US29268BAF85 Reg S - USL2967VED30

Summary financial information

The following tables set forth summary financial information of the Group as of and for the periods indicated.

With the exception of certain non-IFRS financial measures discussed in "Presentation of financial and other information," the Group's financial information as of and for the years ended December 31, 2008, 2007 and 2006 included in this Offering Circular has been derived from the Group's audited consolidated financial statements as of and for the years ended December 31, 2008, 2007 and 2006 prepared in accordance with IFRS endorsed by the European Union and the Italian regulation implementing Article 9 of Legislative Decree No. 38/05 and included elsewhere herein (the **Audited Financial Statements**). Unaudited condensed interim consolidated financial information as of and for the six months ended June 30, 2009 and 2008 included in this Offering Circular has been derived from the Group's unaudited interim consolidated financial statements as of and for the six months ended June 30, 2009 prepared in accordance with IFRS and IAS 34, and included elsewhere herein (the **Unaudited Condensed Interim Consolidated Financial Statements**). Interim results for the first six months of 2009 are not necessarily indicative of the results of operations that may be expected for any other interim period in 2009 or for the full year.

On October 5, 2007 the Group completed a tender offer for shares of Endesa and, as a result, the Group owned 67.05% of Endesa from that date. On June 25, 2009, Enel purchased a further 25.01% stake in Endesa's share capital, and as a result now holds a 92.06% stake. See "Business description—Recent significant transactions and related material agreements—Acquisition of Endesa."

Primarily as a result of the acquisition of Endesa and other entities in recent periods, the financial information and financial data (including with respect to the Group's electricity generation capacity, electricity production, electricity distribution, network dimensions and number of employees, among other things) as of and for the years ended December 31, 2008 and 2007 and as of and for the periods ended June 30, 2009 and 2008 have been subject to different consolidation regimes, have been restated and/or reflect changes to the segmentation of our business. Consequently these financial statements are not easily comparable.

Endesa consolidation

Endesa was consolidated to reflect the 67.05% proportional share owned by Enel, for approximately three months in 2007 (from the acquisition date on October 5, 2007) as compared to twelve months in 2008. For the two six month periods as of and for the period ended June 30, 2009 and 2008, Endesa was consolidated (i) for income statement purposes to reflect the 67.05% proportional share owned by Enel in both periods and (ii) for balance sheet purposes, to reflect the 67.05% proportional share owned by Enel as of June 30, 2008 and using the full consolidation method as of June 30, 2009, thereby including 100% of Endesa. See "Presentation of financial and other information—Endesa consolidation" herein for more information.

Restatements

The 2007 financial statements were restated in 2008 to reflect variation in purchase price allocations relating to the Endesa acquisition. The Group's financial statements as of and for the year ended December 31, 2007 were prepared on the basis of provisional fair values for the acquired assets, liabilities and contingent liabilities, since the purchase price allocation process had not yet been completed. At the time of the preparation of the Group's audited financial statements as of and for the year ended December 31, 2008, the aforementioned purchase price allocation process had been completed and it indicated variations from the initial accounting determined provisionally and used in the 2007 audited financial statements. As a result, solely for purposes of the 2008 Audited Financial Statements, data for the 2007 comparison-year was restated to conform to the definitive valuations of acquired assets, liabilities and contingent liabilities. In this section, as well as in other sections of the Offering Circular, restated 2007 financial data is presented alongside 2008 data for comparison purposes only, just as it is in the 2008 Audited Financial Statements. In addition, in accordance with IFRS 5, the restated 2007 comparison-year financial information has also been modified from the 2007 Audited Financial Statements to reflect the reclassification to "discontinued operations" of the Group's Italian gas distribution business, given the advanced stage of negotiations for the sale of that business as of December 31, 2008, and this fact is reflected in the restated 2007 data set forth herein.

With regard to the Unaudited Condensed Interim Consolidated Financial Statements, data in the income statement and the statement of cash flows for the first six months of 2008 have been restated for the same reasons described in the foregoing paragraph: (i) the completion of the Endesa purchase-price allocation after the preparation of the original income statement and statement of cash flows for the first six months of 2008; and (ii) the reclassification of items from the gas distribution network to discontinued operations. In each case, these adjustments were made in the Group's published interim financial statements for the sake of comparability between data for the six-month periods ended June 30, 2009 and 2008, respectively, and have been preserved herein.

The summary financial data in the tables below should be read together with the Audited Financial Statements and the Unaudited Condensed Interim Consolidated Financial Statements, including the notes thereto, which are included elsewhere in this Offering Circular. See also "Presentation of financial and other information," "Risk Factors," "Management's discussion and analysis of financial condition and results of operations" and "Capitalization" herein.

Income statement data

The following table sets forth summary consolidated income statement data of the Enel Group for the years ended December 31, 2008, 2007 (as originally reported, and as restated) and 2006, and for the six-month periods ended June 30, 2009 and 2008.

	Year ended December 31,				Six months ended June 30,	
	2008	**2007 (restated)**	**2007**	**2006**	**2009**	**2008 (restated)**
	(€ million, except per share amounts)					
Revenues	61,184	43,688	43,673	38,513	28,457	29,324
Income from equity exchange transaction	–	–	–	263	–	–
Costs	51,623	36,871	36,647	32,343	22,465	24,373
Net income/charges from commodity risk management	(20)	(36)	(36)	(614)	(413)	76
Operating income	**9,541**	**6,781**	**6,990**	**5,819**	**5,579**	**5,027**
Financial income	2,596	2,128	2,101	513	2,141	1,176
Financial expense	5,806	3,013	3,015	1,160	2,350	2,606
Share of income/(expense) from equity investments accounted for using the equity method	48	12	12	(4)	21	27
Income before taxes	**6,379**	**5,908**	**6,088**	**5,168**	**5,391**	**3,624**
Income taxes	585	1,956	2,002	2,067	1,333	740
Income from continuing operations	**5,794**	**3,952**	**4,086**	**3,101**	**4,058**	**2,884**
Income from discontinued operations	**240**	**179**	**127**	**–**	**(84)**	**235**
Net income for the year/period (shareholders of the Parent Company and minority interests)	**6,034**	**4,131**	**4,213**	**3,101**	**3,974**	**3,119**
Attributable to minority interests	741	215	236	65	450	380
Attributable to shareholders of the Parent Company	5,293	3,916	3,977	3,036	3,524	2,739
Earnings per share (euros)	0.98	0.67	0.68	0.50	0.56	0.44

Balance sheet data

The following table sets forth summary consolidated balance sheet data of the Enel Group as of December 31, 2008, 2007 (as originally reported, and as restated) and 2006, and as of June 30, 2009.

	As of June 30, 2009	As of December 31, 2008	2007 (Restated)	2007	2006
	(€ millions)				
Non-current assets	127,223	100,318	94,956	93,339	41,500
Current assets	29,027	27,638	22,176	22,176	13,000
Assents held for sale	3,264	5,251	13,719	8,233	–
Total assets	**159,514**	**133,207**	**130,851**	**123,748**	**54,500**
Equity attributable to the shareholders of the Parent Company	29,767	20,398	19,553	19,631	18,460
Equity attributable to minority interests	11,070	5,897	7,080	4,158	565
Total shareholders' equity	**40,837**	**26,295**	**26,633**	**23,789**	**19,025**
Non-current liabilities	80,817	74,301	74,862	70,845	22,642
Current liabilities	36,646	30,820	25,017	24,997	12,833
Liabilities held for sale	1,214	1,791	4,339	4,117	–
Total Liabilities	**118,677**	**106,912**	**104,218**	**99,959**	**35,475**
Total liabilities and shareholders' equity	**159,514**	**133,207**	**130,851**	**123,748**	**54,500**

Statement of cash flow data

The following table sets forth summary consolidated cash-flow statement data of the Enel Group for the years ended December 31, 2008, 2007 (as originally reported, and as restated) and 2006, and for the six-month periods ended June 30, 2009 and 2008.

	Year ended December 31,				Six months ended June 30,	
	2008	2007 (restated)	2007	2006	2009	2008 (restated)
	(€ millions)					
Cash flow from operating activities	10,510	6,070	6,070	6,756	2,614	3,785
Cash flow from (investing)/ disinvesting activities	(2,140)	(35,353)	(35,353)	(2,374)	(9,161)	2,242
Cash flow from financing activities	(4,510)	30,226	30,226	(4,322)	4,706	(98)
Impact of exchange rate fluctuations on cash and cash equivalents	(112)	(52)	(52)	4	115	2
Increase/(Decrease) in cash and cash equivalents	**3,748**	**891**	**891**	**64**	**(1,726)**	**5,931**

Other financial information and indicators

The following table sets forth certain non-IFRS information used by the Company's management to monitor and evaluate the economic and financial performance of the Group. These indicators, "gross operating margin" or "EBITDA," and "Net Financial Debt," are not recognized as accounting standards within the IFRS adopted by the European Union, and therefore must not be considered as alternatives to any measures of performance under IFRS. Investors should not place undue reliance on these non-IFRS measures and should not consider either of these measures to be indicative of the Group's historical operating results or financial condition; nor are they meant to be predictive of future results. Since companies generally do not calculate these measures in an identical manner, Enel's measures may not be consistent with similar measures used by other companies. For this reason also, investors should not place undue reliance on non-IFRS financial measures. For a description of Net Financial Debt, see "Management's discussion and analysis of financial condition and results of operations — Debt and Liquidity."

	As of December 31,				As of June 30,	
	2008	2007 (restated)	2007	2006	2009	2008 (restated)
			(€ millions)			
Gross operating margin (EBITDA)	14,318	9,840	10,023	8,019	7,939	7,322
Net Financial Debt	49,967	55,791	55,791	11,690	55,764	49,967[(1)]

(1) As of December 31, 2008

The following tables demonstrate the methodology used by the Enel Group to determine its gross operating margin (EBITDA) and its Net Financial Debt.

Gross Operating Margin

	As of December 31,				As of June 30,	
	2008	2007 (restated)	2007	2006	2009	2008 (restated)
			(€ millions)			
Operating income	9,541	6,781	6,990	5,819	5,579	5,027
Plus: Depreciation, amortization and impairment losses	4,777	3,059	3,033	2,463	2,360	2,295
Less: Income from equity exchange transaction	–	–	–	(263)	–	–
Gross operating margin (EBITDA)	**14,318**	**9,840**	**10,023**	**8,019**	**7,939**	**7,322**

Net Financial Debt

	As of June 30, 2009	As of December 31, 2008	2007 (restated)	2007	2006
			(€ millions)		
Long-term debt:					
Long-term debt	53,281	51,045	52,155	52,155	12,194
Long-term financial receivables and securities	(4,802)	(2,891)	(1,339)	(1,339)	(1,090)
Net long-term debt	**48,479**	**48,154**	**50,816**	**50,816**	**11,104**
Short-term debt:					
Short-term debt	12,956	8,577	8,014	8,014	1,409
Short-term financial receivables(1)	(2,204)	(1,585)	(1,704)	(1,704)	(251)
Cash and cash equivalents(2)	(3,467)	(5,179)	(1,335)	(1,335)	(572)
Net short-term financial debt	**7,285**	**1,813**	**4,975**	**4,975**	**586**
NET FINANCIAL DEBT	**55,764**	**49,967**	**55,791**	**55,791**	**11,690**
Financial debt of "Assets held for sale"	***637***	***795***	***1,725***	***1,725***	–

(1) Short-term financial receivables is comprised of long-term financial receivables, factoring receivables and other short-term financial receivables.

(2) The €3,467 million as of June 30, 2009 includes €57 million of short-term securities.

Risk factors

Each of the Issuer and the Guarantor believes that the following factors may affect its ability to fulfill its obligations under Notes. Most of these factors are contingencies which may or may not occur and neither the Issuer nor the Guarantor is in a position to express a view on the likelihood of any such contingency occurring. In addition, factors which are material for the purpose of assessing the market risks associated with the Notes are also described below.

We believe that the factors described below represent the principal risks inherent in investing in the Notes, but the inability of the Issuer or the Guarantor to pay interest, principal or other amounts on or in connection with the Notes may occur for other reasons which may not be considered significant risks by the Issuer and the Guarantor based on information currently available to them and which they may not currently be able to anticipate. Prospective investors should also read the detailed information set out elsewhere in this Offering Circular and reach their own views, based upon their own judgment and upon advice from such financial, legal and tax advisers as they have deemed necessary, prior to making any investment decision.

Risks related to the Enel Group

The Enel Group is burdened by significant indebtedness, which it must generate sufficient cash flow to service.

As of June 30, 2009, the Net Financial Debt of the Group was equal to €55,764 million (as compared to €49,967 million as of December 31, 2008). The aforementioned net financial debt figures as of December 31, 2008 contain the Group's then proportional share (67.05%) of the net financial debt of Endesa whereas such data as of June 30, 2009 includes all of Endesa's net financial debt fully consolidated following the acquisition from Acciona of an additional 25.01% of Endesa on June 25, 2009. As a result of its increasing debt burden, the Group's financial expense has significantly increased since the year ended December 31, 2006 such that it amounted to €5,806 million for the year ended December 31, 2008 and €2,350 million for the six months ended June 30, 2009. See "Presentation of financial and other information" and "Management's discussion and analysis of financial condition and results of operations—Debt and liquidity" for more information regarding the methods of calculation of the Group's net financial debt.

As of June 30, 2009, major components of the Group's debt included: (i) €18.3 billion owing under the syndicated credit facility agreement entered into by Enel and Enel Finance International S.A. (**Enel S.A.**) on April 10, 2007 in order to finance a portion of the Group's acquisition of Endesa (the **2007 Credit Agreement**), and supplemented and modified on April 16, 2009 (the **2009 Credit Agreement Supplement**); (ii) €11.4 billion of notes outstanding under the Global Medium-Term Notes Programme of Enel, Enel S.A. and Enel Investment Holding BV (**EIH**); (iii) €1.8 billion outstanding under Enel's €5 billion revolving credit facility; (iv) €2,591 million outstanding under loans granted to Enel Produzione S.p.A. (**Enel Produzione**), Enel Distribuzione S.p.A. (**Enel Distribuzione**) and Enel Green Power S.p.A. (**Enel Green Power**) by the European Investment Bank (**EIB**); and (v) with regard to Endesa, following the acquisition of an additional 25.01% of Endesa, all of Endesa's long-term debt due under credit facilities granted by the EIB, debt issuances under a global medium-term notes program, and project finance loans granted to Enersis S.A. (**Enersis**) and Endesa Chile S.A. (**Endesa Chile**) amounting to €17,382 million. See "Management's discussion and analysis of financial condition and results of operations—Debt and liquidity" for more information regarding certain debts of Endesa. In addition, Enel issued a multi-tranche bond under the Programme on September 17, 2009. The notes, denominated in euros and pounds sterling, had an aggregate principal amount as of the issue date of over €6,500 million. During the six-month period ending June 30, 2009, Enel made mandatory and voluntary prepayments in respect of the 2007 Credit Agreement and 2009 Credit Agreement Supplement of €8,360 million from proceeds received from certain asset sales and €5,886 million from proceeds of Enel's rights offering.

As of June 30, 2009, the repayment schedules of the Group's long-term debt provided for the repayment of €5,272 million in the following 12 months, €2,942 million in the second half of 2010, €4,782 million in 2011 and €13,591 million in 2012. The Group also has significant short-term debt coming due in the remainder of 2009 and the first three months of 2010. The Group' short-term financial debt (including current maturities of long-term debt) amounted to €12,956 million as of June 30, 2009. The current global recession has made credit difficult to obtain and could hamper the Group's ability to refinance its debts on acceptable terms. Any failure by the Group to make any of its scheduled debt repayments, or to reschedule such debt on favorable terms, would have a material adverse effect on the Group, its business prospects, its financial condition and its results of operations.

The credit agreements and bond agreements that the Enel Group has entered into contain restrictive covenants that limit its operations.

The contracts related to the long-term financial indebtedness of the Group contain covenants that must be complied with by the borrowers (Enel, Endesa and the other companies of the Group) and, in certain instances, by Enel, as guarantor. The failure to comply with any of them could constitute a default, which could have a material adverse effect upon the Group, its business prospects, its financial condition or its results of operation. In addition, covenants such as "negative-pledge" clauses, "material change" clauses and covenants requiring the maintenance of particular financial ratios or credit ratings, constrain the Group's ability to acquire or dispose of assets or incur new debt.

Under the "gearing" clause contained in the 2007 Credit Agreement, the Group's Consolidated Total Net Borrowings (as defined in the agreement) may not exceed six times the amount of the Group's Consolidated EBITDA as defined in the agreement for the preceding 12 months. This ratio is tested for compliance twice annually. Pursuant to the €8 billion Rollover Facility Agreement entered into on April 16, 2009 (the **Rollover Facility Agreement**), the proceeds of which may only be used in 2012 to refinance certain amounts outstanding under the 2007 Credit Agreement as supplemented and modified by the 2009 Credit Agreement Supplement, from 2012 onwards, the threshold will be 4.5 times Consolidated EBITDA instead of six times Consolidated EBITDA and the Group will be required to additionally maintain Consolidated EBITDA equal to at least four times the amount of the net interest payable (as defined in the agreement) by the Group at each measurement period.

The 2007 Credit Agreement as supplemented and modified by the 2009 Credit Agreement Supplement also contains a clause restricting subsidiary financial indebtedness. As of the date of this Offering Circular, the "subsidiary financial indebtedness" clause has been satisfied. Further details of the principal covenants contained in the Group's financing agreements are described in "Management's discussion and analysis of financial condition and results of operations—Debt and liquidity—Covenants Related to Long-Term Financing."

A significant portion of the Enel Group's indebtedness is subject to floating interest rates, thus subjecting the Group to the risk of adverse interest rate fluctuations.

As of June 30, 2009, 72.0% of the Net Financial Debt of the Group was subject to variable interest rates. The Group has in place risk management policies that provide for the use of derivative instruments to minimize the Group's interest rate risk. However, even taking all such hedging instruments into account, as of June 30, 2009, 47.0% of the Group's Net Financial Debt remained fully exposed to interest rate fluctuations. Any significant increase in interest rates could therefore lead to a material increase in the Group's debt service expenses, which would have a material adverse effect on the Group, its business prospects, its financial condition and its results of operations. See "Management's discussion and analysis of financial condition and results of operations—Quantitative and qualitative disclosures about market risk—Interest Rate Risk" herein.

Enel's ability to access credit and bond markets on acceptable terms is in part dependent on its credit ratings, which have come under scrutiny due to its level of debt.

Fitch and Standard & Poor's have both applied long-term corporate credit ratings to Enel of "A−" with a "stable outlook." Moody's rates Enel "A2" with a "negative outlook." Standard & Poor's, Fitch and Moody's only recently (on July 30, 2009, July 13, 2009 and April 8, 2009, respectively) removed Enel from their "negative credit watch" list. Each of these ratings is near the low-end of the respective rating agency's scale of investment-grade ratings. Enel's ability to access the capital markets and other forms of financing (or refinancing), and the costs connected with such activities, depend on the credit ratings assigned to the Company. Any worsening of credit ratings could limit Enel's ability to access capital markets and other forms of financing (or refinancing), or increase the costs related thereto, with related adverse effects on the Company's and the Group's business prospects, financial condition and results of operations.

In addition, the 2007 Credit Agreement, as modified by the 2009 Credit Agreement Supplement, provides for the interest rate spreads applicable to the loans thereunder to vary according to Enel's credit rating by Standard & Poor's or Moody's. Any downgrade could thus directly and immediately affect the amount of interest payable by Enel. Moreover, certain financing agreements entered into by Enel require that it maintain its ratings at or above levels similar to its current levels. Any downgrade could therefore have adverse effects on the Company's and the Group's business prospects, financial condition and results of operations.

The Enel Group faces risks and expenses due to the need to integrate several recently acquired companies of material size, including Endesa, into the Group.

As part of its strategy of international expansion, the Group has recently carried out a number of acquisitions. In particular, Enel owns a 92.06% equity stake in Endesa, the leading operator in the Spanish electricity sector with significant operations in other European countries and in Latin America. In 2007 the Group acquired 67.05% of Endesa and purchased the additional 25.01% on June 25, 2009.

Furthermore, the Group has carried out other significant acquisitions over the most recent three fiscal years, including: (i) the acquisition between 2007 and 2008 of a majority stake (equal, as of the date of this Offering Circular, to 55.86%) in the share capital of OGK-5 OJSC (**OGK-5**), a company active in the electricity generation sector in Russia; (ii) the acquisition in 2006 of 66% of the share capital of Slovenské elektrárne AS (**Slovenské elektrárne**), the principal electricity generation company in Slovakia; and (iii) the acquisition in 2008 of a 64.4% interest in the share capital of Electrica Muntenia Sud S.A. (**Electrica Muntenia**) (a company engaged in the distribution and sale of electricity in Romania).

The foregoing and other acquisitions expose the Group to risks connected to the integration of the new companies into the Enel Group. These risks may relate to: (i) difficulties related to the management of a significantly broader and more complex organization, spread over many jurisdictions; (ii) problems related to the coordination and consolidation of corporate and administrative functions (including internal controls and procedures relating to accounting and financial reporting); and (iii) the failure to achieve expected synergies. With respect to investments in companies that Enel does not control, including companies in which it has minority shareholdings or companies that it jointly controls together with other shareholders, the risks are exacerbated by the need to coordinate the administration of such companies with such other shareholders (including under relevant shareholder agreements). The inability to successfully manage one or more of the foregoing circumstances, given its economic impact and geographical scope, could have a material adverse effect on Enel's and the Group's business prospects, financial condition and results of operations.

In addition, the aforementioned acquisitions resulted in Enel recording significant goodwill, which has not yet been written down or impaired. As of December 31, 2008, total goodwill was equal to €16,039 million, of which €12,116 million was recorded in connection with the acquisition of 67.05% of Endesa's share capital, €1,355 million was recorded in connection with the OGK-5 acquisition, €697 million was recorded in connection with the Slovenské elektrárne acquisition and €614 million was recorded in connection with the Electrica Muntenia acquisition. The Company carries out impairment tests of its goodwill in accordance with IFRS. In the future, all or a portion of its goodwill may be written down, which would result in reductions to the Group's net income and shareholders' equity. Additional goodwill is expected to be recorded in connection with Enel's acquisition of a further 25.01% of Endesa, described above. As of the date hereof, the amount of such additional goodwill is estimated at €4,508 million; however the definitive amount of goodwill will not be determined until the completion of the purchase-price allocation process, as long as 12 months after the transaction, in accordance with IFRS 3, and the definitive amount may differ materially from the currently estimated amount.

The Enel Group has instituted a program to convert certain aging thermoelectric power plants into more modern and efficient generating facilities; however, there can be no assurance that these conversions will succeed.

As part of its strategic effort to reduce its generation costs in Italy, the Group has scheduled the conversion of some of its older thermoelectric generation plants into more modern combined-cycle plants and/or plants supplied by more economical fuels, such as coal. Such plants include the Torre Valdaliga (Civitavecchia) and Porto Tolle plants. The failure of the Group to implement its plant-conversion program within the term and in the manner planned, including for reasons that do not depend on the Group, could result in a failure to achieve expected cost reductions and, more generally, have a material adverse effect on Enel's business prospects, financial condition and results of operations.

Enel conducts its business in several different currencies and is exposed to exchange rate risks.

The Group is exposed to exchange rate risks in relation to cash flows connected to the purchase and/or sale of fuels and electricity on the international markets, cash flows related to investments or other financial income or expenses denominated in foreign currencies, such as dividends deriving from non-consolidated foreign subsidiaries, flows related to the purchase or sale of equity participations, and indebtedness in currencies different from those used in the countries where the Group has its principal operations (such debt being equal, as of June 30, 2009, to €10.9 billion). The principal foreign exchange exposure for the Group is that with respect to U.S. dollars—an exposure equal, as of June 30, 2009, to €5.6 billion. Although the Group uses derivative instruments to mitigate its exchange rate risks, no assurance can be given that future significant variations in exchange rates—in particular of the Euro against the U.S. dollar and the currencies of the Latin American countries in which the Group is present—would not materially and adversely affect Enel's and the Group's financial condition and results of operations. See "Management's discussion and analysis of financial condition and results of operations—Quantitative and qualitative disclosures about market risk—Exchange Rate Risk" herein.

Furthermore, since the Group's consolidated financial statements are expressed in euros, negative fluctuations in exchange rates—in particular of the Euro against the U.S. dollar and the currencies of the Latin American countries in which the Group is present—could negatively affect the Euro-value of consolidated foreign subsidiaries' assets, income and equity, with a concomitant adverse effect on the Group's consolidated financial statements.

Enel is subject to a large variety of litigation and regulatory proceedings and cannot offer assurances regarding the outcomes of any particular proceedings.

In the ordinary course of its business, the Group is subject to numerous civil and administrative proceedings, as well as some criminal and arbitral proceedings. Enel has accrued in its consolidated financial statements provisions for contingent liabilities related to particular proceedings in accordance with the advice of internal and external legal counsel. As of June 30, 2009, these provisions amounted to €711 million, of which €333 million consisted of the fully consolidated Endesa provisions. The foregoing amount does not include €64 million of allowances made in respect of the property tax litigation described under "Business description—Litigation—Municipal property tax issues." As of June 30, 2009, the Group had also recorded an additional €1,924 million in provisions relating to various other risk and charges, primarily in connection with regulatory disputes and disputes with local authorities.

Notwithstanding the foregoing, the Group has not recorded provisions in respect of all of the proceedings to which it is subject. In particular, it has not recorded provisions in cases in which it is not possible to quantify any negative outcome and in cases in which it currently believes that negative outcomes are not likely. There can be no assurance, therefore, that the Group will not be ordered to pay an amount of damages with respect to a given matter for which it has not recorded an equivalent provision, or any provision at all.

Certain financial data included herein has been restated.

As described under "Presentation of financial and other information," in the Group's Audited Financial Statements as of and for the year ended December 31, 2007 and for the six months ended June 30, 2008, Enel's 67.05% participation in Endesa was proportionally consolidated on the basis of provisional fair values for the acquired assets, liabilities and contingent liabilities of Endesa, since the relevant purchase price allocation process had not yet been completed. At the time of the preparation of the Group's Audited Financial Statements as of and for the year ended December 31, 2008 and Unaudited Condensed Interim Consolidated Financial Statements for the six months ended June 30, 2009, the aforementioned purchase-price allocation process had been completed and it reflected variations from the initial accounting determined provisionally and used in the annual and semi-annual financial statements for prior periods. As a result, solely for purposes of the 2008 Audited Financial Statements and the Unaudited Condensed Interim Consolidated Financial Statements for the first half of 2009, data for the 2007 comparison-year (in the former case) and data for the 2008 comparison-half (in the latter case) were restated to conform to the definitive valuations of acquired assets, liabilities and contingent liabilities. In addition, in accordance with IFRS 5, the restated 2007 comparison-year financial statements and the restated comparative financial statements for the first six months of 2008 have also been modified from the original versions thereof to reflect the reclassification to "discontinued operations" of the Group's Italian gas distribution business, given the advanced stage of negotiations for the sale of that business as of December 31, 2008 and the May 29, 2009 announcement regarding its sale (subject to certain conditions) as of June 30, 2009, and this fact is also reflected in the restated data set forth herein. Potential investors should consult with their financial advisers to understand the effects of these restatements before investing in the Notes. See "Presentation of financial and other information" herein.

Enel is controlled by the Italian Ministry of the Economy and Finance (the MEF), which has significant influence over Enel's actions.

As of the date of this Offering Circular, Enel is controlled, pursuant to Article 93 of the Italian Unified Financial Act, by the MEF, which holds a 13.88% direct stake in Enel's ordinary shares, as well as a further 17.36% indirect stake held through Cassa Depositi e Prestiti S.p.A., which is 70% owned by the MEF.

As long as the MEF remains Enel's principal shareholder, it will exercise significant influence in matters requiring shareholder approval, including dividend distributions, capital increases and amendments to Enel's articles of association. More importantly, the MEF's vote, when exercised, will be decisive to appoint the majority of the directors of Enel, in accordance with the slate-based voting mechanism set forth in Article 14 of Enel's articles of association. As a result, other shareholders' ability to influence decisions on matters submitted to a vote of Enel's shareholders may be limited.

Although in a letter dated March 2004 the MEF opined that, notwithstanding its total shareholding in Enel, the discipline concerning management and coordination of companies outlined in Article 2497 of the Italian Civil Code was not applicable to the MEF—which was recently confirmed by Art. 19, paragraph 6 of Law Decree No. 78/2009, converted into Law No. 102/2009—it should be noted that Enel's articles of association grant certain special powers to the MEF (acting in agreement with the Italian Minister of Industry), which apply irrespective of the MEF's shareholding in Enel. These powers include: (i) the right to veto any acquisition of an interest greater than 3% in Enel's shares by any shareholder; (ii) the right to block the entry into shareholders' agreements involving at least 5% of the share capital; and (iii) the right to veto certain actions justifiably determined to be detrimental to vital Italian national interests (such as the transfer of the Company's business). In addition, there is a general 3% limit on shareholdings (other than by the Italian government, public entities and their respective subsidiaries) set forth in the Company's articles of association, which, subject to certain exceptions, applies irrespective of the aforementioned MEF veto right.

Moreover, on March 26, 2009, the Court of Justice of the European Community declared that in defining the criteria for the exercise of the aforementioned special MEF powers, Italy had breached its obligations arising from Article 43 (freedom of establishment) and Article 56 (free circulation of capital) of the European Community Treaty. The implications of this ruling are not yet clear.

Risks related to the energy industry and markets

The Enel Group is subject to differing regulatory regimes in all the countries in which it operates. These regulatory regimes are complex and are subject to change, to the potential detriment of the Group.

The Group is subject to the laws of various countries and jurisdictions, including Italy, Spain and the European Union, as well as the regulations of particular regulatory agencies, including, in Italy, the Authority for Electricity and Gas (*Autorità per l'Energia Elettrica e il Gas*) and, in Spain, the Comisión Nacional de la Energía (**CNE**). These laws and regulations are subject to change. In Italy, recent regulatory changes have produced substantial litigation between industry participants, including Enel, and the Authority for Electricity and Gas.

Sectoral regulation affects many aspects of the Group's business and, in many respects, determines the manner in which the Group conducts its business and the fees it charges or obtains for its products and services, including in respect of electricity generation (both traditional and from renewable resources). See the section entitled "Regulation" herein.

Future changes in the directives, laws and regulations issued by the European Union, the Italian Republic, Spain, the Authority for Electricity and Gas, or governments or authorities in the other countries and/or markets in which the Group operates could materially and adversely affect Enel's and the Group's business prospects, financial condition and results of operations.

The Group is vulnerable to any decrease in demand for electricity, including as may occur as a result of the continuation or deepening of the current global recession.

The environment in which the Group currently operates is marked by the recent crisis that affected the world's banking system and financial markets, and the consequent deterioration of macroeconomic conditions worldwide, including decreases in consumption and industrial production. These conditions have imposed barriers to banks providing credit, created a low level of liquidity in the financial markets, and created high volatility in the equity and bond markets.

Electricity and gas consumption are strongly affected by the level of economic activity in a country. In the last quarter of 2008, a reduction in electricity consumption occurred in Italy for the first time since 1981. According to Terna, the Italian transmission system operator, a further reduction in electricity consumption, equal to a decline of 7.9%, occurred during the first quarter of 2009.

The recent crises in the banking system and financial markets, together with other factors, have resulted in economic recessions in many of the countries where the Group operates, such as Italy, Spain, Russia, other countries in the European Union and the United States. In the event such economic recessions continue for a significant period of time, or worsen, energy consumption may decrease or continue to decrease in such markets, resulting in a material adverse effect on the business prospects, results of operations and financial condition of Enel and the Group.

The Group faces risks relating to the process of energy market liberalization, which continues to unfold in many of the markets in which the Group is present. The Group may face new competition in the markets in which it operates.

The energy markets in which the Group operates are undergoing a process of gradual liberalization, which is being implemented through different approaches and on different timetables from country to country. As a result of the process of liberalization, new competitors may enter many of the Group's markets in the future. The Group's ability to develop its businesses and improve its financial results may be constrained by such new competition. The Group may moreover be unable to offset the financial effects of decreases in production and sales of electricity through efficiency improvements, or expansion into new business areas or markets.

Though the Group has sought to face the challenge of liberalization by increasing its presence and client base in free (non-regulated) areas of the energy markets in which it competes, it may not be successful in doing so. Moreover, it remains active in regulated market segments, where it faces certain risks.

In Spain, Royal Decree-Law 5/2005, introduced as part of that country's liberalization process, required that to the extent that the revenues of the electricity industry generated by the Spanish regulated market were not sufficient to cover the costs of providing service to that market, the main industry operators would have to finance such difference (which is referred to as a "tariff deficit") based on percentages for each operator set forth in the aforementioned decree. Since the royal decree-law, costs have exceeded revenues and operators have therefore been obligated to finance the deficit. The amounts financed by each company are recognized by the company as receivables to be recovered from end-users through higher tariffs at a future date, as contemplated by the decree. The total amount of the system-wide recognized deficit accumulated as of 2008 was €13,698 million, a portion of which has been recovered. According to Royal Decree-Law 5/2008 Endesa has been assigned responsibility for financing 44.16% of the peninsular deficit. As of June 30, 2009, the Enel Group's outstanding deficit receivable recorded in Endesa's consolidated balance sheet was equal to €4,100 million.

Royal Decree-Law 6/2009 of April 30, which was published on May 7, 2009, introduced some new measures aimed at relieving Spanish electricity companies from these deficit-financing obligations. The royal decree-law provides for a state guarantee of receivables related to the deficit that were recognized but not securitized and sold before December 31, 2008, as well as further state guarantee for receivables recorded before December 31, 2012. Additionally, the royal decree-law provides for industry-wide caps on the amount of the deficit of €3.5 billion in 2009, €3.0 billion in 2010, €2.0 billion in 2011 and €1.0 billion in 2012, requiring that tariffs be increased so that these caps are not exceeded. Under the royal decree-law, beginning in 2013, tariffs are to be set so as to generate sufficient proceeds to cover the total cost of providing regulated services, thus avoiding the incurrence of further ex ante deficits. However, there can be no assurance that the new measures introduced by the Spanish government will function as intended and that they will not be amended or revoked, or that Spanish electricity companies such as Endesa will not incur additional costs related to such deficits, or be unable to recover existing deficits. See "Regulation—Spanish Regulation—Settlement of Regulated Activities and the Tariff Deficit."

The Group faces significant costs associated with environmental regulation and may be exposed to significant environmental liabilities.

The Group's businesses are subject to extensive environmental regulation on a national, European, and international scale. Applicable environmental regulations address, among other things, carbon dioxide (**CO_2**) emissions, water pollution, the disposal of substances deriving from energy production (including as a result of the decommissioning of nuclear plants), and atmospheric contaminants such as sulfur dioxide (**SO_2**), nitrogen oxides (**No_X**) and particulate matter, among other things.

The Group incurs significant costs to keep its plants and businesses in compliance with the requirements imposed by various environmental regulations. Such regulations require the Group to adopt preventive or remedial measures and influence the Group's business decisions and strategy.

Considering the current public focus on environmental matters, it is not possible to exclude the possibility that more rigorous environmental rules may be introduced at the Italian, Spanish or European level, or that more rigorous measures may be introduced in other countries where the Group operates, which could increase costs or cause the Group to face environmental liabilities—which could themselves increase costs, including clean-up costs, for the Group. Enel is not able to foresee the nature and the potential effects of future regulations on its results of operations. Due to tariff regulations in Italy and other countries in which the Group operates, the Group is largely unable to offset increases in costs incurred for environmental protection with price increases of its own. As a result, new environmental regulation could have a material adverse effect on the Group's business prospects, results of operations and financial condition.

With respect to the control of CO_2 emissions, current European regulations place burdens on the electricity sector relating to the generation or purchase of CO_2 allowances, and these burdens are likely to become more severe in the future. The future introduction of more stringent burdens relating to CO_2 emissions, or any reduction in the availability of CO_2 allowances or offsets on the market (combined with the potential insufficiency of the Group's strategies aimed to reduce its own CO_2 emissions through the use of new technologies), could have a material adverse effect on the business prospects, results of operations and financial condition of Enel and the Group. See "Regulation—Italian Regulation—Environmental Matters—CO_2 Emissions" and "—Spanish Regulation—CO_2 Emissions Allowances" for more information about carbon dioxide-related regulations.

The Group relies on time-limited government concessions in order to conduct many of its business activities.

Group companies are concession-holders in Italy for the management of the Group's gas and electricity distribution networks and hydroelectric power stations. The concession for electricity distribution, which was granted by the Ministry for Economic Development (the **MED**), terminates on December 31, 2030. The Group's hydroelectric power stations in Italy are managed under administrative concessions that are set to expire in 2029, with the exception of those in respect of the power stations located in the autonomous provinces of Trent and Bolzano, which will expire in 2010 and 2020 (the latter date being applicable only to large facilities in the autonomous province of Trent). Endesa's hydroelectric power stations in Spain also operate under administrative concessions, which are set to expire between 2011 and 2067.

With respect to the distribution of gas, the Group operates in Italy under concessions granted by local authorities. Legislative Decree No. 164 of May 23, 2000 introduced temporary provisions regarding the duration of the concessions for gas distribution, effective as from May 2000. Such decree established that: (i) concessions granted through competitive bids are effective until their regular termination, but not later than December 31, 2012; and (ii) concessions granted without competitive bids are effective until their regular termination, but not later than December 31, 2010 in the case of concessions with certain features. Given the current legal framework and the existing concessions, with the exception of the concessions granted by Sicilian cities and other concessions in southern Italy that were publicly financed, the Group's Italian concessions will terminate between 2009 and 2013.

Any of the Group's concessions, including concessions not specifically described above, may not be renewed after they expire or may be renewed only on economic terms that are more burdensome for the Group. In either case, the Group could experience material and adverse effects upon its business prospects, results of operations and financial condition.

The Group faces risks relating to interruptions in service at its facilities or plants.

The Group is continuously exposed to the risk of malfunctions and/or interruptions in service resulting from events outside of the Group's control, including accidents, defects or failures in machinery or control systems. It is also subject to the risk of casualties or other similar extraordinary events. Any such events could result in economic losses, cost increases, or the necessity to revise the Group's investment plans. Additionally, service interruptions or malfunctions—or casualties or other significant events—could result in the Group being exposed to litigation, which could generate obligations to pay damages. Although the Group has insurance coverage, such coverage may prove insufficient to fully offset the cost of paying such damages. Therefore, the occurrence of one of more of the events described above, or other similar events, could have a material adverse effect on the business prospects, results of operations and financial condition of Enel and the Group.

The Group faces risks related to the potential liabilities resulting from energy production through nuclear power plants.

The Group is in the business of nuclear power generation as a result of the Group's interests in Endesa and Slovenské elektrárne. As of December 31, 2008, Endesa owned interests in seven power plants used for nuclear energy production, with a total capacity of 2,442 MW attributed to the Group. Slovenské elektrárne's nuclear generation in Slovakia is carried out at two facilities, Bohunice and Mochovce, which together contain four active reactors, all of which are pressurized-water-technology reactors. As of June 30, 2009, each had a capacity of 440 MW, for a net total of 1,712 MW. In November 2008, work for the completion of units 3 and 4 of the nuclear plant at Mochovce, with a capacity of 1,020 MW, commenced; these units are expected to enter operation during 2012 and 2013, respectively. During the 2006-2008 period, Slovenské elektrárne also managed generation from two V1 reactors at the Bohunice nuclear plant, each with a capacity of 440 MW, which are the property of the Slovakian government-controlled company, JAVYS. These two V1 reactors were decommissioned at the end of 2006 and at the end of 2008, respectively, as a consequence of commitments undertaken by Slovakia in order to enter the European Union.

Although Enel believes that Endesa's and Slovenské elektrárne's nuclear power plants use technologies that are internationally recognized and that they are managed according to Western European standards, ownership and operation of nuclear power plants nonetheless exposes the Group to a series of inherent risks, including those relating to the manipulation, treatment, disposal and storage of radioactive substances and the potential adverse effects thereof on the environment and human health.

Although Slovakia and Spain have ratified international treaties providing for limitations on liabilities resulting from nuclear accidents (€75 million per event in Slovakia and €700 million per event in Spain), the Group could be exposed to liabilities within such limitations. Any nuclear accident or other harmful incident could have a material adverse effect on the business prospects, results of operations and financial condition of Enel and the Group.

Potential risks also arise in relation to the decommissioning of nuclear power plants. The Slovakian government has established a fund to finance the present and future costs associated with the decommissioning of nuclear reactors, but this fund currently has a €2.35 billion deficit, and the Group could potentially face future costs related to decommissioning work at Bohunice or Mochovce, in addition to the amounts that it is already required to contribute to the aforementioned fund pursuant to law (equal to €11,620 per installed MW, per year, plus 5.95% of the revenues derived from Slovenské elektrárne's nuclear generation plants).

The Group is exposed to the risk of increases in the costs of fuel or other raw materials, or disruptions in their supply; it is also exposed to the risk of decreases in the prices obtained for its electricity.

In the ordinary course of business, the Group is exposed to the risk of increases in the costs of fuel or other raw materials, or disruptions in their supply; it is also exposed to the risk of decreases in the prices obtained for its electricity. To mitigate such exposures, the Group has developed a strategy of stabilizing margins by contracting for supplies of fuel and for its deliveries of electricity to end-users in advance. The Group has also implemented a formal procedure that provides for the measurement of its commodity risk, the specification of a ceiling for maximum acceptable risk and the implementation of a hedging strategy using derivatives. In order to limit the risk of interruptions in fuel supplies, the Group has diversified fuel sources, using suppliers from different geographical areas and encouraging the construction of transportation and storage infrastructure. Furthermore, the Group is committed to limit its exposure to commodity price risk through the use of derivative instruments. Nonetheless, the Group has not eliminated its exposures and significant variations in fuel, raw material or electricity prices, or any relevant interruption in supplies, could have a material adverse effect on the business prospects, results of operations and financial condition of Enel and the Group. Moreover, the hedging strategies pursued by the Group may create new risks and exposures and we cannot offer assurance that they will function as intended.

The Group faces risks relating to political, social or economic instability in some of the countries where the Group operates.

The Group operates in certain countries (in particular Russia and certain Latin America countries) that present significant risks related to economic, social and/or political instability. Such countries may also be characterized by inadequate creditors' protection due to the lack of efficient bankruptcy procedures, investment restrictions and significant exchange rate volatility. Enel cannot exclude the possibility that its exposure to unstable emerging markets may ultimately lead to effects or circumstances that are material and adverse to the business prospects, results of operations and financial condition of Enel and the Group.

The Group faces risks relating to the variability of weather.

Electricity and natural gas consumption levels change significantly as a result of climatic changes. Changes in the weather can produce significant differences in energy demand and the Group's sales mix. Significant changes of such nature could adversely affect the business prospects, results of operations and financial condition of Enel and the Group.

Risks relating to the Notes

The Notes may not be a suitable investment for all investors

Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

(i) have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained in this Offering Circular or any applicable supplement;

(ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;

(iii) consider all of the risks of an investment in the Notes, including where the potential investor's currency is not U.S. dollars;

(iv) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes;

(v) understand thoroughly the terms of the Notes and be familiar with the behavior of financial markets; and

(vi) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

There may not be any trading market for the Notes; factors other than our creditworthiness may affect the trading market for and value of the Notes

The Notes will not be listed on any securities exchange or included in any automated quotation system. We cannot assure you that a trading market for the Notes will develop or be maintained in the United States, Europe or elsewhere. Pricing information for the Notes may be difficult to obtain, which may make them less liquid than other investments. If you decide to sell the Notes, there may be a limited number of buyers (if any) or there may be a surplus of debt securities of other issuers available with similar credit, maturity and other structural characteristics. The trading market for, and current market value of, the Notes may be affected by the level, direction and volatility of market interest rates. These and other factors unrelated to Enel's creditworthiness may affect the price you receive for the Notes or your ability to sell them at all. You should not purchase the Notes unless you understand and know you can bear the related investment risks.

The Notes and the Guarantee do not contain financial covenants, change in control provisions or similar limitations on the Group's flexibility

The terms and conditions of the Notes and the Guarantee do not contain any covenants or other provisions designed to protect holders of the Notes against a reduction in the creditworthiness of the Issuer or the Guarantor or that would prohibit the Group from increasing its indebtedness or prohibit Enel or its affiliates from engaging in other transactions that might adversely affect holders of the Notes, including transactions involving a change in control or a business combination, acquisition or disposition of assets.

In addition, there are certain risks relating to the Notes generally, including:

Modification, waivers and substitution

The conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority. In particular, under the conditions of the Notes, an Extraordinary Resolution (as defined in the Agency Agreement) may be passed by the holders of only three quarters of the Notes voted at a meeting to reduce or cancel amounts due under the Notes, including principal. For a description of the necessary quorum for an Extraordinary Resolution, see Condition 15 (Meetings of Noteholders, modification and waiver) under "Terms and conditions of the Notes."

The conditions of the Notes also provide that Enel S.A. may at any time, without the consent of the Noteholders, substitute Enel for itself as principal debtor under the Notes, in the circumstances described in Condition 16 of the conditions of the Notes. See also "Certain tax considerations—United States federal income taxation—Sale, exchange, retirement, or other taxable disposition of Notes."

EU Savings Directive

Under EU Council Directive 2003/48/EC on the taxation of savings income (the **EU Savings Directive**), Member States are required to provide to the tax authorities of another Member State details of payments of interest (and other similar income) paid by a person within its jurisdiction to an individual resident or certain other types of entity established in that other Member State. However, for a transitional period, Belgium, Luxembourg and Austria may instead (unless during that period they elect otherwise) operate a withholding system (subject to a procedure whereby, on meeting certain conditions, the beneficial owner of the interest or other income may request that no tax be withheld) in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories have adopted similar measures.

If a payment on the Notes were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of tax were to be withheld from that payment, neither the Issuer nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. The Issuer is required to maintain a Paying Agent in a Member State that is not obliged to withhold or deduct tax pursuant to the EU Savings Directive.

On November 13, 2008, the European Commission published a proposal for amendments to the EU Savings Directive, which included a number of suggested changes which, if implemented, would broaden the scope of the requirements described above. Investors who are in any doubt as to their position should consult their professional advisers.

Change of law

The conditions of the Notes are based on English law in effect as at the date of this Offering Circular. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of this Offering Circular.

Notes subject to optional redemption by the Issuer

The optional redemption feature of the Notes may limit their market value. During any period when the Issuer may elect to redeem the Notes, the market value of the Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

The Issuer may be expected to redeem the Notes when its cost of borrowing is lower than the interest rate on the Notes. At these times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

Risks related to the market generally

Set out below is a brief description of the principal market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

The secondary market generally

The Notes will have no established trading market when issued, and one may never develop. If a market does develop, it may not be very liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. Illiquidity may have a severely adverse effect on the market value of Notes.

Exchange rate risks and exchange controls

The Issuer will pay principal and interest on the Notes and, if relevant, the Guarantor will make any payments under the Guarantee in U.S. Dollars. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the **Investor's Currency**) other than the U.S. Dollar. These include the risk that exchange rates may significantly change (including changes due to devaluation of the U.S. Dollar or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the U.S. Dollar would decrease (1) the investor's currency-equivalent yield on the Notes, (2) the investor's currency-equivalent value of the principal payable on the Notes and (3) the Investor's Currency equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Interest rate risks

The Notes will bear interest at a fixed rate, which involves the risk that subsequent changes in market interest rates may adversely affect the value of the Notes.

Credit ratings may not reflect all risks

One or more independent credit rating agencies may assign credit ratings to the Notes. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

Legal investment considerations may restrict certain investments

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) Notes are legal investments for it, (2) Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisors or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk based capital or similar rules.

Use of proceeds

We estimate that the net proceeds from the sale of the Notes will be approximately U.S.$4,453,245,000, after deducting underwriting discounts and commissions from the issuance of the Notes. Enel expects that such net proceeds will be used for general corporate purposes, including the repayment of existing indebtedness. See "Capitalization" on the following page.

Capitalization

The following table sets forth the Enel Group's capitalization as of June 30, 2009 on (a) an actual basis; (b) an adjusted basis to give effect to the issuance on September 17, 2009 by Enel S.A. of €1,500 million fixed-rate 4.00% notes due 2016, €2,500 million fixed-rate 5.00% notes due 2022, £850 million fixed-rate 5.625% notes due 2024 and £1,400 million fixed-rate 5.75% notes due 2040 (collectively, the **Eurobonds**) and the expected use of proceeds therefrom; and (c) a further adjusted basis to give effect to the issuance of the Notes and the expected use of proceeds therefrom, in the case of (b) and (c) as though the issuance of the Eurobonds and the Notes and use of proceeds therefrom had occurred on June 30, 2009.

Prospective investors should read this table in conjunction with the sections herein entitled "Risk Factors," "Use of Proceeds," "Selected Financial Data" and "Presentation of financial and other information."

	As of June 30, 2009 (historical)	As of June 30, 2009 (as adjusted)	As of June 30, 2009 (as further adjusted)
		(€ millions)	
Cash and Cash Equivalents	3,410	3,410	3,410
Financial Indebtedness:			
Short-Term Financial Indebtedness (including current portion of long term debt)	12,956	9,700(1)	8,095(2)
Long-Term Financial Indebtedness (excluding current portion of long term debt)	53,281	49,896(1)	48,291(2)
Eurobonds	–	6,641(1)(3)	6,641(1)(3)
Notes offered hereby	–	–	3,210(2)(4)
Total Financial Indebtedness	**66,237**	**66,237**	**66,237**
Shareholders' Equity:			
Share capital	9,390	9,390	9,390
Legal reserve	1,453	1,453	1,453
Other reserves	6,311	6,311	6,311
Retained earnings	9,089	9,089	9,089
Net income	3,524	3,524	3,524
Total equity attributable to shareholders of the Parent Company	29,767	29,767	29,767
Equity attributable to minority interests	11,070	11,070	11,070
Total Shareholders' Equity	**40,837**	**40,837**	**40,837**
TOTAL CAPITALIZATION	**107,074**	**107,074**	**107,074**

(1) Assumes that €5,891 million was utilized to repay long-term indebtedness (including the current portion of long-term debt) on both a mandatory basis in accordance with the terms of the 2007 Credit Agreement and 2009 Credit Agreement Supplement and, partially on a voluntary basis with the remainder being utilized to reduce short-term indebtedness. See "Management's discussion and analysis of financial condition and results of operations—Debt and liquidity—Covenants related to long-term financing—2007 Credit Agreement and 2009 Credit Agreement Supplement covenants and €5 Billion revolving credit line covenants."

(2) Assumes the use of 50% of the aggregate principal amount of the Notes will be utilized to mandatorily repay long-term indebtedness in accordance with the terms of the 2007 Credit Agreement and 2009 Credit Agreement Supplement and 50% of the aggregate principal amount of the Notes will be used to reduce short-term indebtedness. See "Management's discussion and analysis of financial condition and results of operations—Debt and liquidity—Covenants related to long-term financing—2007 Credit Agreement and 2009 Credit Agreement Supplement covenants and €5 Billion revolving credit line covenants." See also "Use of Proceeds."

(3) The aggregate principal amount of the Notes of £2.25 billion, converted into euro at €1.00 = £0.8518, from the Bank of England spot exchange rate for converting pounds sterling to euro on June 30, 2009.

(4) The aggregate principal amount of each of the Notes of $1,250 million, $1,750 million and $1,500 million, respectively, converted into euro at $1.00 = €0.7133, the noon buying rate on June 30, 2009.

Selected financial data

The following tables set forth summary financial information of the Group as of and for the periods indicated.

With the exception of certain non-IFRS financial measures discussed in "Presentation of financial and other information," the Group's financial information as of and for the years ended December 31, 2008, 2007 and 2006 included in this Offering Circular has been derived from the Group's audited consolidated financial statements as of and for the years ended December 31, 2008, 2007 and 2006 prepared in accordance with IFRS endorsed by the European Union and the Italian regulation implementing Article 9 of Legislative Decree No. 38/05 and included elsewhere herein (the **Audited Financial Statements**). Unaudited condensed interim consolidated financial information as of and for the six months ended June 30, 2009 and 2008 included in this Offering Circular has been derived from the Group's unaudited interim consolidated financial statements as of and for the six months ended June 30, 2009 prepared in accordance with IFRS and IAS 34, and included elsewhere herein (the **Unaudited Condensed Interim Consolidated Financial Statements**). Interim results for the first six months of 2009 are not necessarily indicative of the results of operations that may be expected for any other interim period in 2009 or for the full year.

On October 5, 2007 we completed a tender offer for shares of Endesa and, as a result, we owned 67.05% of Endesa from that date. On June 25, 2009, we purchased an additional 25.01% stake in Endesa, which increased our stake in Endesa to 92.06%. See "Business description—Recent significant transactions and related material agreements—Acquisition of Endesa."

Primarily as a result of the acquisition of Endesa and other entities in recent periods, the financial information and financial data (including with respect to the Group's electricity generation capacity, electricity production, electricity distribution, network dimensions and number of employees, among other things) as of and for the years ended December 31, 2008 and 2007 and as of and for the periods ended June 30, 2009 and 2008 have been subject to different consolidation regimes, have been restated and/or reflect changes to the segmentation of our business. Consequently these financial statements are not easily comparable.

Endesa consolidation

Endesa was consolidated to reflect the 67.05% proportional share owned by Enel, for approximately three months in 2007 (from the acquisition date on October 5, 2007) as compared to twelve months in 2008. For the two six month periods as of and for the period ended June 30, 2009 and 2008, Endesa was consolidated (i) for income statement purposes to reflect the 67.05% proportional share owned by Enel in both periods and (ii) for balance sheet purposes, to reflect the 67.05% proportional share owned by Enel as of June 30, 2008 and using the full consolidation method as of June 30, 2009, thereby including 100% of Endesa. See "Presentation of financial and other information—Endesa consolidation" herein for more information.

Restatements

The 2007 financial statements were restated in 2008 to reflect variation in purchase price allocations relating to the Endesa acquisition. The Group's financial statements as of and for the year ended December 31, 2007 were prepared on the basis of provisional fair values for the acquired assets, liabilities and contingent liabilities, since the purchase price allocation process had not yet been completed. At the time of the preparation of the Group's audited financial statements as of and for the year ended December 31, 2008, the aforementioned purchase price allocation process had been completed and it indicated variations from the initial accounting determined provisionally and used in the 2007 audited financial statements. As a result, solely for purposes of the 2008 Audited Financial Statements, data for the 2007 comparison-year was restated to conform to the definitive valuations of acquired assets, liabilities and contingent liabilities. In this section, as well as in other sections of the Offering Circular, restated 2007 financial data is presented alongside 2008 data for comparison purposes only, just as it is in the 2008 Audited Financial Statements. In addition, in accordance with IFRS 5, the restated 2007 comparison-year financial information has also been modified from the 2007 Audited Financial Statements to reflect the reclassification to "discontinued operations" of the Group's Italian gas distribution business, given the advanced stage of negotiations for the sale of that business as of December 31, 2008, and this fact is reflected in the restated 2007 data set forth herein.

With regard to the Unaudited Condensed Interim Consolidated Financial Statements, data in the income statement and the statement of cash flows for the first six months of 2008 have been restated for the same reasons described in the foregoing paragraph: (i) the completion of the Endesa purchase-price allocation after the preparation of the original income statement and statement of cash flows for the first six months of 2008; and (ii) the reclassification of items from the gas distribution network to discontinued operations. In each case, these adjustments were made in the Group's published interim financial statements for the sake of comparability between data for the six-month periods ended June 30, 2009 and 2008, respectively, and have been preserved herein.

The summary financial data in the tables below should be read together with the Audited Financial Statements and the Unaudited Condensed Interim Consolidated Financial Statements, including the notes thereto, which are included elsewhere in this Offering Circular. See also "Presentation of financial and other information," "Risk Factors," "Management's discussion and analysis of financial condition and results of operations" and "Capitalization" herein.

Income statement data

The following table sets forth summary consolidated income statement data of the Enel Group for the years ended December 31, 2008, 2007 (as originally reported, and as restated) and 2006, and for the six-month periods ended June 30, 2009 and 2008.

	Year ended December 31,				Six months ended June 30,	
	2008	**2007 (restated)**	**2007**	**2006**	**2009**	**2008 (restated)**
	(€ million, except per share amounts)					
Revenues	61,184	43,688	43,673	38,513	28,457	29,324
Income from equity exchange transaction	–	–	–	263	–	–
Costs	51,623	36,871	36,647	32,343	22,465	24,373
Net income/charges from commodity risk management	(20)	(36)	(36)	(614)	(413)	76
Operating income	**9,541**	**6,781**	**6,990**	**5,819**	**5,579**	**5,027**
Financial income	2,596	2,128	2,101	513	2,141	1,176
Financial expense	5,806	3,013	3,015	1,160	2,350	2,606
Share of income/(expense) from equity investments accounted for using the equity method	48	12	12	(4)	21	27
Income before taxes	**6,379**	**5,908**	**6,088**	**5,168**	**5,391**	**3,624**
Income taxes	585	1,956	2,002	2,067	1,333	740
Income from continuing operations	**5,794**	**3,952**	**4,086**	**3,101**	**4,058**	**2,884**
Income from discontinued operations	**240**	**179**	**127**	**–**	**(84)**	**235**
Net income for the year/period (shareholders of the Parent Company and minority interests)	**6,034**	**4,131**	**4,213**	**3,101**	**3,974**	**3,119**
Attributable to minority interests	741	215	236	65	450	380
Attributable to shareholders of the Parent Company	5,293	3,916	3,977	3,036	3,524	2,739
Earnings per share (euros)	0.98	0.67	0.68	0.50	0.56	0.44

Balance sheet data

The following table sets forth summary consolidated balance sheet data of the Enel Group as of December 31, 2008, 2007 (as originally reported, and as restated) and 2006, and as of June 30, 2009.

	As of June 30, 2009	As of December 31, 2008	2007 (restated)	2007	2006
			(€ millions)		
Non-current assets	127,223	100,318	94,956	93,339	41,500
Current assets	29,027	27,638	22,176	22,176	13,000
Assents held for sale	3,264	5,251	13,719	8,233	–
Total assets	**159,514**	**133,207**	**130,851**	**123,748**	**54,500**
Equity attributable to the shareholders of the Parent Company	29,767	20,398	19,553	19,631	18,460
Equity attributable to minority interests	11,070	5,897	7,080	4,158	565
Total shareholders' equity	**40,837**	**26,295**	**26,633**	**23,789**	**19,025**
Non-current liabilities	80,817	74,301	74,862	70,845	22,642
Current liabilities	36,646	30,810	25,017	24,997	12,833
Liabilities held for sale	1,214	1,791	4,339	4,117	–
Total Liabilities	**118,677**	**106,912**	**104,218**	**99,959**	**35,475**
Total liabilities and shareholders' equity	**159,514**	**133,207**	**130,851**	**123,748**	**54,500**

Statement of cash flow data

The following table sets forth summary consolidated cash-flow statement data of the Enel Group for the years ended December 31, 2008, 2007 (as originally reported, and as restated) and 2006, and for the six-month periods ended June 30, 2009 and 2008.

	Year ended December 31,				Six months ended June 30,	
	2008	2007 (restated)	2007	2006	2009	2008 (restated)
			(€ millions)			
Cash flow from operating activities	10,510	6,070	6,070	6,756	2,614	3,785
Cash flow from (investing)/disinvesting activities	(2,140)	(35,353)	(35,353)	(2,374)	(9,161)	2,242
Cash flow from financing activities	(4,510)	30,226	30,226	(4,322)	4,706	(98)
Impact of exchange rate fluctuations on cash and cash equivalents	(112)	(52)	(52)	4	115	2
Increase/(Decrease) in cash and cash equivalents	**3,748**	**891**	**891**	**64**	**(1,726)**	**5,931**

Other financial information and indicators

The following table sets forth certain non-IFRS information used by the Company's management to monitor and evaluate the economic and financial performance of the Group. These indicators, "gross operating margin" or "EBITDA," and "Net Financial Debt," are not recognized as accounting standards within the IFRS adopted by the European Union, and therefore must not be considered as alternatives to any measures of performance under IFRS. Investors should not place undue reliance on these non-IFRS measures and should not consider either of these measures to be indicative of the Group's historical operating results or financial condition; nor are they meant to be predictive of future results. Since companies generally do not calculate these measures in an identical manner, Enel's measures may not be consistent with similar measures used by other companies. For this reason also, investors should not place undue reliance on non-IFRS financial measures.

	As of December 31,				As of June 30,	
	2008	2007 (restated)	2007	2006	2009	2008 (restated)
	(€ millions)					
Gross operating margin (EBITDA)	14,318	9,840	10,023	8,019	7,939	7,322
Net Financial Debt	49,967	55,791	55,791	11,690	55,764	49,967[(1)]

(1) As of December 31, 2008

The following tables demonstrate the methodology used by the Enel Group to determine its gross operating margin (EBITDA) and its Net Financial Debt.

Gross Operating Margin

	As of December 31,				As of June 30,	
	2008	2007 (restated)	2007	2006	2009	2008 (restated)
	(€ millions)					
Operating income	9,541	6,781	6,990	5,819	5,579	5,027
Plus: Depreciation, amortization and impairment losses	4,777	3,059	3,033	2,463	2,360	2,295
Less: Income from equity exchange transaction	–	–	–	(263)	–	–
Gross operating margin (EBITDA)	**14,318**	**9,840**	**10,023**	**8,019**	**7,939**	**7,322**

Net Financial Debt

	As of June 30, 2009	As of December 31, 2008	2007 (restated)	2007	2006
			(€ millions)		
Long-term debt:					
Long-term debt	53,281	51,045	52,155	52,155	12,194
Long-term financial receivables and securities	(4,802)	(2,891)	(1,339)	(1,339)	(1,090)
Net long-term debt	**48,479**	**48,154**	**50,816**	**50,816**	**11,104**
Short-term debt:					
Short-term debt	12,956	8,577	8,014	8,014	1,409
Short-term financial receivables[1]	(2,204)	(1,585)	(1,704)	(1,704)	(251)
Cash and cash equivalents[2]	(3,467)	(5,179)	(1,335)	(1,335)	(572)
Net short-term financial debt	**7,285**	**1,813**	**4,975**	**4,975**	**586**
NET FINANCIAL DEBT	**55,764**	**49,967**	**55,791**	**55,791**	**11,690**
Financial debt of "Assets held for sale"	***637***	***795***	***1,725***	***1,725***	–

(1) Short-term financial receivables is comprised of long-term financial receivables, factoring receivables and other short-term financial receivables.

(2) The €3,467 million as of June 30, 2009 includes €57 million of short-term securities.

Management's discussion and analysis of financial condition and results of operations

The following is a discussion and analysis of the Group's results of operations and financial condition as of and for the years ended December 31, 2008, 2007 and 2006, and as of June 30, 2009 and for the six-month periods ended June 30, 2009 and 2008. Financial data included in the below discussion has been derived from the Group's Audited Financial Statements and the Group's Unaudited Condensed Interim Consolidated Financial Statements, with the exception of data concerning the Group's "Gross operating margin" or "EBITDA," which is a non-IFRS financial measure used by the Company's management. The Group's "Net Financial Debt," a further non-IFRS financial measure used by the Company's management is also discussed below. You should read this discussion in conjunction with the sections entitled "Presentation of Financial and Other Information," "Selected Financial Data" and "Capitalization," as well as the financial statements included elsewhere herein.

This discussion includes forward-looking statements which, although based on assumptions that Enel considers reasonable, are subject to risks and uncertainties which could cause actual events or conditions to differ materially from those expressed or implied by the forward-looking statements. See "Forward-Looking Statements" and, for a discussion of risks and uncertainties facing the Group, also see "Risk Factors."

Overview

The Enel Group is the leading electricity operator in both Italy and Spain and one of the leading global operators in the fields of generation, distribution and sales of electricity.

On October 5, 2007 the Group completed a tender offer for shares of Endesa, the leading operator in the Spanish electricity sector, with significant operations in other European countries and Latin America and, as a result, the Group owned 67.05% of Endesa from that date. On June 25, 2009, Enel purchased a further 25.01% stake in Endesa's share capital, and as a result now holds a 92.06% stake. See "Business description—Recent significant transactions and related material agreements—Acquisition of Endesa."

The Group had operational generation plants (thermal, hydroelectric, geothermal and other plants) with a total net efficient capacity of 95.4 GW as of June 30, 2009 and 83.3 GW as of December 31, 2008. For the six-month period ending June 30, 2009, the Group's net production of electricity amounted to 122.4 TWh, and its distribution of electricity amounted to 179.9 TWh. For the year ended December 31, 2008, the Group's net production of electricity amounted to 253.2 TWh, while its distribution of electricity amounted to 393.5 TWh. The change from December 31, 2008 to June 30, 2009 in the amount of total net efficient capacity and net production of electricity was primarily due to the change in consolidation of Endesa discussed above.

The following table sets forth key operating data for the Group as or and for the year ended 2008 and as of and for the six-month period ended June 30, 2009, in Italy and abroad.

	As of and for the year ended December 31, 2008			As of and for the six months ended June 30, 2009		
	Italy	Abroad	Total	Italy	Abroad	Total
Net electricity production (TWh)[1]	96.3	156.9	253.2	42.3	80.1	122.4
Net efficient capacity (GW at period end)[2]	40.3	43.0	83.3	40.3	55.1	95.4
Electricity conveyed through the grid (TWh)[1]	257.9	135.6	393.5	118.1	61.8	179.9
Electricity sold (TWh)[1][3]	137.2	133.2	270.4	64.3	66.7	131.0
Number of end-users of the electric business (in millions at period end)[2]	30.5	18.8	49.3	29.8	27.0	56.8

(1) Includes results for the Group's 67.05% proportional share of Endesa for the entire period presented.

(2) Figures as of December 31, 2008 include results for the Group's 67.05% proportional share of Endesa for the entire period presented, and figures as of June 30, 2009 include all of the assets of Endesa.

(3) Transfers to resellers excluded.

The Enel Group is one of the principal international operators in the development and management of energy production from renewable resources, with over 500 operational plants and a net efficient capacity of 4,464 MW, as of December 31, 2008, split among wind, solar, geothermal and hydroelectric plants, as well as production from biomasses.

The Group also imports, distributes and sells natural gas in Italy, Spain and elsewhere. The Group sold approximately 8.2 billion cubic meters of gas worldwide in 2008 and 4.1 billion cubic meters of gas worldwide in the six-month period ending June 30, 2009. See "Business description—Significant events in 2008 and 2009—Sale of 80% equity stake in Enel Rete Gas" regarding the sale of our Italian gas distribution business.

In the first six months of 2009, the Group's total revenues were €28,457 million (compared to €29,324 million for the same period in 2008) and the net income attributable to shareholders of the Parent Company was €3,524 million (compared to €2,739 million for the same period in 2008). In 2008, the Group's total revenues were €61,184 million (compared to €43,688 million in 2007), and the net income attributable to shareholders of the Parent Company was €5,293 million (compared to €3,916 million in 2007).

As of June 30, 2009, the Group employed a total of 83,749 employees, of which 39,594 were employed in Italy and 44,155 were employed abroad (including all of Endesa's employees as of the period end).

Acquisitions and presentation and comparability of recent financial statements

Primarily as a result of the acquisition of Endesa and other entities in recent periods, the financial information and financial data (including with respect to the Group's electricity generation capacity, electricity production, electricity distribution, network dimensions and number of employees, among other things) as of and for the years ended December 31, 2008 and 2007 and as of and for the periods ended June 30, 2009 and 2008 have been subject to different consolidation regimes, have been restated and/or reflect changes to the segmentation of our business. Consequently these financial statements are not easily comparable.

Endesa consolidation

Endesa was consolidated to reflect the 67.05% proportional share owned by Enel, for approximately three months in 2007 (from the acquisition date on October 5, 2007) as compared to twelve months in 2008. For the two six month periods as of and for the period ended June 30, 2009 and 2008, Endesa was consolidated (i) for income statement purposes to reflect the 67.05% proportional share owned by Enel in both periods and (ii) for balance sheet purposes, to reflect the 67.05% proportional share owned by Enel as of June 30, 2008 and using the full consolidation method as of June 30, 2009, thereby including 100% of Endesa. See "Presentation of financial and other information—Endesa consolidation" herein for more information.

Restatements

The 2007 financial statements were restated in 2008 to reflect variation in purchase price allocations relating to the Endesa acquisition. The Group's financial statements as of and for the year ended December 31, 2007 were prepared on the basis of provisional fair values for the acquired assets, liabilities and contingent liabilities, since the purchase price allocation process had not yet been completed. At the time of the preparation of the Group's audited financial statements as of and for the year ended December 31, 2008, the aforementioned purchase price allocation process had been completed and it indicated variations from the initial accounting determined provisionally and used in the 2007 audited financial statements. As a result, solely for purposes of the 2008 Audited Financial Statements, data for the 2007 comparison-year was restated to conform to the definitive valuations of acquired assets, liabilities and contingent liabilities. In this section, as well as in other sections of the Offering Circular, restated 2007 financial data is presented alongside 2008 data for comparison purposes only, just as it is in the 2008 Audited Financial Statements. In addition, in accordance with IFRS 5, the restated 2007 comparison-year financial information has also been modified from the 2007 Audited Financial Statements to reflect the reclassification to "discontinued operations" of the Group's Italian gas distribution business, given the advanced stage of negotiations for the sale of that business as of December 31, 2008, and this fact is reflected in the restated 2007 data set forth herein.

With regard to the Unaudited Condensed Interim Consolidated Financial Statements, data in the income statement and the statement of cash flows for the first six months of 2008 have been restated for the same reasons described in the foregoing paragraph: (i) the completion of the Endesa purchase-price allocation after the preparation of the original income statement and statement of cash flows for the first six months of 2008; and (ii) the reclassification of items from the gas distribution network to discontinued operations. In each case, these adjustments were made in the Group's published interim financial statements for the sake of comparability between data for the six-month periods ended June 30, 2009 and 2008, respectively, and have been preserved herein.

Segmentation changes

During 2008, as part of the evolution of Enel's operational and strategic management and in light of the acquisitions and divestitures described herein, the Company modified its business segments, or "divisions," for management and financial reporting purposes. For purposes of the Group's 2008 Audited Financial Statements, Enel was organized into the following seven operating divisions (each of which constituted a separate financial reporting segment): "Sales," "Generation and Energy Management," "Iberia and Latin America," "International," "Engineering and Innovation," "Infrastructure and Networks," and "Renewable Energy," as well as a "Services and Other Activities" area. The Latin America and Iberia division and the Engineering and Innovation division were created as of January 1, 2008, while the Renewable Energy division was created in September 2008. The other four operating divisions and the "Services and Other Activities" area are successors to divisions in existence in 2007.

As result of the foregoing, Enel's originally reported 2007 results have been re-segmented for purposes of the restated 2007 financial data included for comparison-year purposes in the 2008 financial statements. In particular, the financial data for the new Engineering and Innovation division was originally reported as part of the Generation and Energy Management division (formerly the "Domestic Generation and Energy Management" division), the financial data for the new Iberia and Latin America division was originally reported as part of the International division and the financial data for the new Renewable Energy division was originally reported as part of:

- the Generation and Energy Management division (in the case of non-programmable hydro-electric plants, geothermal plants and wind and solar power);
- the International division (in the case of International Wind Parks of Thrace S.A. (**International Wind Parks of Thrace**), Wind Parks of Thrace S.A. (**Wind Parks Thrace**), International Wind Power S.A. (**Wind Power**), International Wind Parks of Crete S.A. (**Wind Parks Crete**), Hydro Constructional S.A. (**Hydro**), Enel Green Power Bulgaria EAD (**Green Power Bulgaria**), Blue Line Impex S.r.l. (**Blue Line**), Enel North America Inc. (**Enel North America**), Enel Erelis S.a.s. (**Enel Erelis**), Enel Latin America LLC (**Enel Latin America**), Inelec, Americas Generation Corporation and Enel Unión Fenosa Renovables S.A. (**Enel Unión Fenosa Renovables**) (Latin American renewable energy assets were temporarily part of the Iberia and Latin America division between the time of its creation on January 1, 2008 and the time of the creation of the Renewable Energy division in September 2008; however, this is not relevant to the 2008 year-end financial statements); and
- the Sales division (in the case of Enel.si—Servizi integrati S.r.l (**Enel.si**)).

As a result, and in order to preserve continuity with Enel's home-country financial reporting and the Audited Financial Statements, the following information regarding the Group's full-year results of operations is divided into a discussion of the 2008 results, as compared to the restated and re-segmented 2007 results, and a discussion of the 2007 results (as originally reported, and in accordance with the segmentation used in 2007 and 2006), compared to the 2006 results.

Because the Renewable Energy division was formed later than the first half of 2008, to preserve comparability, there was also a need for the originally reported results for the first half of 2008 to be re-segmented for purposes of the Group's Unaudited Condensed Interim Consolidated Financial Statements as of and for the six months ended June 30, 2009. This re-segmentation is reflected in the following discussion of financial results for the period ended June 30, 2009 and 2008.

Key factors affecting the Group's results of operations

Among the primary factors affecting the Group's results of operations in respect of the periods under consideration are the following:

- *Acquisitions and divestitures:* Over the past two years, the single largest factor affecting the Group's results of operations has been its acquisition of interests in new consolidated subsidiaries, including, most significantly, Endesa. These acquisitions are discussed in detail under "—Acquisitions and divestitures" below, as well as under "Recent significant transactions and related material agreements."
- *Leverage:* In recent periods, the Group has significantly increased its leverage, largely in order to finance the acquisitions. The Group's Net Financial Debt has increased from €11,690 million as of December 31, 2006 to €55,764 million as of June 30, 2009. "See—Debt and liquidity" below. As a result of its increasing debt burden, the Group's financial expense increased from €1,160 million in the year ended December 31, 2006 to €5,806 million in the year ended December 31, 2008 (for the six months ended June 30, 2009 financial expense decreased to €2,350 million from €2,606 million in same period in 2008). See "Risk Factors—Risks Related to the Enel Group—The Enel Group is burdened by significant indebtedness, which it must generate sufficient cash flow to service." In addition, Enel issued a multi-tranche bond under the Programme on September 17, 2009. The notes, denominated in euros and pounds sterling, had an aggregate principal amount as of the issue date of over €6,500 million. The four tranches issued were: €1,500 million fixed-rate

4.00% notes due 2016; €2,500 million fixed-rate 5.00% notes due 2022; £850 million fixed-rate 5.625% notes due 2024; and £1,400 million fixed-rate 5.75% notes due 2040.

- *Regulation and Competition:* Nearly every aspect of the Group's business is subject to regulation in some manner or another. Regulators determine the level of energy market competition permitted in their respective jurisdictions and, in certain markets, determine—or mandate the procedures for the determination of—the prices charged for the Group's electricity and natural gas. Other laws and regulations influence the Group's environmental protection costs (including CO_2 abatement costs), among other things. See the section entitled "Regulation" herein.

Acquisitions and divestitures

Between 2006 and 2008, the Group's financial results were significantly impacted by a number of acquisitions and divestitures, the most important of which was the acquisition of 67.05% of Endesa's share capital in 2007 for a total purchase price of €28,211 million and the further purchase on June 25, 2009 of a 25.01% stake in Endesa's share capital for €9,627 million, which gave Enel a 92.06% stake and full control of Endesa.

In addition to its acquisition of Endesa, Enel has also engaged in other significant acquisitions and divestitures in the periods under consideration (references in this paragraph to "Enel" refer to Enel acting directly or indirectly though its subsidiaries), including: (i) on April 28, 2006, for consideration of €840 million, Enel acquired 66% of the share capital of Slovenské elektrárne, a company active in the electrical generation sector in Slovakia; (ii) on April 4, 2007, for consideration of €700 million, Enel acquired a 40% interest in SeverEnergia LLC (**SeverEnergia**), a company that subsequently purchased a portfolio of assets in the gas sector; due to Enel's joint control with Eni S.p.A. (**Eni**), SeverEnergia was consolidated on a proportional basis in the Group's 2007 and 2008 annual financial statements; (iii) in several transactions beginning on June 6, 2007, Enel acquired 55.86% of the Russian electrical generation company OGK-5 (Generation Company No. 5), for total consideration (net of disposals) of €2,466 million; (iv) on April 25, 2008, for consideration of €395 million, Enel acquired 50% of the share capital of Electrica Muntenia, which was subsequently reorganized into Enel Distributie Muntenia S.A. (**Enel Distributie Muntenia**) and Enel Energie Muntenia S.A. (**Enel Energie Muntenia**) (Enel also subscribed for new shares in a contemporaneous capital increase, bringing its total participation to approximately 64.4%); (v) on June 26, 2008, certain assets and liabilities were transferred outside the Group pursuant to contracts between Enel and Acciona (dated March 26, 2007) and among Enel, Acciona and E.On AG (**E.On**) (dated April 2, 2007 and March 18, 2008), resulting in cash flow to the Group of €6,773 million; (vi) on July 25, 2008, for consideration of €338 million, Enel disposed of 51% of the share capital of Hydro Dolomiti Enel S.r.l. (**HDE**); and (vii) effective as of April 1, 2009, Enel Distribuzione transferred the entire share capital of Enel Linee Alta Tensione S.r.l. (ELAT), a wholly-owned subsidiary of Enel Distribuzione, to Terna for €1,152 million. For descriptions of these and other transactions affecting the Group's scope of consolidation, see "Business description—Significant events in 2008 and 2009," "Business description—The organizational structure of the Enel Group," "Business description—Recent significant transactions and related material agreements," "Business description—International Division—Central Europe—Slovakia," "Business description—International Division—Russia."

Critical accounting policies

The Group's results of operations, as presented below, are based on the application of IFRS. The application of these principles often requires management to make certain judgments, assumptions and estimates that may result in different financial presentations. The Company believes that certain accounting principles are critical in terms of understanding the Group's financial statements. The Company believes that the Group's most critical accounting policies are the following:

Use of estimates

The preparation of financial statements in compliance with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities, revenues and expenses during the reporting period and the disclosure required with respect to contingent assets and liabilities at the date of the financial statements. The estimates and the related assumptions the Group uses are based on the Group's previous experience and other factors that the Group deems relevant under the circumstances. The Group uses such estimates when the carrying amount of assets and liabilities may not be determined from other sources. Furthermore, certain accounting principles require subjective and complex judgments used in the preparation of financial statements. Accordingly, a different financial presentation could result depending on the judgment, estimates or assumptions that are used.

Such estimates and assumptions, regard, but are not specifically limited to: depreciation, amortization, interest rates, discount rates, future commodity prices, investment returns, international economic policy, future costs associated with long-term contractual obligations and future compliance costs associated with environmental regulations. Actual results could materially differ from estimates or assumptions.

Revenue recognition

Revenues from sales to retail and wholesale customers are recognized on an accrual basis. Revenues from sales of electricity and gas to retail clients are recognized when the power and gas are provided to clients on the basis of periodic meter readings and include an estimate of the value of the power and gas consumed from the meter reading date to the end of the period. Revenues for the period after the date of the reading to the end of the period are estimated on the basis of estimates of the daily consumption of the client based on his historical profile, adjusted to reflect weather and other factors affecting consumption.

Pensions and other post-employment benefits

Many of the Group's employees are covered by pension plans, which provide retirement benefits based upon their historical earnings and years of service. Certain employees are also covered by other post-retirement benefit plans. The Group's calculation of the estimated expenses and liabilities related to these plans is based on estimations provided by the Group's actuarial consultants who use a combination of factors, including statistical data from past years and predictions about future expenses. The Group considers quantifiable factors, such as withdrawal and mortality rates, along with assumptions about future changes in the discount rate and the rate of future compensation increases, and analyses of trends in health care costs. These estimates may differ materially from actual results due to changing market and economic conditions, higher or lower withdrawal rates, longer or shorter life spans of participants and changes in the actual costs of health care. These differences may have a significant impact on the amount of pension and other post-retirement benefit expenses recorded.

Recoverability of non-current assets

The Group periodically reviews the carrying value of its long-lived assets held and used and that of assets to be disposed of, including goodwill and other intangible assets, when events and circumstances warrant such a review. If the carrying value of a long-lived asset group is considered impaired, an impairment charge is recorded for the amount by which the carrying value of the long-lived asset group exceeds its estimated recovery value, in relation to its use or realization, as determined by reference to the most recent corporate plans. Management believes that the estimates of these recovery values are reasonable; however, changes in estimates of such recovery values could affect the relevant valuations. The analysis of each long-lived asset group is unique and requires management to use certain estimates and assumptions that are deemed prudent and reasonable for a particular set of circumstances.

With regard to mineral assets, the recoverability of these assets involves the application of estimates on the measurement of natural gas reserves using engineering techniques. In order to define a reserve as being certain, thereby identifying the quantity of natural gas that can be extracted with reasonable certainty over time, it is necessary to verify the existence of certain geological and engineering characteristics. Nonetheless, this assessment is often subject to change in response to changing conditions.

Recoverability of deferred tax assets

The Group has recorded deferred tax assets for tax loss carry-forwards in an amount that the Company believes is more likely than not to be recovered. The recoverability of the deferred tax assets associated with the tax loss carry-forwards are subject to the achievement of future profitability by the entities that recorded such losses. While the Company has considered future taxable income and used ongoing prudent tax planning strategies in assessing the carrying amount of deferred tax assets, should the Company determine that the Group would not be able to realize all or part of the Group's net deferred tax assets in the future, the resulting adjustment to the deferred tax assets would be charged to income in the period such determination was made.

Litigation

Group companies are defendants in a number of legal proceedings incidental to the generation, transmission and distribution of electricity. Because of the nature of these proceedings, it is not possible to predict the ultimate outcomes of certain proceedings, some of which may be unfavorable to Enel. However, provisions are made for all significant liabilities to the extent it has been determined by legal advisors that an unfavorable outcome is probable and the amount of loss is estimable. A number of disputes are pending in relation to urban planning, landscape and environmental matters (mainly related to exposure to electromagnetic fields) linked to the construction and operation of several of the Group's generating plants and power lines. The examination of such disputes, including on the basis of legal advice, leads Enel to believe that unfavorable outcomes would be a remote possibility. While the possibility is remote, the risk that a limited number of cases might have unfavorable outcomes, which could entail the payment of damages, cannot be ruled out.

Provision for doubtful accounts

The Group's allowances for doubtful accounts reflect the Group's estimates of losses inherent in the Group's credit portfolio. The Group has established provisions for expected credit losses, based on past experience with similar receivables, including current and historical past-due amounts, write-offs and collections, the careful monitoring of portfolio credit quality and current and projected economic and market conditions. The Company believes that the Group's reserves are adequate; however, different assumptions or changes in economic circumstances could result in changes to the allowance for doubtful accounts and therefore could affect earnings.

Decommissioning and site restoration

The Company uses estimates of the liabilities in respect of future costs the Group expects to incur for decommissioning and site restoration activities, especially those relating to nuclear power plants and the storage of waste fuel and other radioactive materials. The Company bases these estimates on financial and engineering assumptions and calculates them by discounting the expected future cash flows that the Company expects to pay for such activities. The Company also determines the present value of a given liability in light of the economic parameters of the country in which the particular plant is located, and the Company reviews the Group's estimates each year in light of progress in technology and the evolution of the regulatory framework, as well as to reflect the passage of time.

Results of operations

First six months of 2009 compared with first six months of 2008 (Restated)

The following table contains unaudited consolidated income statement data for the Group for the six months ended June 30, 2009 and 2008 (as restated).

	Six months ended June 30,					
	2009		2008 (restated)		Change	
(Unaudited)	Amount (€ millions)	% of revenues	Amount (€ millions)	% of revenues	Amount (€ millions)	Percentage
Revenues from the sale and transport of electricity and contributions from Electricity Equalization Fund and similar bodies	24,518	*86.2%*	25,877	*88.2%*	(1,359)	−5.3%
Gas sold and transported to end-users	1,673	*5.9%*	1,692	*5.8%*	(19)	−1.1%
Gains on the disposal of assets	308	*1.1%*	–	–	308	–
Other services, sales and revenues	1,958	*6.9%*	1,755	*6.0%*	203	*11.6%*
Revenues	28,457	*100.0%*	29,324	*100.0%*	(867)	*−3.0%*
Electricity purchases	10,359	*36.4%*	11,890	*40.5%*	(1,531)	−12.9%
Consumption of fuel for electricity generation	2,640	*9.3%*	3,205	*10.9%*	(565)	−17.6%
Purchase of fuel for trading and natural gas for resale to end-users	1,076	*3.8%*	1,537	*5.2%*	(461)	−30.0%
Materials	544	*1.9%*	337	*1.1%*	207	*61.4%*
Personnel	2,726	*7.1%*	1,901	*6.5%*	125	*6.6%*
Services, leases and rentals	3,187	*11.2%*	2,810	*9.6%*	377	*13.4%*
Other operating expenses	904	*3.2%*	956	*3.3%*	(52)	−5.4%
Capitalized costs	(631)	*−2.2%*	(558)	*−1.9%*	(73)	*13.1%*
Costs	**20,105**	*70.7%*	**22,078**	*75.3%*	**(1,973)**	*−8.9%*
Net income/(charges) from commodity risk management	**(413)**	*−1.5%*	76	*0.3%*	**(489)**	−643.4%
Gross operating margin(1)	**7,939**	*27.9%*	**7,322**	*25.0%*	617	*8.4%*
Depreciation, amortization and impairment losses	2,360	*8.3%*	2,295	*7.8%*	65	*2.8%*
Operating income	**5,579**	*19.6%*	**5,027**	*17.1%*	**552**	*11.0%*
Financial income	2,141	*7.5%*	1,176	*4.0%*	965	*82.1%*
Financial expense	2,350	*8.3%*	2,606	*8.9%*	(256)	−9.8%
Financial income/(expense)	**(209)**	*0.7%*	**(1,430)**	−4.9%	**1,221**	*−85.4%*
Share of income/(expense) on investments accounted for using the equity method	21	*0.1%*	27	*0.1%*	(6)	*−22.2%*
Income before taxes	**5,391**	*18.9%*	**3,624**	*12.4%*	**1,767**	*48.8%*
Income taxes	1,333	*4.7%*	740	*2.5%*	593	*80.1%*
Income from continuing operations	4,058	*14.3%*	2,884	*9.8%*	1,174	*40.7%*
Income from discontinued operations	(84)	−0.3%	235	*0.8%*	(319)	*−135.7%*
Net income (Group and minority interests)	**3,974**	*14.0%*	**3,119**	*10.6%*	**855**	*27.4%*
Minority interests	(450)		(380)		(70)	18.4%
GROUP NET INCOME	**3,524**		**2,739**		**785**	28.7%

(1) Non-IFRS financial measure. See "Presentation of financial and other information" herein.

Revenues

Revenues for electricity sales and transport and contributions from the Electricity Equalization Fund and similar bodies in the first half of 2009 amounted to €24,518 million, down €1,359 million, or 5.3% from the same period in the prior year due primarily to the following factors:

- a decline of €983 million in revenues from the sale of electricity due to lower quantities sold and to a decrease in average unit prices on the Power Exchange, the effects of which were only partially offset by an increase in sales to the Single Buyer related, primarily, to two-way contracts with the Group's Italian generation companies;
- a €668 million reduction in revenues on electricity sales and transport to the Italian regulated markets for end-users due to a decline in total quantities sold;
- a €259 million increase in revenues on sales of electricity and equivalent contributions outside Italy, which mainly reflects the different consolidation period for OGK-5 (first consolidated in late May 2008) and Electrica Muntenia Sud (now Enel Distributie Muntenia and Enel Energie Muntenia) (first consolidated in early June 2008) for the two periods under review (€323 million and €196 million, respectively), as well as a €263 million increase in revenues from international electricity trading. These effects were only partially offset by the absence of the revenues achieved in the first half of 2008 by the Viesgo Group (€605 million), which was sold to E.On at the end of June 2008.

Revenues from gas sold and transported in the first half of 2009 amounted to €1,673 million, down €19 million or 1.1% from the same period of the previous year due to a decline in revenues on the Spanish market due to a decrease in the average sales price, which was only partially offset by an increase in revenues on the domestic market as a consequence of the increase in average sales prices, the effects of which were, in turn, partially offset by a decline in volumes sold.

Gains from the disposal of assets realized in the first half of 2009 are entirely accounted for by the sale on April 1 of 100% of Enel Linee Alta Tensione (ELAT), the company to which Enel Distribuzione transferred, with effect from January 1, 2009, the business unit operating its high-voltage power lines in Italy and the related legal relationships.

Other services, sales and revenues came to €1,958 million in the first half of 2009, up €203 million or 11.6% from the same period of the prior year, reflecting the €357 million increase in revenues on the sale of assets (related mainly to the sale of green certificates in Italy), which was partially offset by a €160 million decline in revenues from the sale of fuels for trading. This latter development was attributable to a €58 million decrease in sales on the domestic market, as well as a €102 million total decline in revenues on fuel trading by companies in Spain, which reflected the effect of the recognition of trading revenues for the Viesgo Group in the first half of 2008 in the amount of €119 million, and was partially offset by a €17 million increase in such revenues posted by Endesa in the first half of 2009.

The following table illustrates the Group's revenues for the first half of 2009 and 2008 (as restated) by division or area, as well as showing revenues attributable to the Parent Company and eliminations and adjustments.

(Unaudited)	Six months ended June 30, 2009	2008 (restated)	Change Amount	Percentage
	(€ millions)			
Sales	10,613	11,065	(452)	−4.1%
Generation and Energy Management	9,294	10,325	(1,031)	−10.0%
Engineering and Innovation	457	540	(83)	−15.4%
Infrastructure and Networks	3,471	3,146	325	10.3%
Iberia and Latin America	7,149	8,180	(1,031)	−12.6%
International	2,649	1,965	684	34.8%
Renewable Energy	863	852	11	1.3%
Parent Company	356	337	19	5.6%
Services and Other Activities	509	553	(44)	−8.0%
Eliminations and Adjustments	(6,904)	(7,639)	735	9.6%
Total	**28,457**	**29,324**	**(867)**	**3.0%**

Sales: Revenues for the first half of 2009 came to €10,613 million, a decrease of €452 million from the same period of 2008 (-4.1%), due to a €1,074 million decline in revenues on the regulated energy markets, which mainly reflects the decline in volumes sold (down 6.7 TWh). This effect was partially offset by (i) a €603 million increase in revenues from electricity sales on the free market due essentially to the increase in volumes sold; (ii) a €19 million increase in revenues from the natural gas market due mainly to an increase in average sales price, the effects of which were partially offset by a decline in volumes sold.

Generation and Energy Management: Revenues for the first half of 2009 came to €9,294 million, down €1,031 million (−10.0%) from the same period of 2008, due mainly to the following factors: (i) a €1,207 million decrease in revenues from electricity sales on the Power Exchange related mainly to a decline in quantities sold (-4.8 TWh), as well as to a decline in average sales prices; (ii) a €409 million decline in revenues from electricity sales related to a reduction in volumes sold (-2.2 TWh) on the free market by the Sales Division (€626 million), which was partially offset by an increase in revenues from electricity sales to domestic resellers (up €217 million); (iii) a €166 million decline in revenues from the sale of fuel for trading resulting from a €133 million decrease in natural gas sales and a €33 million decline in sales of other fuels. These negative factors were partially offset by (i) a €374 million increase in revenues from the sale of green certificates to the Electricity Services Operator; (ii) a €263 million increase in revenues due to growth in trading on the international electricity markets (+3.1 TWh); (iii) gains in the amount of €78 million related to the settlement with Eni concerning the connection fees Enel paid to Snam SpA during the period 1991-1999 and adjustment payments related to corrections of metering documents for the Montalto di Castro thermal power plant (concerning a number of months in 2004, 2006 and 2007) and for the Treviso city-gate (concerning the period January-September 2003).

Engineering and Innovation: Revenues for the first half of 2009 came to €457 million, down €83 million or 15.4% from the same period of the prior year. This decline was essentially due to (i) a €85 million decline in revenues from E.On España (formerly Enel Viesgo Generación) for the development of the Escatrón, Algeciras and Puente Nuevo thermal power plants in Spain, as a number of activities have been completed; (ii) a €26 million decline in revenues from the

Generation and Energy Management Division, related mainly to the coal conversion of the Torrevaldaliga Nord plant. These factors were partially offset by a €21 million increase in revenues from the companies of the International Division, related mainly to the construction of combined-cycle plants in Marcinelle (€12 million), Livadia (€7 million), and Nevinnomyskaya (€8 million), partially offset by a decline in revenues from Enel Maritza East 3 related to the modernization of the coal plant.

Infrastructure and Networks: Revenues for the first half of 2009 came to €3,471 million, up €325 million (+10.3%) over the same period of 2008. This change reflects: (i) the €308 million gain on the sale of Enel Linee Alta Tensione; (ii) a €34 million increase in revenues from the transport of electricity reflecting the increase in average transport prices (including equalization mechanisms) after rates were updated for the new 2008-2011 regulatory period, while the volume of electricity distributed to end users fell by 10.6 TWh; (iii) a €17 million increase in service-continuity bonuses following the changes to Resolution no. 333/07 of the Authority for Electricity and Gas. These positive factors were partially offset by a €50 million decrease in connection fees as a result of a decline in power demand, which was primarily related to low-voltage connections.

Iberia and Latin America: Revenues for the first half of 2009 declined by €1,031 million or 12.6% due to a €938 million decline in revenues in Europe as well as a €93 million decline in revenues in Latin America. The decline in revenues in Europe was related to (i) the effect (€795 million) of the change in the scope of consolidation due to the sale of Viesgo Group to E.On in June 2008 and (ii) a decline in Endesa revenues (€143 million) that reflected a €445 million decline in revenues from power generation related mainly to lower volumes generated, which was partially offset by a €302 million increase in revenues from electricity sales and distribution related primarily to an increase in sales prices, which more than offset a reduction in quantities sold. The decline in revenues in Latin America related mainly to power generation (€187 million), and was partially offset by an increase in revenues from electricity sales and distribution.

International: Revenues for the first half of 2009 grew by €684 million (+34.8%), going from €1,965 million to €2,649 million. This performance was due to a €383 million increase in revenues in Russia, a €195 million increase in revenues in south-eastern Europe and a €106 million increase in revenues in central Europe. The increase in revenues in Russia related mainly to the different period of consolidation for OGK-5 (€358 million; the company was consolidated in late May 2008) and to an increase in revenues at RusEnergoSbyt reflecting the greater quantities sold. The increase in revenues in south-eastern Europe was due to the different consolidation period for Enel Distributie Muntenia and Enel Energie Muntenia (each of which was consolidated from June 2008) in the amount of €200 million and the €16 million increase in revenues for Enel Maritza East 3 as a result of the increase in prices on the Bulgarian market; these positive effects were partially offset by a €22 million decline in revenues for the other Romanian companies, due essentially to the reduction in electricity distribution rates (which were adversely impacted by the change in the exchange rate), which more than offset the greater quantities transported. The increase in revenues in central Europe, was primarily due to an increase in revenues in Slovakia (€58 million due to the increase in average sales prices, which reflects Slovakia's entrance into the euro area), as well as to a €48 million increase in revenues from electricity sales by Enel France (related mainly to electricity sales following the agreement with EdF, with average sales prices also rising).

Renewable Energy: Revenues for the first half of 2009 grew by €11 million or 1.3%, going from €852 million to €863 million. Of this change, €8 million related to an increase in revenues in Italy and €4 million to an increase in revenues in Europe related mainly to the Greek wind farms, offset by a decline of €1 million in revenues in the Americas.

As regards the increase in revenues from the Italian operations, the change in revenues was essentially due to: (i) a €20 million increase in the sale of green certificates and other contributions; (ii) a €16 million increase in electricity sales related mainly to greater revenues on two-way contracts in the amount of €83 million and an increase in revenues for subsidized CIP 6 electricity (€8 million), which was partially offset by a decrease of €58 million in revenues on the Power Exchange and one of €17 million in revenues from small plants (Legislative Decree 387/03 and Law 293/04); (iii) recognition of hydroelectric rent following Resolution ARG/ELT no. 63/09 in the amount of €4 million. These positive factors were partially offset by a €38 million decline in revenues from Enel.si due essentially to the completion of a number of projects aimed at obtaining white certificates.

Parent Company: Revenues for the first half of 2009 came to €356 million, up €19 million or 5.6% over the same period of the prior year due mainly to: (i) a €19 million increase in revenues from services provided to other companies of the Group related to management fees and other staff services; (ii) a €5 million increase in revenues from the sale of electricity to the Single Buyer due to an increase in average sales price, while quantities sold remained essentially unchanged.

Services and Other Activities: Revenues for the Services and Other Activities area in the first half of 2009 came to €509 million, compared with €553 million for the same period of 2008. The €44 million decrease (-8.0%) essentially reflected lower gains on the sale of real estate properties (€20 million) and lower revenues on technical and IT services (€19 million) following the conclusion of a number of IT development projects, mainly for the Sales Division.

Operating costs excluding depreciation, amortization and impairment losses

Excluding depreciation, amortization and impairment losses, which are discussed separately below, operating costs amounted to €20,105 million in the first six months of 2009 (as compared to €22,078 million in the first six months of 2008), or 70.7% of total revenues (as compared to 75.3% in the same period of 2008).

Costs for electricity purchases came to €10,359 million for the first half of 2009, a reduction of €1,531 million or 12.9%, due to a decrease in purchases for domestic sales and a decline in costs on the Spanish market resulting from a reduction in quantities purchased.

Costs for the consumption of fuel for electricity generation came to €2,640 million for the first half of 2009, down €565 million or 17.6% from the same period of the previous year. This decline reflected lower quantities consumed on the domestic market, due to lower thermal power generation, as well as the reduction in consumption costs in the Spanish market due to a decrease in thermal power generation and lower unit prices. These trends were partially offset by the effects of the expansion in the Group's scope of consolidation attributable to certain foreign generation companies.

Costs for the purchase of fuel for trading and natural gas for sale to end-users came to €1,076 million for the first half of 2009, down €461 million or 30.0% compared with the same period of the previous year. This change was essentially attributable to lower purchases of gas for sale to end users on the domestic market and to a decline in trading on the Spanish market, reflecting the different consolidation period of Viesgo, which was sold in 2008 as a group.

Costs for materials came to €544 million for the first half of 2009, an increase of €207 million or 61.4% from the same period in 2008, attributable mainly to increases in capital expenditures and operating and maintenance expenses outside of Italy.

Personnel costs for the first half of 2009 totaled €125 million or 6.6% over those in the previous year. The change for the period is mainly the effect of salary increases taking effect as from January 1, 2009 following the renewal of the Italian collective bargaining agreement, as well as of the increase in withholdings due as from January 1, 2009, whereas the average workforce shrank by 2.2%.

Costs for services, leases and rentals came to €3,187 million for the first half of 2009, up €377 million or 13.4% over the same period of 2008, due mainly to an increase in electrical system services and to an increase in maintenance and repair costs.

Other operating costs totaled €904 million for the first six months of 2009, a decline of €52 million or 5.4%, due essentially to lower charges for CO_2 emissions allowances and the effects of the recognition in the first half of 2008 of the €109 million loss on the sale to E.On of Enel's assets related to the Viesgo Group. These effects were partially offset by an increase in costs for the purchase of green certificates (€305 million).

Capitalized costs increased by €73 million or 13.1% in the first half of 2009, and were attributable mainly to increased capital expenditures in our operations outside of Italy.

Net income/(charges) from commodity risk management

Net income/(charges) from commodity risk management showed net charges of €413 million the first six months of 2009 (compared with net income of €76 million for the first half of 2008). More specifically, the net charges from commodity risk management arose from net unrealized charges in respect of changes in fair value in the amount of €267 million and net realized charges during the period in the amount of €146 million.

Gross operating margin

The following table illustrates the Group's gross operating margin for the first half of 2009 and 2008 (as restated) by division or area, as well as showing gross operating margin attributable to the Parent Company and eliminations and adjustments. Gross operating margin is a non-IFRS financial measure. See "Presentation of financial and other information—Non-IFRS financial measures" and "Selected financial information—Other financial information and indicators" for more information.

	Six months ended June 30,		**Change**	
(Unaudited)	**2009**	**2008 (restated)**	**Amount**	**Percentage**
		(€ millions)		
Sales	160	295	(135)	−45.8%
Generation and Energy Management	1,877	1,633	244	14.9%
Engineering and Innovation	13	5	8	160.0%
Infrastructure and Networks	2,016	1,926	90	4.7%
Iberia and Latin America	2,416	2,332	84	3.6%
International	698	547	151	27.6%
Renewable Energy	620	521	99	19.0%
Parent Company	54	(21)	75	357.1%
Services and Other Activities	89	81	8	9.9%
Eliminations and Adjustments	(4)	3	(7)	−233.3%
Total	**7,939**	**7,322**	**617**	**8.4%**

The Group's total gross operating margin in the first six months of 2009 amounted to €7,939 million, an increase of €617 million (or 8.4%) from the €7,322 million recorded in the first six months of 2008.

The following paragraphs provide an analysis of gross operating margin by division or area.

Sales: Gross operating margin for the first half of 2009 totaled €160 million, a decrease of €135 million or 45.8% from the same period of 2008. This decrease was due primarily to: (i) a €60 million decline in the margin on electricity sale on the regulated markets, due mainly to a €28 million decline connected with the lower quantities sold, as well as to the net negative effect of prior-year items related to electricity sales and transport in the amount of €15 million; (ii) a €49 million decrease in the margin on electricity sale on the free market, despite the higher volumes sold, which reflects the negative effect of commodity risk management; (iii) a €16 million decrease in the margin on natural gas sales to end users; (iv) a €10 million increase in other operating costs related essentially to the increase in commercial costs for customer management.

Generation and Energy Management: The gross operating margin for the first half of 2009 came to €1,877 million, up €244 million or 14.9% from the €1,633 million posted for the same period of 2008. This increase was essentially due to growth in the generation margin and the margin on gas trading, as well as to the effect of the settlement with Eni as mentioned above. These positive effects were partially offset by the impact of the change in fair value of derivatives used for commodity risk management (negative €139 million).

Engineering and Innovation: The gross operating margin totaled €13 million in the first half of 2009, an increase of €8 million due in part to more efficient management of activities following the division's corporate reorganization.

Infrastructure and Networks: The gross operating margin totaled €2,016 million, up €90 million or 4.7% due to: (i) the recognition of the €308 million gain on the sale of Enel Linee Alta Tensione as mentioned above; (ii) a €34 million increase in service quality bonuses, which was partially offset by a €10 million decline in the margin on white certificates; (iii) a €45 million increase in the margin on electricity transport, which was partially offset by the €37 million negative impact of the disposal of Enel Linee Alta Tensione. These factors were partially offset by: (i) an €86 million reduction in positive prior-period items related to the purchase of electricity from the Single Buyer following the alignment by Terna and Enel Distribuzione of withdrawal points on the high-voltage networks (Resolution no. 177/07); (ii) recognition, in the first half of 2009, of €80 million in expenses for early retirement incentives, which were not included in the same period of 2008; (iii) a €50 million decline in connection fees, as mentioned above in the section on revenues; (iv) an increase of €34 million in operating overheads.

Iberia and Latin America: The gross operating margin reached €2,416 million, an increase of €84 million or 3.6% over the first half of 2008, due to a €151 million increase in the gross operating margin in Latin America, partially offset by a €67 million decline in the gross operating margin in Europe. In particular, the increase in the gross operating margin in Latin America was due essentially to hydroelectric power generation (which rose by €157 million), thanks to favorable water availability in a number of countries. The decline in the gross operating margin in Europe, was primarily attributable to a decline of €102 million in the contribution of Endesa, which was partially offset by the positive effect of the deconsolidation of the Viesgo companies in the amount of €35 million, including the loss on the sale to E.On recorded in the first half of 2008.

International: The gross operating margin reached €698 million for an increase of €151 million or 27.6% over the first half of 2008. This increase was due to a €76 million increase in Russia, a €49 million increase in central Europe as well as a €26 million increase in south-eastern Europe. In particular, the increase in gross operating margin in Russia primarily reflected the effect of the different consolidation period for OGK-5 (€82 million), which was partially offset by a decline in margins for the other Russian companies. The increase in gross operating margin in central Europe reflected an increase at Slovenské elektrárne of €33 million (related mainly to the electricity margin, which benefited from a significant increase in sales prices) and one at Enel France of €16 million. The increase in gross operating margin in south-eastern Europe, was due essentially to the different consolidation period for Enel Distributie Muntenia and Enel Energie Muntenia in the amount of €20 million and to the €16 million improvement in the margin in Bulgaria due to an increase in sales prices and the start of operations at a new unit of the Maritza plant.

Renewable Energy: The gross operating margin reached €620 million, an increase of €99 million or 19.0% over the first half of 2008, attributable to: (i) a €87 million improvement on the Italian market, where the impact on the margin of the developments driving the increase in revenues was accompanied by an improvement in results from commodity risk management (€76 million) and increased operating efficiency; (ii) a €9 million increase in the margin in the Americas; (iii) the improved margin in the rest of Europe in the amount of €3 million, €2 million of which related to Enel Unión Fenosa Renovables.

Parent Company: The gross operating margin for the first half of 2009 came to €54 million, as compared to an operating margin of negative €21 million in the same period of prior year, due primarily to the €21 million increase in the electricity margin, which benefited from the different mix of sales and provisioning, as well as from the effects (€15 million) of the reversal of provisions for risks and charges in order to take account of the updated assessment of disputes that arose in prior periods and from improvements in operating efficiency.

Services and Other Activities: The gross operating margin for the first half of 2009 came to €89 million, an improvement of €8 million or 9.9% over the same period of the previous year, due essentially to an adjustment based on a revised estimate of the liabilities previously recognized for early retirement incentives, which more than offset lower gains on the sale of sale of real estate properties.

Depreciation, amortization and impairment losses

Depreciation, amortization and impairment losses increased by €65 million or 2.8% in the first half of 2009. This change essentially reflected the increase in depreciation and amortization (up €187 million) following the amendment of the list of renewable energy assets to be sold to Acciona. The figure for the first half of 2008 included the €168 million adjustment to the net assets of the Viesgo Group to their estimated value based on the appraisal conducted at the end of the first half of 2008 by the investment banks in the context of the sale to E.On of these assets. See "Business description—Recent significant transactions and related material agreements—Sale of Endesa and Enel assets to E.On" herein.

Operating income

The following table illustrates the Group's operating income for the first half of 2009 and 2008 (as restated) by division or area, as well as showing operating income attributable to the Parent Company and eliminations and adjustments.

	Six months ended June 30,		Change	
(Unaudited)	**2009**	**2008 (restated)**	**Amount**	**Percentage**
		(€ millions)		
Sales	(9)	154	(163)	−105.8%
Generation and Energy Management	1,533	1,246	287	23.0%
Engineering and Innovation	12	4	8	200.0%
Infrastructure and Networks	1,596	1,504	92	6.1%
Iberia and Latin America	1,462	1,332	130	9.8%
International	392	337	55	16.3%
Renewable Energy	507	433	74	17.1%
Parent Company	50	(24)	74	308.3%
Services and Other Activities	40	38	2	5.3%
Eliminations and Adjustments	(4)	3	(7)	−233.3%
Total	**5,579**	**5,027**	**552**	**11.0%**

The following paragraphs provide an analysis of operating income by division or area.

Sales: Operating income for the first half of 2009, after depreciation, amortization and impairment losses in the amount of €169 million (€141 million for the same period of 2008), came to negative €9 million, declining by €163 million from the first half of 2008. The increase in depreciation, amortization and impairment losses was related mainly to an increase in impairment for doubtful trade receivables.

Generation and Energy Management: Operating income came to €1,533 million, an increase of €287 million (+23.0%) over the first half of 2008, reflecting lower depreciation and impairment losses in the amount of €43 million, primarily related to completion of the depreciation of a number of plants, as well as the increase in the useful life of the Hydro Dolomiti Enel plants following the extension of the related concession.

Engineering and Innovation: Operating income totaled €12 million in the first half of 2009, in line with developments in the gross operating margin.

Infrastructure and Networks: Operating income, after depreciation, amortization and impairment losses in the amount of €420 million (€422 million for the first half of 2008), came to €1,596 million, an increase of €92 million (+6.1%) over the same period of 2008.

Iberia and Latin America: Operating income for the first half of 2009 totaled €1,462 million, up €130 million or 9.8% over the same period of 2008. In addition to the change in the gross operating margin, this result reflects the €46 million decrease in depreciation, amortization and impairment losses due to deconsolidation of the Viesgo Group (a total effect of €277 million, €168 million of which related to the adjustment, in the first half of 2008, to the value of the net assets that were then sold to E.On). This was partially offset, in the amount of €231 million, by the contribution to such losses from Endesa (essentially related to the depreciation and amortization on the assets classified as held for sale in 2008 and that are no longer to be sold to Acciona following the agreement of February 20, 2009).

International: Operating income for the first half of 2009 came to €392 million, an increase of €55 million or 16.3% over the same period of 2008, including a €96 million increase in depreciation, amortization and impairment losses, of which €78 million related to the change in the scope of consolidation.

Renewable Energy: Operating income came to €507 million, an increase of €74 million or 17.1% over the first half of 2008 including greater depreciation, amortization and impairment losses in the amount of €25 million related mainly to the start of operations at new plants.

Parent Company: Operating income came to €50 million, an increase of €74 million over the first half of 2008 including greater depreciation, amortization and impairment losses in the amount of €1 million.

Services and Other Activities: Operating income for the first half of 2009 came to €40 million, an increase of €2 million over the first half of 2008, including greater depreciation, amortization and impairment losses in the amount of €6 million due to the start of operations of non-current assets and new capital expenditures, mainly for the modernization of the corporate LAN, the IP telephony and Unix project, and the purchase of SAP licenses.

Financial income/(expense)

Net financial expense decreased by a total of €1,221 million or 85.4% in the first half of 2009 compared to the same period in the prior year. In particular, the change in financial income (up €965 million) was mainly due to the recognition of a gain of €970 million realized in connection with the early exercise of the put option granted to Acciona on its 25.01% stake held directly and indirectly in Endesa. The decrease in financial expense (€256 million) reflected both the decline in interest rates in the first half of 2009 compared with the same period of the previous year due to the international financial crisis and the reduction in Enel's average net debt, even though this was accompanied by a reduction in its credit rating. See "—Debt and liquidity" herein for a discussion of the evolution of our Net Financial Debt. Although our Net Financial Debt increased from December 31, 2008 to June 30, 2009, this was primarily due to the acquisition of 25.01% of Endesa on June 25, 2009, which, because it occurred at the end of the period, did not materially increase our financial expenses for the six months ended June 30, 2009.

Income/(expense) on investments accounted for using the equity method

For the first half of 2009, net income on investments accounted for using the equity method came to €21 million, down €6 million compared to the first six months of 2008, which included the equity valuation of OGK-5 prior to its consolidation.

Income taxes

Income taxes for the first half of 2009 came to €1,333 million, equal to 24.7% of taxable income, compared with 20.4% in the first half of 2008. This trend was essentially due to the recognition in the first half of 2009 of partially or fully tax-exempt revenues, as well as to the adjustment in the first half of 2008 of deferred taxes related to the realignment, through payment of a one-off gains tax, of the differences between the statutory and tax values of the property, plant and equipment of a number of Italian companies (Law 244/07) and to the introduction of the IRES surtax for the energy and hydrocarbon industries (Decree Law 112/08, ratified with Law 133/08).

Group net income

The Group's net income (after deducting minority interests) increased from €2,739 million in the first six months of 2008 to €3,524 million in the first six months of 2009, with the increase of 28.7% principally reflecting lower operating expenses and higher financial income, which more than offset the decline in revenues.

2008 compared with 2007 (as restated)

The following table contains consolidated income statement data for the Group for the years ended December 31, 2008 and 2007 (as restated).

	Year Ended December 31,				Change	
	2008		2007 (Restated)			
	Amount (€ millions)	% of revenues	Amount (€ millions)	% of revenues	Amount (€ millions)	Percentage
Revenues from the sale and transport of electricity and contributions from the Electricity Equalization Fund and similar bodies	53,535	*87.5%*	39,165	*89.6%*	14,370	36.7%
Gas sold and transported to end-users	3,307	*5.4%*	2,097	*4.8%*	1,210	57.7%
Gains on the disposal of assets	328	*0.5%*	–	–	328	NA
Other services, sales and revenues	4,014	*6.6%*	2,426	*5.6%*	1,588	65.5%
Revenues	**61,184**	***100.0%***	**43,688**	***100.0%***	**17,496**	**40.0%**
Electricity purchases	24,037	*39.3%*	19,139	*43.8%*	4,898	25.6%
Consumption of fuel for electricity generation	7,548	*12.3%*	4,224	*9.7%*	3,324	78.7%
Purchase of fuel for trading and natural gas for resale to end-users	3,067	*5.0%*	1,656	*3.8%*	1,411	85.2%
Materials	1,329	*2.2%*	746	*1.7%*	583	78.2%
Personnel	4,049	*6.6%*	3,263	*7.5%*	786	24.1%
Services, leases and rentals	6,352	*10.4%*	4,987	*11.4%*	1,365	27.4%
Charges for CO_2 emissions	138	*0.2%*	7	*0.0%*	131	1871.4%
Other operating expenses	1,576	*2.6%*	920	*2.1%*	(656)	71.3%
Capitalized costs	(1,250)	−2.0%	(1,130)	−2.6%	(120)	10.6%
Costs	**46,846**	***76.6%***	**33,812**	***77.4%***	**13,034**	**38.5%**
Net income/(charges) from commodity risk management	**(20)**	***0.0%***	**(36)**	−0.1%	**16**	−44.4%
Gross operating margin[(1)]	**14,318**	***23.4%***	**9,840**	***22.5%***	**4,478**	**45.5%**
Depreciation, amortization and impairment losses	4,777	*7.8%*	3,059	*7.0%*	1,718	56.2%
Operating income	**9,541**	***15.6%***	**6,781**	***15.5%***	**2,760**	**40.7%**
Financial income	2,596	*4.2%*	2,128	*4.9%*	468	22.0%
Financial expense	5,806	*9.5%*	3,013	*6.9%*	2,793	92.7%
Financial income/(expense)	**(3,210)**	***−5.3%***	**(885)**	***−2.0%***	**(2,325)**	**262.7%**
Share of income/(expense) on equity investments accounted for using the equity method	48	*0.1%*	12	*0.0%*	36	300.0%
Income before taxes	**6,379**	***10.4%***	**5,908**	***13.5%***	**471**	**8.0%**
Income taxes	585	*1.0%*	1,956	*4.5%*	(1,371)	−70.1%
Income from continuing operations	5,794	*9.4%*	3,952	*9.0%*	1,842	46.6%
Income from discontinued operations	240	*0.4%*	179	*0.4%*	61	34.1%
Net Income (Group and minority interests)	**6,034**	***9.8%***	**4,131**	***9.4%***	**1,903**	**46.1%**
Minority interests	741		215		526	244.7%
GROUP NET INCOME	**5,293**		**3,916**		**1,377**	**35.2%**

(1) Non-IFRS financial measure. See "Presentation of financial and other information" herein.

Revenues

In 2008, revenues from electricity sales and transport and contributions from the Electricity Equalization Fund and similar bodies amounted to €53,535 million, an increase of €14,370 million, or 36.7%, from 2007. This increase was primarily attributable to the following factors:

- A €11,874 million increase in revenues from foreign operations, due principally to: (i) the €10,079 million effect of the proportional consolidation of Endesa for different periods (i.e., Endesa was consolidated throughout 2008, but only as from October 5 of 2007); (ii) the €657 million effect of the consolidation at the end of May 2008 of OGK-5; (iii) the €295 million effect of the consolidation at the start of June 2008 of Enel Distributie Muntenia and Enel Energie Muntenia; and (iv) a €644 million increase in revenues related to international energy trading;

- A €999 million increase due to the joint effect of greater revenues from the sale of electricity on the Power Exchange (due primarily to an increase in average prices, which was partially offset by a reduction in quantities sold) and an increase in sales to the Single Buyer (*Acquirente Unico*)—primarily sales under bilateral contracts between the Single Buyer and the Enel generation companies entered into beginning in 2008;

- A €935 million increase in the sale and transport of electricity in Italy due principally to an increase in revenues from the sale of electricity on the free market, related to an increase in both quantities sold and in average prices; and

- A €622 million increase in revenues from wholesale activities on the free market, due principally to an increase in volumes sold to resellers and to a rise in average prices.

The increase in revenues from electricity sales and transport and contributions from the Electricity Equalization Fund and similar bodies was partially offset by a €79 million decrease in revenues from subsidized energy sales to the Electricity Services Operator due principally to the lower volumes generated by CIP 6-qualified plants, primarily because the subsidy periods for a number of Group's plants ended.

Revenues from gas sold and transported to end-users increased by €1,210 million (or 57.7%), €680 million of which increase was attributable to the effect of Endesa's proportional consolidation for different periods, and €541 million of which was attributable to an increase in revenues in the domestic market due to an increase in quantities sold as a result of more favorable temperatures in the first quarter of 2008 than in the first quarter of 2007 (which more than offset the more unfavorable temperatures in the fourth quarter), as well as an increase in the average number of clients served.

Gains on the disposal of assets came to €328 million in the year ended December 31, 2008 due to the gain on the sale of 51% of HDE, which was completed in July 2008. The gain includes the effect of a price adjustment that had already been recognized by Enel.

"Other services, sales and revenues" amounted to €4,014 million for 2008 (as compared to €2,426 million for 2007), an increase of €1,588 million (or 65.5%). This increase was primarily attributable to the following factors:

- A €519 million increase in engineering and construction work, €343 million of which was attributable to the effect of Endesa's proportional consolidation for different periods;

- A €245 million increase in the sale of fuels for trading connected with a €260 million increase in revenues from fuel trading by Enel's Spanish subsidiaries, which was partially offset by a €15 million decline in sales on the domestic market;

- A €208 million increase in revenues from the sale of goods, mainly due to the sale of Certified Emission Reductions (**CERs**), which were sold in 2008 but not 2007;

• A €101 million increase in contributions from electricity and gas connections, €67 million of which related to the effect of Endesa's proportional consolidation for different periods; and

A €332 million increase in other revenues (rental income, revenues from services performed on third-party plants and other contributions) related to the effect of Endesa's proportional consolidation for different periods.

The following table illustrates 2008 and 2007 (as restated) revenues by division or area, as well as showing revenues attributable to the Parent Company and eliminations and adjustments.

	Year ended December 31,		Change	
	2008	2007 (restated)	Amount	Percentage
	(€ millions)			
Sales	22,609	22,179	430	1.9%
Generation and Energy Management	22,143	17,062	5,081	29.8%
Engineering and Innovation	1,005	930	75	8.1%
Infrastructure and Networks	6,537	5,457	1,080	19.8%
Iberia and Latin America	15,805	4,517	11,288	249.9%
International	4,708	2,794	1,914	68.5%
Renewable Energy	1,852	1,536	316	20.6%
Parent Company	727	950	(223)	−23.5%
Services and Other Activities	1,169	1,147	22	1.9%
Eliminations and Adjustments	(15,371)	(12,884)	(2,487)	19.3%
Total	**61,184**	**43,688**	**17,496**	**40.0%**

Sales: Revenues for 2008 amounted to €22,609 million, up €430 million (or 1.9%) over 2007, due mainly to a €565 million increase in revenues from the sale of natural gas, which was partially offset by a €135 million decrease in revenues from the sale of electricity. The increase in revenues from the sale of natural gas was due primarily to an increase in quantities sold (up 780 million cubic meters, or 15.9%), which reflected an increase in clients served and the more favorable average temperature in the first quarter of 2008 (which more than offset the more unfavorable weather in the fourth quarter). The decrease in revenues from the sale of electricity was due principally to a decrease in sales in the Universal Service and Last-Resort Service markets (described under "Regulation—Italian Regulation—Electricity Regulation"), the latter of which was affected by the loss of a number of clients as from May 1, 2008 following several unsuccessful tenders (which more than offset the effects of greater sales volumes on the free market and a rise in average prices).

Generation and Energy Management: Revenues for 2008 totaled €22,143 million, up €5,081 million, or 29.8%, over 2007, due primarily to: (i) a €2,913 million increase in electricity sales on the free market related to the greater quantities sold by the Sales division (up 16.3 TWh) and greater volumes sold directly to resellers on the same market; (ii) a €614 million increase in revenues from fuel trading (€579 million in increased gas sales and €35 million in increased sales of other fuels) related principally to increases in unit prices; (iii) a €551 million increase in revenues from electricity trading on international markets, despite a slight decline in volumes traded; and (iv) an increase in revenues of €473 million from electricity sales on the Power Exchange (related principally to an increase in average prices), which more than compensated for a decline in quantities sold. To the foregoing effects can be added the recognition in 2008 of the gain on the sale of the 51% stake in HDE in the amount of €328 million, including a price adjustment of €5 million that had already been recognized, as well as €152 million in revenues from sales of CERs, which were not sold during the prior year.

Engineering and Innovation: Revenues for 2008 came to €1,005 million, up €75 million, or 8.1%, over 2007. Given that the division's business with the Generation and Energy Management division remained essentially unchanged, this increase was mainly attributable to services provided to Viesgo (which was sold to E.On on June 26, 2008) in the amount of €58 million, related to activities under way to develop the Escatrón, Algeciras and Puente Nuevo thermal power plants, as well as services provided to the International division in the amount of €27 million, related primarily to the development of the Livadia combined-cycle plant in Greece (€12 million), as well as work on the Mochovce nuclear power plant in Slovakia (€5 million) and activities under way at the Maritza thermal power plant in Bulgaria (€4 million).

Infrastructure and Networks: Revenues for 2008 totaled €6,537 million, up €1,080 million, or 19.8%, over 2007, reflecting a €1,082 million increase in revenues from the Italian electricity distribution network, which was due principally (€1,014 million) to new rules for electricity transmission services, which, in application of Legislative Decree No. 73 of 2007 and subsequent regulations issued by the Authority for Electricity and Gas, require the attribution to distribution companies of the "transport activities" component reflected in rates (with an analogous impact on operating costs), as well as the net positive effect of a revenue equalization mechanism for low-voltage metering services for mass-market clients. See "Regulation—Italian Regulation—Electricity Regulation—Equalization Mechanism for Distributors."

Iberia and Latin America: Revenues for 2008 grew by €11,288 million, as compared to 2007, essentially due to the proportional consolidation of Endesa throughout 2008, as opposed to its consolidation for three months of 2007 (an increase of €11,629 million), and only partially offset by the consequences of the sale of Viesgo (which accounted for an aggregate decrease of €341 million). In particular, revenues in Europe increased by €7,005 million (from €3,197 million to €10,202 million), of which €6,686 million of the increase was attributable to the difference in the periods for which Endesa was consolidated (and of which Endesa-related increase, €2,410 million related to generation activities and €2,671 million related to electricity distribution and sale activities on the Iberian Peninsula), while the increase of €4,283 million in revenues in Latin America (from €1,320 million to €5,603 million) was entirely related to Endesa (€2,164 million of the increase related to electricity distribution and sales activities and €1,988 million related to power generation activities).

International: Revenues for 2008 grew by €1,914 million (or 68.5%) to €4,708 million, from €2,794 million in 2007. The increase reflected a €861 million increase in revenues in Central Europe, a €766 million increase in revenues in Russia and a €287 million increase in revenues in Southeastern Europe. The increase in Central Europe was primarily attributable to an increase in revenues in Slovakia in the amount of €678 million, which reflected greater quantities produced and an increase in average prices, as well as a €183 million increase in revenues from electricity sales by Enel France (related mainly to sales of electricity pursuant to an agreement with EdF, in an environment of rising average prices). The increase in revenues in Russia related principally to the consolidation of OGK-5 (€700 million), while the increase in revenues in Southeastern Europe was due to the consolidation of Enel Distributie Muntenia and Enel Energie Muntenia (€300 million) and to a €22 million increase in revenues from Enel Maritza East 3 reflecting the greater quantities produced. These positive effects were partially offset by a €35 million decline in revenues from Enel's other Romanian subsidiaries, due principally to a reduction in electricity distribution rates, which more than offset an increase in volumes transported.

Renewable Energy: Revenues grew by €316 million (or 20.6%) to €1,852 million, from €1,536 million in 2007. This increase reflected a €139 million increase in revenues in the Americas, a €128 million increase in revenues in Italy and a €49 million increase in revenues in the rest of Europe. The increase in the Americas was mainly due to a €70 million increase in North America, principally due to an increase in volumes sold. The remainder was attributable to a generalized increase in revenues from electricity sales in Latin America (of which €40 million related to Panama and €20 million related to Mexico) as a result of improved reservoir water levels owing to an increase in precipitation in 2008. The increase in Italy was attributable mainly to a

€140 million increase in revenues from the sale of electricity (related principally to a €309 million increase in revenues on the Power Exchange, partially offset by a €64 million decline in revenues from plants subject to Legislative Decree 387/03 and Law 293/04, and a €87 million decline in revenues from subsidized CIP-6 energy), as well as a €31 million increase in revenues from Enel.si, due essentially to a €54 million increase in the photovoltaic segment, and partially offset by a €20 million decline in sales of Energy Efficiency Certificates to the Infrastructure and Networks division, as well as reflecting a €40 million decline in sales of Green Certificates, primarily to the Generation and Energy Management division. (See the "Glossary" herein for discussions of Energy Efficiency Certificates and Green Certificates.) Of the increase in revenues in the rest of Europe, €28 million related to Enel Unión Fenosa Renovables, as a result of the greater volumes sold and rising unit prices, and €19 million related to Greek wind power subsidiaries and reflected differences in the period and scope of their consolidation.

Parent Company: Revenues for 2008 came to €727 million, down €223 million, or 23.5%, from 2007, due primarily to a €206 million decline in revenues from the sale of electricity. The reduction can be attributed to the interruption of sales on the French free market (down €256 million or 8.2 TWh) following the expiry of an import contract with EdF on December 31, 2007, the effect of which was partially offset by greater revenues from sales of energy to the Single Buyer (up €45 million, largely due to an increase in unit prices).

Services and Other Activities: Revenues for 2008, which related almost entirely to sales to operating divisions, came to €1,169 million, as compared with the €1,147 million recorded in 2007. The €22 million increase (1.9%) principally reflected the €45 million rise in revenues from staff services (made up of information technology, training, human resources management, general management, factoring and insurance-related services), as partially offset by lower gains realized on the sale of office and residential buildings (down €13 million).

Operating costs excluding depreciation, amortization and impairment losses

Excluding depreciation, amortization and impairment losses, which are discussed separately below, operating costs amounted to €46,846 million in 2008 (compared to €33,812 million in 2007), or 76.6% of total revenues (as compared to 77.4% in 2007).

Costs for electricity purchases amounted to €24,037 million in 2008 (39.3% of total revenues), an increase of €4,898 million, or 25.6%, over the €19,139 million recorded in 2007 (43.8% of total revenues). This increase was primarily attributable to the Company's recent foreign acquisitions, with €2,153 million of the increase relating to the full-year proportional consolidation of Endesa. However, the increase was also driven by an increase in quantities purchased for the domestic free market and an increase in average purchase prices.

Costs for the consumption of fuel for electricity generation amounted to €7,548 million in 2008 (12.3% of total revenues), an increase of €3,324 million, or 78.7%, over the €4,224 million recorded in 2007 (9.7% of total revenues). This increase was due primarily to the full-year proportional consolidation of Endesa (€2,235 million) and the first-time consolidation of OGK-5 (€353 million), as well as reflecting an increase in average fuel prices on the domestic market, which was tempered by the Company's use of fuel price derivatives.

Costs for the purchase of fuels for trading and natural gas for resale to end-users came to €3,067 million in 2008 (5.0% of total revenues), an increase of €1,411 million, or 85.2%, over the €1,656 million recorded in 2007 (3.8% of total revenues). This change essentially reflected the effect of the full-year proportional consolidation of Endesa (€674 million) and the greater costs for the purchase of gas for sales to end-users, which were correlated with the volume-related increase in gas revenues.

Costs for materials came to €1,329 million in 2008 (2.2% of total revenues), an increase of €583 million, or 78.2%, over the €746 million recorded in 2007 (1.7% of total revenues). €347 million of the increase related to the full-year proportional consolidation of Endesa.

Personnel costs totaled €4,049 million in 2008 (6.6% of total revenues), an increase of €786 million, or 24.1%, over the €3,263 million recorded in 2007 (7.5% of total revenues). There was an increase in the average workforce of 24.6%. However, net of the effect of the change in the scope of consolidation in 2008 (including the different periods of consolidation of Endesa) and other nonrecurring items, personnel costs fell by €38 million in 2008, a decrease of 1.4%, while the average size of the workforce contracted by 6.4%.

Costs for services, leases and rentals totaled €6,352 million in 2008 (10.4% of total revenues), an increase of €1,365 million, or 27.4%, over the €4,987 million recorded in 2007 (11.4% of total revenues). This change reflected a €1,412 million increase related to the differing periods of proportional consolidation of Endesa—principally for transport, maintenance and repair costs, consulting and other professional services, and sundry other costs and services.

Charges for CO_2 emissions in 2008 came to €138 million, up €131 million year-on-year. Of the total change, €72 million was attributable to the difference in the periods for which Endesa was consolidated. The Group was also affected by an increase in the average unit prices of Emissions Allowances compared with the prior year, at the end of which the first national allocation plans expired. The figure for 2008 is mainly related to purchases during the year to cover the Group's Emissions Allowances deficit resulting from lower allocations under the new respective national allocation plans. See "Regulation—Italian Regulation—Environmental Matters—CO_2 Emissions."

Other operating expenses totaled €1,576 million in 2008 (2.6% of total revenues), an increase of €656 million, or 71.3%, from the €920 million recorded in 2008 (2.1% of total revenues). These expenses included the effects of the change in the scope of consolidation, with the addition of Endesa (€406 million), as well as the loss of €109 million recorded as a result of the sale of Viesgo to E.On at the end of June 2008.

During 2008, capitalized costs increased by €120 million (up 10.6% over 2007) due primarily to the differing periods of consolidation of Endesa (€111 million).

Net income/(charges) from commodity risk management

Net income/(charges) from commodity risk management amounted to a net charge of €20 million for 2008, compared with a net charge of €36 million for the previous year. The figure for 2008 included a €143 million net charge from the fair-value measurement of derivative contracts as of the end of 2008 (as compared to a €73 million net charge in 2007), which was partially offset by €123 million in net income on positions closed during the year (as compared to €37 million in net income in 2007).

Gross operating margin

The following table illustrates the Group's 2008 and 2007 (as restated) gross operating margin by division or area, as well as showing gross operating margin attributable to the Parent Company and eliminations and adjustments. Gross operating margin is a non-IFRS financial measure. See "Presentation of financial and other information" and "Selected financial information" for more information.

	Year ended December 31,		Change	
	2008	2007 (restated)	Amount	Percentage
	(€ millions)			
Sales	554	318	236	74.2%
Generation and Energy Management	3,113	2,743	370	13.5%
Engineering and Innovation	14	11	3	27.3%
Infrastructure and Networks	3,719	3,543	176	5.0%
Iberia and Latin America	4,647	1,420	3,227	227.3%
International	1,044	766	278	36.3%
Renewable Energy	1,188	989	199	20.1%
Parent Company	(71)	(59)	(12)	20.3%
Services and Other Activities	116	130	(14)	−10.8%
Eliminations and Adjustments	(6)	(21)	15	−71.4%
Total	**14,318**	**9,840**	**4,478**	**45.5%**

The Group's total gross operating margin in 2008 amounted to €14,318 million, an increase of €4,478 million (or 45.5%) from the €9,840 recorded in 2007, reflecting increases posted by all the operational divisions, but most notably the Iberia and Latin America division, which was primarily affected by the different periods of consolidation of Endesa.

The following paragraphs provide an analysis of gross operating margin by division or area.

Sales: The gross operating margin for 2008 came to €554 million, increasing by €236 million from the €318 million recorded in 2007 (an increase of 74.2%). The increase was due to a €107 million increase in the margin on energy sales on the regulated market and a €240 million increase in the margin on electricity sales on the free market, which increases were partially offset by a €35 million decrease in margins on natural gas sales to end-users. The increase in gross margin for sales of electricity on the regulated market was primarily the result of an increase in operating efficiency (€167 million), but also reflected the fact that the 2007 results included a €12 million administrative sanction that did not recur. These effects were partially offset by the negative impact of prior-year items related to sales activities in the amount of €61 million, as well as a decrease of €11 million related to the effect of a reduction in distribution tariffs. With respect to sales of electricity on the free market, the increase in gross margin was principally related to higher margins on the client portfolio and greater quantities sold, as well as to the favorable effect of commodity risk management. The decrease in margins on natural gas sales to end-users was affected by an increase in average provisioning and transport costs, which more than offset the increase in quantities sold. The 2008 gross operating margin for the Sales division was also affected by a €76 million increase in other operating costs not directly allocable to products and related primarily to the sales unit dedicated to managing electricity and gas clients on the free market, as well as to other minor prior-year items.

Generation and Energy Management: The gross operating margin for 2008 came to €3,113 million, up €370 million, or 13.5%, from 2007. This increase included both the gain on the above-mentioned sale of 51.0% of HDE for €328 million, as well as an improvement in the generation margin. The improvement was essentially due to a change in the generation mix, reflecting a significant increase in hydroelectric power generation, which was aided by higher reservoir levels due to higher precipitation in 2008, as compared to 2007. This was partially offset by the decline in results from commodity risk management.

Engineering and Innovation: The gross operating margin for 2008 came to €14 million, up 27.3% from the €11 million recorded in 2007.

Infrastructure and Networks: The gross operating margin for 2008 totaled €3,719 million, an increase of €176 million, or 5.0%, from 2007. The increase was primarily due to the re-calculation of charges originally set in 2005 and 2006 following the alignment of withdrawal points on high-voltage networks (€134 million), a €65 million improvement in the "energy margin," related primarily to the greater quantities transported, and a reduction in operating costs. These positive effects were partially offset by a decrease in bonuses for service quality in the amount of €168 million.

Iberia and Latin America: The gross operating margin for 2008 totaled €4,647 million, up €3,227 million over 2007. An overall increase of €3,454 million was related to the positive effect of the full-year consolidation of Endesa, which was only partially offset by a €227 million decrease associated with the sale of Viesgo (€109 million of which related to the loss on the sale to E.On). The increase in gross operating margin attributable to Endesa included €1,986 million related to Europe (€1,180 million of which related to generation activities and €770 million of which related to electricity distribution and sales activities on the Iberian Peninsula) and €1,468 million related to Latin America (€849 million of which was for generation activities and €648 million of which was for electricity distribution and sales activities).

International: The gross operating margin reached €1,044 million, an increase of €278 million (36.3%) over 2007. This increase was due to a €214 million increase in Central Europe, a €60 million increase in Russia and a €4 million increase in Southeastern Europe. The increase in Central Europe was primarily related to Slovenské elektrárne (€144 million, related mainly to the energy margin, which benefited from a significant increase in prices, partially offset by greater costs for generation plant maintenance) and Enel France (€70 million). The increase in Russia reflected the first-time consolidation of OGK-5 (€80 million), which was partially offset by a decline in margins for the other companies in the same geographical area. The small increase in Southeastern Europe reflected the first-time consolidation of Enel Distributie Muntenia and Enel Energie Muntenia (€35 million), which was largely offset by a decline in margins for the other Romanian subsidiaries. The latter was essentially attributable to a reduction in distribution tariffs, as well as unfavorable exchange rate developments and an increase in operating costs.

Renewable Energy: The gross operating margin reached €1,188 million, an increase of €199 million (or 20.1%) over 2007 that was attributable to a €113 million increase in margin in the Americas, a €57 million increase in margin in the Italian market and a €29 million increase in margin in the rest of Europe. The increase in margin in the Americas was primarily related to Enel North America (up €62 million), Americas Generation Corporation, which experienced higher reservoir levels in 2008 than in 2007 due to higher precipitation (leading to a €32 million increase) and the first-time consolidation of Inelec (€13 million). The increase in margin in Italy reflected the increase in revenues, partially offset by the rise in net charges from commodity risk management. The improved margin in the rest of Europe was due principally to the €19 million increase in the margin for Enel Unión Fenosa Renovables in Spain and changes in the scope of consolidation in the Balkans (an increase of €13 million).

Parent Company: The gross operating margin for 2008 came to negative €71 million, as compared to the negative €59 million recorded in 2007, a decline of €12 million. This development reflected greater operating costs, which were partially offset by the positive effect of a change in the Parent Company's mix of energy sold and purchased. See "Business description—

The Parent Company" for information regarding energy sales and purchases by the Parent Company.

Services and Other Activities: The gross operating margin for 2008 totaled €116 million, a decrease of €14 million, or 10.8%, from 2007, principally attributable to the lower gains realized on the sale of office and residential buildings.

Depreciation, amortization and impairment losses

Depreciation, amortization and impairment losses amounted to €4,777 million in 2008, an increase of €1,718 million (or 56.2%) from 2007. The change for 2008 reflected both the full-year consolidation of Endesa (€1,138 million) and greater impairment losses, primarily related to trade receivables on electricity and gas sales, as well as the adjustment in the first quarter of 2008 of the net value of Enel's Viesgo assets sold to E.On, based on an appraisal conducted by investment banks at the end of that quarter (a €168 million effect).

Operating income

The following table illustrates 2008 and 2007 (as restated) operating income by division or area, as well as showing operating income attributable to the Parent Company and eliminations and adjustments.

	Year ended December 31,		Change	
	2008	2007 (restated)	Amount	Percentage
	(€ millions)			
Sales	115	104	11	10.6%
Generation and Energy Management	2,259	1,918	341	17.8%
Engineering and Innovation	11	8	3	37.5%
Infrastructure and Networks	2,844	2,742	102	3.7%
Iberia and Latin America	2,848	884	1,964	222.2%
International	556	354	202	57.1%
Renewable Energy	981	818	163	19.9%
Parent Company	(94)	(75)	(19)	25.3%
Services and Other Activities	27	49	(22)	−44.9%
Eliminations and Adjustments	(6)	(21)	15	−71.4%
Total	**9,541**	**6,781**	**2,760**	**40.7%**

The following paragraphs provide an analysis of operating income by division or area.

Sales: Operating income for 2008 was €115 million, up €11 million from 2007. The result reflected the €236 million increase in gross operating margin, as offset by a €225 million increase in depreciation, amortization and impairment losses resulting primarily from an increase in impairment losses on trade receivables in 2008, which were recognized in part to take account of Italian regulatory developments concerning the disconnection of defaulted clients.

Generation and Energy Management: Operating income for 2008 came to €2,259 million, up €341 million, or 17.8%, from 2007. This increase was due primarily to the €370 million rise in gross operating margin in this division, which was partially offset by an increase in amortization, depreciation and impairment losses (€29 million), with the latter related primarily to the Mercure plant, which has experienced difficulties in obtaining government authorizations.

Engineering and Innovation: Operating income came to €11 million in 2008, increasing by €3 million over 2007. The increase reflected the increase in gross operating margin.

Infrastructure and Networks: Operating income came to €2,844 million in 2008, increasing by €102 million (or 3.7%) over 2007, due to the €176 million increase in gross operating margin, which was partially offset by a €74 million increase in depreciation, amortization and impairment losses.

Iberia and Latin America: Operating income for 2008 totaled €2,848 million, up €1,964 million over 2007. This increase was principally attributable to the full-year consolidation of Endesa (€2,316 million), which was partially offset by a Viesgo-related decline in operating income (down €352 million), including the €168 million adjustment in the value of Viesgo's net assets recognized in the first quarter of 2008, as well as the €109 million loss recognized at the time of its sale.

International: Operating income in 2008 came to €556 million, an increase of €202 million (or 57.1%) over 2007. This reflected the increase in gross operating margin of €278 million, as partially offset by greater depreciation, amortization and impairment losses in the amount of €76 million, €45 million of which was attributable to changes in the scope of consolidation.

Renewable Energy: Operating income came to €981 million in 2008, an increase of €163 million over 2007, due to the €199 million increase in gross operating margin, as offset by greater depreciation, amortization and impairment losses in the amount of €36 million.

Parent Company: The Parent Company's operating loss came to €94 million in 2008, €19 million greater than the loss of €75 million in 2007, reflecting the €12 million decrease in gross operating margin and a €7 million increase in depreciation, amortization and impairment losses.

Services and Other Activities: Operating income in 2008 came to €27 million, a decrease of €22 million from 2007 due to the €14 million decrease in gross operating margin, as well as greater depreciation, amortization and impairment losses in the amount of €8 million, primarily related to depreciation of computer software.

Financial income/(expense)

Net financial expense in 2008 came to €3,210 million, up €2,325 million over the previous year. The change can be attributed primarily to an increase in interest and other net charges in the amount of €1,646 million, resulting from the increase in average net debt made necessary by the acquisitions completed since the second quarter of 2007. This was accompanied by the effect of the recognition in 2007 of the dividends distributed by Endesa prior to its consolidation (€301 million), as well as the financial income related to the exercise of the call option for physical delivery relating to the share swap carried out as part of the first phase of the Endesa acquisition (€144 million). (See "Business description—Recent significant transactions and related material agreements—Acquisition of Endesa" herein.) In addition, charges in respect of equity investments in 2008 included €118 million in respect of the reduction in the value of Enel's investment in PT Bayan Resources (**Bayan**). (See "Business description—History and Development of the Company—Significant events in 2008 and 2009 and Recent Developments.") These negative effects were offset by the smaller change in the fair-value measurement of the put option granted by Enel to Acciona in respect of Endesa shares pursuant to the March 26, 2007 agreement entered into between them (€34 million in 2008, as compared to €136 million in 2007).

Share of income/(expense) on equity investments accounted for using the equity method

In 2008, income on investments accounted for using the equity method amounted to €48 million, up €36 million year-on-year. This included a positive impact recorded as a result of the full-year consolidation of Endesa (€34 million), as well as the effects of the measurement at equity of

OGK-5 until the conclusion, at the end of May 2008, of the corporate governance reorganization process, which resulted in Enel taking full control of (and consolidating) the business as of that date.

Income taxes

Income taxes for 2008 came to €585 million, equal to 9.2% of taxable income, as compared to 33.1% in 2007 (when income taxes amounted to €1,956 million). The result for 2008 primarily reflected the net effects (€1,858 million) of the adjustment of deferred taxation following a realignment of statutory and tax values of property, plants and equipment at a number of the Group's Italian companies (due to Law No. 244 of December 24, 2007, (the **Budget Law for 2008**)), net of the expense in respect of the related specific tax (€1,521 million), as well as the effects (€290 million) on deferred taxation resulting from the application of the IRES energy-industry surtax to specific Italian companies of the Group (as per Legislative Decree No. 112 of 2008).

Group net income

As a result of the foregoing factors, the Group's net income (after deducting minority interests) increased from €3,916 million in 2007 to €5,293 million in 2008.

2007 compared with 2006

The following table contains consolidated income statement data for the Group for the years ended December 31, 2007 and 2006.

	Year ended December 31, 2007		2006		Change	
	Amount (€ millions)	Percentage of revenues	Amount (€ millions)	Percentage of revenues	Amount (€ millions)	Percentage
Revenues from the sale and transport of electricity and contributions from the Electricity Equalization Fund and similar bodies	39,164	*89.7%*	34,231	*88.9%*	4,933	14.4%
Gas sold and transported to end-users	2,118	*4.8%*	1,695	*4.4%*	423	25.0%
Gains on the disposal of assets	–	–	90	*0.2%*	(90)	−100.0%
Other services, sales and revenues	2,391	*5.5%*	2,497	*6.5%*	(106)	−4.2%
Revenues	**43,673**	***100.0%***	**38,513**	***100.0%***	**5,160**	**13.4%**
Electricity purchases	19,139	*43.8%*	17,082	*44.4%*	2,057	12.0%
Consumption of fuel for electricity generation	4,224	*9.7%*	4,086	*10.6%*	138	3.4%
Purchase of fuel for trading and natural gas for resale to end-users	1,656	*3.8%*	1,628	*4.2%*	28	1.7%
Materials	763	*1.7%*	750	*1.9%*	13	1.7%
Personnel	3,326	*7.6%*	3,210	*8.3%*	116	3.6%
Services, leases and rentals	4,748	*10.9%*	3,400	*8.8%*	1,348	39.6%
Charges for CO_2 emissions	7	*0.0%*	84	*0.2%*	(77)	−91.7%
Other operating expenses	929	*2.1%*	629	*1.6%*	300	47.7%
Capitalized costs	(1,178)	*−2.7%*	(989)	*−2.6%*	(189)	19.1%
Costs	**33,614**	***76.9%***	**29,880**	***77.4%***	**3,734**	**12.5%**
Net income/(charges) from commodity risk management	**(36)**	***–0.1%***	**(614)**	***−1.6%***	**578**	**−94.1%**
Gross operating margin[(1)]	**10,023**	***23.0%***	**8,019**	***21.0%***	**2,004**	**25.0%**
Income from equity exchange transaction	–	–	263	*0.7%*	(263)	–100.0%
Depreciation, amortization and impairment losses	3,033	*6.9%*	2,463	*6.4%*	570	23.1%
Operating income	**6,990**	***16.1%***	**5,819**	***15.3%***	**1,171**	**20.1%**
Financial income	2,101	*4.8%*	513	*1.3%*	1,588	309.6%
Financial expense	3,015	*6.9%*	1,160	*3.0%*	1,855	159.9%
Financial income/(expense)	**(914)**	***−2.1%***	**(647)**	***−1.7%***	**(267)**	**41.3%**
Share of income/(expense) on equity investments accounted for using the equity method	12	*0.0%*	(4)	*0.0%*	16	−400.0%
Income before taxes	**6,088**	***14.0%***	**5,168**	***13.6%***	**920**	**17.8%**
Income taxes	2,002	*4.6%*	2,067	*5.4%*	(65)	−3.1%
Income from continuing operations	4,086	*9.4%*	3,101	*8.2%*	985	31.8%
Income from discontinued operations	127	*0.3%*	–	*0.0%*	127	NA
Net Income (Group and minority interests)	**4,213**	***9.7%***	**3,101**	***8.2%***	**1,112**	**35.9%**
Minority interests	236		65		171	263.1%
GROUP NET INCOME	**3,977**		**3,036**		**941**	**31.0%**

(1) Non-IFRS financial measure. See "Presentation of financial and other information" herein.

Revenues

In 2007, revenues from electricity sales and transport and contributions from the Electricity Equalization Fund and similar bodies amounted to €39,164 million, up €4,933 million or 14.4% over 2006. This increase was connected primarily with the following factors:

- A €4,019 million increase in revenues from foreign operations, of which: (i) €2,648 million related to the proportional consolidation from October 5, 2007 of Endesa; (ii) €425 million related to the consolidation at the end of April 2006 of Slovenské elektrárne; (iii) €376 million related to the consolidation of RusEnergoSbyt (acquired in June 2006); (iv) €80 million related to the consolidation of Enel Panama and Enel Fortuna (now integrated into Americas Generation Corporation) on August 1, 2006 and February 2, 2007, respectively; and (v) €276 million related to international energy trading;

- An increase of €713 million in revenues from the transport and sale of electricity in Italy, as a result, in particular, of the increase in revenues earned on the free market in the amount of €2,546 million, essentially owing to an increase in volumes sold, as partly offset by a reduction of €1,833 million in revenues derived from the Universal Service and the Last-Resort Service. The latter were mainly affected by a decline in volumes sold, the impact of which was partially attenuated by higher average prices, including the effect of equalization mechanisms not reflected in rates covering generation costs;

- Higher contributions from the Electricity Equalization Fund and similar bodies in the amount of €339 million, of which €332 million was in respect of contributions to Endesa for extra-peninsular generation;

- An increase of €342 million as the joint effect of increased revenues from the sale of electricity on the Power Exchange, mainly due to an increase in quantities sold, which was partly offset by a decrease in average prices and decreased revenues from the sale of electricity to the Single Buyer;

- A €321 million decline in revenues from sales to wholesalers due to a decrease in volumes sold to electricity resellers; and

- A €108 million decrease in revenues from subsidized energy sales to the Electricity Services Operator, due essentially to the lower volumes generated by the Group's CIP 6-qualified plants, primarily because the subsidy periods for a number of the plants came to an end, as well as lower water balances in reservoirs and reduced river flows, mainly owing to reduced precipitation in 2007.

Revenues from gas sold and transported to end-users increased by €423 million (or 25.0%) reflecting an increase in revenues on the domestic market (€221 million) and the consolidation of Endesa and SeverEnergia, which contributed €191 million and €11 million, respectively. More specifically, the change in revenues on the domestic market was attributable to the increase in amounts sold and the effects on tariffs of Resolution No. 79/07 of the Authority for Electricity and Gas (**Resolution No. 79/07**), which increased certain tariffs for the period from the beginning of 2005 to March 31, 2007 with retroactive effect.

Gains on the disposal of assets decreased by €90 million to nil. Nearly all of the gains for 2006 were related to the gain realized on the sale of distribution networks in 18 municipalities in the province of Modena (€85 million).

"Other services, sales and revenues" came to €2,391 million in 2007 (as compared to €2,497 million in 2006), a decline of €106 million, or 4.2%. The reduction was mainly attributable to the following factors:

- A decrease of €178 million in revenues from the sale of fuels for trading, reflecting a decline of €237 million in revenues earned on the domestic market, which, despite the rise in volumes sold, were negatively affected by the greater weight of natural gas in the sales mix, given that gas prices in 2007 were lower on average than in 2006. This decline was partially offset by an increase of €59 million in revenues from fuel trading by Enel's Spanish subsidiaries.

- A decrease of €122 million in revenues from contract work, due to a reduction in engineering and construction for third parties both in Italy and abroad.
- The recognition in 2006 of gains totaling €92 million related to the settlement of past items with Siemens and with the transmission system operator, Enel's former subsidiary, Terna S.p.A. (**Terna**).
- An increase of €38 million in connection and activation fees for electricity and gas services, of which €16 million was attributable to the consolidation of Endesa.
- An increase of €236 million in sundry revenues connected with the consolidation of Endesa—mainly in the categories of rental income, gains on the disposal of assets and grants.

The following table illustrates 2007 and 2006 revenues by division or area, as well as showing revenues attributable to the Parent Company and eliminations and adjustments.

	Year ended December 31,		Change	
	2007	2006	Amount	Percentage
		(€ millions)		
Domestic Sales	22,271	21,360	911	4.3%
Domestic Generation and Energy Management	18,207	15,657	2,550	16.3%
Domestic Infrastructure and Networks	5,762	5,707	55	1.0%
International	7,654	3,068	4,586	149.5%
Parent Company	950	1,178	(228)	–19.4%
Services and Other Activities	1,147	1,161	(14)	–1.2%
Eliminations and Adjustments	(12,318)	(9,618)	(2,700)	28.1%
Total	**43,673**	**38,513**	**5,160**	**13.3%**

Domestic Sales: Revenues for 2007 amounted to €22,271 million, up €911 million (or 4.3%) over 2006, due mainly to a €2,382 million increase in revenues on the free electricity market and a €201 million increase in revenues from the sale of natural gas. These positive effects were offset by a €1,733 million decrease in revenues earned on the Universal Service and Last-Resort Service electricity markets, due primarily to a reduction in quantities sold. The increase in revenues on the unregulated electricity market was due to a higher level of sales to mass-market clients due to client-acquisition campaigns. The increase in natural gas revenues was due primarily to an increase in the number of clients and in quantities sold, as well as to the positive effect of the application of Resolution No. 79/07.

Domestic Generation and Energy Management: Revenues for 2007 totaled €18,207 million, up €2,550 million, or 16.3%, over 2006, due primarily to: (i) a €2,128 million increase in revenues due to the increase in the quantity of electricity sold to the Domestic Sales division for the free market, which was partially offset by a €358 million decline in revenues due to a reduction in operations on the free market by the Domestic Generation and Energy Management division; (ii) an increase in revenues of €717 million from electricity sales on the Power Exchange related primarily to an increase in quantities sold, which was partially offset by a decline in average prices; (iii) a €252 million increase in revenues from electricity trading on international markets related to higher volumes traded; and (iv) a €195 million increase in revenues from contract work due to an increase in engineering and construction for companies of the International division. The foregoing positive effects were partially offset by: (a) a €133 million decline in revenues from the sale of fuel for trading, resulting from a €108 million decrease in gas sales and a €25 million decline in sales of other fuels; (b) a €108 million decline in sales of CIP-6 energy due primarily to the ending of incentives for a number of plants; (c) a €65 million decline in revenues from the sale of Green Certificates to the other divisions of the Group and lower sales of Emission Allowances (connected to the fall in the average price of such Emission Allowances between the two periods); and (d) the recognition in 2006 of €92 million in revenues related to the implementation of settlement agreements with Siemens (€51 million) and Terna (€41 million).

Domestic Infrastructure and Networks: Revenues for 2007 amounted to €5,762 million, up €55 million, or 1.0%, over 2006, due to a €16 million increase in revenues from the electricity network and a €39 million increase in revenues from the gas distribution network. The increase in revenues from the electricity network was principally attributable to a rise in tariff revenues related to electricity transport activities (€34 million) and to the recognition in 2007 of higher remuneration for electricity metering services (metering equalization in the amount of €46 million), as well as to greater gains from refunds from clients in the amount of €21 million. These increases were partially offset by the fact that the 2006 results included the one-time gains from the sale of the distribution networks of a number of municipalities in the province of Modena (€85 million). The €39 million increase in revenues from the gas distribution network was due principally to the recognition in 2007 of past items related to gas transport for 2004-2006 (€35 million) and an increase in average prices, which more than offset a decline in volumes transported.

International: Revenues for 2007 amounted to €7,654 million, an increase of €4,586 million over 2006, due primarily to the first-time consolidation of Endesa (€3,447 million), as well as an increase in revenues from other companies of the division (€1,139 million). Of the Endesa revenues, €2,030 million came from the Iberian Peninsula and €1,320 million came from Latin America. More specifically, the revenues from the Iberian Peninsula were related to power generation activities in the amount of €1,140 million and to electricity distribution and sales in the amount of €412 million. Revenues in Latin America included €788 million from electricity distribution and sales and €506 million from power generation. With respect to the rest of the companies in the International division, revenues rose by €1,139 million, or 37.1%, from €3,068 million to €4,207 million. This increase was primarily due to the change in the scope of consolidation produced by the acquisitions of Slovenské elektrárne (€456 million), RusEnergoSbyt (€379 million), Enel Panama and Enel Fortuna (now integrated into Americas Generation Corporation) (€87 million), Enel France (€74 million), SeverEnergia (€11 million) and Greek wind generation companies (€4 million). In addition to this net increase due to acquisitions, revenues rose by €97 million at Enel's Spanish subsidiaries (related primarily to an increase in electricity and fuel trading activities), by €56 million at the Romanian subsidiaries (related primarily to an increase in rates) and by €13 million at the subsidiaries in the Americas, all of which was only partially offset by a €27 million decline in revenues from the Bulgarian subsidiaries due to refunds received in 2006 related to disputes over project delays, as well as the sale of a 30% stake in Enel Unión Fenosa Renovables (which caused a €11 million year-over-year reduction in revenues).

Parent Company: Revenues for 2007 came to €950 million, down €228 million, or 19.4%, from 2006. This decrease was primarily related to a reduction in revenues from electricity sales, due essentially to lower sales to the Single Buyer (down €375 million), which were partially offset by greater exports to France (up €106 million) and the reversal in the 2006 income statement of a gain recognized directly in equity in 2005 (€23 million) resulting from the fair-value measurement of Terna "bonus shares" (for allocation to subscribers of the Terna initial public offering who agreed to hold their purchased Terna shares for at least 18 months). These factors were partially offset by a rise in revenues associated with increased activities carried out by the Parent Company for Group companies related to the implementation of Sarbanes-Oxley Act procedures, as well as greater activities in support of international acquisitions and the raising of the necessary financial resources for such acquisitions.

Services and Other Activities: Revenues for 2007 came to €1,147 million, as compared to €1,161 million in 2006. This decline of €14 million, or 1.2%, was essentially the result of a decline in engineering and construction activities (down €90 million), which was partially offset by higher revenues from staff services (€64 million) and an increase in gains realized on the sale of a portion of Enel's real estate portfolio (€12 million).

Operating costs excluding depreciation, amortization and impairment losses

Excluding depreciation, amortization and impairment losses, which are discussed separately below, operating costs amounted to €33,614 million in 2007 (compared to €29,880 million in 2006), or 76.9% of total revenues (compared to 77.4% in 2007).

Costs for electricity purchases amounted to €19,139 million in 2007 (43.8% of total revenues), an increase of €2,057 million, or 12.0%, over the €17,082 million recorded in 2006 (44.4% of total revenues). The rise was mainly associated with the change in the scope of consolidation of foreign companies, of which €650 million was attributable to Endesa, as well as the increase in quantities purchased for the domestic free market, which more than offset the reduction in quantities sold on the domestic Universal Service and Last-Resort Service markets.

Costs for consumption of fuel for electricity generation amounted to €4,224 million in 2007 (9.7% of total revenues), an increase of €138 million, or 3.4%, over the €4,086 million recorded in 2006 (10.6% of total revenues). The increase was due mainly to the consolidation of Endesa (€560 million), as partially offset by a reduction in thermal generation in Italy and an improvement in the fuel mix.

Costs for the purchase of fuel for trading and natural gas for resale to end-users came to €1,656 million in 2007 (3.8% of total revenues), an increase of €28 million, or 1.7%, over the €1,628 million recorded in 2006 (4.2% of total revenues). Excluding the effects of the consolidation of Endesa (€95 million), these costs declined by €67 million (or 4.1%) as the increased purchases of natural gas for sale to end-users were more than offset by the reduction in the quantity of fuel (including gas) purchased for trading, in line with the trend in the related sales.

Costs for materials came to €763 million in 2007, broadly in line with the previous year (up only €13 million, or 1.7%).

Personnel costs in 2007 amounted to €3,326 million (7.6% of total revenues), an increase of €116 million, or 3.6%, over the €3,210 million recorded in 2006 (8.3% of total revenues). The average number of employees rose by 8.8%. Excluding: (i) the effects of the changes in the scope of consolidation, which mainly related to foreign companies; and (ii) the effect of lower charges for retirement incentives and charges recognized in respect of Italian social security obligations (the latter came to €77 million), personnel costs declined by €15 million (down 0.6%), while the average number of employees fell by 3.7%. This decline occurred notwithstanding a charge associated with the renewal of the collective bargaining agreement for the Italian electricity industry (€21 million).

Costs for services, leases and rentals came to €4,748 million in 2007 (10.9% of total revenues), an increase of €1,348 million, or 39.6%, over the €3,400 million recorded in 2006 (8.8% of total revenues). Excluding the effect of the change in the scope of consolidation connected with the acquisition of Endesa, these costs increased by €892 million (or 26.2%), mainly as a result of the increase in electricity and gas transport costs (up €839 million) associated with the increase in volumes transported for the domestic free market.

Charges for CO_2 emissions totaled €7 million in 2007, down €77 million, or 91.7%, compared with 2006, primarily due to the reduction in average unit prices. The expense for 2007 is essentially attributable to purchases made during the year to cover the Emissions Allowances requirement resulting from the difference between amounts of CO_2 produced and the allowances assigned under the respective national allocation plans.

Other operating expenses, made up of provisions for risks, indirect taxes and other expenses, came to €929 million in 2007 (2.1% of total revenues), an increase of €300 million, or 47.7%, from the €629 million recorded in 2006 (1.6% of total revenues). This increase was primarily due to the change in the scope of consolidation associated with Endesa and increased provisions for risks.

In 2007, capitalized costs rose by €189 million (or 19.1%), mainly as a result of the increased intra-Group activity of the Domestic Infrastructure and Networks division.

Net income/(charges) from commodity risk management

Net income/(charges) from commodity risk management amounted to a net charge of €36 million in 2007 (compared with a net charge of €614 million the previous year). The change primarily reflected the decrease in net charges on contracts for differences with the Single Buyer, which was essentially attributable to the declining trend in electricity prices on the pool market in 2007. The net charge for 2007 reflects a net charge of €73 million from the fair-value measurement of open derivatives contracts at the end of the year (compared with a net charge of €129 million in 2006), partially offset by net income of €37 million from positions closed during the year (compared with a net charge of €485 million in 2006).

Gross operating margin

The following table illustrates the Group's 2007 and 2006 gross operating margin by division, as well as showing gross operating margin attributable to the Parent Company and eliminations and adjustments. Gross operating margin is a non-IFRS financial measure. See "Presentation of financial and other information" and "Selected financial information" for more information.

	Year ended December 31,		Change	
	2007	**2006**	**Amount**	**Percentage**
		(€ millions)		
Domestic Sales	325	175	150	85.7%
Domestic Generation and Energy Management	3,541	3,149	392	12.4%
Domestic Infrastructure and Networks	3,726	3,418	308	9.0%
International	2,380	918	1,462	159.3%
Parent Company	(59)	177	(236)	–133.3%
Services and Other Activities	130	179	(49)	27.4%
Eliminations and Adjustments	(20)	3	(23)	–766.7%
Total	**10,023**	**8,019**	**2,004**	**24.9%**

Domestic Sales: Gross operating margin came to €325 million in 2007, increasing by €150 million from the €175 million posted in 2006. This increase was due primarily to: (i) a €80 million increase in margins on natural gas sales to end-users, due essentially to the increase in quantities sold and the application of Resolution No. 79/07; (ii) a €52 million increase in margins on the free market, principally related to the higher volumes sold; and (iii) a €108 million increase in margins on the Universal Service and Last-Resort Service markets, due primarily to a change in the method of determining the pricing conditions for the Last-Resort Service as of July 1, 2007, following the application of Resolution No. 156/07 of the Authority for Electricity and Gas, as well as to an increase in the rate set by such authority for Universal Service, as well as the positive impact of domestic equalization payments. These positive impacts were partially offset by an increase of €55 million in operating costs (including €24 million in respect of client-acquisition costs), the recognition in 2006 of reimbursements on gas purchases (€15 million) and the charge recognized in 2007 related to an administrative sanction (€12 million).

Domestic Generation and Energy Management: Gross operating margin came to €3,541 million in 2007, up €392 million, or 12.4%, from the €3,149 million recorded in 2006. This increase was principally related to a change in the fair-value measurement of contracts for differences (up €103 million) and an improvement in the margin on power generation (up €232 million), as well as the recognition of lower charges in respect of fees for public land usage pursuant to Law No. 266/05 (€45 million), as well as lower charges for retirement incentives (€96 million). These factors were partially offset by the nonrecurring gains recorded in 2006 on the above-mentioned settlements of disputes (€92 million).

Domestic Infrastructure and Networks: Gross operating margin totaled €3,726 million in 2007, up by €308 million, or 9.0%, reflecting a €247 million increase in gross operating margin from the electricity network and a €61 million increase in gross operating margin from the gas distribution network. The increase in revenues from the electricity network was primarily attributable to lower charges for retirement incentives in the amount of €142 million, as well as to a €113 million improvement in the electricity margin (€46 million of which related to metering equalization) and greater capitalization of costs related to internal activities and new construction in the amount of €52 million. These factors were partially offset by the non-recurrence of the gains recognized in 2006 from the sale of the distribution networks of a number of municipalities in the province of Modena (€85 million). The increase in revenues from the gas distribution network was due principally to the recognition of past items related to gas transport for 2004, 2005 and 2006, as mentioned in the above discussion of revenues, as well as to a €20 million decline in operating costs (€5 million of which was tied to the above-mentioned decline in retirement incentive charges).

International: Gross operating margin totaled €2,380 million in 2007, an increase of €1,462 million over the prior year. The increase was due principally to the first-time consolidation of Endesa (€1,229 million) as well as to increases in margins at other companies of the division (€233 million). With respect to the increase in gross operating margin attributable to Endesa, €691 million related to the Iberian Peninsula and €531 million related to Latin America. More specifically, the gross operating margin for the Iberian Peninsula was related to power generation activities in the amount of €403 million and to electricity distribution and sales in the amount of €207 million. The gross operating margin in Latin America included €294 million for power generation and €233 million for electricity distribution and sales. Examining the other companies of the division, the gross operating margin came to €1,151 million, an increase of €233 million (or 25.4%) over 2006, of which €244 million related to the change in the scope of consolidation (Slovenské elektrárne in the amount of €191 million and Enel Panama and Enel Fortuna (now integrated into the Americas Generation Corporation) in the amount of €51 million) and €28 million related to an improvement in margins for Enel's Romanian subsidiaries. The increase was partially offset by the fact that the 2006 result included €27 million received in respect of ongoing litigation.

Parent Company: The gross operating margin for 2007 came to negative €59 million, a decrease of €236 million from 2006, due primarily to a reduction in "energy margin" (down €240 million) and the above-mentioned gain related to the Terna bonus shares recognized in 2006. These factors were partially offset by a reduction in operating costs, including a €6 million decline in costs for retirement incentives.

Services and Other Activities: The gross operating margin for 2007 came to €130 million, down €49 million, or 27.4%, from 2006, due essentially to charges related to the Endesa acquisition and the decline in margin connected with the reduction in engineering and construction activities.

Income from equity exchange transaction

The income from the equity exchange transaction recognized in 2006 regarded the valuation of the effects of Enel's exchange of 30.97% of the telecommunications company Wind

Telecomunicazioni S.p.A. (**Wind**) for 20.9% of Weather Investments S.p.A. (**Weather**), which resulted in a gain of €263 million. See, also, "Business description—History and Development of the Company—Internationalization and Focus on Energy Businesses."

Depreciation, amortization and impairment losses

Depreciation, amortization and impairment losses increased by €570 million (or 23.1%) from €2,463 million in 2007 to €3,033 million in 2008. Excluding the effects of the consolidation of Endesa (€337 million), these charges rose by €233 million, or 9.5%. This increase mainly reflected the combined effect of the different periods of consolidation of Slovenské elektrárne and increased impairment losses, recognized mainly on trade receivables for the sale of electricity.

Operating income

The following table illustrates 2007 and 2006 operating income by division or area, as well as showing operating income attributable to the Parent Company and eliminations and adjustments.

	Year ended December 31,		Change	
	2007	**2006**	**Amount**	**Percentage**
		(€ millions)		
Domestic Sales	109	(6)	115	−1,916.7%
Domestic Generation and Energy Management	2,600	2,205	395	17.9%
Domestic Infrastructure and Networks	2,833	2,589	244	9.4%
International	1,494	519	975	187.9%
Parent Company	(75)	423	(498)	−117.7%
Services and Other Activities	49	86	(37)	−43.0%
Eliminations and Adjustments	(20)	3	(23)	−766.7%
Total	**6,990**	**5,819**	**1,171**	**20.1%**

Domestic Sales: Operating income in 2007 came to €109 million, increasing by €115 million from the €6 million operating loss recorded in 2006, due to the €158 million increase in gross operating margin, as offset by a €43 million increase in depreciation, amortization and impairment losses, which was primarily due to an increase in impairments on trade receivables recognized in 2007.

Domestic Generation and Energy Management: Operating income came to €2,600 million, up €395 million, or 17.9%, from 2006. This increase was due primarily to the growth in gross operating margin (€392 million), as well as to a reduction in depreciation as a result of the retirement of a number of plants (a decrease of €41 million), which more than offset the fact that the 2006 results included gains for the reversal of a number of provisions established for impairment losses in previous years (€27 million).

Domestic Infrastructure and Networks: Operating income came to €2,833 million in 2007, an increase of €244 million (or 9.4%) over 2006. This increase resulted from the €308 million increase in gross operating margin, as offset by a €64 million increase in depreciation, amortization and impairment losses (€893 million in 2007, as compared to €829 million in 2006), reflecting the larger number of amortizable assets in 2007 as a result of investments in property, plants and equipment.

International: Operating income in the International division came to €1,494 million in 2007, an increase of €975 million over 2006. The increase reflected the consolidation of Endesa (€892 million), as well as improvements in the rest of the division (€83 million). Of the

Endesa-related increase, €522 million came from the Iberian Peninsula and €364 million came from Latin America. More specifically, operating income for the Iberian Peninsula was related to power generation activities in the amount of €312 million and to electricity distribution and sales in the amount of €140 million. Operating income in Latin America included €196 million for power generation and €168 million for electricity distribution and sales. Examining the other companies of the division, operating income came to €602 million, an increase of €83 million over 2006. This was due to an increase of €89 million from the change in the scope of consolidation, of which €47 million related to Slovenské elektrárne and €43 million related to Enel Panama and Enel Fortuna, and to a €28 million improvement in operating performance at Enel's Spanish subsidiaries. These factors were only partially offset by the aforementioned refunds recognized in 2006 by the Bulgarian firms and by a €10 million combined operating loss at Enel's other subsidiaries in the Americas.

Parent Company: Operating income came to negative €75 million, a decrease of €498 million from 2006 (€423 million), reflecting the decline in gross operating margin, as well as the fact that the 2006 results included the gain on the above-described Wind-Weather share swap in the amount of €263 million.

Services and Other Activities: Operating income for 2007 came to €49 million, down €37 million from 2006, reflecting the decrease in gross operating margin (down €49 million), as offset by lower depreciation, amortization and impairment losses (down €12 million).

Financial income/(expense)

Net financial expense increased by a total of €267 million (or 41.3%). The rise was essentially attributable to the increase of €860 million in net financial expense caused by the rise in the Group's average debt during 2007 following the acquisition of 67.05% of Endesa (and its proportional consolidation). This development was partially offset by the dividend of €301 million (distributed before the consolidation of Endesa) approved by Endesa shareholders in June 2007, the gain from the exercise of the call option for physical delivery contained in the share swaps entered in to as part of the acquisition of 14.98% of Endesa (€144 million), as well as the positive impact of the fair-value measurement of the put option granted by Enel to Acciona in respect of remaining Endesa shares pursuant to the March 26, 2007 agreement entered into between them (€136 million). See "Business description—Recent significant transactions and related material agreements—Acquisition of Endesa."

Share of income/(charges) on equity investments accounted for using the equity method

The result from investments accounted for using the equity method in 2007 was a €12 million income, as compared to a net charge of €4 million in 2006. This reflects the effects of the equity-method measurement of OGK-5 and minor affiliated companies.

Income taxes

Income taxes amounted to €2,002 million in 2007, equal to 32.9% of taxable income, as compared to 40.0% in 2006. This reflected the net benefits of the adjustment of the deferred taxes of Italian companies to a new reference tax rate for future financial years, the tax contribution of the newly acquired foreign companies and tax-exempt financial income.

Group net income

As a result of the foregoing factors, the Group's net income (after deducting minority interests) increased from €3,036 million in 2006 to €3,977 million in 2007.

Cash flow

The following is a discussion and analysis of the Group's cash-flow data for the years ended December 31, 2008, 2007 and 2006 and for the six-month periods ended June 30, 2009 and 2008, which has been derived from the Group's consolidated statements of cash flows contained in the Audited Financial Statements and the Unaudited Condensed Interim Consolidated Financial Statements, respectively. For a description of the changes in our scope of consolidation and the restatements affecting the comparability of the periods below, see "—Acquisitions and presentation and comparability of recent financial statements—Endesa consolidation" and "—Restatements" in this section. In the below discussion, as elsewhere in this "Management's discussion and analysis of financial condition and results of operations," restated 2007 financial data is presented alongside 2008 data, and restated data for the first six months of 2008 is presented alongside data for the corresponding period of 2009, in each case for comparison purposes only, just as it is in the relevant consolidated financial statements.

First six months of 2009 compared with the first six months of 2008 (restated)

The following table contains unaudited consolidated cash-flow statement data for the Group for the six months ended June 30, 2009 and 2008 (as restated).

	Six months ended June 30,	
	2009	**2008 (restated)**
	(€ millions)	
Cash flow from operating activities	2,614	3,785
Of which Discontinued Operations	32	46
Cash flow from (investing)/disinvesting activities	(9,161)	2,242
Of which Discontinued Operations	(32)	(46)
Cash flow from financing activities	4,706	(98)
Impact of exchange rate fluctuations on cash and cash equivalents	115	2
Increase/(Decrease) in cash and cash equivalents	(1,726)	5,931
Cash and Cash equivalents at the beginning of the period	5,211	1,463
Of which Discontinued Operations	1	1
Cash and Cash equivalents at the end of the period(1)(2)	3,485	7,394
Of which Discontinued Operations	*1*	*1*

(1) Of which short-term securities equaled €57 million as of June 30, 2009 (€87 million as of June 30, 2008).

(2) Of which cash and cash equivalents pertaining to assets held for sale equaled €18 million as of June 30, 2009. (€32 million as of June 30, 2008).

Cash flow from operating activities: The Group's cash flow from operating activities in the first half of 2009 was €2,614 million, down €1,171 million from the same period in the previous year. The greater uses connected with the change in net current assets, due essentially to the €1,560 million increase in tax payments (caused by a one-time change in the timing of certain tax payments from the beginning of the third quarter in 2008 to the end of the second quarter in 2009), was only partially offset by the improvement in the gross operating margin, which in the first half of 2008 included the effects of the Endesa assets acquired for the sole purpose of being resold.

Cash flow from investing/disinvesting activities: The Group had a net cash outflow from financing activities for the first half of 2009 in the amount of €9,161 million, whereas such activities generated liquidity totaling €2,242 million in the first six months of 2008.

In particular, investments in property, plant and equipment and in intangible assets, totaling €2,701 million, declined by €506 million from the corresponding period of the previous year. This reduction primarily reflected the investments made in the first half of 2008 associated with the Endesa and Enel generation assets that were sold to E.On.

Investments in entitles or business units, net of cash and cash equivalents acquired in the amount of €566 million, totaled €9,394 million in the first half of 2009. This essentially included €9,067 million related to the purchase of the additional 25.01% stake in Endesa (net of the €560 million in cash at the date of acquisition), as well as the €295 million payment for Endesa's acquisition of KJWH (now Endesa Ireland), an Irish company to which 20% of the generation assets of the Electricity Supply Board (ESB) had been transferred. Investments in entities for the first half of 2008, net of the cash and cash equivalents acquired in the amount of €499 million, came to €1,190 million and essentially included €815 million in respect of the OGK-5 acquisition and €334 million for the purchase of a 64.4% stake in Electrica Muntenia Sud (now Enel Distributie Muntenia and Enel Energie Muntenia).

In the first half of 2009, sales of entities and business units generated cash flows of €2,918 million, €1,766 million of which related to the sale of Endesa's renewable energy assets to Acciona and €1,152 million of which reflected the sale of Enel Linee Alta Tensione (ELAT) to Terna. The earnings from such sales in the first six months of 2008 included the effects of the sale to E.On of Endesa Europa (€5,880 million) and Viesgo (€702 million).

Cash flow from financing activities: Cash flows from financing activities generated €4,706 million in liquidity, whereas such activities absorbed cash of €98 million for the first six months of 2008. Cash flows for the period under review essentially reflected the increase in capital and reserves of Enel totaling €7,958 million as a result of the successful rights offering, taking into account the €2,047 million dividend payment.

In the first half of 2009, the €4,706 million in cash flows generated by financing activities (which was the combined effect of certain repayments and redemptions, new financings and changes in the scope of consolidation as more particularly described in Note 26 in the Unaudited Condensed Interim Consolidated Financial Statements included herein) and the €2,614 million generated by operating activities went toward covering the €9,161 million in cash needed for investing activities. The difference is reflected in the decrease in cash and cash equivalents, which came to €3,485 million at June 30, 2009, compared with €5,211 million at the end of 2008. This decline was partially off-set by the positive effect of exchange rate fluctuations in the amount of €115 million.

2008 compared with 2007 (restated)

The following table illustrates the 2008 and 2007 (as restated) cash flow of the Group:

	Year ended December 31,	
	2008	2007 (restated)
	(€ millions)	
Cash flow from operating activities	10,510	6,070
Of which Discontinued Operations	*(387)*	*80*
Cash flow from (investing)/disinvesting activities	(2,140)	(35,353)
Of which Discontinued Operations	*(113)*	*(80)*
Cash flow from financing activities	(4,510)	30,226
Of which Discontinued Operations	*500*	–
Impact of exchange rate fluctuations on cash and cash equivalents	(112)	(52)
Increase/(Decrease) in cash and cash equivalents	**3,748**	**891**
Cash and Cash equivalents at the beginning of the year	1,463	572
Of which Discontinued Operations	*1*	*1*
Cash and Cash equivalents at the end of the year(1)(2)	5,211	1,463
Of which Discontinued Operations	*1*	*1*

(1) Of which short-term securities equaled €73 million as of December 31, 2008 (€101 million as of December 31, 2007).

(2) Of which cash and cash equivalents pertaining to assets held for sale equaled €32 million as of December 31, 2008. (€128 million as of December 31, 2007).

Cash flow from operating activities: The Group's cash flow from operating activities increased by €4,440 million, from €6,070 million in 2007 to €10,510 million in 2008. €4,257 million of the increase related to the increase in cash flows from operating activities before variations in net current assets, which was attributable to the improvement in the Group's gross operating margin, achieved in part as a result of the full-year consolidation of Endesa (€3,536 million). In 2008, the Group also increased its cash flows from the management of net current assets.

Cash flow from investing/disinvesting activities: The Group's net cash outflow from investing activities decreased sharply from €35,353 million in 2007 to €2,140 million in 2008. This variation principally reflected the fact that the 2007 result included a net cash outflow of €28,211 million for the acquisition of 67.05% of Endesa's share capital. Other significant acquisition-related cash outflows also took place in 2007; an amount equal to €1,644 million (net of cash acquired) was paid to acquire a 37.15% share in OGK-5, and an amount equal to €680 million (net of cash acquired) was paid to acquire an interest in SeverEnergia, among other acquisitions. There was notably less acquisition activity in 2008 and the cash outflow from investing activities was primarily driven by investments in plants, property and equipment, both at recently acquired companies and in relation to the expansion of the Enel Group's renewable-energy generation capacity. Such investments increased by €2,167 million, from €5,230 million in 2007 to €7,397 million in 2008.

In 2008, the major components of the cash outflow from acquisition activities were: (i) the €828 million net outflow involved in increasing Enel's share in OGK-5 to 55.86%; (ii) the €334 million net outflow involved in acquiring a 64.4% share of Electrica Muntenia; (iii) the €301 million net outflow connected with the completion of tender offers by Endesa in respect of the shares of two Endesa subsidiaries listed on the Lima Stock Exchange; and (iv) the €122 million net outflow involved in acquiring a 30% interest in a group of wind-power projects in Greece. These acquisition-related outflows were more than offset by cash inflows arising from the transfer to E.On of Endesa Europa (€5,880 million) (with "Endesa Europa" defined herein as

Endesa's businesses in Italy, France, Poland and Turkey, as well as certain of Endesa's Spanish assets), as well as the sale of Viesgo (€702 million) and the transfer of a 51% share of HDE (€338 million).

Cash flow from financing activities: The Group had a net cash outflow from financing activities of €4,510 million in 2008, as compared to a cash inflow of €30,226 million in 2007. The variation, a reduction of €34,736 million, was principally the result of having used bank and capital markets financing in 2007 to finance the acquisitions described above. The main long-term financing transactions undertaken in 2007 were the following:

- The draw-down of the 36-and 60-month tranches of the Group's syndicated credit facility, producing a total cash inflow of €19,221 million;
- A June 2007 bond issuance by the Company, structured into five tranches targeted at Euro-market institutional investors, carried out within the context of Enel's Global Medium-Term Notes Programme, and raising an amount equal to approximately €4,980 million;
- A September 2007 bond issuance by Enel S.A., structured into three tranches targeted at institutional investors in the U.S. market, under the Global Medium-Term Notes Programme, raising an amount equal to $3,500 million;
- A December 2007 bond issuance by the Company, structured into two tranches targeted at Italian investors, raising an amount equal to €2,300 million; and
- The issuance of commercial paper, which generated a €3,362 million cash inflow (as compared to having absorbed €101 million in 2008).

2007 compared with 2006

The following table illustrates the 2007 and 2006 cash flows of the Group:

	Year ended December 31,	
	2007	**2006**
	(€ millions)	
Cash flow from operating activities	6,070	6,756
Cash flow from (investing)/disinvesting activities	(35,353)	(2,374)
Cash flow from financing activities	30,226	(4,322)
Impact of exchange rate fluctuations on cash and cash equivalents	(52)	4
Increase/(Decrease) in cash and cash equivalents	**891**	**64**
Cash and Cash equivalents at the beginning of the year	572	508
Cash and Cash equivalents at the end of the year(1)	1,463	572

(1) Of which short-term securities equaled €101 million as of December 31, 2007 (€25 million as of December 31, 2006).

Cash flow from operating activities: The Group's cash flow from operating activities decreased by €686 million, from €6,756 million in 2006 to €6,070 million in 2007. Cash flows from operating activities before variations in net current assets increased by €2,190 million due to the positive impact of the consolidation of Endesa as from October 5, 2007. However, this positive effect was more than offset by a decline in net current assets equal to €2,876 million.

Cash flow from investing/disinvesting activities: The Group's net cash outflow from investing activities increased sharply from €2,374 million in 2006 to €35,353 million in 2007. This variation principally reflected the fact that the 2007 result included a net cash outflow of €28,211 million for the acquisition of 67.05% of Endesa's share capital, as well as other significant acquisitions undertaken in 2007, as described above.

In 2006, acquisitions-related investments absorbed only €1,082 million of cash, including the €676 million expended (net of cash acquired) to acquire a 66% share of Slovenské elektrárne, the €169 million cash outflow involved in the acquisition of ten companies of the Rede Group by Enel Brasil; and the €119 million cash outflow involved in acquiring Enel Panama. Divestiture-related cash inflows amounted to €1,518 million in 2006, primarily due to a payment of €1,000 million related to the sale of a 26.1% interest in Weather, received on February 8, 2006, as well as a €328 million inflow received in respect of a sale of a 6.28% share of Wind to a company controlled by Weather.

The Group's investment of cash in property, plants and equipment increased by €2,267 million in 2007 with respect to the previous financial year, mostly due to investments in recently acquired companies, as well as increased investments in Italian generation plants.

Cash flow from financing activities: The Group had a net cash inflow from financing activities of €30,226 million in 2007, as compared to a cash outflow of €4,322 million in 2006. The variation, an increase of €34,548 million, was principally the result of having resorted to bank and capital markets financing in 2007 to finance acquisitions, as described above.

Debt and liquidity

As of June 30, 2009 and as of December 31, 2008, 2007 and 2006, the Net Financial Debt of the Group was as shown in the following table. (For the avoidance of doubt, figures as of June 30, 2009 include the fully consolidated Endesa and figures as of December 31, 2008 and 2007 include the Group's 67.05% proportional share of Endesa.) Net Financial Debt, as described below, is a non-IFRS financial measure. See "Presentation of financial information — Non-IFRS financial measures."

	As of June 30, 2009	As of December 31, 2008	2007 (restated)	2007	2006
	(€ millions)				
Long-term debt:					
bank loans	28,908	29,392	28,343	28,343	3,677
bonds	22,327	20,248	22,365	22,365	8,375
preference shares	1,457	973	966	966	-
other loans	589	432	481	481	142
Long-term debt	*53,281*	*51,045*	*52,155*	*52,155*	*12,194*
Long-term financial receivables and securities	(4,802)	(2,891)	(1,339)	(1,339)	(1,090)
Net long-term debt	**48,479**	**48,154**	**50,816**	**50,816**	**11,104**
Short-term debt:					
Bank loans:					
short-term portion of long-term debt	3,635	590	461	461	233
drawings on revolving credit lines	18	14	20	20	-
other short-term bank debt	1,436	1,564	1,260	1,260	542
Short-term bank debt	*5,089*	*2,168*	*1,741*	*1,741*	*775*
Bonds (short-term portion)	1,378	2,364	2,033	2,033	59
Other loans (short-term portion)	259	156	235	235	31
Commercial paper(1)	6,154	3,792	3,893	3,893	531
Other short-term financial payables	76	97	112	112	13
Other short-term debt	*7,867*	*6,409*	*6,273*	*6,273*	*634*
Long-term financial receivables(2)(short-term portion)	(868)	(524)	(1,402)	(1,402)	(30)
Factoring receivables	(296)	(367)	(205)	(205)	(211)
Other short-term financial receivables	(1,040)	(694)	(97)	(97)	(10)
Cash and cash equivalents(3)	(3,467)	(5,179)	(1,335)	(1,335)	(572)
Cash and cash equivalents and short-term financial receivables	*(5,671)*	*(6,764)*	*(3,039)*	*(3,039)*	*(823)*
Net short-term financial debt	**7,285**	**1,813**	**4,975**	**4,975**	**586**
NET FINANCIAL DEBT	**55,764**	**49,967**	**55,791**	**55,791**	**11,690**
Financial debt of "Assets held for sale"	***637***	***795***	***1,725***	***1,725***	**-**

(1) As of June 30, 2009, commercial paper outstanding related to: (i) the €4,000 million commercial paper program launched in November 2005 by Enel S.A., and guaranteed by Enel (€3,513 million outstanding as of June 30, 2009); (ii) the €2,000 million commercial paper program of Endesa Latinoamérica S.A. (**Endesa Latinoamérica**) (€1,611 million outstanding as of June 30, 2009); and (iii) the €2,000 million program of Endesa Capital S.A. (**Endesa Capital**) (€1,050 million outstanding as June 30, 2009). Approximately 96% of the foregoing commercial paper is denominated in euros, and the exchange rate risk in respect of issuances in currencies other than the Euro has been fully hedged by currency swaps.

(2) The long-term financial receivables is substantially comprised by financial receivables owed to Endesa in connection with their portion of long-term financing of the Spanish electrical system deficit.

(3) The €3,467 million as of June 30, 2009 includes €57 million of short-term securities.

Subsequent to June 30, 2009 Enel issued a multi-tranche bond under the Programme on September 17, 2009. The notes, denominated in euros and pounds sterling, had an aggregate principal amount as of the issue date of over €6,500 million. The four tranches issued were: €1,500 million fixed-rate 4.00% notes due 2016; €2,500 million fixed-rate 5.00% notes due 2022; £850 million fixed-rate 5.625% notes due 2024; and £1,400 million fixed-rate 5.75% notes due 2040.

Net financial debt was equal to €55,764 million at June 30, 2009, a €5,797 million increase over December 31, 2008. The increase reflects the acquisition of the 25.01% interest in Endesa for the amount of €9,627 million (as well as the effects of the full consolidation of Endesa's debt), the effect of which was offset in part by the proceeds from sale of Enel Linee Alta Tensione to Terna in the amount of €1,152 million, the finalization of the Enel capital increase in the amount of €7,958 million and the sale of a number of hydroelectric and other renewable energy plants by Endesa to Acciona in the amount of €1,766 million.

Net long-term financial debt increased by €325 million as the result of the increase in gross long-term debt in the amount of €2,236 million and the increase in long-term financial receivables of €1,911 million. In particular, bank loans, totaling €28,908 million, reflect the following:

- the €8,000 million (nominal value; the effect on net financial debt comes to €7,743 million) use of the 2009 Credit Agreement to finance the acquisition of the additional 25.01% stake in Endesa;
- the reclassification of the tranche of the €35 billion syndicated line of credit coming due in April 2010 in the amount of €10,866 million as at December 31, 2008. As at June 30, 2009, this tranche totaled €2,506 million after voluntary and mandatory prepayments during the first six months of the year;
- the partial repayment, in the amount of €1,973 million, of the five-year, €5 billion syndicated revolving line of credit established in November 2005.

Net short-term financial debt, in the amount of €7,285 million at June 30, 2009, increased by €5,472 million from the end of 2008, €2,921 million of which related to short-term bank debt, €1,458 million to other loans and €1,093 million to the decline in cash and cash equivalents and short-term financial receivables. In particular, other short-term loans in the amount of €7,867 million include outstanding commercial paper issued by Enel S.A., Endesa Internacional BV and Endesa Capital SA in the amount of €6,154 million, as well as the bonds maturing within one year in the amount of €1,378 million, approximately €820 million of which related to bonds issued by the Endesa Group and about €430 million to bonds issued by Enel SpA.

Net financial debt of assets held for sale at June 30, 2009, came to €637 million (€795 million at December 31, 2008) and included €499 million related to the Italian gas distribution network, €97 million related to the upstream gas business in Russia and €41 million related to the Endesa renewable energy assets held for sale.

The Group's average cost of debt financing amounted to 4.6% in 2006, 5.1% in 2007, 5.5% in 2008 and 4.6% in the first six months of 2009.

The following table provides details of the Group's long-term debt to banks and financing entities, long-term bonds, preference shares and other long-term loans.

		As of June 30, 2009				As of December 31, 2008		As of Dec. 31, 2007
	Maturing	Balance	Nominal amount	Current portion	Portion due in more than 12 months	Balance	Nominal amount	Balance
				(€ millions)				
Bonds:								
Listed, fixed rate	2009-2097	12,669	12,763	535	12,124	13,787	13,889	15,185
Listed, floating rate	2009-2037	5,704	5,744	495	5,209	3,720	3,730	4,360
Unlisted, fixed rate	2020-2037	2,948	2,911	1	2,947	2,843	2,812	2,726
Unlisted, floating rate	2009-2032	2,384	2,384	347	2,037	2,262	2,262	2,127
Total		**23,705**	**23,802**	**1,378**	**22,327**	**22,612**	**22,693**	**24,398**
Bank loans:								
Fixed rate	2009-2046	618	624	213	405	470	473	279
Floating rate	2009-2035	27,386	27,709	3,269	24,117	24,676	24,746	27,491
Use of revolving credit lines	2009-2012	4,539	4,539	153	4,386	4,836	4,836	1,034
Total		**32,543**	**32,872**	**3,635**	**28,908**	**29,982**	**30,055**	**28,804**
Preference shares:								
Fixed rate	–	–	–	–	–	–	–	–
Floating rate	2013(1)	1,457	1,500	–	1,457	973	1,006	966
Total		**1,457**	**1,500**	–	**1,457**	**973**	**1,006**	**966**
Non-bank loans:								
Fixed rate	2009-2029	568	568	194	374	431	431	576
Floating rate	2009-2028	280	280	65	215	157	157	140
Total		**848**	**848**	**259**	**589**	**588**	**588**	**716**
TOTAL		**58,553**	**59,022**	**5,272**	**53,281**	**54,155**	**54,342**	**54,884**

(1) The preference shares issued by Endesa Capital Finance LLC (**Endesa Capital Finance**) have a perpetual maturity with an option for early redemption at par beginning in 2013.

The following table provides further details regarding the maturity profile of the Group's long-term debt to banks and financing entities, long-term bonds and other long-term financial liabilities.

		Maturing in:				
	Maturing	June 30-December 31, 2010	2011	2012	2013	Beyond
			(€ millions)			
Bonds:						
Listed, fixed rate	2009-2097	134	1,012	1,137	1,810	8,041
Listed, floating rate	2009-2037	239	508	908	67	3,487
Unlisted, fixed rate	2009-2037	0	35	183	790	1,939
Unlisted, floating rate	2009-2032	53	56	58	59	1,811
Total		**426**	**1,611**	**2,286**	**2,726**	**15,278**
Bank loans:						
Fixed rate	2009-2046	33	90	86	33	163
Floating rate	2009-2028	437	2,776	8,974	640	11,290
Use of revolving credit lines	2009-2012	1,980	220	2,186	0	0
Total		**2,450**	**3,086**	**11,246**	**673**	**11,453**
Preference shares:						
Fixed rate	–	–	–	–	–	–
Floating rate	2013(1)	0	0	0	0	1,457
Total		0	0	0	0	1,457
Non-bank loans:						
Fixed rate	2009-2029	42	61	40	36	195
Floating rate	2009-2028	24	24	19	26	122
Total		**66**	**85**	**59**	**62**	**317**
TOTAL		**2,942**	**4,782**	**13,591**	**3,461**	**28,505**

(1) The preference shares issued by Endesa Capital Finance have a perpetual maturity with an option for early redemption at par beginning in 2013.

The following table provides details concerning the currencies of denomination and interest rates applicable to the Group's long-term financial debt as of June 30, 2009.

	Balance	Nominal amount	Current average interest rate	Current effective interest rate
	(€ millions)			
Euro	**47,600**	**48,049**	**2.61%**	**2.80%**
U.S. dollar	5,605	5,605	6.25%	6.68%
Pounds sterling	1,791	1,809	6.02%	6.16%
Japanese yen	147	148	3.25%	3.29%
Brazilian real	1,035	1,035	11.71%	11.71%
Colombian peso	1,130	1,130	7.09%	7.09%
Russian ruble	114	114	7.50%	7.50%
Other currencies	1,131	1,132		
Total non-euro currencies	**10,953**	**10,973**		
Total	**58,553**	**59,022**		

As of June 30, 2009, no party outside the Group had any beneficial rights in respect of any of the Group's property, plants or equipment to secure any of the Group's debt.

Further information regarding bank loans, bonds and preference shares

Bank loans

The principal bank loans outstanding as of June 30, 2009 are described below. The descriptions below do not reflect repayments subsequent to June 30, 2009. See "Capitalization" herein.

- €18,334 million outstanding under the syndicated credit facility agreement, executed on April 10, 2007 (the **2007 Credit Agreement**, as described under "Risk Factors" herein) and supplemented and modified on April 16, 2009 (the **2009 Credit Agreement Supplement**, as described under "Risk Factors" herein) among Enel, Enel S.A. and several banks, including affiliates of several of the Managers. The credit facility was initially composed of three tranches: (i) Tranche A of €10 billion maturing after 12 months (which expired on April 10, 2008); (ii) Tranche B of €15 billion maturing after 36 months (2010); and (iii) Tranche C of €10 billion maturing after 60 months (2012), but which may be partially refinanced in 2012 with the proceeds of the €8 billion Rollover Facility Agreement. The amount outstanding as of June 30, 2009 (after voluntary and obligatory repayments of €8,360 million during the first six months of 2009) was composed of €2,506 million due in 36 months, €7,828 million due in 60 months, €5,500 million maturing in 2014 and €2,500 million maturing in 2016. The main transactions relating to these agreements include the payment by Endesa of the dividend generated by the sale of assets to E.On (a mandatory prepayment of €1,904 million), the sale of the high-voltage network to Terna (voluntary prepayment of €570 million), the Enel S.p.A. capital increase (mandatory and voluntary prepayment of €5,886 million) and the utilization of €8,000 million from the 2009 Credit Agreement Supplement to finance the acquisition of 25.01% of Endesa from Acciona. Tranche C was established so as to be subject to increase by up to €8.5 billion in case of the exercise of Acciona's put option in respect of its 25.01% interest in Endesa starting from 2010. Due to the early exercise of this put option, this permitted increase in credit availability was implemented through the entry into the 2009 Credit Agreement Supplement. See "Business description—Recent significant transactions and related material agreements—Acquisition of Endesa—Further Transaction Financing."

- €1,800 million outstanding under the €5 billion five-year revolving credit agreement, entered into among Enel and certain banks led by Citibank N.A., J.P. Morgan and Mediobanca, in November 2005 and renewable for two years beyond the initial five-year term.

- €2,591 million outstanding under loans granted by the EIB (European Investment Bank) to Enel's Italian subsidiaries in respect of specific investment projects guaranteed by Enel or a financial institution, as the case may be.

- €1,168 million outstanding under loans granted by EU bodies, including the EIB to Endesa in respect of specific investment projects.

See "—Recent Developments" below for information regarding financing agreements entered into in the past two months.

Bonds

Listed below are the principal bond issuances undertaken by the Enel Group in the first six months of 2009 and in the financial years 2008, 2007 and 2006:

- €97 million of bonds issued by Enel and privately placed with insurance companies in May and November 2006 (two tranches), as well as a further €97 million issued by Enel and placed with insurance companies in May and November 2007 (a further two tranches), maturing, respectively, in 2024 and 2025.

- €97 million of bonds issued by Enel and privately placed with insurance companies in May and November 2008 (two tranches), maturing in 2026.

- €97 million of bonds issued by Enel and privately placed with insurance companies in May 2009, maturing in 2027.

- A multi-tranche bond issuance, launched on June 13, 2007, in the context of the Global Medium-Term Notes Programme, addressed to Euro-market institutional investors, raising a total amount of approximately €4.98 billion. The issuance was structured into the following five tranches: (i) €1,000 million of 7-year floating-rate notes; (ii) €1,500 million of 5.25% 10-year fixed-rate notes; (iii) €850 million of 5.625% 20-year fixed-rate notes; (iv) £550 million of 6.25% 12-year fixed-rate notes; and (v) £550 million of 5.75% 30-year fixed-rate notes. The exchange rate risk associated with the tranches in pounds sterling was entirely hedged by swaps at the time of issuance.

- A September 2007 bond issuance by Enel S.A., addressed to U.S. institutional investors, under the Global Medium-Term Notes Programme, raising an amount equal to $3.5 billion, structured into the following three tranches: (i) $1 billion (approximately €0.7 billion) of 5.70% 5-year fixed-rate notes; (ii) $1.5 billion (approximately €1.1 billion) of 6.25% 10-year fixed-rate notes; and (iii) $1 billion (approximately €0.7 billion) of 6.80% 30-year fixed-rate notes.

- Japanese yen-denominated bonds in an aggregate principal amount of approximately €121 million issued by Enel S.A. on October 3, 2007, under the Global Medium-Term Notes Programme, which mature in 2037.

- A December 2007 bond issuance by Enel, addressed to Italian investors, raising an amount equal to $2,300 million, structured into the following two tranches: (i) €1,300 million of 7-year floating-rate notes; and (ii) €1,000 million of 5.25% 7-year fixed-rate notes.

- A bond issuance by Endesa Chile in Chilean pesos, amounting to 10 million *Unidades de Fomento* (Enel's proportionate share of which corresponded to €162 million as of the issue date), maturing in 2029.

- Two bond issuances by Endesa Capital under its global medium-term notes program, one in November 2006 and another in July 2007, each in the amount of €300 million and each maturing 60 months from its respective date of issuance.
- An October 2006 issuance by OGK-5 of floating-rate bonds due September 29, 2011, in an aggregate principle amount of five billion Russian rubles. OGK-5 has been consolidated in the Group since May 28, 2008.

The foregoing list is not a list of all outstanding bonds. Rather, it is only a list of the Enel Group's principal bond issuances in 2008, 2007 and 2006. For additional information on the Group's outstanding debt, including bonds issued prior to 2006, see the tables above, Note 27 in the Audited Financial Statements of the Group as of and for the year ended December 31, 2008 and Note 26 of the Unaudited Condensed Interim Consolidated Financial Statements included herein. The Group's total bonds outstanding (including the long-and short-term portions) as reflected in its consolidated balance sheet amounted to €22,612 million as of December 31, 2008 and €23,705 million as of June 30, 2009.

The Enel Group has utilized two global medium-term notes programs for bond issuances. Enel, Enel S.A. and EIH are the issuers under the first program, under which a maximum of €25 billion of notes may be issued (with the guarantee of Enel in the case of notes issued by Enel S.A.). This program was updated in September 2009. Endesa Capital is the issuer under the second program, under which a maximum of €5 billion of notes may be issued. This program was updated in June 2008.

Preference shares

The preference shares, amounting to €1,457 million as of June 30, 2009, were issued in 2003 by Endesa Capital Finance, and guaranteed by Endesa. The original issuance amount was €1,500 million. The preference shares have no maturity date but provide for optional redemption at par, beginning in 2013. Dividends are linked to the three-month EURIBOR rate, to the extent it is between 4% and 7% in the first ten years, and linked to the three-month EURIBOR rate increased by 3.75% beginning from the eleventh year.

Covenants related to long-term financing

The agreements entered into in respect of the long-term financing of the Group include covenants to which the debtor companies (Enel, Endesa and other companies of the Group), and in some cases Enel, as guarantor, are subject. These covenants are in line with international market practice. The main covenants arising from the Group's debt relate to the bonds issued within the context of Enel's Global Medium-Term Notes Programme, the loans granted by the EIB, the 2007 Credit Agreement (as amended) and the €5 billion revolving credit line. To Enel's knowledge, none of the covenants under the relevant agreements have been breached as of the date hereof.

Global Medium-Term Notes Programme covenants

The notes issued under the Global Medium-Term Notes Programme are subject to the following covenants, among others:

- *"Negative pledge"* clauses, pursuant to which the Issuer may not create or maintain (unless required by law) mortgages, pledges or other encumbrances affecting all or any part of its assets, in order to guarantee any listed (or to-be-listed) bonds, unless such security interests are equally or ratably extended to the notes at issue;
- *"Pari passu"* clauses, pursuant to which the notes represent direct, unconditional, non-guaranteed obligations of the Issuer, without any preference and with the same seniority as other current or future bond issuances of the issuer;

- Event-of-default clauses, under which, if certain circumstances were to arise (e.g. insolvency, failure to pay principal or interest, liquidation of the Issuer, etc.), a default would occur and the notes would become due (pursuant to "cross default" clauses, in case of an event of default on any other financial debt (above certain thresholds) of the issuer or of a significant subsidiary of the Group, a default would also occur with respect to the notes at issue); and
- Early redemption clauses in case of relevant changes in taxation, pursuant to which the notes may be redeemed at par.

EIB loan covenants

The loans granted to Enel subsidiaries by the EIB and guaranteed by Enel or by a financial institution (as the case may be) are subject to the following covenants, among others:

- *"Negative pledge"* clauses, pursuant to which the borrowers may not establish of provide to third parties guarantees or security interests additional to those that are already envisaged under each agreement, unless an equivalent guarantee or security interest is equally or ratably extended to the loan at issue;
- Clauses requiring the maintenance of the relevant guarantor's credit rating (the guarantor may be Enel or a bank approved by the EIB) at or above a certain level (in case of a guarantee provided by Enel, the net assets of the Enel Group must also not fall below a certain level);
- *"Material change"* clauses, pursuant to which, if specific events were to occur (mergers, de-mergers, sales or divestitures of lines of business, changes to the structure of the Company, etc.) the agreement would be amended accordingly (a failure to do so would constitute grounds to call the relevant loan for immediate early repayment);
- Clauses concerning the periodic provision of business information to the EIB;
- Clauses setting forth obligations to carry insurance and maintain properties and for the possession and use of relevant operations, plants and machinery funded under the financing arrangements for the entire duration of the relevant loan; and
- Termination clauses, under which, if certain events were to occur (serious inaccuracies in the documents provided at the execution of the agreement, failures to pay, cross default, insolvency, etc.) EIB will be entitled to declare the relevant loan immediately due.

2007 Credit Agreement and 2009 Credit Agreement Supplement covenants and €5 Billion revolving credit line covenants

The 2007 Credit Agreement and 2009 Credit Agreement Supplement and the €5 billion revolving credit line, which are substantially similar in respect of covenants, contain the following covenants, among others:

- *"Negative pledge"* clauses, pursuant to which the borrower (and its significant subsidiaries) may not create or maintain (except for permitted security interests) mortgages, pledges or other encumbrances over all or any part of its (or their) assets, in order to secure any existing or future financial indebtedness.
- *"Pari Passu"* clauses, pursuant to which the debts represent direct, unconditional, non-guaranteed obligations of the relevant borrower, without any preference and with the same seniority as other current or future debts or bond issuances of the borrower.
- *"Change-of-control"* clauses, which would apply in the event: (i) Enel became controlled by one or more entities different from the Italian state; or (ii) Enel or any of its controlled companies transferred a significant portion of the assets of the Group to external entities such as to jeopardize the financial reliability of the Group. If one of the two above-mentioned

situations occurred, either: (a) the terms and conditions of the loan could be re-negotiated; or (b) the borrower could call the loan for early repayment.

- Event-of-default clauses, under which, if certain circumstances were to arise (e.g. failures to pay, failures to comply with the provisions of the agreement, false representations, insolvency, nationalization, etc.) a default would occur. If such default were not cured within a certain time period, the "acceleration" clause would provide for early-repayment of the loan, which would become immediately due (pursuant to "cross default" clauses, in case of an event of default on any other financial debt (above certain thresholds) of the borrower or of a significant subsidiary of the Group, a default would also occur with respect to the loan).
- Clauses concerning the periodic provision of business information to the lenders.

The 2007 Credit Agreement and 2009 Credit Agreement Supplement (but not the €5 billion revolving credit line) also contains:

- A mandatory prepayment clause, under which Enel is obliged, upon the occurrence of specified events (e.g., the issue of certain securities in the capital markets, capital increases, new bank loans, stock issues or asset disposals), to pre-pay specific percentages of the loans thereunder (See "Use of Proceeds" herein).
- A "gearing" clause, under which, at the end of each semiannual measurement period, Consolidated Net Financial Debt (as defined in the agreement) must not exceed 6 times Consolidated EBITDA.
- A "subsidiary financial indebtedness" clause, under which the net aggregate amount of the financial debt of Enel's subsidiaries (with the exception of the debt permitted under the agreement) must not exceed 20% of gross consolidated assets.

Under the "gearing" clause contained in the aforementioned agreement (as amended), the Group's Consolidated Net Total Borrowings (as defined in the agreement) may not surpass six times the amount of the Group's Consolidated EBITDA as defined in the agreement for the preceding 12 months. This ratio is tested for compliance biennially. As a result of the above-mentioned amendment of the credit facility agreement and the execution on April 16, 2009 of the €8 billion Rollover Facility Agreement, the proceeds of which may only be used in 2012 to refinance certain amounts outstanding under the 2007 Credit Agreement as supplemented and modified by the 2009 Credit Agreement Supplement, from 2012 onwards, the threshold will be 4.5 times Consolidated EBITDA instead of six times Consolidated EBITDA and the Group will be required to additionally maintain Consolidated EBITDA equal to at least four times the amount of the net interest (as defined in the agreement) payable by the Group at each measurement period.

Under the 2007 Credit Agreement and the 2009 Credit Agreement Supplement, Enel serves as the guarantor for amounts drawn down by Enel S.A.

Covenants In respect of Endesa's financing

Endesa's most significant long-term financial liabilities also include covenants that are typical in international practice.

The most significant covenants affecting Endesa are those governing the loans granted to Endesa by the EIB, those existing under the International Endesa B.V. and Endesa Capital global medium-term notes program and those on project finance loans granted to Enersis and Endesa Chile.

The main covenants under the loans granted by the EIB are:

- Covenants requiring the maintenance of credit ratings, failing which, guarantees must be posted; and

- Covenants barring transfers of material assets of Endesa without the prior approval of the EIB.

Covenants relating to the bonds issued by International Endesa B.V. and Endesa Capital within the context of the global medium-term notes program can be summarized as follows:

- *"Cross-default"* clauses, pursuant to which a default (above a certain threshold) by Endesa and/or Endesa Capital on any financial debt, listed or to be listed in the regulated markets, would cause an acceleration of the repayment of the debt;
- *"Negative pledge"* clauses, pursuant to which the issuer may not establish mortgages, pledges or other encumbrances over all or any part of its assets, to guarantee any debt, listed or to be listed on a regulated market (but only if at least 50% of the debt is initially owned by persons outside Spain), unless the security is equally or ratably extended to the bonds at issue; and
- *"Pari passu"* clauses, pursuant to which notes and guarantees have the same seniority as all the other unsecured unsubordinated existing and future securities issued by the relevant issuer, or Endesa.

Finally, the main loans granted to Endesa, International Endesa BV and Endesa Capital do not contain cross-default clauses regarding the debt of subsidiaries in Latin America. Undertakings in respect of project financing granted to subsidiaries regarding renewables and other subsidiaries in Latin America contain covenants commonly adopted in international business practice. The main commitments regard clauses pledging all the assets assigned to the projects in favor of the creditors.

Certain debt of Enersis and Endesa Chile (both controlled indirectly by Endesa) is subject to cross-default clauses under which the occurrence of a default event (failure to make payment or breach of other obligations) in respect of any financial liability of a subsidiary of Enersis or Endesa Chile constitutes a default in respect of the liability in question, which becomes immediately repayable.

Many of these agreements also contain cross-acceleration clauses that are triggered by specific circumstances, certain government actions, insolvency or judicial expropriation of assets

Ratings

Fitch and Standard & Poor's have both applied long-term corporate credit ratings to Enel of "A−" with a "stable outlook." Moody's rates Enel "A2" with a "negative outlook." Standard & Poor's, Fitch and Moody's only recently (on July 30, 2009, July 13, 2009 and April 8, 2009, respectively) removed Enel from their "negative credit watch" list. Each of these ratings is near the low-end of the respective rating agency's scale of investment-grade ratings. The 2007 Credit Agreement and the 2009 Credit Agreement Supplement provide for the interest rate spreads applicable to the loans thereunder to vary according to Enel's credit rating by Standard & Poor's or Moody's. Any downgrade could thus directly and immediately affect the amount of interest payable by Enel.

Capital expenditure and investments

The following table sets forth the Group's capital expenditures on tangible and intangible assets, by asset-type, in the years ended December 31, 2008, 2007 and 2006 and in the six months ended June 30, 2009, as well as the Group's net equity investments (from the cash-flow statement line-item, "investments in entities (or business units) less cash and cash equivalents acquired") in those years.

	First half of 2009		2008		2007		2006	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
				(€ millions)				
Power Plants:								
Thermal	837	32.3%	1,869	28.8%	1,457	29.6%	766	25.9%
Hydroelectric	128	4.9%	249	3.8%	246	5.0%	157	5.3%
Geothermal	72	2.8%	237	3.6%	110	2.2%	79	2.7%
Nuclear	130	5.0%	228	3.5%	136	2.7%	57	1.9%
Alternative energy sources	207	8.0%	684	10.5%	432	8.8%	115	3.9%
Other:								
Electricity distribution networks	938	36.2%	2,461	37.8%	1,797	36.4%	1,324	44.7%
Gas distribution networks	26	1.0%	32	0.5%	95	1.9%	88	3.0%
Land, buildings and other assets and equipment	170	6.6%	426	6.6%	313	6.4%	173	5.8%
Intangible assets	82	3.2%	316	4.9%	343	7.0%	204	6.9%
Total	**2,590**	**100.0%**	**6,502**	**100.0%**	**4,929**	**100.0%**	**2,963**	**100.0%**
Equity investments (net of cash and cash equivalents acquired)	**9,394**	**N.A.**	**1,627**	**N.A.**	**30,390**	**N.A.**	**1,082**	**N.A.**

The following table sets forth the Group's capital expenditures on tangible and intangible assets by operating division or area in the years ended December 31, 2008 and 2007, and in the first six months of 2009. Amounts have been reclassified to reflect the current organizational structure of the Group.

	First half of 2009		2008		2007	
	Capital expenditure	Percentage of total capex	Capital expenditure	Percentage of total capex	Capital expenditure	Percentage of total capex
			(€ millions)			
Investments in tangible and intangible assets:						
Sales	26	1.0%	72	1.1%	59	1.2%
Generation and Energy Management	376	14.5%	887	13.7%	900	18.3%
Engineering and Innovation	0	0.0%	0	0.0%	0	–
Infrastructure and Networks	520	20.1%	1,407	21.6%	1,587	32.2%
Iberia and Latin America	894	34.5%	2,382	36.6%	1,255	25.5%
International	417	16.1%	681	10.5%	332	6.7%
Renewable Energy	326	12.6%	951	14.6%	663	13.5%
Parent Company; Services and Other Activities	31	1.2%	122	1.9%	133	2.7%
Total	**2.590**	**100.0%**	**6,502**	**100.0%**	**4,929**	**100.0%**

The following table sets forth the Group's capital expenditures on tangible and intangible assets inside and outside Italy in the years ended December 31, 2008, 2007 and 2006 and in the first six months of 2009.

	First half of 2009		2008		2007		2006	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
				(€ millions)				
Investments in tangible and intangible assets:								
Italy	1,065	41.1%	2,863	44.0%	2,945	59.8%	2,496	84.2%
Other countries	1,525	58.9%	3,639	56.0%	1,984	40.2%	467	15.8%
Total	2,590	**100.0%**	**6,502**	**100.0%**	**4,929**	**100.0%**	**2,963**	**100.0%**

Capital expenditure on tangible and intangible assets

Capital expenditures on tangible and intangible assets in Italy in the periods under consideration were mainly related to investments in electricity production plants and electricity distribution networks.

In particular, capital expenditures for electricity production plants amounted to €1,211 million in 2008, €1,120 million in 2007 and €865 million in 2006. The main investments were made in respect of thermal generation plants, including coal-conversion projects and upgrades to higher environmental standards on some plants, as well as the construction of combined-cycle plants.

In the three years under consideration, the principal investments were those relating to the coal conversion of the Torrevaldaliga Nord plant, accounting for €493 million in 2008, €511 million in 2007, and €303 million in 2006. The investments in refurbishing and re-equipping various hydroelectric plants amounted to €160 million in 2008, €182 million in 2007 and €130 million in 2006, while investments in various projects concerning geothermal generation plants totaled €110 million in 2008, €91 million in 2007 and €77 million in 2006. Finally, investments in alternative-sources plants (wind, co-generation, biomasses and solar) amounted to €207 million in 2008, €74 million in 2007 and €31 million in 2006.

With respect to the first six months of 2009, investments in thermoelectric plants equal to €300 million related principally to the coal-conversion project at Torrevaldaliga Nord (€185 million of the total amount) and logistics for coal transport and the refurbishing of particulate collectors at the Brindisi plant totaling €28 million. The total also reflected investments in refurbishing and repowering of the schedulable hydroelectric plants in the amount of €45 million and projects involving alternative energy plants, related to Archimede Project, in the amount of €15 million.

The Group's investments in electricity distribution networks amounted to €1,204 million in 2008, €1,204 million in 2007 and €1,200 million in 2006. These investments related principally to "client requests" (for medium-and low-voltage connections), "quality improvements" (with the aim of reducing both the duration and the number of service interruptions, as required by the Authority for Electricity and Gas) and "technology innovation" to achieve higher operating efficiency.

The Group's investments in gas distribution networks relating to Enel Rete Gas in 2008 have been accounted for as discontinued operations and are not reflected in the above tables or figures.

Investments in tangible and intangible assets in foreign countries increased significantly over the period from 2006 to 2008, mainly due to the consolidation of Endesa, Slovenské elektrárne, OGK-5 and other companies. In the first six months of 2009, such foreign capital expenditures amounted to €1,525 million, principally due to investments made by Endesa (€894 million) and by the Group's International division (€417 million, of which €145 million related to OGK-5).

Equity investments

Equity investments, net of cash and cash equivalents acquired in acquisitions, amounted to €9,394 million in the first six months of 2009, €1,627 million in 2008, €30,390 million in 2007 and €1,082 million in 2006, and related mainly to investments in foreign countries, in line with the Group's strategy of internationalization.

The investments in the first six months of 2009 primarily included €9,067 million for the purchase of the additional 25.01% stake in Endesa (net of €560 million in cash at the date of acquisition), as well as a €295 million payment for Endesa's acquisition of KJWH (now Endesa Ireland), an Irish company which now holds 20% of the generation assets of the Electricity Supply Board (ESB).

The largest equity investment in 2008 was the acquisition of 22.65% of OGK-5 for €828 million (net of expenses and €3 million of cash acquired). Other acquisitions in 2008 related mainly to the acquisition of 64.4% of Electrica Muntenia (now Enel Distributie Muntenia and Enel Energie Muntenia) for €334 million (net of €493 million of cash as of the acquisition date) and to the effects, amounting to €301 million, of the acquisitions made by Endesa in 2008, in particular through the tender offer for 24% of three subsidiaries listed on the Lima Stock Exchange, as well as the acquisition of 30% of a number of wind projects in Greece for €122 million. In 2007 the main transactions were the acquisition of 67.05% of Endesa for €28,211 million, the acquisition of 37.15% of OGK-5 for €1.644 million and the acquisition of SeverEnergia for €680 million. In 2006, a 66% stake in Slovenské elektrárne was acquired for €676 million (for this acquisition Enel had already made an advance payment of €168 million in 2005), certain companies of the Rede Group were acquired by Enel Brasil for €169 million and Enel Panama was acquired for €119 million.

Quantitative and qualitative disclosures about market risk

The discussion in this section relates only to figures at year end because we prepare this information only on an annual (and not an interim) basis.

Interest rate risk

Interest rate risk management is aimed at balancing the structure of debt, reducing the amount of debt exposed to interest rate fluctuations and minimizing borrowing costs over time, limiting the volatility of results. In order to accomplish these goals, the Enel Group uses a variety of derivative instruments, notably interest rate swaps and interest rate options, as is reported in the table below:

	As of December 31,	
	2008	**2007**
	(Notional value, € millions)	
Interest rate swaps	13,999	12,515
Interest rate options	3,897	1,232
Total	**17,896**	**13,747**

Interest rate swaps are used to reduce the amount of debt exposed to changes in interest rates and to reduce the volatility of borrowing costs. In an interest rate swap, Enel enters into an agreement with a counterparty to exchange at specified intervals floating-rate interest flows for fixed-rate interest flows (agreed between the parties), both of which are calculated on the basis of a notional principal amount. Interest rate options are used to reduce the impact of potential increases in interest rates on floating-rate debt. Such contracts are normally used when the fixed interest rate that can be obtained in an interest rate swap is considered too high with respect to Enel's expectations for future interest rate developments. In addition, interest rate options are also considered appropriate in periods of uncertainty regarding future interest rate developments (in order to potentially benefit from any decreases in interest rates). In such cases, Enel normally uses zero-cost collars, which do not require the payment of a premium.

Each such contract is agreed with a notional amount and an expiry date within the range of, or equal to, those of the underlying financial liability, so that any change in the fair value and/or expected future cash flows is offset by a corresponding change in the fair value and/or the expected future cash flows of the underlying position. The fair value of financial derivatives generally reflects the estimated amount that Enel would have to pay, or would receive, in order to terminate the contracts at the particular balance-sheet date.

The following table reports the notional values and fair values of derivative contracts relating to interest rates as of December 31, 2008 and 2007.

	Notional amount		Fair value		Fair value—assets		Fair value—liabilities	
	2008	2007	2008	2007	2008	2007	2008	2007
	(€ millions)							
Cash-flow hedge derivatives:								
Interest rate swaps	11,131	8,762	(384)	93	11	142	(395)	(49)
Interest rate options	3,846	1,188	(89)	3	2	4	(91)	(1)
Fair-value hedge derivatives:								
Interest rate swaps	531	637	(13)	(10)	10	6	(23)	(16)
Trading derivatives:								
Interest rate swaps	2,337	3,116	(88)	(26)	9	12	(97)	(38)
Interest rate options	51	44	–	1	–	1	–	–
Total interest rate swaps	**13,999**	**12,515**	**(485)**	**57**	**30**	**160**	**(515)**	**(103)**
Total interest rate options	**3,897**	**1,232**	**(89)**	**4**	**2**	**5**	**(91)**	**(1)**
Total interest rate derivatives	**17,896**	**13,747**	**(574)**	**61**	**32**	**165**	**(606)**	**(104)**

The following table reports cash flows expected in coming years from financial derivatives on interest rates, on the basis of their fair value as of December 31, 2008.

	Fair value as of Dec. 31, 2008	Expected cash flows					
		2009	2010	2011	2012	2013	Beyond
	(€ millions)						
Cash-flow hedges on interest rates							
Positive fair value	13	(5)	(5)	4	2	1	8
Negative fair value	(486)	(104)	(191)	(89)	(48)	(36)	(70)
Fair-value hedges on interest rates							
Positive fair value	10	5	4	3	2	2	12
Negative fair value	(23)	5	9	–	–	–	1
Trading derivatives on interest rates							
Positive fair value	9	17	2	1	1	1	1
Negative fair value	(97)	(22)	(24)	(13)	(9)	(8)	(44)

The amount of floating-rate debt that is not hedged against interest rate risk is the main risk factor that could impact the income statement in the event of an increase in market interest rates.

As of December 31, 2008, 66% of the Group's Net Financial Debt was floating-rate debt (as compared to 67% as of December 31, 2007). Taking into account cash-flow hedges of interest rates considered to be effective pursuant to IFRS, 45% of the Group's debt was exposed to interest rate risk as of December 31, 2008 (as compared to 54% as of December 31, 2007). Including interest rate derivatives treated as hedges for management purposes but ineligible for hedge accounting, the residual exposure of Net Financial Debt to interest rate risk would have been 42% as of December 31, 2008 (as compared to 53% as of December 31, 2007).

Consequently, an increase of one basis point in market interest rates would have a negative impact on the income statement in terms of higher interest expense on the portion of debt not hedged against interest rate risk of approximately €2 million (€3 million as of December 31, 2007). Conversely, an equivalent decline in market interest rates would have a positive impact on the income statement in terms of lower interest expense on the portion of debt not hedged against interest rate risk of approximately €2 million (€3 million as of December 31, 2007).

As regards the potential impact on shareholders' equity of a change in market interest rates, if market interest rates had been one basis point higher as of December 31, 2008, all other variables being equal, shareholders' equity would have been approximately €4 million higher as a result of the increase in the fair value of cash-flow hedge derivatives on interest rates (and therefore of the related equity reserve). If interest rates had been one basis point lower at that date, all other variables being equal, shareholders' equity would have been €4 million lower as a result of the decrease in the fair value of cash-flow hedge derivatives on interest rates.

Exchange rate risk

Exchange rate risk is mainly generated as a result of the following types of transactions:

- the incurrence of debt by the Parent Company or a subsidiary that is denominated in a currency other than the functional currency of its respective home country;
- the purchase or sale of fuel or electricity on international markets; and
- investments in foreign currency, dividends from unconsolidated foreign affiliates and purchases or sales of equity investments.

In order to reduce the exchange rate risk from these and other exposures, the Enel Group uses foreign exchange forward and option contracts in order to hedge cash flows in currencies other than the functional currencies of the various Group entities. Enel also uses cross-currency interest rate swaps (normally with long terms) to stabilize cash flows on bonds paying interest in foreign currencies. The "buy" and "sell" amounts in such contracts are notional values. Foreign exchange options, which are traded on unregulated markets, give Enel the right or the obligation to acquire or sell specified amounts of foreign currency at a specified exchange rate at the end of a given period of time, normally not exceeding one year. The Group also seeks to balance inward and outward cash flows in respect of assets and liabilities denominated in foreign currency. As of December 31, 2008, Enel had outstanding forwards, options and cross-currency interest rate swaps (**CCIRSs**) with a total notional value of €13,468 million (as compared to €13,531 million as of December 31, 2007). The following table provides details.

	As of December 31,	
	2008	**2007**
	(Notional value, € millions)	
CCIRSs hedging foreign currency debt	7,364	7,731
Forward contracts hedging exchange rate risk on commodities	4,933	4,507
Forward contracts hedging future cash flows	629	622
Options hedging exchange rate risk on commodities	72	83
Forward contracts hedging commercial paper	87	588
Other forward contracts	383	–
Total	**13,468**	**13,531**

More specifically, these included:

- CCIRSs with a notional value of €7,364 million to hedge the exchange rate risk on foreign currency debt (as compared to a notional value of €7,731 million as of December 31, 2007);

- various forward contracts with a total notional value of €5,562 million used to hedge the exchange rate risk associated with purchases of fuel, imports of electricity and other expected cash flows in currencies other than the Euro (€5,129 million as of December 31, 2007);
- options with a notional value of €72 million used to hedge the exchange rate risk associated with purchases of fuel (€83 million as of December 31, 2007);
- forward contracts with a notional value of €87 million used to hedge the exchange rate risk associated with redemptions of commercial paper issued in currencies other than the Euro (€588 million as of December 31, 2007); and
- positions in other forwards with a notional value of €383 million not directly connected to individual exposures to exchange rate risk (nil as of December 31, 2007).

The above-described contracts are normally agreed with notional amounts and expiry dates equal to those of the underlying financial liabilities or the expected future cash flows, so that any change in the fair value and/or expected future cash flows of these contracts stemming from potential appreciation or depreciation of the domestic currency against other currencies is fully offset by a corresponding change in the fair value and/or the expected future cash flows of the underlying positions.

The following table reports the notional values and fair values of derivative contracts relating to exchange rates as of December 31, 2008 and 2007.

	Notional amount		Fair value		Fair value—assets		Fair value—liabilities	
	2008	2007	2008	2007	2008	2007	2008	2007
	(€ millions)							
Cash-flow hedge derivatives:								
Forwards	2,110	88	178	–	186	1	(8)	(1)
Options	72	–	2	–	2	–	–	–
CCIRSs	6,800	7,127	(213)	(440)	814	98	(1,027)	(538)
Fair-value hedge derivatives:								
CCIRSs	564	603	(41)	(118)	9	–	(50)	(118)
Trading derivatives:								
Forwards	3,922	5,629	74	(53)	135	68	(61)	(121)
Options	–	83	–	(4)	–	–	–	(4)
CCIRSs	–	1	–	–	–	–	–	–
Total forwards	**6,032**	**5,717**	**252**	**(53)**	**321**	**69**	**(69)**	**(122)**
Total options	**72**	**83**	**2**	**(4)**	**2**	**–**	**–**	**(4)**
Total CCIRSs	**7,364**	**7,731**	**(254)**	**(558)**	**823**	**98**	**(1,077)**	**(656)**
Total exchange rate derivatives	**13,468**	**13,531**	**–**	**(615)**	**1,146**	**167**	**(1,146)**	**(782)**

The following table reports the cash flows expected in coming years from financial derivatives on exchange rates, on the basis of their fair value as of December 31, 2008.

	Fair value as of Dec. 31, 2008	Expected cash flows					
		2009	2010	2011	2012	2013	Beyond
	(€ millions)						
Cash-flow hedges on exchange rates							
Positive fair value	1,002	209	64	36	35	27	456
Negative fair value	(1,035)	(66)	(66)	(54)	(152)	(44)	(1,239)
Fair-value hedges on exchange rates							
Positive fair value	9	1	3	2	2	2	(2)
Negative fair value	(50)	(40)	1	(2)	(9)	(2)	1
Trading derivatives on exchange rates							
Positive fair value	135	128	4	2	1	1	–
Negative fair value	(61)	(50)	(8)	(1)	(1)	(1)	–

An analysis of the Group's financial debt reveals that 16% of medium-and long-term debt is denominated in currencies other than the Euro. Taking into account exchange rate hedges and the portion of debt denominated in the functional currency of the country in which the relevant Group company holding each debt position operates, the proportion of unhedged debt denominated in currencies other than the Euro decreases to approximately 3% (as of December 31, 2008). Management believes that the current proportion of unhedged foreign-currency debt is sufficiently low that there should not be any significant impact on the income statement in the event of an adverse change in market exchange rates. As regards the potential impact on shareholders' equity of a change in market exchange rates, as of December 31, 2008, assuming a 10% depreciation of the Euro against the other relevant currencies, all other variables being equal, shareholders' equity would have been approximately €891 million higher (€567 million as of December 31, 2007) as a result of the increase in the fair value of cash-flow hedge derivatives on exchange rates (and therefore of the related equity reserve). Conversely, assuming a 10% appreciation of the Euro against the other currencies, all other variables being equal, shareholders' equity would have been €732 million lower (€462 million as of December 31, 2007) as a result of the decrease in the fair value of cash-flow hedge derivatives on exchange rates.

Commodity price risk

Various types of derivatives are used to reduce exposures to fluctuations in energy commodity prices and as part of the Group's proprietary trading activities.

The Group's exposures to changes in commodity prices are associated with the purchase of fuel for power plants and the purchase and sale of gas under indexed contracts as well as the purchase and sale of electricity at variable prices (indexed bilateral contracts and sales on the Power Exchange).

The exposures on indexed contracts are quantified by breaking down the contracts that generate exposures into the underlying risk factors.

As regards electricity sold on the Power Exchange, Enel uses two-way contracts for differences, under which differences are paid to the counterparty if the Single National Price exceeds the strike price (and are paid to Enel in the opposite case). See "Glossary" herein for the definitions of certain terms.

The residual exposure in respect of sales on the Power Exchange not hedged through two-way contracts for differences is quantified and managed on the basis of an estimation of generation costs in Italy. The residual positions thus determined are aggregated on the basis of uniform risk factors that can be hedged in the market.

The following table reports the notional values and fair values of derivative contracts relating to commodities as of December 31, 2008 and 2007.

	Notional amount		Fair value		Fair value— assets		Fair value— liabilities	
	2008	2007	2008	2007	2008	2007	2008	2007
				(€ millions)				
Cash-flow hedge derivatives:								
Two-way contracts for differences	165	668	(3)	(8)	–	–	(3)	(8)
Swaps on oil commodities	–	409	–	5	–	20		(15)
Derivatives on coal	1,076	391	(362)	22	–	22	(362)	–
Other derivatives on energy	558	229	2	(14)	2	1	–	(15)
Derivatives on other commodities	4	–	–	–	–	–	–	–
Trading derivatives:								
Two-way contracts for differences	736	8	97	(2)	97	–	–	(2)
Swaps on oil commodities	3,048	1,648	(72)	71	377	185	(449)	(114)
Derivatives on coal	798	–	5	–	44	–	(39)	–
Futures/options on oil commodities	2,280	200	(64)	4	307	5	(371)	(1)
Swaps on gas transmission fees	17	16	(4)	(5)	–	–	(4)	(5)
Other derivatives on energy	11,759	1,469	(10)	(11)	331	94	(341)	(105)
Embedded derivatives	815	971	(532)	(413)	–	8	(532)	(421)
Derivatives on other commodities	124	100	19	19	25	44	(6)	(25)
Total Commodity Derivatives	**21,379**	**6,109**	**(924)**	**(332)**	**1,183**	**379**	**(2,107)**	**(711)**

Cash-flow hedge derivatives refer to the physical positions in the underlying commodity and, therefore, any negative change in the cash flows of the derivative instrument corresponds to a positive change in the cash flows of the underlying physical commodity (and *vice versa*), so the impact on the income statement is equal to zero. The following table reveals the fair value of these derivatives and the consequent impact on shareholders' equity as of December 31, 2008 (gross of taxes), that would have resulted, all other conditions being equal, in the event of a 10% increase or decrease in the prices of the commodities underlying the valuation model considered in the scenario at that date.

	As of December 31, 2008		
	−10%	Fair value	+10%
		(€ millions)	
Fair value of two-way contracts for differences in cash-flow hedges	9	(3)	(15)
Fair value of derivatives on coal in cash flow hedges	(431)	(362)	(293)
Fair value of derivatives on energy in cash flow hedges	(7)	2	16
Fair value of derivatives on other commodities in cash flow hedges	–	–	1

The following table reveals the fair value of trading derivatives and the consequent impact on the income statement and shareholders' equity as of December 31, 2008 (gross of taxes), that would have resulted, all other conditions being equal, in the event of a 10% increase or decrease in the prices of the commodities (10-year interest rate swaps in the case of a derivative on gas whose fair value depends on that index) underlying the valuation model considered in the scenario at that date.

	As of December 31, 2008		
	−10%	Fair value	+10%
		(€ millions)	
Fair value of two-way contracts for differences on trading transactions	134	97	60
Fair value of swaps on energy commodities in trading transactions (dependent on the price of oil commodities)	(331)	(136)	59
Fair value of derivatives on coal in trading transactions	(39)	5	48
Fair value of swaps on energy commodities in trading transactions (dependent on 10-year IRS)	(4)	(4)	(4)
Fair value of derivatives on energy in trading transactions	(2)	(10)	44
Fair value of derivatives on other commodities in trading transactions	24	19	15

Embedded derivatives relate to contracts for the purchase and sale of energy entered into by Slovenské elektrárne in Slovakia. The market value as of December 31, 2008 came to negative €532 million, of which €315 million related to an embedded derivative on the SKK/USD exchange rate and €217 million related to an embedded derivative on the price of gas.

The following table reveals the fair value as of December 31, 2008, as well as the value expected from a 10% increase and a 10% decrease in the underlying rate.

	As of December 31, 2008		
	−10%	Fair value	+10%
		(€ millions)	
Fair value of embedded derivative depending on SKK/USD exchange rate	(337)	(315)	(292)
Fair value of embedded derivative depending on the price of gas	(214)	(217)	(219)

The following table reports the cash flows expected in coming years from financial derivatives on commodities.

	Fair value as of Dec. 31, 2008	Expected cash flows					
		2009	2010	2011	2012	2013	Beyond
		(€ millions)					
Cash-flow hedges on commodities							
Positive fair value	2	2	–	–	–	–	–
Negative fair value	(365)	(245)	(117)	(1)	–	–	(1)
Trading derivatives on commodities							
Positive fair value	1,181	1,017	122	38	6	–	–
Negative fair value	(1,742)	(1,163)	(218)	(136)	(107)	(118)	–

Off-balance sheet arrangements

The Group does not engage in the use of special purpose entities for off-balance sheet financing or any other purpose which may result in material assets or liabilities not being reflected in the Group's consolidated financial statements. The Group does use certain off-balance sheet arrangements with unconsolidated third parties in the ordinary course of business, including indemnification agreements, financial guarantees, the sale of receivables and other arrangements under which the Group have or may have continuing obligations. See Note 3 to the Audited Financial Statements as of and for the year ended December 31, 2008 herein for further information.

Outlook

From January through September of 2009, demand for electricity fell in the main countries in which the Group operates as a consequence of global economic instability. In this environment, which is expected to continue through the end of the year, Enel expects to maintain an adequate level of profitability, thanks to (i) a generation mix that is well balanced both by type of generation technology and by geographical area, (ii) our hedging strategy for generation margins, which covers all of 2009 and (iii) efficiency and cost reduction programs already under way.

The rights offering successfully completed on July 9, 2009 by the Parent Company, together with measures to improve operating cash flow, portfolio optimization initiatives and financial debt restructuring operations, are expected to help protect the Group's financial stability.

See "Forward-looking Statements."

Future capital expenditures

We expect capital total expenditures for 2009-2013 to amount to approximately €32,626 million, of which €15,685 million is expected to be deployed in "maintenance activities" and €16,940 million is expected to be directed towards "development activities."

Maintenance activities are: (i) activities required by law, including regulations on safety and environmental standards, or Universal Service obligations relating to concessions; and (ii) activities for the maintenance, improvement and development of the Group's core business (improvements in the efficiency and availability of generation plants and improvements in networks). Development activities concern the development of new assets that are deemed potentially valuable for the Group (e.g., coal-and CCGT-conversions and the construction of new renewable-energy installations).

The table below provides details regarding the Enel Group's (including 100% of Endesa) expected capital expenditures.

	2009		2010		2011		2012		2013	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	(€ millions, except percentages)									
Maintenance	3,879	50.6%	3,341	51.2%	3,108	42.5%	2,673	46.8%	2,684	49.6%
Development	3,782	49.4%	3,183	48.8%	4,207	57.5%	3,043	53.2%	2,725	50.4%
Total	**7,661**	**100.0%**	**6,524**	**100.0%**	**7,315**	**100.0%**	**5,716**	**100.0%**	**5,409**	**100.0%**

We expect that the most significant capital expenditures will include the following:

- In Italy, investments in clean coal plants (Torrevaldaliga Nord and Porto Tolle), gas infrastructure, renewable-energy plants (wind plants in Portoscuso) and investments in the nuclear sector;

- In Spain and Latin America, investments in CCGT (Endesa, Besòs and Tejo) and renewable-energy plants (geothermal plants);
- In North America, investments in geothermal and wind plants (Castle Rock);
- In Ireland (Endesa), investments in two CCGT units;
- In Russia (OGK-5), investments in two CCGT units with a capacity of approximately 400 MW each;
- In Slovakia, the Mochovce 3 and 4 nuclear plants;
- In France, investments in the nuclear sector; and
- In Greece, the construction of a combined-cycle plant with a capacity of 430 MW.

We also expect to invest in distribution networks in the business areas in which the Group operates.

Contractual obligations related to capital expenditures

As of June 30, 2009, the Group had assumed contractual obligations to outside parties in respect of capital expenditures on tangible and intangible assets amounting to €8,835 million, divided by operating division as follows:

- Generation and Energy Management division: €175 million.
- Engineering and Innovation division: €1,417 million.
- Infrastructure and Networks division: €1,060 million.
- Iberia and Latin America division: €2,579 million.
- International division: €2,215 million.
- Renewable Energy division: €1,389 million.

The Group expects to finance its investments in the 2009-2013 period, principally through cash flow from operating activities.

See "Forward-looking Statements."

Dividend policy

On March 11, 2009, the board of directors of Enel announced that beginning with the 2009 fiscal year in order to strengthen its capital structure, it expects to pay dividends equal to 60% of net income each year, rather than pay a fixed dividend amount.

Recent developments

Enel entered into an agreement on May 29, 2009 (subsequently amended on September 25, 2009) to sell 80% of the share capital of Enel Rete Gas to F2i SGR S.p.A. and AXA Private Equity, for €515.7 million. The terms of the agreement establish that the price for the sale will be financed with €370.7 million of the buyers' own funds and a vendor loan granted by Enel to the buyers in the amount of €145 million, bearing an annual interest rate of 8.25% and maturing in 2017. The transaction closed on September 30, 2009.

On July 8, 2009, Enel concluded a rights offering in which 3,216,938,192 new ordinary shares, representing approximately 34.21% of the post-offering share capital were fully subscribed. The new shares were sold at a price of €2.48 per share, for aggregate proceeds to Enel of €7.978 billion. During the offer period from June 1 to June 19, 2009, a total of 6,160,693,425 rights were exercised, which entitled holders to subscribe to newly issued Enel ordinary shares with a par value of €1.00 per share and a dividend start date of January 1, 2009. The option rights ratio was set at 13 new shares for every 25 existing shares. Cassa Depositi e Prestiti S.p.A. exercised both the rights granted directly to it and the rights granted to the MEF, for a total of 1,005,095,936 newly issued Enel ordinary shares, equal to approximately 31.24% of the offered shares. As a result of the rights offering, Cassa Depositi e Prestiti S.p.A.'s total shareholding is now 17.36% and the MEF retained a direct shareholding equal to 13.88%.

Following the resolution adopted by Enel's board of directors on July 30, 2009, Enel issued a multi-tranche bond under the Programme on September 17, 2009. The notes, denominated in euros and pounds sterling, had an aggregate principal amount as of the issue date of over €6,500 million. The four tranches issued were: €1,500 million fixed-rate 4.00% notes due 2016; €2,500 million fixed-rate 5.00% notes due 2022; £850 million fixed-rate 5.625% notes due 2024; and £1,400 million fixed-rate 5.75% notes due 2040. The notes were listed on the Irish Stock Exchange.

In July 2009, Cassa Depositi and Prestiti made available to Enel Distribuzione S.p.A. a €400 million long-term loan to be utilized in connection with investment projects guaranteed by Enel.

On October 30, 2008, Eni, Enel and Gazprom agreed to further develop their existing partnership. The parties signed agreements for the development of SeverEnergia and its subsidiaries, as well as an agreement committing Gazprom to take a stake in SeverEnergia, as envisaged in a 2007 agreement. This commitment was executed upon on June 5, 2009, when Enel and Eni signed an agreement with Gazprom for the sale to the latter of a 51% stake in the share capital of SeverEnergia, the company holding the entire share capital of Artic Gas, Urengoil and Neftegastechnologia, which in turn hold hydrocarbon exploration and production licenses covering proven and probable oil and gas reserves estimated at 5 billion barrels of oil equivalent (BOE). The transaction was consummated on September 23, 2009 for consideration of approximately $1,600 million, of which Enel is expected to receive $626.5 million. Gazprom has paid the first installment of $384 million (of which Enel received $153.5 million) and is expected to pay the second and final installment by March 2010. Following the transaction, Enel's indirect interest in SeverEnergia was reduced from 40% to 19.6% while Eni's interest decreased from 60% to 29.4%. The parties also agreed to start producing gas by June 2011 from the Samburskoye field and to reach a production level of at least 150,000 BOE per day within two years from the start of production. The parties agreed to cooperate on the renewal and updating of licenses as well as on setting the details of the fields' development plan.

Business description

Overview

The Enel Group is the leading electricity operator in both Italy and Spain and one of the leading global operators in the fields of generation, distribution and sales of electricity.

In 2007 the Group acquired 67.05% of Endesa, the leading operator in the Spanish electricity sector, with significant operations in other European countries and Latin America. On June 25, 2009, Enel purchased a further 25.01% stake in Endesa's share capital, and as a result holds a 92.06% stake. See "Business description—Recent significant transactions and related material agreements—Acquisition of Endesa."

The Group had operational generation plants (thermal, hydroelectric, geothermal and other plants) with a total net efficient capacity of 95.4 GW as of June 30, 2009 and 83.3 GW as of December 31, 2008. For the six-month period ending June 30, 2009 the net production of electricity amounted to 122.4 TWh, and the distribution of electricity amounted to 179.9 TWh. For the year ended December 31, 2008, the Group's net production of electricity amounted to 253.2 TWh, while its distribution of electricity amounted to 393.5 TWh. The change from December 31, 2008 and June 30, 2009 in the amount of total net efficient capacity and net production of electricity was primarily due to the change in consolidation of Endesa discussed above.

The following table sets forth key operating data for the Group as or and for the year ended 2008 and as of and for the six-month period ended June 30, 2009, in Italy and abroad.

	As of and for the year ended December 31, 2008			As of and for the six months Ended June 30, 2009		
	Italy	Abroad	Total	Italy	Abroad	Total
Net electricity production (TWh)(1)	96.3	156.9	253.2	42.3	80.1	122.4
Net efficient capacity (GW at period end)(2)	40.3	43.0	83.3	40.3	55.1	95.4
Electricity conveyed through the grid (TWh)(1)	257.9	135.6	393.5	118.1	61.8	179.9
Electricity sold (TWh)(1)(3)	137.2	133.2	270.4	64.3	66.7	131.0
Number of end-users of the electric business (in millions at period end)(2)	30.5	18.8	49.3	29.8	27.0	56.8

(1) Includes results for the Group's 67.05% proportional share of Endesa for the entire period presented.

(2) Figures as of December 31, 2008 include results for the Group's 67.05% proportional share of Endesa for the entire period presented, and figures as of June 30, 2009 include all of the assets of Endesa.

(3) Transfers to resellers excluded.

The Enel Group is one of the principal international operators in the development and management of energy production from renewable resources, with over 500 operational plants and a net efficient capacity of 4,464 MW, as of December 31, 2008, split among wind, solar, geothermal and hydroelectric plants, as well as production from biomasses.

The Group also imports, distributes and sells natural gas in Italy, Spain and elsewhere. The Group sold approximately 8.2 billion cubic meters of gas worldwide in 2008 and 4.1 billion cubic meters of gas worldwide in the six-month period ending June 30, 2009. See "—Significant events in 2008 and 2009—Sale of 80% equity stake in Enel Rete Gas" regarding the sale of our Italian gas distribution business.

In the first six months of 2009, the Group's total revenues were €28,457 million (compared to €29,324 million for the same period in 2008) and the net income attributable to shareholders of the Parent Company was €3,524 million (compared to €2,739 million for the same period in

2008). In 2008, the Group's total revenues were €61,184 million (compared to €43,688 million in 2007), and the net income attributable to shareholders of the Parent Company was €5,293 million (compared to €3,916 million in 2007).

As of June 30, 2009, the Group employed a total of 83,749 employees, of which 39,594 were employed in Italy and 44,155 were employed abroad (including all of Endesa's employees as of the period end).

The Company is incorporated under the laws of Italy as a joint stock company (società per azioni). Its registered office is at Viale Regina Margherita 137, in Rome, and its main telephone number is +3906 83051. The Company is registered with the Italian Companies' Register of the Chamber of Commerce of Rome under registration no. 00811720580. Pursuant to Article 3 of the Company's articles of association, the Company shall remain in existence until December 31, 2100; however the Company's corporate duration may be further extended by a shareholder resolution.

Global operating data

The following tables set forth key operating data for the Group by production source and geographic area as of and for the six-month period ended June 30, 2009.

	Installed Capacity of the Group (breakdown by source and location) As of June 30, 2009(1)						
MW	**Hydro**	**Renewable - other**	**Nuclear**	**Coal**	**CCGT**	**Oil & gas**	**Total**
Italy	14,430	1,051	–	6,200	5,946	12,698	**40,325**
Iberia	4,794	1,174	3,642	5,804	2,197(2)	6,323(3)	**23,934**
Central Europe	2,329	–	1,712	1,254	–	–	**5,295**
South Eastern Europe	10	166(4)	–	748	–	–	**924**
Americas	9,597	525	–	538	3,920	2,159	**16,739**
Russia	–	–	–	3,623	–	4,575	**8,198**
Total	**31,160**	**2,916**	**5,354**	**18,167**	**12,063**	**25,755**	**95,415**

(1) Includes 100% of Endesa.

(2) Including 123 MW of installed capacity in Morocco.

(3) Including 1,068 MW of installed capacity in Ireland.

(4) Including 28 MW other renewable capacity in France.

	Net production of the group (breakdown by source and location) For the six months ended June 30, 2009(1)						
GWh	**Hydro**	**Renewable - other**	**Nuclear**	**Coal**	**CCGT**	**Oil & gas**	**Total**
Italy	16,621	2,719	–	13,893	7,030	2,042	**42,305**
Iberia	3,920	1,524	7,684	7,174	1,843(2)	3,999(3)	**26,144**
Central Europe	2,404	–	6,643	1,269	–	–	**10,316**
South Eastern Europe	11	134(4)	–	1,720	–	–	**1,865**
Americas	14,148	726	–	757	4,920	3,947	**24,498**
Russia	–	–	–	8,735	–	8,550	**17,285**
Total	**37,104**	**5,103**	**14,327**	**33,548**	**13,793**	**18,538**	**122,413**

(1) Includes 67.05% of Endesa.

(2) Including 288GWh of net production in Morocco.

(3) Including 248 GWh of net production in Ireland.

(4) Including 13GWh of net production in France.

Acquisitions and presentation and comparability of recent financial statements

Primarily as a result of the acquisition of Endesa and other entities in recent periods, the financial information and financial data (including with respect to the Group's electricity generation capacity, electricity production, electricity distribution, network dimensions and number of employees, among other things) as of and for the years ended December 31, 2008 and 2007 and as of and for the periods ended June 30, 2009 and 2008 have been subject to different consolidation regimes, have been restated and/or reflect changes to the segmentation of our business. Consequently these financial statements are not easily comparable.

Endesa consolidation

Endesa was consolidated to reflect the 67.05% proportional share owned by Enel, for approximately three months in 2007 (from the acquisition date on October 5, 2007) as compared to twelve months in 2008. For the two six month periods as of and for the period ended June 30, 2009 and 2008, Endesa was consolidated (i) for income statement purposes to reflect the 67.05% proportional share owned by Enel in both periods and (ii) for balance sheet purposes, to reflect the 67.05% proportional share owned by Enel as of June 30, 2008 and using the full consolidation method as of June 30, 2009, thereby including 100% of Endesa. See "Presentation of financial and other information—Endesa consolidation" herein for more information.

Restatements

The 2007 financial statements were restated in 2008 to reflect variation in purchase price allocations relating to the Endesa acquisition. The Group's financial statements as of and for the year ended December 31, 2007 were prepared on the basis of provisional fair values for the acquired assets, liabilities and contingent liabilities, since the purchase price allocation process had not yet been completed. At the time of the preparation of the Group's audited financial statements as of and for the year ended December 31, 2008, the aforementioned purchase price allocation process had been completed and it indicated variations from the initial accounting determined provisionally and used in the 2007 audited financial statements. As a result, solely for purposes of the 2008 Audited Financial Statements, data for the 2007 comparison-year was restated to conform to the definitive valuations of acquired assets, liabilities and contingent liabilities. In this section, as well as in other sections of the Offering Circular, restated 2007 financial data is presented alongside 2008 data for comparison purposes only, just as it is in the 2008 Audited Financial Statements. In addition, in accordance with IFRS 5, the restated 2007 comparison-year financial information has also been modified from the 2007 Audited Financial Statements to reflect the reclassification to "discontinued operations" of the Group's Italian gas distribution business, given the advanced stage of negotiations for the sale of that business as of December 31, 2008, and this fact is reflected in the restated 2007 data set forth herein.

With regard to the Unaudited Condensed Interim Consolidated Financial Statements, data in the income statement and the statement of cash flows for the first six months of 2008 have been restated for the same reasons described in the foregoing paragraph: (i) the completion of the Endesa purchase-price allocation after the preparation of the original income statement and statement of cash flows for the first six months of 2008; and (ii) the reclassification of items from the gas distribution network to discontinued operations. In each case, these adjustments were made in the Group's published interim financial statements for the sake of comparability between data for the six-month periods ended June 30, 2009 and 2008, respectively, and have been preserved herein.

Strategy

The strategic priorities of the Group for the upcoming five years include:

- Consolidating and integrating the Group's international assets;
- Consolidating leadership positions in the Group's core markets;
- Continuously improving through incentive programs for operational excellence and efficiency;
- Focusing on the growth of renewable energy;
- Promoting and developing new technologies, in particular those concerning carbon capture and sequestration, hydrogen power, solar generation and smart grids; and
- Achieving financial stability by: (i) increasing operational efficiency and optimizing investment plans; (ii) selling other non-strategic assets; (iii) increasing capital (which has been achieved through the successful rights offering which closed on July 8, 2009); and (iv) revising the policy on dividends such that, beginning with the 2009 fiscal year, Enel expects to pay dividends equal to 60% of net income each year, rather than pay a fixed dividend amount.

See also "Forward-looking statements" and "Management's discussion and analysis of financial condition and results of operations—Future capital expenditures."

Principal shareholders

According to the entries in Enel's stock register, the reports made to Consob, and the information available as of the date of this Offering Circular, no shareholder owns more than 2% of the Company's share capital except: the MEF (which owns 13.88% of Enel's shares), the Cassa Depositi e Prestiti S.p.A., a company 70% owned by the MEF and 30% owned by a consortium of Italian banking foundations (which owns 17.36% of Enel's shares), and Barclays Global Investors UK Holdings Ltd. (which owns 2.015% of Enel's shares).

Enel's share capital amounts to €9,403,357,795, fully paid-in and divided into 9,403,357,795 issued and outstanding ordinary shares, listed on the mercato telematico azionario, a stock exchange regulated and managed by Borsa Italiana S.p.A., with a nominal value of €1 each.

History and development of Enel

Enel traces its origins to the creation in 1962 of the Italian governmental entity, the *Ente Nazionale per l'Energia Elettrica*, which was granted an exclusive concession to carry out the activities of generation, import, export, transportation, transformation, distribution and sale of electricity in Italy following the nationalization of the industry in that year. Controlled by the Italian government, the *Ente Nazionale per l'Energia Elettrica* implemented a process of development and diversification of energy sources through the creation of new nuclear, hydroelectric and renewable-energy power plants.

Law No. 9 of January 1991 set the framework for the opening of the Italian electricity market to competition. As part of the this move towards liberalization, the Ente Nazionale per l'Energia Elettrica was, pursuant to Legislative Decree No. 333 of July 11, 1992 (as ratified into law pursuant to Law No. 359 of August 8, 1992), converted into a joint stock company. Pursuant to a resolution adopted at the extraordinary shareholders' meeting held on August 7, 1992, the Company's name was changed to Enel S.p.A. The aforementioned legislative decree granted Enel licenses to undertake all the activities previously carried out by the Ente Nazionale per l'Energia Elettrica. Initially, the sole shareholder of Enel was the MEF.

Legislative Decree No. 79 of March 16, 1999 (the **Bersani Decree**) established new rules for the electricity market, providing for further liberalization—in compliance with public policy—of the activities of generation, import, export, purchase and sale of electricity. Pursuant to the Bersani

Decree, a single entity may engage in any or all of these activities, provided that utility companies are separated into distinct units for accounting and management purposes. With reference to Enel, the Bersani Decree required the separation, for accounting and management purposes, of the activities of production, transmission, distribution and sales to Non-Eligible Clients, and the obligation to reduce Enel's production capacity through the disposal of at least 15 GW by 2002.

In particular, the Bersani Decree required the following significant changes to be made to the Group's business:

- the separation of significant businesses into separate subsidiaries (effective as of October 1999);
- the transfer of management and control of the Italian national electricity transmission grid and electricity dispatching to the Electricity Services Operator, a company wholly-owned by the MEF, and the subsequent sale of 94.88% of Enel's formerly wholly owned subsidiary Terna S.p.A. (**Terna**), which owns the majority of Italy's electricity transmission grid (as a result of this sale, Terna was deconsolidated on September 15, 2005); and
- the sale of three electricity generation companies (accounting for approximately 15 GW of the Group's generating capacity) and several municipal distribution companies.

In November 1999, the process for the privatization of Enel began with an initial public offering of approximately 32% of Enel's share capital, as part of which Enel's shares were listed on the MTA and on the New York Stock Exchange (in the form of American Depositary Shares). The initial public offering was followed by a number of private placements to institutional investors in Italy and abroad (in 2003) and public offerings to retail investors in Italy and to institutional investors in Italy and abroad. As a result of Japanese offerings (in 2004 and 2005), Enel's shares were also registered at the Kanto Local Finance Bureau in Tokyo.

In December 2007 Enel voluntarily de-listed from the New York Stock Exchange, and in March 2008 the process of deregistration of the Enel shares and American Depositary Receipts with the U.S. Securities and Exchange Commission was completed.

On July 8, 2009, Enel concluded a rights offering in which 3,216,938,192 new ordinary shares, representing approximately 34.21% of the post-offering share capital, were fully subscribed. The new shares were sold at a price of €2.48 per share, for aggregate proceeds to Enel of €7.978 billion.

Restructuring of the Group and business diversification

Following the energy market's liberalization and the consequent reductions to parts of Enel's core business, the Group focused its strategy on the diversification of its business and expansion into new markets (including in the telecommunications industry). Specifically:

- Enel became an industrial holding company, and its divisions were transformed into utility companies focused on specific business sectors. In this framework, Enel Produzione S.p.A. and Enel Distribuzione S.p.A. were established, among other companies. Along with pursuing the separation for management purposes of the activities of production, transmission and distribution, new business areas were created, such as energy trading, construction of generation plants and supply of environmental services.
- In 2000 the Group increased its stake in Wind Telecomunicazioni S.p.A. (**Wind**)—a telecommunications company established in 1997 by Enel, France Télécom S.A. and Deutsche Telekom AG—following the disposal by Deutsche Telekom AG of its stake in Wind and its acquisition by Enel and France Télécom S.A.

- In 2002 Enel entered into an agreement with Vodafone Group Plc for the acquisition of 100% of Infostrada S.p.A., which subsequently merged into Wind to create one of the leading telecommunications operators in Italy. Subsequently, the Group sold its interest in this business.

Internationalization and focus on energy businesses

Following the above-described process of business diversification and reorganization pursuant to the Bersani Decree, the Company changed course and initiated a new strategy, again focusing on its core energy businesses (electricity and gas).

From 2002, the Group began to expand its electricity business abroad through the acquisition in 2002 of Viesgo, a company with electricity generation and distribution operations in Spain (sold to E.On), and in 2003 of Enel Maritza East 3, a company with electricity generation operations in Bulgaria. These initial steps were followed by the acquisition of power producers specializing in renewable resources in the 85 Americas, and the launch of the Enel Unión Fenosa Renovables joint venture in Spain. During the following years, a number of additional acquisitions were completed, including the following:

- In February 2005, Enel signed an agreement, effective in 2006, for the acquisition of a 66% stake in Slovenské elektrárne, the largest generating company in Slovakia. The price for the transaction was approximately €840 million. As of June 30, 2009 Slovenské elektrárne had a plant portfolio (thermal, hydro and nuclear) with a net generation capacity equal to 4,556 MW and controlled, through commercial agreements, a further 739 MW, totaling a net generation capacity of 5,295 MW. An additional 410 MW, available through the end of 2008, are no longer available due to the shutdown of the Bohunice V1 plant commissioned by the European Union. Including this amount, total net generation capacity for 2008 was 5,705 MW.

- In April 2005 Enel acquired a 51% stake in Electrica Banat S.A. (now Enel Distributie Banat S.A.) (**Enel Distributie Banat**) and Electrica Dobrogea S.A. (now Enel Distributie Dobrogea S.A.) (**Enel Distributie Dobrogea**) for aggregate consideration of approximately €112 million. As of December 31, 2008, these two companies held nearly 20% of the market for the distribution and sale of electricity in Romania, having more than 1.4 million clients.

- In 2006, Enel signed agreements for the construction of new plants to generate electricity from renewable resources in Spain, for consideration of €850 million, and for a wind project in Texas with a generation capacity of 63 MW. In Russia, Enel finalized the acquisition of 49.5% of the Russian trading company RusEnergoSbyt for consideration of $105 million, and, in November 2006, the second plant of the combined-cycle thermal plant in St. Petersburg (with a generation capacity of 450 MW) became operational.

- In December 2006, in accordance with its objective of focusing on its core energy businesses, Enel divested its interests in companies involved in the telecommunications business through the transfer of its (by then) 26.1% shareholding in Weather Investments S.p.A., the holding company for Wind. On June 4, 2008, Enel received €1,025 million from Weather Investments II S.à.r.l. as the final installment of the €1,962 million price for the sale of its remaining interest in Wind.

- In April 2007, Enel and its Spanish partner Acciona S.A. launched a joint tender offer for 100% of the share capital of Endesa, the leading electricity operator in Spain. After the conclusion and settlement of the successful tender offer, Enel held 67.05% of Endesa. In June 2009, Enel acquired an additional 25.01% of Endesa from Acciona and its subsidiaries. Following the completion of this acquisition, Enel's stake in Endesa reached 92.06%. For additional information, see "—Recent significant transactions and related material agreements—Acquisition of Endesa" below.

- In June 2007, Enel and Electrica S.A., a company wholly owned by AVAS, Romania's privatization agency, entered into an agreement for the privatization of a majority stake in Electrica Muntenia, the company owning and managing the electric distribution network in Bucharest. The price for the transaction amounted to €820 million. For further details, see "—Significant Events in 2008 and 2009," below.

- In several purchases beginning on June 21, 2007 and ending on October 24, 2007, Enel acquired 37.15% of the Russian electrical generation company OGK-5, one of the six Russian thermal generation companies, which has four thermal power plants in various parts of the country with a total capacity of about 8,700 MW. In 2007, Enel launched a tender offer for the entire share capital of OGK-5, obtaining a 59.80% controlling interest in the company and becoming the first foreign operator vertically integrated in the Russian electricity market. As of the date of this Offering Circular, the Group owns a stake of 55.86% in OGK-5's share capital and the company has been renamed Enel OGK-5.

Following this process of expansion abroad, by 2008 the Group operated in 22 countries. It operates in the renewable energy segment in North and South America, Spain, France and Bulgaria, and in the nuclear segment in France, by participating in the realization of the new third-generation nuclear plant at Flamanville, and in Slovakia, by finalizing the re-powering of the nuclear plant in Mochovce and starting the re-powering of the Bohunice plant.

Having increased its participation in renewable energy projects and in clean carbon technology, both in Italy and abroad, in September 2008, Enel created its new Renewable Energy division, for the development and management of activities concerning energy generation from renewable resources. As of December 31, 2008, the division operated more than 500 plants and had a net efficient capacity of 4,464 MW, including wind power, solar energy, geothermal power, hydroelectric power, and biomass 86 power plants. The Group is one of the leading international operators in the generation of energy from renewable resources, with 17.2 TWh sold in 2008, thereby avoiding approximately 13 million tons of CO_2 emissions. In December 2008, the Enel Green Power subsidiary was created as the reference company for the Renewable Energy division.

Significant events in 2008 and 2009

Acquisition of OGK-5: Following the tender offer launched by Enel through its subsidiary EIH, the latter acquired a 59.80% stake in OGK-5's share capital. As a result of subsequent disposals, as well as small purchases of shares from company management, EIH's stake in OGK-5 as of June 30, 2009 was equal to approximately 55.86%, as is noted above.

Acquisition of Electrica Muntenia: On April 25, 2008, Enel purchased a 50% stake in Electrica Muntenia from Electrica for €395 million. At the same time, the shareholders of Electrica Muntenia approved a capital increase that was subscribed by Enel in the amount of €425 million. As a result of these transactions, Enel's stake rose to 64.4%. In connection with the acquisition, Enel granted Electrica a three-year put option giving the latter the right to sell a minimum of 13.6% of the shares it still holds, as well as all other shares not sold to company employees as part of the mechanism giving them the right to subscribe up to 10% of the share capital on the occasion of the privatization. Consequently, the shares subject to the option could vary from a minimum of about 13.6% of the share capital to a maximum of 23.6% (if no employee should take up the right to subscribe for shares). In accordance with a regulation on corporate unbundling Electrica Muntenia was split into two separate companies, Enel Energie Muntenia and Enel Distributie Muntenia. The 12% share of each not held by either Enel or Electrica is held by Fondul Proprietate S.A.

Agreements signed in China for the reduction of greenhouse gases: On May 5, 2008, Enel signed two cooperation agreements in Beijing to reduce greenhouse gas emissions. The first agreement consists of a memorandum of understanding between Enel, the Ministry of Science and Technology of the People's Republic of China and Italy's Ministry for the Environment. This agreement is expected to enable Enel to collaborate on research and development activities to promote the use of clean coal technologies in China, leveraging the experience gained in Italy at the Torrevaldaliga Nord plant and Enel's demonstration projects now under way in respect of CO_2 capture and sequestration techniques. The second agreement is a contract between Enel and the Wuhan Iron & Steel Group for the acquisition of CERs originated through the implementation of five energy efficiency projects that are expected to reduce CO_2 emissions by 11.45 million tons between 2008 and 2012.

Agreement with Termoelectrica and E.On for the construction of a plant in Romania: On June 18, 2008, the state-owned Romanian electricity company, Termoelectrica, and a consortium formed by E.On and Enel signed a memorandum of understanding to start work on a new 800 MW coal-fired plant at Braila, an existing Romanian power plant, which will use the most advanced technologies and will fully comply with the European Union's environmental standards. Under the terms of the memorandum of understanding, Termoelectrica will contribute the assets of the existing Braila plant, while the consortium formed by E.On and Enel will contribute capital for the investment; the consortium will have a majority of the shares in the joint venture.

Acquisition of Marcinelle Energie: On June 30, 2008, Enel, acting through its subsidiary EIH, acquired 80% of Marcinelle Energie—a company that is developing a 420 MW CCGT plant in the Wallonia region of Belgium—from the Duferco steel group. Enel paid Duferco a total of €32 million (not including some €4 million provided for in a contract addendum) for the stake, of which €19.2 million has already been paid, with the remaining €12.8 million to be settled in two installments in 2009 and 2010. At the same time, Enel granted Duferco a put option for the remaining 20% of Marcinelle Energie. The option will be exercisable for a period of six years, beginning one year after operations start at the power plant. Construction work, which will be performed by Enel's Engineering and Innovation division, is expected to be completed at the beginning of 2011, with a total estimated investment of approximately €290 million. Once fully operational, the plant is expected to efficiently generate about 2.5 TWh of electricity a year while complying with stringent environmental standards. The power will serve the Belgian domestic market.

Sale of 51% of HDE: On July 25, 2008, under the investment agreement signed on April 24, 2008 between Enel Produzione and Dolomiti Energia for the joint development of the hydro-electric power sector in the autonomous province of Trent, Enel Produzione sold a 51% stake in HDE to Dolomiti Energia for €333 million. The shareholders agreement between Enel and the outside shareholders conserves Enel's dominant influence over HDE until the shareholders' meeting called to resolve upon HDE's financial statements for the year ended December 31, 2010. Therefore, HDE remains fully consolidated in the Group's financial statements for the present time.

Acquisition of wind projects in Greece: On July 28, 2008, Enel signed an agreement with Damco Energy (Copelouzos Group) and International Constructional (Samaras Group) to acquire 30% (with the right to progressively raise its stake up to 80%) of a pipeline of wind projects with a capacity of up to 1,400 MW in Greece for €122 million. These wind projects are located in the windiest areas of Greece, mainly in Thrace, the Peloponnesus and Eubea. The agreement also gives Enel an option to participate in the development of an additional 180 MW of projects in Bulgaria.

Acquisition of 20% of the assets of Electricity Supply Board: On July 31, 2008, Endesa entered into an agreement to acquire 100% of the share capital of KJWB Ltd (now Endesa Ireland), a subsidiary of Ireland's state electricity company, ESB holding approximately 20% of the electricity generation assets of the ESB, for €440 million. This agreement resulted from a tender process begun in November 2007. The assets have a total capacity of 1,068 MW at four operational plants and 300 MW at two plants still under construction. They account for about 16% of Ireland's total installed capacity. As part of the agreement, Endesa has undertaken to implement a re-powering plan in order to enhance the efficiency of the plants by the end of the first half of 2012. On January 8, 2009, following approval from the relevant Irish and European Union regulators, Endesa completed the acquisition.

Acquisition of 10% of Bayan Resources: On August 12, 2008, EIH acquired a 10% stake in Bayan for around €139 million in the initial public offering of the company on the Indonesian Stock Exchange, pursuant to an agreement with Bayan and its shareholders. Bayan is the eighth largest coal-producing group in Indonesia in terms of output (2007 figures), with integrated mining, processing and logistics operations. Enel Trade S.p.A. (**Enel Trade**) also executed a ten-year supply agreement with Bayan providing for the latter to supply a specified amount of coal starting from December 2010, with the possibility of an extension for a further five years.

Public tender offer launched for Endesa's listed Peruvian subsidiaries: On September 19, 2008, Generalima, a company indirectly controlled by Endesa, launched a public tender offer for 24% of three Endesa subsidiaries listed on the Lima Stock Exchange. The tender offer, which became mandatory following the joint acquisition of Endesa by Enel and Acciona, involved the electricity generation companies Edegel and Empresa Eléctrica de Piura, which have a total production capacity of about 1,600 MW, and the distribution company Edelnor, which supplies electricity to one million clients in the northern area of Lima and Callao. At the end of October 2008, the tender for Edegel and Edelnor closed with acceptances requiring a total outlay of $405 million. The tender offer for Empresa Eléctrica de Piura has currently been suspended pending the resolution of certain demands filed by Generalima against the Peruvian Stock Exchange Authority.

Agreement to develop the hydroelectric sector in Bolzano: On October 23, 2008, Enel Produzione and Società Elettrica Altoatesina (**SEL**), a company controlled by the autonomous province of Bolzano, signed a preliminary agreement for the development of the hydroelectric power sector in the province. Enel Produzione currently holds 12 concessions for major hydroelectric dams in the area with a total capacity of 616 MW, in addition to eight concessions for minor hydroelectric dams with a total capacity of 17 MW. Under this agreement, Enel Produzione and SEL will form a company for the joint operation of their respective concessions. Enel Produzione will contribute to such company the business unit associated with its major hydroelectric dams in the autonomous province of Bolzano, while, on January 1, 2011, the parties will contribute the further concessions obtained by each independently. Following these contributions, the holdings of Enel Produzione and SEL in the new company are to remain at 40% and 60%, respectively. Finally, to comply with Presidential Decree No. 235 of March 26, 1977, which sets forth special energy-sector rules for the Trentino-Alto Adige region, Enel Distribuzione will sell its electricity distribution operations in the autonomous province of Bolzano to SEL for €79 million.

Agreement with Acegas-Aps and Tei to build interconnection lines between Italy and Slovenia: On February 5, 2009, Acegas-Aps, Enel and Tei signed the articles of incorporation for Adria Link, a company in which the three partners have equal shares. The company will build and operate electricity interconnection infrastructure between Italy and Slovenia. In particular, Adria Link intends to develop two interconnection projects that involve the construction of two underground power lines, which will connect, respectively, the Zaule electricity station in the province of Trieste with the Dekani station in Slovenia and the Redipuglia station in the province of Gorizia with the Vrtojba station in Slovenia. The new lines will increase net transfer capacity by about 250 MW. The planned investment is €31 million, part of which will go towards reducing the impact of the infrastructure on the environment and the landscape.

Enel-EdF agreement for the development of nuclear power in Italy: On February 24, 2009, within the framework of the Italy-France Protocol of Understanding for Energy Cooperation, Enel and Electricité de France S.A. (**EdF**) signed a memorandum of understanding that establishes the foundations for the joint development of nuclear energy in Italy by the two companies. The parties entered into an agreement on July 30, 2009 to create the joint venture Sviluppo Nucleare Italia S.r.l., owned on an equal basis by Enel and EdF. See "—Recent significant transactions and related material agreements—Agreement with EdF for the development of nuclear power in Italy."

Sale of Enel Distribuzione's high-voltage network: Effective as of April 1, 2009, Enel Distribuzione transferred the entire share capital of Enel Linee Alta Tensione S.r.l. (**ELAT**), a wholly-owned subsidiary of Enel Distribuzione, to Terna. Effective as of January 1, 2009, Enel Distribuzione had transferred a business unit consisting of almost all of the Group's high-voltage lines (consisting of 18,583 kilometers of high-voltage grid, mainly at 132 kV and 150 kV), and the associated assets and liabilities and other legal relationships to ELAT. The consideration for the sale to Terna amounted to €1,152 million.

Agreement with the Australian government for capture and sequestration of CO_2: On April 22, 2009, within the framework of the Italy-Australia Protocol of Understanding for Cooperation in Technology for the Capture of CO_2, Enel and the Australian Ministry for Agriculture, Fisheries and Forestry signed a memorandum of understanding providing for Enel's participation as a founding shareholder in the Global Carbon Capture and Storage Institute (**GCCSI**). The GCCSI, which is supported by several countries, financial institutions and leading companies operating in the energy market worldwide, sustains research and development of projects and technologies for environmentally sustainable coal use.

Development agreements in Russia, and sale of SeverEnergia shares to Gazprom

On October 30, 2008, Eni, Enel and Gazprom agreed to further develop their existing partnership. The parties signed agreements for the development of SeverEnergia and its subsidiaries, as well as an agreement committing Gazprom to take a stake in SeverEnergia, as envisaged in a 2007 agreement. This commitment was executed upon on June 5, 2009, when Enel and Eni signed an agreement with Gazprom for the sale to the latter of a 51% stake in the share capital of SeverEnergia, the company holding the entire share capital of Arctic Gas, Urengoil and Neftegastechnologia, which in turn hold hydrocarbon exploration and production licenses covering proven and probable oil and gas reserves estimated at 5 billion barrels of oil equivalent (BOE). The transaction was consummated on September 23, 2009 for consideration of approximately $1,600 million, of which Enel is expected to receive $626.5 million. Gazprom has paid the first installment of $384 million (of which Enel received $153.5 million) and is expected to pay the second and final installment by March 2010. Following the transaction, Enel's indirect interest in SeverEnergia was reduced from 40% to 19.6% while Eni's interest decreased from 60% to 29.4%. The parties also agreed to start producing gas by June 2011 from the Samburskoye field and to reach a production level of at least 150,000 BOE per day within two years from the start of production. The parties agreed to cooperate on the renewal and updating of licenses as well as on setting the details of the fields' development plan.

Sale of 80% equity stake in Enel Rete Gas: Enel entered into an agreement on May 29, 2009 (subsequently amended on September 25, 2009) to sell 80% of the share capital of Enel Rete Gas to F2i SGR S.p.A. and AXA Private Equity, for €515.7 million. The terms of the agreement establish that the price for the sale will be financed with €370.7 million of the buyers' own funds and a vendor loan granted by Enel to the buyers in the amount of €145 million, bearing an annual interest rate of 8.25% and maturing in 2017. The transaction closed on September 30, 2009.

Acquisition of 25.01% of Endesa from Acciona and Disposition of Certain Renewable Assets: On June 25, 2009, Enel acquired the 25.01% of Endesa owned directly and indirectly by Acciona. See "—Recent significant transactions and related material agreements—Acquisition of Endesa—Agreement for the Acquisition of Acciona's Shareholding in Endesa" herein. On the same date, Endesa sold to Acciona a number of plants operating in Spain and Portugal with a total capacity of 1,946 MW for €2,634 million. The parties also agreed for Endesa to sell to Acciona other plants with a total capacity of 133 MW, mainly wind facilities, for €183 million once the regulatory and technical procedures are completed (one such plant was sold on July 30, 2009 for €85.1 million)

Rights Offering: On July 8, 2009, Enel concluded a rights offering in which 3,216,938,192 new ordinary shares, representing approximately 34.21% of the post-offering share capital, were fully subscribed. The new shares were sold at a price of €2.48 per share, for aggregate proceeds to Enel of €7.978 billion. During the offer period from June 1 to June 19, 2009, a total of 6,160,693,425 rights were exercised, which entitled holders to subscribe to newly issued Enel ordinary shares with a par value of €1.00 per share and a dividend start date of January 1, 2009. The option rights ratio was set at 13 new shares for every 25 existing shares. Cassa Depositi e Prestiti S.p.A. exercised both the rights granted directly to it and the rights granted to the MEF, for a total of 1,005,095,936 newly issued Enel ordinary shares, equal to approximately 31.24% of the offered shares. As a result of the rights offering, Cassa Depositi e Prestiti S.p.A.'s total shareholding is now 17.36% and the MEF retained a direct shareholding equal to 13.88%.

Bond issuance: Following the resolution adopted by Enel's board of directors on July 30, 2009, Enel issued a multi-tranche bond under the Programme on September 17, 2009. The notes, denominated in euros and pounds sterling, had an aggregate principal amount as of the issue date of over €6,500 million. The four tranches issued were: €1,500 million fixed-rate 4.00% notes due 2016; €2,500 million fixed-rate 5.00% notes due 2022; £850 million fixed-rate 5.625% notes due 2024; and £1,400 million fixed-rate 5.75% notes due 2040. The notes were listed on the Irish Stock Exchange.

The Organizational Structure of the Enel Group and results by division

Over the last three years, the Group has modified its organizational structure by creating new business segments, or "divisions." In particular, at the end of 2005 and effective since January 1, 2006, the Group established the following operating divisions: "Domestic Sales," "Domestic Generation and Energy Management," "Domestic Infrastructure and Networks" and "International," in addition to the areas "Parent Company" and "Services and Other Activities."

Subsequently, in response to Enel's growth in the international market and its acquisitions, the Group further revised its organizational structure (as from January 1, 2008) by creating two additional divisions, "Iberia and Latin America" and "Engineering and Innovation." In particular, the Iberia and Latin America division has been allocated all of the Group's activities related to the electricity and gas markets in Spain, Portugal and Latin America. Consequently, all of the strategic goals related to those geographic areas that were present in the previous structure within the International division, as well as those of Endesa, 67.05% of which was acquired by Enel in the last quarter of 2007 (and an additional 25.01% of which was acquired in June 2009, for a total interest of 92.06%), have been transferred to the Iberia and Latin America division. The Engineering and Innovation division has been allocated all of the activities related to development and construction of generation plants, in addition to activities concerning the enhancement of innovation opportunities in all the Group's business areas. All of the Group's strategic goals concerning these subjects, which were previously the responsibility of the Domestic Generation and Energy Management division, have been transferred to the Engineering and Innovation division. As a further part of this re-segmentation process, the Domestic Sales division was renamed the "Sales" division, the Domestic Generation and Energy Management division was renamed the "Generation and Energy Management" division and the "Domestic Infrastructure and Networks" division was renamed the "Infrastructure and Networks" division.

Finally, in September 2008, the Group made a further change to organizational structure by establishing the "Renewable Energy" division. All the activities of electricity generation from renewable resources of existing divisions and in particular: (i) the plants located in Italy previously within the Generation and Energy Management division; (ii) the plants located in Latin America and in Spain (excluding the activities related to Endesa) previously within the Iberia and Latin America division; (iii) the remaining activities related to renewable resources abroad (previously within the International division); and (iv) the activities for the development of the photovoltaic market and energy efficiency activities in Italy previously within the Sales division, have all flowed into the new Renewable Energy division.

The following organizational chart lists the Group's divisions and areas, as well as the principal legal entities of which they are comprised.

Sales	Generation and energy management	Engineering and innovation	Infrastructure and networks
• Enel Servizio Elettrico • Enel Energia • Vallenergie	• Enel Produzione • Enel Trade • Enel Trade Hungary • Nuove Energie • HDE • Enel Stoccaggi	• Enel Ingegneria e Innovazione • Sviluppo Nucleare Italia	• Enel Distribuzione • Enel Rete Gas • Enel Sole • Deval

Iberia and Latin America	International	Renewable energy	Services and other activities
• Endesa	• Slovenské elektrárne • Enel Maritza East 3 • Enel Operations Bulgaria • Enel Distributie Muntenia • Enel Distributie Banat • Enel Distributie Dobrogea • Enel Energie Muntenia • Enel Energie • Enel Productie • Enel Romania • Enel Servici Comune • RusEnergoSbyt • SeverEnergia • Enel OGK-5 • Enel Rus • Enel France • EnelCO • Marcinelle Energie • Enel Albania Shp • Linea Albania—Italia Shpk	• Enel Green Power • Enel.si • Enel Latin America • Enel Unión Fenosa Renovable • Blue Line • Enel North America • Green Power Bulgaria • Enel Erelis • International Wind Power • Wind Parks of Thrace • International Wind Parks of Thrace • Hydro Constructional • International Wind Parks of Crete	• Enel Servizi • Sfera • Enelpower • Enel.NewHydro • Enel.Factor • Enel.Re

Sales division

The Sales division deals with the sale in Italy of products and services related to electricity and gas. In 2008, the Group was the leading provider of electricity on the free market in Italy, with 27% of the total supplied volume, and held the second largest market share with respect to sales of natural gas. In particular, the Sales division is responsible for commercial activities carried out through the following subsidiary companies:

- Enel Servizio Elettrico S.p.A. (**Enel Servizio Elettrico**) and Vallenergie S.p.A. (**Vallenergie**) (the operations of the latter are limited to the Valle d'Aosta region), for the sale of electricity on the Universal Service market.

- Enel Energia S.p.A. (**Enel Energia**), for the sale of electricity and gas on the free market. Enel Energia is the combined entity resulting from the merger of the activities of Easygas, Iridea, Enel Gas and the company previously named Enel Energia.

The company Enel.si, previously included in the Sales division, is now part of the Renewable Energy division, following the creation of the latter in September 2008.

Electricity sales

Since July 1, 2007, in application of Legislative Decree No. 73/07, as subsequently ratified into law by Law No. 215 of August 3, 2007, the Italian energy market has been deregulated and all end-users can choose their supplier on the free market.

Within the framework of deregulation, Legislative Decree No. 73/07 introduced certain alternative electricity supply services: (i) the Universal Service, with contractual conditions and rates established by the Authority for Electricity and Gas, limited to residential clients and small business clients, which are supplied at a low voltage and which have not chosen their supplier on the free market or were left deprived of a supply service; and (ii) the Last-Resort Service, providing predetermined rates to certain medium- and large-sized clients.

The electricity sold by the Sales division in 2008 amounted to 137,231 million kWh, a decrease of 5,209 million kWh from the previous year. As displayed in the following table, the electricity sold in 2008 on the free market amounted to 55,517 million kWh, an increase of 15,570 million kWh from the previous year due primarily to a decrease in the volume of energy sold on the Universal Service market, equal to 20,779 million kWh. For the six-month period ending June 30, 2009, the Sales division sold 64,280 million kWh of electricity. The following table provides details.

	Year ended December 31			Six months ended June 30	
	2008	**2007**	**2006**	**2009**	**2008**
	(Millions of kWh)				
Free market:					
Mass-market clients	31,783	18,369	3,036	16,264	13,625
Business clients(1)	23,734	21,578	19,231	11,543	12,134
Total free market(2)(3)	**55,517**	**39,947**	**22,267**	**27,807**	**25,759**
Universal Service and Last-Resort Service	**81,714**	**102,493**	**120,385**	**36,473**	**43,148**
Total	**137,231**	**142,440**	**142,652**	**64,280**	**68,907**

(1) Supplies "large" clients and energy-intensive users (annual consumption above 1 GWh).

(2) Includes the Last-Resort Service sales for the first half of 2009 (totaling 2,823 million kWh) and the first half of 2008 (totaling 1,024 million kWh).

(3) Includes the Last-Resort Service sales for 2008 (totaling 4,449 million kWh).

Number of electricity clients

The ongoing process of liberalization in the electricity market has affected the composition of clients served by the Sales division in Italy. Specifically, there has been a reduction in the number of clients on the Universal Service and Last-Resort Service markets, while the number of clients on the free market has increased, mainly due to the migration of mass-market clients (including residential clients and small business clients) to the free market after July 1, 2007 (the date on which all clients became Eligible Clients).The following table sets forth the number of clients supplied by the Sales division in the years ended December 31, 2008, 2007 and 2006 and for the six months ended June 30, 2009 and 2008.

	Year ended December 31			Six months ended June 30	
	2008	**2007**	**2006**	**2009**	**2008**
			(Number of clients)		
Free market:					
Mass-market clients	2,002,430	1,202,069	268,220	2,343,286	1,829,124
Business clients(1)	31,479	23,986	29,242	41,776	28,846
Total free market	**2,033,909**	**1,226,055**	**297,462**	**2,385,062**	**1,857,970**
Universal Service and Last-Resort Service(2)	**28,419,119**	**29,489,225**	**29,970,325**	**27,450,252**	**28,244,563**
Total	**30,453,028**	**30,715,280**	**30,267,787**	**29,835,314**	**30,102,533**

(1) Supplies "large" clients and energy-intensive users (annual consumption above 1 GWh).

(2) Includes Dual Energy clients (described below).

Natural gas sales

Gas sold by the Sales division in 2008 amounted to 5,677 million cubic meters, an increase of 780 million cubic meters from the previous year. This increase reflected a rise in quantities sold to both mass-market clients and larger business clients. As of June 30, 2009, the gas clients served by the Sales division numbered some 2.68 million.

The following table provides details regarding the volumes of gas sold and the number of clients served by the Sales division for the years ended December 31, 2008, 2007 and 2006 and for the six months ended June 30, 2009 and 2008.

	Year ended December 31			Six months ended June 30	
	2008	**2007**	**2006**	**2009**	**2008**
Sales to mass market clients(1) (millions of m^3)	3,222	2,865	2,973	1,960	1,843
Sales to medium- and large-sized business clients (millions of m^3)	2,455	2,032	1,572	980	1,442
Total sales (millions of m^3)	**5,677**	**4,897**	**4,545**	**2,940**	**3,285**
Number of clients at period end(2)	2,643,970	2,462,415	2,331,051	2,684,520	2,586,213

(1) Includes residential clients and micro business

(2) Include Dual Energy clients (described below).

Significant retail market offerings

Described below are some of the current retail market offerings of the Sales division:

Dual Energy, "Energia Sicura": Limited to residential clients, the offer provides a combined supply by Enel of low-voltage electricity and natural gas for cooking, hot water and/or heating. The Energia Sicura option establishes that the price of the supply remains fixed for the first two years, allowing electricity and/or gas-consuming families to avoid price rises related to the cost of raw materials. With regard to the supply of electricity, the offer allows the choice between a fixed all-day price or a dual-time system with a fixed evening price. Furthermore, the electricity sold under this plan is backed up by Green Certificates. With regard to the supply of gas, a price established by the Authority for Electricity and Gas according to a volume-based scale is used.

The price excludes the normal “floating compensation related to wholesale sales” (corrispettivo variabile relativo alla commercializzazione all’ingrosso) component, which is replaced by a fixed price valid for the first two years of supply.

“E-Light”: This offer sets a fixed, invariable all-day price for electricity for the first two years, and is restricted to residential clients supplied with low-voltage electricity. Bills are sent by email and are payable by direct debit. With the “Green Energy” option it is possible to receive an electricity supply backed by Green Certificates, and thus support generation from renewable resources. The E-Light gas supply is the equivalent offer at a fixed price for the first two years, restricted to residential clients supplied with natural gas for cooking, hot water and/or heating.

“Tutto Compreso” (All-Inclusive Energy): This offer consists of a fixed price for two years for the supply of electricity, including all bill entries except tax. The offer is aimed at families with 3-kW contracts and is available in three consumer sizes: (i) “small,” up to 100 kWh per month; (ii) “medium,” up to 225 kWh per month; and (iii) “large,” up to 300 kWh per month.

Key data of the Sales division

The Sales division recorded revenues of €22,609 million in 2008, of which €22,447 million represented sales to parties outside the Group (37.0% of the Group’s total revenues) and €10,613 million for the six month period ending June 30, 2009, of which €10,485 million represented sales to parties outside the Group (36.8% of the Group’s total revenues). The division’s gross operating margin (EBITDA) was €554 million in 2008 (3.9% of the Group’s gross operating margin) and €160 million for the six-month period ending June 30, 2009 (2.0% of the Group’s gross operating margin).

The division’s capital expenditures on tangible and intangible assets amounted to €72 million in 2008, equal to 1.1% of the total of the expenditures of the Group, and €26 million for the six-month period ending June 30, 2009, equal to 1.0% of the total expenditures of the Group. As of June 30, 2009 the division employed a total of 4,003 employees (4.8% of the total workforce of the Group).

Generation and Energy Management division

This division operates in Italy in the field of electricity generation and energy products, aiming to produce electricity at competitive costs and with respect for the environment. The main activities of the Generation and Energy Management division are as follows:

- the production and sale of electricity derived from: (i) programmable hydroelectric and thermal power plants throughout Italy owned by Enel Produzione and HDE (the latter limited to the autonomous province of Trent and 49% owned by Enel Produzione); and (ii) trading on international and domestic markets, primarily through Enel Trade, Enel Trade Hungary Kft (**Enel Trade Hungary**), and Enel Trade Romania S.r.l. (**Enel Trade Romania**);

- the supply and sale of energy products through Enel Trade, which also handles: (i) provisioning for all of the Group’s needs; and (ii) the sale of natural gas to distributors; and

- the development of natural gas storage projects through Enel Stoccaggi S.r.l. (**Enel Stoccaggi**).

Generation and sales of electricity

The Enel Group, through the operations of its Generation and Energy Management division, is the primary electricity producer in Italy. As of December 31, 2008, the Generation and Energy Management division operated 289 generating plants that represented about 39% of the net efficient capacity in Italy, according to data from Terna.

The generation activity of the Generation and Energy Management division is performed through thermal plants and programmable hydroelectric plants. Based on the Group's new organizational structure, during 2008, (i) all wind plants, geothermal plants, photovoltaic plants and non-programmable hydroelectric plants were transferred to the new Renewable Energy division (2,547 MW of total capacity); and (ii) the activities related to the development and the construction of electricity generating plants were reassigned to the Engineering and Innovation division. The data from the Generation and Energy Management division presented in this section, including data in respect of December 31, 2007 or the year then ended, is based on the current organizational structure and does not reflect assets or activities reassigned to new divisions. The following table sets forth the quantity and the related installed capacity of the generating plants of the Generation and Energy Management division in Italy as of June 30, 2009, by generation technology.

	No. of plants	Installed capacity (MW)
Coal power plants	8	6,200
Combined-cycle gas/turbogas (peak load) power plants	15	8,024
Oil/gas/diesel (minor production) power plants	19	10,584
Biomass power plants	1	35
Total thermal power plants	43	24,843
Hydroelectric power plants[1]	246	12,920
Total	**289**	**37,764**

(1) Of which 33 HDE plants account for 1,285 MW of capacity.

The following sets forth the net electricity production of the Generation and Energy Management division in Italy in 2008 and 2007, and for the six months ended June 30, 2009 and 2008, by generation technology (it is not feasible to present accurate comparable figures for 2006 due to the above-described re-segmentation.).

	Year ended December 31		Six months ended June 30	
	2008	2007	2009	2008
	(billions of kWh)			
Coal	29.4	28.6	14.0	14.8
Combined-cycle	25.8	23.1	7.0	12.7
Oil/gas[1]	9.4	15.6	2.0	3.5
Hydroelectric	20.73[2]	16.9	13.0	9.9
Total	**85.4**	**84.2**	**36.0**	**40.9**

(1) Includes turbogas (peak load) and diesel for minor production

(2) Of which HDE plants account for 1.5 billion kWh for 2008 and 1.9 billion kWh for the six months ended June 30, 2009.

Taking into account the current range of plants and the creation of the new Renewable Energy division and the transfer of the wind, geothermal, photovoltaic and non-programmable hydroelectric plants, in 2008 and for the six-month period ending June 30, 2009 the Generation and Energy Management division generated approximately 85 TWh and 36 TWh of electricity in Italy, respectively. The following table provides details regarding the gross thermal electricity production of the Generation and Energy Management division in Italy in 2008 and 2007 and for the six months ended June 30, 2009 and 2008 by type of fuel.

	Year ended December 31		Six months ended June 30	
	2008	2007	2009	2008
Natural Gas	46.9%	47.1%	33.2%	45.1%
Coal	44.2%	41.9%	56.9%	45.9%
Fuel Oil	8.3%	10.5%	8.9%	8.5%
Other Fuels	0.6%	0.5%	1.0%	0.5%
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**

In the framework of a transformation program aimed at increasing the efficiency and the competitiveness of the Group's plants in the context of the liberalized Italian market, the following activities have commenced:

- *The conversion of the fuel oil thermal plant at Torrevaldaliga Nord (Civitavecchia) into a cleancoal plant:* The conversion of the Torrevaldaliga Nord plant started at the end of 2003 and, at the date of this Offering Circular, is close to completion. In 2009, the remaining sections (2 and 3) of the plant are expected to be put into service. The conversion to clean coal is expected to permit consistent capacity in the range of 1,980 MW.
- *The conversion of the fuel oil thermal plant at Porto Tolle into a clean-coal plant:* As at Torrevaldaliga Nord, the conversion to clean coal is expected to permit consistent capacity in the range of 1,980 MW. The new Porto Tolle plant, lower in capacity but more efficient than the existing plant, is expected to be able to satisfy market price pressures while applying advanced technologies to improve environmental performance, including through an 80% reduction of pollutants compared to the existing plant.

Trading on the international markets and in Italy

Part of Enel Trade's responsibility is to reduce the Group's exposure to commodity risk by entering into derivatives transactions, within the limits of the Group's policies.

Enel Trade also carries out proprietary trading that consists of taking on energy commodity (oil products, gas, coal and electricity) exposures in the main European countries by means of financial derivative instruments and contracts for physical delivery exchanged on the regulated and over-the-counter markets, seeking to exploit arbitrage opportunities and speculating on price developments. The activity is carried out within a formal governance framework with strict risk limits set at the Group level, and compliance therewith is verified daily by an organizational unit independent from the groups carrying out trading operations. Specific controls in terms of quantitative risk limits (value at risk) are in place. Credit risk management for trading operations is based on strict evaluation, assignment and monitoring procedures in accordance with international best practices. The credit limit for each counterparty is set through the use of official ratings, when available, or otherwise by assigning to each counterparty an internal rating obtained via a thorough analysis of the counterparty's financial statements and other information to which Enel Trade has access, including information from external information-providers. If necessary, further guarantees are required to support credit in the form of bank or insurance guarantees, or guarantees from the holding companies of the counterparties. Guarantors are also subject to rating and risk limits. See "Management's discussion and analysis of financial condition and results of operations—Quantitative and qualitative disclosures about market risk."

In 2008, within the framework of the development of electricity trading activities on foreign markets, the Hungarian and Romanian authorities granted trading licenses to the subsidiaries Enel Trade Hungary and Enel Trade Romania. At the same time, two new branches of Enel Trade were created in the Czech Republic and in Slovakia, which will carry out procurement activities, as well as trading and cross-border operations, exploiting the opportunities derived from their geographical location and from the presence in the area of other companies of the Group.

Procurement and sale of energy products

Enel Trade also carries out fuel procurement to satisfy the needs of the Group's generation plants and the market demand for gas sold by other Group companies, seeking to: (i) assure that the Enel Group obtains fuel of the quality required for the functioning of its plants; and (ii) limit the cost of procurement and mitigate price volatility risks. With these guidelines, a policy of entering into medium- and long-term contracts (some including take-or-pay provisions) is pursued, diversifying where possible the sources of procurement. The costs of transporting purchased fuel are also stabilized through the use of long-term transportation contracts.

With regard to coal, the principal countries that supply the Generation and Energy Management division are South Africa, Indonesia, Colombia, Russia and Australia, while, with regard to gas, Algeria and Nigeria are the principal sources of supply.

Within the framework of an initiative intended to vertically integrate the supply chain, it was decided in 2008 that Enel would open an office in Algiers in order to strengthen its already developed commercial relations with Sonatrach, its Algerian supplier, and to develop new business activities in the upstream gas sector (exploration and production), as well as to research possible new initiatives in the midstream gas sector, in particular with regard to liquefied natural gas. At the same time, the construction of the Group's regasification plant at Porto Empedocle is progressing.

Development of natural gas storage projects

The Enel Group carries out natural gas storage activities through Enel Stoccaggi, which was established on September 19, 2008, and 49% of the share capital of which was sold on September 26, 2008 to the Fondo Italiano per le Infrastrutture for approximately €6 million. Its storage activities consist of storing gas in decommissioned underground mines. This storage enables the Group to compensate for daily or seasonal variations in consumption, and consistently ensure an adequate supply of natural gas.

Enel Stoccaggi will continue technical and administrative activities initiated by Enel Trade with respect to converting the Romanengo field (Cremona) into a storage facility. Enel Trade was awarded the concession for the field following an MED tender process concluded on September 26, 2006. The concession for the Romanengo field will be transferred to Enel Stoccaggi following receipt of a positive environmental impact study from the Ministry for the Environment. Under the provisions of Legislative Decree 164/2000, the storage concession will have a term of 20 years and may be extended for a total of two further 10-year periods. The conversion is expected to lead to the creation of some 300 million cubic meters of storage space, scheduled to be placed into use in 2012.

Key data of the Generation and Energy Management division

In 2008, the Generation and Energy Management division recorded revenues of €22,143 million, of which €14,253 million represented sales to parties outside the Group (23.3% of the Group's total revenues). For the six-month period ending June 30, 2009, revenues were €9,294 million, of which €6,027 million represented sales to parties outside the Group (21.2% of the Group's total revenues). The division's gross operating margin (EBITDA) was €3,113 million (21.7% of the Group's gross operating margin) in 2008 and €1,877 million (23.6% of the Group's gross operating margin) for the six-month period ending June 30, 2009.

The division's capital expenditures on tangible and intangible assets amounted to €887 million in 2008, equal to 13.6% of the total of the expenditures of the Group, and €376 million for the six-month period ending June 30, 2009, equal to 14.5% of the total expenditures of the Group. As of June 30, 2009, the division employed a total of 6,656 employees (7.9% of the total workforce of the Group).

Engineering and Innovation division

The Engineering and Innovation division, in operation as of January 1, 2008, manages the engineering processes involved in the development and construction of generating plants, aiming to achieve quality, time and economic targets. The Engineering and Innovation division is also tasked with coordinating and integrating all of the Group's research activities to identify, develop and exploit opportunities for innovation throughout the Group, with particular regard to the development of activities of environmental value. In December 2008, the Torrevaldaliga Nord clean-coal plant was successfully started up for the first time. The Company believes that this plant is among the most technologically advanced of its type in the world 98 and that it serves to confirm Enel's high technical and technological standards in the areas of development and construction of thermoelectric plants.

In Belgium and Russia, work has begun on the construction of combined-cycle plants in Marcinelle and Nevinnomiskaya, respectively, underscoring the division's commitment to international development in support of the Enel Group and its strategy.

With regard to nuclear power, Enel technicians and engineers have been integrated into the EdF team that is designing and building the advanced, third-generation EPR facility at Flamanville in France. For additional information regarding the Group's collaboration with EdF, see "—Recent significant transactions and related material agreements—Agreement with EdF for the Development of Nuclear Power in Italy," below.

In Slovakia, work for the completion of units 3 and 4 of the nuclear plant at Mochovce, with a capacity of 880 MW, has commenced. These units are expected to enter production during 2012 and 2013, respectively.

On the innovation front, a "Group Technological Innovation Plan" has been developed, which marks the start of a new approach to managing technological innovation projects, and is aimed at ensuring the maximum effectiveness of the research activities of the Group. At Fusina, testing has begun on an experimental plant that should enable Enel to test and develop the technology for the use of hydrogen as a fuel for turbogas installations.

Finally, the E-mobility project has been launched in collaboration with Daimler-Mercedes. Enel will develop a test network in Pisa, Rome and Milan for the recharging of 100 electrically powered Smart cars, as part of a pilot project to be launched in 2010.

As of April 1, 2009, all of the activities of the Engineering and Innovation division have been brought within Enel's subsidiary, Enel Ingegneria e Innovazione S.p.A.

Key data of the Engineering and Innovation division

The Engineering and Innovation division recorded revenues of €1,005 million in 2008, of which €167 million represented sales to parties outside the Group (0.3% of the Group's total revenues), and €457 million for the six-month period ending June 30, 2009, of which €105 million represented sales to parties outside the Group (0.4% of the Group's total revenues). The division's gross operating margin (EBITDA) was €14 million in 2008 (0.1% of the Group's gross operating margin) and €13 million for the six-month period ending June 30, 2009 (0.2% of the Group's gross operating margin). As of June 30, 2009, the division employed a total of 1,140 employees (1.4% of the total workforce of the Group).

Infrastructure and Networks division

The Infrastructure and Networks division is responsible for operating the Group's electricity and gas distribution networks in Italy. These activities are carried out by:

- Enel Distribuzione and Deval S.p.A. (**Deval**) (the latter's operations are limited to the Valle d'Aosta), for the distribution of electricity;
- Enel Rete Gas, for the distribution of gas; and
- Enel Sole S.r.l. (**Enel Sole**) for public and scenic lighting.

See "—Significant events in 2008 and 2009—Sale of 80% equity stake in Enel Rete Gas."

Electricity transport and distribution networks

The Group, through Enel Distribuzione, is the main distributor of electricity in Italy (with 257,884 million kWh of electricity transported in 2008 and 118,084 million kWh of electricity transported in the six months ended June 30, 2009) and owns the main distribution network (extending 1,112,155 kilometers as of December 31, 2008). The following table quantifies the length of the Infrastructure and Networks division's low-, medium- and high-voltage lines in the years 2008, 2007 and 2006.

	Year ended December 31		
	2008	**2007**	**2006**
High-voltage lines at year-end (km)(1)	18,939	18,930	18,804
Medium-voltage lines at year-end(km)	340,427	338,644	336,517
Low-voltage lines at year-end(km)	752,789	747,406	740,979
Total electricity distribution lines at year-end (km)	**1,112,155**	**1,104,980**	**1,096,300**

(1) Includes those assets classified as of December 31, 2008 as "held for sale."

Pursuant to the agreement signed with Terna in December 2008, on April 1, 2009 Enel Distribuzione conveyed to Terna the entire share capital of ELAT, to which company Enel Distribuzione had transferred, as of January 1, 2009, a business unit consisting of almost all of the Group's high-voltage lines and related contracts and rights. The consideration for the sale amounted to €1,152 million.

Gas transport and distribution networks

The Group, through Enel Rete Gas, is the second largest distributor of natural gas in Italy. As of December 31, 2008, the natural gas distribution network of the Infrastructure and Networks division extended 31,912 kilometers. In 2008, 3,604 million cubic meters of natural gas were conveyed through the network and 2,071 million cubic meters were conveyed through the network for the six-month period ending June 30, 2009.

Enel entered into an agreement on May 29, 2009 (subsequently amended on September 25, 2009) to sell 80% of the share capital of Enel Rete Gas to F2i SGR S.p.A. and AXA Private Equity, for €515.7 million. The terms of the agreement establish that the price for the sale will be financed with €370.7 million of the buyers' own funds and a vendor loan granted by Enel to the buyers in the amount of €145 million, bearing an annual interest rate of 8.25% and maturing in 2017. The transaction closed on September 30, 2009.

The following table details the extent of the natural gas distribution network of the Infrastructure and Networks division in the years ended December 31, 2008, 2007 and 2006 and the six months ended June 30, 2009 and 2008.

	Year ended December 31			Six months ended June 30	
	2008	2007	2006	2009	2008
Total gas conveyed during the period (millions of cubic meters)(1)	3,604	3,451	3,664	2,071	2,051

(1) Includes discontinued operations (3,584 million cubic meters in 2008, 3,434 million cubic meters in 2007, 2,058 million cubic meters in the first half of 2009 and 2,039 million cubic meters in the first half of 2008).

Public and scenic lighting services

The Group—through Enel Sole—provides public and scenic lighting in Italy and abroad, serving approximately 4,000 municipalities with approximately two million streetlights, and providing scenic lighting for more than 500 important buildings and monuments as of December 31, 2008.

Key data of the Infrastructure and Networks division

The Infrastructure and Networks division recorded revenues of €6,537 million in 2008, of which €1,843 million represented sales to parties outside the Group (3.0% of the Group's total revenues) and €3,471 million for the six-month period ending June 30, 2009, of which €1,117 million represented sales to parties outside the Group (3.9% of the Group's total revenues). The division's gross operating margin (EBITDA) was €3,719 million in 2008 (26.0% of the Group's gross operating margin) and €2,016 million for the six-month period ending June 30, 2009 (25.4% of the Group's gross operating margin).

The division's capital expenditures on tangible and intangible assets amounted to €1,407 million in 2008, equal to 21.6% of the total of the expenditures of the Group, and €520 million for the six-month period ending June 30, 2009, equal to 20.1% of the total expenditures of the Group. See "Management's discussion and analysis of financial condition and results of operations—Capital expenditure and investments." As of June 30, 2009, the division employed a total of 21,141 employees (25.2% of the total workforce of the Group).

Iberia and Latin America division

The Iberia and Latin America division, established in 2007 following the purchase of 67.05% of the share capital of Endesa and operative from January 1, 2008, focuses on developing Enel's presence and coordinating its operations in the electricity and gas markets of Spain, Portugal and Latin America, including formulating growth strategies in the related regional markets.

For consolidated reporting purposes, this division was allocated Enel's proportional share of the net assets and results of operations of Endesa, which operates principally in Spain, Portugal and Latin America (in particular, in Chile, Colombia, Brazil, Argentina and Peru) in the generation, distribution and sale of electricity and gas, until, as a consequence of the purchase of an additional 25.01% stake in Endesa on June 25, 2009, Endesa was fully consolidated in the Group's results as from such date.

The companies Enel Latin America, Inelec, Americas Generation Corporation and Enel Unión Fenosa Renovables, previously under the Iberia and Latin America division, have been reassigned to the Renewable Energy division formed in September 2008, and data in respect of them is not included in the below data for any period. In 2009, the figures for the Iberia and Latin America division reflect those for Endesa alone, whereas in 2008 they included the operating data of Enel Viesgo Generación, Enel Viesgo Servicios, Electra de Viesgo Distribución and their respective subsidiaries, all of which were sold to E.On in June 2008.

Acquisition of Endesa

In 2007, Enel acquired 67.05% of the share capital of Endesa, the largest electric utility in Spain. A brief description of the acquisition follows. (See "—Recent significant transactions and related material agreements—Acquisition of Endesa," below.)

In September 2005, Gas Natural launched a tender offer for 100% of the share capital of Endesa, which tender offer received regulatory approval in February 2006. In the meantime, in February 2006, E.On launched a competing offer, which was approved in November 2006. Separately, in November 2006, Acciona acquired a 10% stake in Endesa, which it increased to 21.04% over the following months. On February 27, 2007, Enel, acting through its wholly owned subsidiary EEE, purchased 9.99% of Endesa's share capital. In March 2007, Enel entered into share swap contracts that enabled it to acquire in June 2007 a further 14.98% of Endesa's share capital.

In March 2007, Enel entered into a contract with Acciona in preparation for a joint tender offer over the entire share capital of Endesa and joint management of the company.

On April 2, 2007, Enel and Acciona signed an agreement with E.On under which the latter agreed, in the case of a negative outcome in its tender offer, to refrain from any direct or indirect attempt to acquire a holding in Endesa in the four years subsequent to the agreement. At the same time, Enel and Acciona, in their capacity as shareholders of Endesa (and provided they achieved joint control of the company), agreed to propose to Endesa's corporate bodies, and to otherwise support, the transfer to E.On of the assets held directly or indirectly by Endesa in Italy, France, Poland and Turkey, as well as a number of additional Endesa assets in Spain. Moreover, Enel agreed to transfer its holdings in Viesgo to E.On. The transfer of these assets to E.On was made subject to the conclusion of the appraisal of the assets and the obtaining of all the relevant regulatory approvals.

In April 2007, following the failure of E.On's tender offer, Enel and Acciona proceeded with their own tender offer, pursuant to which they increased their respective direct and indirect holdings to 67.05% and 25.01% of the share capital of Endesa.

On February 20, 2009, Enel signed an agreement for the acquisition of the 25.01% of Endesa owned directly and indirectly by Acciona, bringing forward by at least one year the exercise of the put option granted to Acciona to sell its shares to Enel (as established in the March 2007 agreement). The additional acquisition was completed on June 25, 2009, and Enel's stake in the Spanish power company increased to 92.06%. See "—Recent significant transactions and related material agreements—Acquisition of Endesa—Agreement for the Acquisition of Acciona's Shareholding in Endesa."

The Endesa Group

Endesa is the principal company operating in the Spanish electricity sector; it also operates in other European countries and in Latin America. In particular, Endesa carries out: (i) electricity generating activities in Spain, Chile, Argentina, Peru, Colombia, Brazil, Ireland, Greece, Morocco and Portugal; (ii) electricity distribution activities in Spain, Chile, Argentina, Peru, Colombia and Brazil; and (iii) electricity sales activities in Spain, Argentina, Brazil, Chile, Colombia, Peru, and in the broader European market.

Endesa had a total net efficient capacity of 38,839 MW as of June 30, 2009 and 39,655 MW at the end of 2008. Endesa recorded total net electricity production of 70.40 TWh and distributed over national grids approximately 82.3 TWh of electricity in the six-month period ending June 30, 2009. In 2008, Endesa recorded total net electricity production of 149.83 TWh and distributed over national grids approximately 181.83 TWh of electricity.

In 2008, Endesa sold a total of 61,327GWh of energy on the Spanish regulated market and 47,705GWh of energy on the Spanish free market, for a total of 109,032 GWh. As of June 30, 2009, Endesa had approximately 11.7 million clients in Spain, 13% of which were commercial or industrial clients and 87% of which were residential clients. As of June 30, 2009, Endesa had approximately 12.6 million clients in Latin America.

Endesa is also active in the Spanish natural gas market. As of June 30, 2009, it had 1.0 million natural gas clients in Spain. In 2008, it sold more than 3,670 million cubic meters of gas (of which 3,500 million cubic meters were sold on the free market).

For the six-month period ending June 30, 2009, Endesa's total revenues were €11,164 million and its net income was €2,263 million. In 2008, Endesa's total revenues amounted to €22,836 million and its net income amounted to €7,169 million, an increase of €4,494 million over 2007. Revenues included those received as a result of the sale to E.On of Endesa Europa and the Los Barrios and Tarragona coal-fired power plants (in addition to the revenues generated by such operations prior to their sale).

Figures in the above paragraphs are derived from Endesa's consolidated income statement for the year ended December 31, 2008 and for the six-months ended June 30, 2009 and differ from figures reported in respect of the Endesa-related operations of the Enel Group's Iberia and Latin America division because, until the purchase of an additional 25.01% on June 25, 2009, the Enel Group only proportionally consolidated 67.05% of Endesa. See "Presentation of financial and other information—Endesa consolidation" herein for more information.

Except in respect of the data referring to net efficient capacity and employees of the Group and the Iberia and Latin American division of the Group as of the period ending June 30, 2009 (with respect to which Endesa's operations are fully consolidated) or where otherwise specified herein, all operating data in respect of Endesa for the relevant periods includes only the Group's 67.05% proportional share of the operating data of Endesa.

Electricity production

The net production of the Iberia and Latin America division amounted to 101,788 million kWh in 2008 (as compared to 29,638 million kWh in 2007) and 47,204 million kWh in the first half of 2009 (as compared to 50,559 million kWh in the first half of 2008). The following table provides further details regarding the production of the Iberia and Latin America division, as well as the portion of such production attributable to Endesa. (For the avoidance of doubt, the "Of which Endesa" columns in the tables below do not present the full production, capacity and sales of Endesa, but rather only the 67.05% attributable to the Group, and, in the case of production and sales, only for the applicable period of consolidation, i.e., only three months of 2007 and all of the first half of 2009 and 2008. See "Presentation of financial and other information—Endesa consolidation" herein for more information.

	2008		2007		First Half 2009		First Half 2008	
	Total for the year	Of which Endesa	Total for the year	Of which Endesa	Total for the period	Of which Endesa[(1)]	Total for the period	Of which Endesa
	(kWh Millions)							
Thermal (primarily coal)	52,409	51,560	17,277	13,246	22,640	22,640	26,105	25,256
Nuclear[(2)]	17,508	17,508	4,052	4,052	7,684	7,684	9,472	9,472
Hydroelectric	29,808	29,331	8,020	6,800	15,739	15,739	13,938	13,461
Wind	1,897	1,897	260	260	1,052	1,052	963	963
Other sources	166	166	29	29	89	89	81	81
Total net production	101,788	100,462	29,638	24,387	47,204	47,204	50,559	49,233

(1) In 2009, the figures for the Iberia and Latin America division reflect those for Endesa alone, whereas in 2008 they included the performance data of Enel Viesgo Generación, Enel Viesgo Servicios, Electra de Viesgo Distribución and their respective subsidiaries, all of which were sold to E.On in June 2008.

(2) The Spanish government recently approved a four-year extension (until July 6, 2013) of the operating permit for the Sta. María de Garoña nuclear plant. This extension was contrary to a recommendation of the Spanish Nuclear Safety Council (CSN), which had recommended an extension of the operating permit for 10 years. Nuclenor S.A., the joint venture through which we own 50% of the Sta. María de Garoña nuclear plant, may challenge this decision before the relevant courts.

As of June 30, 2009, the net efficient capacity of the Iberia and Latin America division amounted to 38,839 MW, as compared to 26,589 MW as of December 31, 2008. The following table provides details concerning the net efficient capacity of the Iberia and Latin America division as of June 30, 2009 and December 31, 2008, all of which is attributable to its share in Endesa (as described above).

	2008	2009
	Total as of December 31(1)	Total as of June 30(2)
	(in MW)	
Thermal plants	13,324	20,941
Hydroelectric plants	9,566	13,406
Wind plants	1,209	769
Nuclear plants	2,442	3,642
Other renewable resources plants	48	81

(1) Includes the area of activities of Endesa related to renewable resources classified as "held for sale" (1,411MW as of December 31, 2008). Endesa figures proportionally consolidated (67.05%).

(2) Endesa figures fully consolidated.

Electricity transport and distribution networks

As of June 30, 2009, the electricity distribution network of the Iberia and Latin America division extended for 581,725 kilometers. In 2008, 124,676 million kWh of electricity were transported by the division and 55,181 million kWh of electricity were transported for the six-month period ending June 30, 2009. In accordance with Spanish law, by July 2010 Endesa is expected to sell its high-voltage transmission lines to Red Eléctrica de España, S.A., the Spanish independent system operator. Details of the assets to be sold (and their eventual price) are still to be determined. The following table quantifies the Iberia and Latin America division's low-, medium- and high-voltage lines, as well as the volume of electricity transported through the division's network, in the years 2008 and 2007 and for the six months ended June 30, 2009 and 2008.

	Year ended December 31		Six months ended June 30	
	2008	2007(1)	2008	2009
High-voltage lines at period-end(km)	21,919	24,879	28,737	32,111
Medium-voltage lines at period-end(km)	165,119	169,213	253,972	242,513
Low-voltage lines at period-end(km)	196,503	221,069	299,016	290,489
Total electricity distribution lines(km)	383,541	415,161	581,725	565,113
Electricity transported through the Group's distribution network (millions of kWh)	**124,676**	**36,008(2)**	**55,181**	**63,134**

(1) Distribution lines include 30,395 from Enel Viesgo Generación SL classified as "held for sale" as of December 31, 2007.

(2) Includes electricity transported by Endesa from the time of its proportional consolidation in October 2007.

Sales of electricity

The sales of electricity by the Iberia and Latin America division in 2008 amounted to 106,917 million kWh, as compared to 104,473 million kWh in 2007 and 50,555 million kWh for the six-month period ending June 30, 2009, as compared to 54,872 million kWh for the six-month period ending June 30, 2008. The following table details the volumes of electricity sold by the Iberia and Latin America division in the years ended December 31, 2008 and 2007 and the six months ended June 30, 2009 and 2008, as well as the portions of the respective volumes attributable to Enel's proportional share of Endesa for the period of consolidation (i.e., only three months of 2007 and all of the first half of 2009 and 2008). See "Presentation of financial and other information—Endesa consolidation" herein for more information.

	2008		2007		First Half 2009		First Half 2008	
	Total of the year	Of which Endesa	Total of the year	Of which Endesa	Total of the period	Of which Endesa[(1)]	Total of the period	Of which Endesa
	(kWh millions)							
Free market								
Iberian Peninsula	32,417	31,986	7,663	6,798	18,389	18,389	14,460	14,029
Latin America	4,616	4,616	328	328	2,312	2,312	1,978	1,978
Total free market	**37,033**	**36,602**	**7,991**	**7,126**	**20,701**	**20,701**	**16,438**	**16,007**
Regulated market								
Iberian Peninsula	43,133	41,120	16,094	12,109	16,430	16,430	24,952	22,939
Latin American	26,751	26,751	7,069	7,069	13,424	13,424	13,482	13,482
Total regulated market	**69,884**	**67,871**	**23,163**	**19,178**	**29,854**	**29,854**	**38,434**	**36,421**
Total	**106,917**	**104,473**	**31,154**	**26,304**	**50,555**	**50,555**	**54,872**	**52,428**
Of which Iberian Peninsula	75,550	73,106	23,757	18,907	34,819	34,819	39,412	36,968
Of which Latin America	31,367	31,367	7,397	7,397	15,736	15,736	15,460	15,460

(1) In 2009, the figures for the Iberia and Latin America division reflect those for Endesa alone, whereas in 2008 they included the performance data of Enel Viesgo Generación, Enel Viesgo Servicios, Electra de Viesgo Distribución and their respective subsidiaries, all of which were sold to E.On in June 2008.

The Iberia and Latin America division offers its medium- and large-sized business clients a wide variety of electricity contracts with fixed or variable prices, and similarly offers its residential and small business clients numerous different tariff plans.

Distribution of natural gas

Through Endesa and its subsidiaries, the Iberia and Latin America division is involved in the distribution of natural gas in Spain in both the regulated and deregulated markets. As of June 30, 2009, Endesa and its subsidiaries had 243,966 regulated natural gas clients in Spain. Endesa is the third largest natural gas distributor in Spain, with approximately an 11.2% share of the regulated market and a 14.9% share of the free market (including supply to gas-powered Endesa electricity generators), in each case as of December 31, 2008. Endesa's objective is to be present in each stage of the gas supply chain: importation, re-gasification, transport, distribution and sales.

Endesa offers its medium- and large-sized business clients a wide variety of gas contracts with fixed or variable prices, and similarly offers its residential and small business clients numerous different tariff plans.

Information and data in the foregoing paragraphs relate to Endesa itself, not to the Iberia and Latin America division's proportional share of Endesa.

Key data of the Iberia and Latin America division

The Iberia and Latin America division recorded revenues of €15,805 million in 2008, of which €15,788 million represented sales to parties outside the Group (25.8% of the Group's total revenues) and €7,149 million for the six-month period ending June 30, 2009, of which

€7,146 million represented sales to parties outside the Group (25.1% of the Group's total revenues). The division's gross operating margin (EBITDA) was €4,647 million in 2008 (32.5% of the Group's gross operating margin) and €2,416 million for the six-month period ending June 30, 2009 (30.4% of the Group's gross operating margin).

The division's capital expenditures on tangible and intangible assets amounted to €2,382 million in 2008, equal to 36.6% of the total of the expenditures of the Group and €894 million for the six-month period ending June 30, 2009, equal to 34.5% of the total expenditures of the Group. See "Management's discussion and analysis of financial condition and results of operations—Capital expenditure and investments." As of June 30, 2009, the division (including Endesa fully consolidated) employed a total of 26,787 employees (32.0% of the total workforce of the Group).

International division

The International division manages the Group's international activities, with the exception of the activities of the Iberia and Latin America division and the international activities of the Renewable Energy division.

The operations of this division are currently divided into three geographical regions:

- Central Europe, where the division is active in energy sales in France (Enel France), power generation in Slovakia (Slovenské elektrárne) and development of thermal plants in Belgium (Marcinelle Energie);

- Southeastern Europe, where the division is active in power generation and technical support activities in Bulgaria (Enel Maritza East 3 and Enel Operations Bulgaria AD (**Enel Operations Bulgaria**)), the development of generation capacity in Romania (Enel Productie S.r.l. (**Enel Productie**) and the Energonuclear project), electricity distribution, sales and support activities in Romania (Enel Distributie Banat, Enel Distributie Dobrogea, Enel Energie S.A. (**Enel Energie**), Enel Distributie Muntenia, Enel Energie Muntenia, Enel Romania S.r.l. and Enel Servicii Comune S.A.), and the development of thermal plants in Greece (ENELCO S.A. (**Enelco**); and

- Russia, where the division is active in upstream activities in the gas industry (SeverEnergia), energy trading and sales activities (RusEnergoSbyt) and electricity generation and sales (Enel OGK-5).

Following the establishment of the new Renewable Energy division, the activities related to the companies Wind Power, International Wind Parks of Thrace, Wind Parks Thrace, Wind Parks Crete, Hydro Constructional, Green Power Bulgaria, Blue Line and Enel North America were transferred from the International division to the Renewable Energy division.

The following is a description of the activities carried out by the division in the three geographical regions.

Central Europe

France

The Group, through its fully-owned subsidiary Enel France, sells electricity on both the free market and to end-users at somewhat regulated prices (levels influenced by the so-called TARTAM mechanism). Electricity is sourced from EdF pursuant to the Nice Agreement signed in November 2007. Due to such agreement Enel France holds a 12.5% interest in the first French third generation EPR 1,600 MW nuclear reactor in Flamanville and has similar rights over the next five reactors of the EPR chain to be built. In order to open the market to competition and let Enel France acquire an immediate position thereon, EdF has provided Enel France with off-take rights from its existing nuclear installations in France equal to 200MW in 2006 and increasing by 200MW per year until reaching 1,200MW in 2012, corresponding to 12.5% of the anticipated capacity of the EPR reactors. EdF has also given the Group the opportunity, through a dedicated know-how transfer agreement, to train its technical personnel on the design and operation practices defined for EPR nuclear plants, and as a result 55 of Enel's engineers are currently supporting EdF specialists in both Flamanville site activities and Paris/Marseille designing centers.

In February 2009, Enel signed a memorandum of understanding with EdF in order to jointly participate in the development of future nuclear generation capacity in Italy, with the creation of at least four reactors.

The Group also owns a 5% stake of the share capital of Powernext S.A., the French electricity exchange.

Slovakia

In April 2006, as part of the privatization of Slovakian generating assets, Enel, acting through Enel Produzione, completed the acquisition of 66% of the electricity company Slovenské elektrárne, the largest generating company in Slovakia, from the National Property Fund of the Slovak Republic (the **NPF**). The remaining 34% of the share capital remains held by the NPF, and shareholders' rights in respect of such shares are exercised by Slovakia's Ministry of Economy.

Simultaneously with Enel's acquisition of its interest in Slovenské elektrárne, Enel, the Slovakian Ministry of Economy and the NPF entered into a shareholders' agreement recognizing the NPF's rights, as a minority shareholder: (i) to nominate two out of the seven members of Slovenské elektrárne's board of directors (the other five are nominated by Enel); (ii) to nominate two out of 15 members of Slovenské elektrárne's supervisory board (eight are nominated by Enel and the other five are elected by workers' representatives); (iii) to veto (as a result of special quorum requirements) certain material decisions (especially with regard to extraordinary transactions) of the supervisory board and general meeting; and (iv) to put its shares to Enel before April 2011 at a price equal to the purchase price paid by Enel in its initial acquisition, as adjusted by a revaluation factor calculated by a neutral third party.

Slovenské elektrárne's electricity production for 2008 was composed as follows: (i) 68% from nuclear plants; (ii) 18% from hydroelectric plants; and (iii) 14% from thermal plants. In 2008, Slovenské elektrárne generated a total of 22,521 GWh of net electricity production, and purchased a further 5,997 GWh of energy. Total sales amounted to 27,995 GWh. The main clients of Slovenské elektrárne are the three regional electricity distribution companies present in Slovakia, as well as large industrial clients. As of June 30, 2009, Slovenské elektrárne had an installed hydroelectric, thermal and nuclear capacity equal to 4,556MW, whilst it controlled, through commercial agreements, a further 739MW of capacity (the hydroelectric plants of Gabčikovo), for a net total of 5,295 MW.

Slovenské elektrárne's nuclear generation is carried out at two facilities located in the municipalities of Bohunice and Mochovce, which together contain four active reactors, all of which are pressurized-watertechnology reactors. Each has a capacity of 440 MW, for a net total capacity of 1,712 MW as of June 30, 2009. In November 2008, work for the completion of units 3 and 4 of the nuclear plant at Mochovce, with a capacity of 1,020 MW, commenced; these units are expected to enter production during 2012 and 2013, respectively. During the 2006-2008 period, Slovenské elektrárne also managed generation from two V1 reactors at the Bohunice nuclear plant, each with a capacity of 440 MW, which are the property of the Slovakian government-controlled company, JAVYS. These two V1 reactors were decommissioned at the end of 2006 and at the end of 2008, respectively, as a consequence of commitments undertaken by Slovakia in order to enter the European Union.

Slovenské elektrárne's hydroelectric production consists of run-of-the-river hydropower plants and programmable hydroelectric plants (with both pondage and reservoir installations) for a total installed capacity of 1,653 MW.

Slovenské elektrárne's thermal generation is carried out at two sites: (i) Novaky, which has installed capacity of 518 MW, divided into two production areas, Eno A, a co-generation plant with an installed capacity equal to 78 MW, and Eno B, with an installed capacity equal to 440MW (both are fuelled by local lignite); and (ii) Vojany, with an installed capacity equal to 880 MW, divided into two production areas, the first of which utilizes imported coal while the second uses natural gas.

Belgium

On June 30, 2008, Enel, acting through its subsidiary EIH, acquired 80% of Marcinelle Energie, a company that is constructing a 420 MW CCGT plant in the Wallonia region of Belgium, from the Duferco steel group. Engineering, procurement and construction (EPC) activities, which are carried out by a consortium led by Enel's Engineering and Innovation division, are scheduled to be completed at the beginning of 2011, for a total estimated investment of around €290 million. Once fully operational, the plant is expected to generate around 2.5 TWh of electricity per year for the Belgian domestic market. Enel Trade has been designed to be the Group vehicle in charge of commercializing such electricity with the Marcinelle Energie power plant.

Southeastern Europe

Romania

The Group sells electricity in Romania, through Enel Energie (in the Banat and Dobrogea regions) and Enel Energie Muntenia (in the Bucharest region), and is also involved in electricity distribution, through Enel Distributie Banat, Enel Distributie Dobrogea and Enel Distributie Muntenia, which, in the first half of 2009, together distributed approximately 6.6 TWh of electricity to approximately 2.57 million clients through a 90,240-kilometer network (as of June 30, 2009).

Enel controls the above-mentioned companies with a 51% stake in the share capital of each of Enel Distributie Banat, Enel Distributie Dobrogea and Enel Energie, and with a 64.4% stake in the share capital of Enel Distributie Muntenia and Enel Energie Muntenia; these stakes were acquired following the privatization of three of the eight electricity distribution companies in Romania. Aside from Enel, the shareholders of Enel Distributie Muntenia and Enel Energie Muntenia are Electrica (with 23.6% of each company) and Fondul Proprietate S.A. (with 12.0% of each company).

Subject to a "privatization agreement" between Enel and Electrica entered into at the time of Enel's purchase of its interests in the companies from Electrica, Electrica has the right to designate two of the five members of each of the companies' boards of directors until 2011, and to exercise, whether in meetings of the board of directors or meetings of shareholders, certain veto rights (applicable until June 2011 in respect of meetings of the boards of directors and until January 2010 in respect of shareholders' meetings).

The Group is also engaged in activities in Romania in order to develop further generating capacity, in particular through three initiatives:

- the Energonuclear project in which the Group has a 9.15% share, and which is aimed at constructing two CANDU nuclear reactors, each with 720 MW of capacity at the Cernavoda plant;
- the development, through Enel Productie, of a greenfield coal project with 800 MW of capacity in the city of Galati; and

- the development, as a minority shareholder (with less than 30%) in a consortium composed of Enel, an E.On subsidiary and the Romanian state-owned company Termoelectrica, of a green-field coal project with 800 MW of capacity in the city of Braila.

These initiatives are currently all in the developmental phase and require the finalization of technical planning, as well as government authorization necessary to build the plants.

Bulgaria

The Group carries out electricity generation activities in Bulgaria through Maritza East III Power Holding B.V., a Dutch company holding 73% of Enel Maritza East 3, the Bulgarian company that owns the Maritza East III plant, located in the southeast of the country near Stara Zagora. This plant, among the largest in Bulgaria, is a thermal plant fuelled with lignite and it has a capacity of 748 MW as of June 30, 2009. The Group also carries out production support activities through Enel Operations Bulgaria.

Greece

In 2008, Enelco, a company 75% controlled by Enel and 25% owned by Prometheus Gas (a joint venture of the Copelouzos group and Gazprom Export) was successful in a tender to construct a new combined-cycle plant with a capacity of 430 MW at Viotia. The plant is expected to enter operation by the end of 2011. The joint venture has also obtained a permit for a further CCGT plant with 447MW of capacity near the Turkish border.

Russia

The Enel Group operates in Russia, through three subsidiaries or controlled companies, in three vertically integrated sectors: gas production, electricity generation and electricity sales.

Enel OGK-5

On June 6, 2007, following an auction process carried out in Russia, the Group—acting through its subsidiary EIH—acquired a stake of 25.03% in OGK-5. In July 2007, EIH signed a contract to acquire an additional 4.96% of OGK-5. On October 24, 2007, EIH acquired an additional 7.16% of OGK-5's share capital from Credit Suisse.

On November 15, 2007, EIH launched a tender offer for 100% of OGK-5's shares. The result of the tender offer was to obtain a shareholding in OGK-5 of 59.80%. In June 2008, EIH sold to the European Bank for Reconstruction and Development a minority stake of around 4.1% in OGK-5 and, in December 2008, acquired 0.16% of the share capital from former managers of the company. Following these transactions, as of June 30, 2009, EIH's interest in OGK-5 was equal to 55.86% and the company was renamed Enel OGK-5.

Currently, the principal shareholders of Enel OGK-5 are: (i) the Russian Federation (represented by the Federal Agency for the Management of Federal Property) with 26.43%; (ii) the European Bank for Reconstruction and Development with 5.12%; (iii) Gazpromenergoholding LLC with 5.26%; and (iv) other shareholders each holding less than 2.00% of the capital of Enel OGK-5 for a total of 7.33%.

In May 2008, EIH entered into a shareholders' agreement with the European Bank for Reconstruction and Development which grants to the latter the right to designate one member of the board of directors of Enel OGK-5 and obliges EIH to retain a majority interest in the company for so long as the European Bank for Reconstruction and Development remains a shareholder. However, the agreement does not grant any put or call rights to the bank.

Enel OGK-5 is one of the main electricity generation companies in Russia. It is active in the markets of the Urals, the Caucasus and central Russia. The company was founded in 2004, within the framework of the reform of the Russian energy sector, in order to establish a competitive market and to attract private investment to the sector. Enel OGK-5's headquarters are in Moscow and it operates through four plants in three regions: (i) in the Urals, Reftinskaya GRES (3,800MW fuelled by coal) and Sredneuralskaya GRES (1,182 MW fuelled by gas); (ii) in the northern Caucasus, Nevinnomysskaya GRES (1,290 MW fuelled by gas); and (iii) in central Russia's Tver region, Konakovskaya GRES (2,475 MW fuelled by gas). As of June 30, 2009, the total installed capacity of the company was 8,198 MW, for electricity, and 2,412 gigacalories per hour for heat production. Furthermore, Enel OGK-5 is building two new CCGT units on the premises of the Sredneuralskaya GRES and Nevinnomysskaya GRES plants, with approximately 410MW of capacity each. Enel OGK-5 is active on the wholesale market, selling its generated electricity to retailers and large industrial clients.

RusEnergoSbyt

During 2006, the Group, acting through EIH, acquired 49.5% of the share capital of Res Holdings, which in turn holds 100% of the share capital of RusEnergoSbyt, the largest electricity supplier and independent electricity trader in Russia. The remaining part of the share capital of Res Holdings is held by EnergyBridge B.V. (**EB**), the lead company of the ESN Group, a Russian corporate group active in the energy sector. RusEnergoSbyt supplies electricity, acquired from the wholesale market, to the entire Russian Federation, as far as the eastern coast. The company's headquarters are in Moscow, and it has seven affiliates and 25 offices. Among its clients are large industries such as Russian Railways RZhD and small, widely distributed clients, including some households, for a total of 104,970 clients and around 17.4 TWh of electricity sold in 2008.

EIH and EB have entered into a shareholders' agreement pursuant to which: (i) each shareholder has an equal right to appoint at least two members of the board of directors of Res Holdings (for so long as each shareholder owns between 49.5% and 75.0% of the company); (ii) all decisions of the board of directors must be taken unanimously (giving EIH joint control despite its minority stake); (iii) each shareholder is granted tag-along rights in the event the other shareholder sells its interest in the company; and (iv) each shareholder is granted certain rights of first refusal over the other's shares, subject to an auction mechanism to determine the transfer price.

SeverEnergia

In 2007, Enel acquired a 40% interest in Artic Russia B.V. (a joint venture with Eni holding the other 60% of the share capital). This company owned 100% of SeverEnergia, which, in turn, through subsidiaries, acquired three Russian companies owning exploration and production licenses for the development of several gas fields in Western Siberia, in the Yamalo Nenets autonomous district.

On June 5, 2009, Enel and Eni signed an agreement with Gazprom for the sale to the latter of a 51% stake in the share capital of SeverEnergia. The transaction was consummated on September 23, 2009 for consideration of approximately $1,600 million, of which Enel is expected to receive $626.5 million. Gazprom has paid the first installment of $384 million (of which Enel received $153.5 million) and is expected to pay the second and final installment by March 2010. Following the transaction, Enel's indirect interest in SeverEnergia was reduced from 40% to 19.6% while Eni's interest decreased from 60% to 29.4%. As a result of the agreement, SeverEnergia, which employs over 500 people in the offices of Moscow and Novy Urengoy, will become the first Russian-Italian company actively operating in the Yamal Nenets region in Western Siberia. The region currently produces some 90% of Russian gas. The parties also agreed to start producing gas by June 2011 from the Samburgskoye field and to reach a production level of at least 150,000 BOE per day within two years from the start of production.

The parties agreed to cooperate on the renewal and updating of licenses as well as on setting the details of the fields' development plan.

At the end of 2008, SeverEnergia invested around $140 million in exploration, drilling and the development of gas treatment plants. The main operations in 2008 were the acquisition of 400 square kilometers of three-dimensional seismic data and the beginning of drilling operations in the Samburgskoye field.

Electricity production

The net production of the International division amounted to 48,743 million kWh in 2008, as compared to the 24,935 million kWh produced in 2007. In addition, net production of the International division in the first half of 2009 amounted to 29,320 million kWh, as compared to 16,398 million kWh in the first half of 2008. The following table provides details concerning the net electricity production of the International division in the years ended December 31, 2008, 2007 and 2006 and the six months ended June 30, 2009 and 2008.

	Year ended December 31			Six months ended June 30	
	2008	**2007(1)**	**2006(1)**	**2009**	**2008**
			(Millions of kWh)		
Thermal	29,266	6,591	5,500	20,273	6,267
Nuclear	15,412	14,107	10,692	6,643	7,820
Hydroelectric	4,065	4,237	2,538	2,404	2,311
Total net production	**48,743**	**24,935**	**18,729**	**29,320**	**16,398**

(1) Data for 2007 and 2006 has been adjusted to reflect the re-segmentation of the Group that occurred in 2008.

As of June 30, 2009 the installed net efficient capacity of the International division amounted to 14,241MW, as compared to 14,490MW as of December 31, 2008. The following table details the net efficient capacity of the International division as of December 31, 2008 and 2007 and for the six months ended June 30, 2009 and 2008 by type of generation technology.

	Year ended December 31			Six months ended June 30	
	2008	**2007(1)**	**2006(1)**	**2009**	**2008**
			(MW)		
Thermal	10,039	1,835	2,213	10,200	10,066
Nuclear	2,329	2,329	2,329	1,712	2,052
Hydroelectric	2,122	2,050	2,460	2,329	2,329
Total net production	**14,490**	**6,214**	**7,002**	**14,241**	**14,447**

(1) Data for 2007 and 2006 has been adjusted to reflect the re-segmentation of the Group that occurred in 2008.

Electricity transport and distribution networks

As of June 30, 2009, the electricity distribution and transport networks of the International division extended over 90,240 kilometers. In 2008, 10,883 million kWh of electricity were transported over the networks and 6,587 million kWh of electricity were transported over the networks in the six-month period ended June 30, 2009. The following table quantifies the International division's low-, medium- and high-voltage lines in the years 2008, 2007 and 2006.

	Year ended December 31		
	2008	2007[(1)]	2006[(1)]
High voltage lines at period end (km)[(1)]	5,090	4,114	4,112
Medium Voltage lines at period end(km)	37,591	23,523	23,347
Low-voltage lines at period end(km)	47,559	25,590	25,513
Total electricity distribution lines at period end (km)	**90,240**	**53,227**	**52,972**

(1) Data for 2007 and 2006 have been adjusted to reflect the re-segmentation of the Group that occurred in 2008.

Sales of electricity

In 2008, the International division sold 26,242 million kWh of electricity, as compared to the 22,737 million kWh sold in 2007. In addition, the International division sold 16,135 million kWh of electricity in the first half of 2009, as compared to 12,037 in the first half of 2008. The following table provides further details regarding the volumes of electricity sold in the years ended December 31, 2008 and 2007 and for the six months ended June 30, 2009 and 2008.

	Year ended December 31		Six months ended June 30	
	2008	2007	2009	2008
	(Millions of kWh)			
Free market				
Romania	981	644	561	348
France	1,031	394	1,628	501
Russia	17,195	17,222	1,573	1,361
Total free market	**19,207**	**18,260**	**3,762**	**2,210**
Regulated market				
Romania	6,812	4,274	4,396	2,458
Russia	223	203	7,977	7,369
Total regulated market	**7,035**	**4,477**	**12,373**	**9,827**
Total	**26,242**	**22,737**	**16,135**	**12,037**
Of which Romania	7,793	4,918	4,957	2,806
Of which France	1,031	394	1,628	501
Of which Russia	17,418	17,425	9,550	8,730

Key data of the International division

The International division recorded revenues of €4,708 million in 2008, of which €4,487 million represented sales to parties outside the Group (7.3% of the Group's total revenues) and €2,649 million for the six months ended June 30, 2009, of which €2,556 million represented sales to parties outside the Group (9.0% of the Group's total revenues). The division's gross operating margin (EBITDA) was €1,044 million in 2008 (7.3% of the Group's gross operating margin) and €698 million for the six months ended June 30, 2009 (8.8% of the Group's gross operating margin).

The division's capital expenditures on tangible and intangible assets amounted to €681 million in 2008, equal to 10.5% of the total of the expenditures of the Group and €417 million for the six months ended June 30, 2009, equal to 16.1% of the total expenditures of the Group. As of June 30, 2009, the division employed a total of 16,312 employees (19.5% of the total workforce of the Group).

Renewable Energy division

In September 2008, the Renewable Energy division was formed in order to develop and manage the Group's activities of electricity generation from renewable resources in Italy and abroad, seeking to promote the integration and expansion of Enel's strategies in this field. This reorganization led to the establishment of the company, Enel Green Power, to which all the activities of the Renewable Energy division relate.

Enel Green Power was formed on December 1, 2008 as a spin-off of Enel Produzione. Enel Green Power holds all of the wind, geothermal, photovoltaic and non-programmable hydroelectric production plants of the Group in Italy and the shares formerly held by Enel Produzione in the companies La Geo S.A. de C.V. (**La Geo**; 36.2% owned by the Group) and Geotermica Nicaraguense (60% owned by the Group), two companies active in the renewable-resources sector in Latin America. On January 1, 2009, Enel Green Power acquired the entire share capital of Enel Green Power International BV (**Green Power International**), to which all the Group's other interests in foreign companies active in the renewable-resources sector had been transferred. The Enel Group is one of the main international operators in the generation of electricity from renewable resources.

At June 30, 2009, the division had an installed net capacity of 4,572 MW, divided among nonprogrammable hydroelectric facilities (2,505 MW), wind facilities (1,304 MW), geothermal facilities (712 MW), solar facilities (4 MW) and biomass and other facilities (47 MW), with more than 500 operational plants worldwide.

In 2008, the division's net production of electricity from renewable resources was equal to 17.2 TWh, with 9.6 TWh generated by non-programmable hydroelectric plants, 5.2 TWh by geothermal plants, 2.1 TWh by 110 wind farms and 0.3TWh by biomass and other plants, thus avoiding the emission of about 12 million tons of carbon dioxide. In addition, for the first half of 2009, the division's net production of electricity from renewable resources was equal to 9.9 TWh, with 6.0 TWh generated by non-programmable hydroelectric plants, 2.5 TWh by geothermal plants, 1.3 TWh by wind farms and 0.2 TWh by biomass and other plants.

The geographical regions where the Renewable Energy division carries out its activities are:

- Italy, with electricity generation from non-programmable hydroelectric, geothermal, solar and wind facilities (Enel Green Power), as well as activities in plant design and franchising (Enel.si);

- Europe (other than Italy), with electricity generation from renewable resources (Enel Unión Fenosa Renovables in Spain; International Wind Parks of Thrace, Wind Parks Thrace, Wind Power, Wind Parks Crete and Hydro Constructional in Greece; Enel Green Power Bulgaria in Bulgaria; Blue Line in Romania, and Enel Erelis in France); and

- North and Latin America, with electricity generation from renewable resources (Enel North America, Enel Latin America, Inelec and Americas Generation Corporation).

Within the framework of its divestiture strategy for non-strategic assets and development of activities in the field of renewable resources, Enel aims to sell a minority interest in Enel Green Power to an outside investor by December 31, 2009.

Italy

As of June 30, 2009, Enel Green Power had 352 plants in Italy for a total installed capacity of around 2,560 MW, of which 1,509 MW was represented by hydroelectric plants, 665 MW was represented by geothermal plants, 382MW was represented by wind farms and 4 MW was represented by other sources.

The following table sets forth the number of plants and the installed net efficient capacity of the generation plants of the Renewable Energy division in Italy as of June 30, 2009, divided by energy source.

	No. of plants	Installed capacity (MW)
Hydroelectric plants	288	1,509
Wind farms	29	382
Geothermal plants	31	665
Photovalic plants	4	4
Total	**352**	**2,560**

In 2008, Enel Green Power generated 10.9 TWh of electricity in Italy, of which: 5.2 TWh was produced by hydroelectric sources, 5.2 TWh was produced by geothermal sources, 0.5 TWh was produced by wind farms and 0.002 TWh was produced by other sources. In the first half of 2009, Enel Green Power generated 6.3 TWh of electricity in Italy, of which: 3.6 TWh was produced by hydroelectric sources, 2.5 TWh was produced by geothermal sources, 0.2 TWh was produced by wind farms and 0.001 TWh was produced by other sources.

The following table illustrates the net electricity production of the Renewable Energy division in Italy in 2008 and the first half of 2009, divided by energy source.

	GWh of production in 2008	GWh of production in first half 2009
Hydroelectric plants	5,235	3,618
Wind farms	467	241
Geothermal plants	5,181	2,477
Other sources	2	1
Total	**10,885**	**6,337**

Hydroelectric power

Enel Green Power is the leading operator in Italy for the development and management of activities relating to electricity generation from non-programmable hydroelectric sources.

Hydroelectric plants can be "programmable" or "non-programmable." Programmable hydro-electric plants comprise both pondage and reservoir installations, while non-programmable hydroelectric plants are run-of-the river hydropower plants. Pondage installations exploit natural water flows of lakes and artificial basins, the capacity of which is sometimes increased through barrages and dams. Reservoir installations share the same characteristics as pondage ones, but they get water supply in their upper tanks through the electromechanical hoisting of valley tanks. Run-of-river hydroelectric installations do not have any power of control over their inflows, so that the exploitable flow rate is equal to the one available in the watercourse; thus the production methods and running times of the turbines totally depend on the watercourse supply.

As of June 30, 2009, Enel Green Power managed 288 non-programmable hydroelectric plants in Italy with a total capacity of 1,509 MW. Enel Green Power's plants consist of "mini-hydro" plants

(plants with less than 0.1MW of capacity) and "large-hydro" plants (plants with between 0.1MW and 100MW of capacity) of the run-of-the-river kind.

As of June 30, 2009, Enel Green Power had 43 functioning hydroelectric plants classified as IFAR plants by the Electricity Services Operator due to their reconstruction, reactivation and/or redevelopment, in accordance with Article 11 of the Bersani Decree, as amended; these plants are therefore sources of Green Certificates for the Group. Enel Green Power also has two hydroelectric plants benefiting from CIP-6 incentives.

Geothermal energy

In the field of electricity generation from geothermal sources, as of June 30, 2009, Enel Green Power managed 31 geothermal plants in Italy, in Val di Cecina and Amiata (Tuscany), providing geothermal heat for 25 hectares of greenhouses and annual electricity production of over five billion kWh, equal to the consumption of around two million Italian families.

As of June 30, 2009, Enel Green Power had 13 functioning geothermic plants classified by the Electricity Services Operator as IFAR plants (certified for Green Certificates), following their reconstruction, reactivation and/or redevelopment, in accordance with Article 11 of the Bersani Decree, as amended. Enel Green Power also has four geothermal plants benefiting from CIP-6 incentives.

Wind power

In the field of electricity generation from wind sources, Enel Green Power managed 29 wind farms in Italy, with a total capacity of 382 MW and production of 0.2 TWh as of June 30, 2009. All the Group's operational wind farms are classified by the Electricity Services Operator as IFAR facilities (certified for Green Certificates), in accordance with Article 11 of the Bersani Decree, as amended.

In July 2008, the Enel Group sought regulatory approval for one of the first offshore wind farms in the Mediterranean. This Italian marine wind farm would consist of 115 large generators, providing capacity of 3 to 5 MW each, in the Gulf of Gela. The project contemplates total installed capacity of between 345 MW and 575 MW, and an electricity supply at full function of 1.1 TWh. In October 2008, the Enel Group also signed an agreement with the municipality of Portoscuso (province of Carbonia-Iglesias) for, among other matters, the construction, in the municipality's industrial area, of a wind farm with a total capacity of around 90 MW, made up of 39 aero-generators.

Solar power

In the field of electricity generation from solar sources, as of June 30, 2009, Enel Green Power managed four photovoltaic plants, including the Serre Persano plant (Salerno) with total power of 3.6MW, one of the largest photovoltaic plants in the world.

In May 2008, the Enel Group and Japan's Sharp Corporation (**Sharp**) entered into a memorandum of understanding to develop a strategic partnership in the photovoltaic sector. On the basis of this agreement, the Enel Group and Sharp will build new photovoltaic plants, to be completed by 2011, based on exclusive Sharp technology, for a total capacity of 161 MW.

Biomasses

In the field of electricity generation from biomasses, the Enel Group is completing two projects: (i) the conversion to biomass of the thermal power plant at Mercure (Basilicata); and (ii) the installation in the Sulcis plant, near Cagliari, of a new thermoelectric unit capable of utilizing vegetable waste as fuel. See "*—Research and development activities of the Group*" below.

Sales of electricity

In the month of December 2008, Enel Green Power sold 1,015 GWh, mainly on the Power Exchange (911 million GWh). Of that amount, 78 GWh of electricity was subject to Electricity Services Operator price incentives and 152 GWh came from IFAR-qualified plants, and will thus provide around 152,000 Green Certificates. The revenues from Green Certificates in 2008 were €15 million, of which €8 million derived from geothermal plants, €2 million derived from hydroelectric plants and €5 million derived from other sources.

Other activities

In Italy, the Group is active, through Enel.si, in the offer of services, products and integrated solutions for energy saving and efficiency, with a specific focus on renewable energy sources. Enel.si is the largest operator in the Italian market for the construction of photovoltaic plants and is active through a network of franchises.

Europe (other than Italy)

In the rest of Europe, the Enel Group is active in the field of electricity generation from renewable resources in Spain (through Enel Unión Fenosa Renovables), Greece (through International Wind Parks of Thrace, Wind Parks Thrace, Wind Power, Wind Parks Crete and Hydro Constructional), Bulgaria (through Enel Green Power Bulgaria), Romania (through Blue Line) and France (through Enel Erelis).

Spain

The Group, through Enel Unión Fenosa Renovables, is active in Spain in electricity generation from renewable resources, with an installed capacity of 401 MW as of June 30, 2009 and production of electric energy in 2008 equal to 787 GWh and 438 GWh for the first half of 2009.

Greece

The Group is the third largest producer of energy from renewable resources in Greece, with an installed capacity of 127 MW as of June 30, 2009. In 2008, the Group acquired rights to participate in the development of a further 1,400 MW of wind plants.

France

In July 2006, the Group acquired Erelis S.a.s., a company holding authorizations to construct up to 500 MW of wind-farm capacity in various regions of the country (at various stages of completion). In June 2008, Enel Erelis (as the company was renamed) acquired, for approximately €14 million, new wind farm projects at different development stages for a total of 120MW, some of which will begin operating in 2009.

Bulgaria

The Group operates through the Bulgarian company, Enel Green Power Bulgaria, which is entirely controlled by Green Power International, and which focuses on the development of renewable-resource projects in Bulgaria. At the date of this Offering Circular, Enel Green Power Bulgaria is committed to the development of two wind projects, Kamen Bryag and Shabla, for a total of 39 MW of capacity, which are expected to be operational in 2009.

Romania

The Group operates through Blue Line, a Romanian company acquired in its entirety by EIH in October 2007, and subsequently transferred to Green Power International during the restructuring of the Group's renewable-resources activities; Blue Line owns the rights for the development of around 250 MW of wind projects in Romania. At the date of this Offering Circular, Blue Line is committed to the development of 34 MW of wind projects by the beginning of 2010.

The following table illustrates key data concerning the Renewable Energy division's operations in Spain, France and Greece in 2008 and for the six months ended June 30, 2009.

	2008				First Half 2009			
	Spain	France	Greece	Total	Spain	France	Greece	Total
Net efficient capacity (in MW)								
Hydroelectric plants	26	–	5	**31**	29	–	10	**39**
Wind farms	346	12	87	**445**	346	28	117	**491**
Co-generation plants	26	–	–	**26**	26	–	–	**26**
Total	**398**	**12**	**92**	**502**	**401**	**28**	**127**	**556**
Production (in GWh)								
Hydroelectric plants	27	–	2	**29**	29	–	11	**40**
Wind farms	624	7	219	**850**	337	13	105	**455**
Co-generation plants	136	–	–	**136**	72	–	–	**72**
Total	**787**	**7**	**221**	**1,015**	**438**	**13**	**115**	**566**
Number of plants								
Hydroelectric plants	5	–	1	**6**	6	–	1	**7**
Wind farms	30	3	8	**41**	30	3	11	**44**
Co-generation plants	8	–	–	**8**	8	–	–	**8**
Total	**43**	**3**	**9**	**55**	**44**	**3**	**12**	**59**

North and Latin America

In North and Latin America, the Group is active in electricity generation from renewable resources through Enel North America, Enel Latin America, Inelec and Americas Generation Corporation.

North America

The Group, through Enel North America, is one of the main operators of electricity generation plants from renewable resources in North America, with plants and development projects in more than 20 states of the United States and three Canadian provinces. In particular, two innovative geothermal plants of Enel North America are close to completion in Churchill County (Nevada) and are expected to contribute to the state's goal of reaching 20% of production from renewable resources by 2015. With a total installed capacity of 47 MW, the two plants will generate around 400 million kWh per year, enough to satisfy the consumption of around 40,000 American families and avoid the emission of more than 300,000 tons of CO_2 a year. In 2008, the Group, through Enel North America, opened a new wind farm for a total of 250 MW in Kansas, the largest built by the Group in the world and the largest ever built in Kansas. The "Smoky Hills" project can generate enough electricity for 85,000 American families. The new wind plants will avoid the emission of around 750,000 tons of C02 and the consumption of more than 175,000 ton equivalents of oil per year.

Latin America

Enel Latin America is the main company of the Group active in Latin America, coordinating the companies generating electricity from renewable resources in Mexico, Guatemala, El Salvador, Nicaragua, Costa Rica, Panama, Chile and Brazil. Enel Latin America controls more than 667 MW of installed capacity (not including minority shareholdings in companies that manage a further 195 MW) and owns 32 electricity plants.

Inelec is the company of the Group active in Mexico. It was acquired in its entirety by EIH in December 2007 and subsequently transferred to Green Power International as part of the restructuring process in respect of the Group's renewable resource activities. The transaction took place through Enel Latin America, which heads all of the companies operating in the geographical area of Central and South America. The Group owns three hydroelectric plants in Mexico, with a total capacity of 53MW, in the states of Michoacan, Jalisco and Guerrero.

The Group is present in Panama through its subsidiary Americas Generation Corporation, which was transferred to Green Power International as part of the restructuring process. Americas Generation Corporation owns 49% of a 300 MW hydroelectric plant in the province of Chiriquí, which represents 23% of Panama's installed generation capacity.

The following table illustrates key data concerning the Renewable Energy division's operations in North America and Latin America in 2008 and for the six months ended June 30, 2009.

	2008			First half 2009		
	North America	**Latin America**	**Total**	**North America**	**Latin America**	**Total**
Net efficient capacity (in MW)						
Hydroelectric plants	314	643	957	314	643	957
Wind farms	406	24	430	406	24	430
Geothermal plants	7	–	7	47	–	47
Biomasses	21	–	21	21	–	21
Total	**748**	**667**	**1,415**	**788**	**667**	**1,455**
Production (in GWh)						
Hydroelectric plants	964	3,425	4,389	550	1,751	2,301
Wind farms	696	47	744	544	44	588
Geothermal plants	37	–	37	48	–	48
Biomasses	172	–	172	82	–	82
Total	**1,869**	**3,472**	**5,342**	**1,223**	**1,794**	**3,017**
Number of plants						
Hydroelectric plants	62	31	93	62	31	93
Wind farms	7	1	8	7	1	8
Geothermal plants	1	–	1	2	–	2
Biomasses	1	–	1	1	–	1
Total	**71**	**32**	**103**	**72**	**32**	**104**

Electricity production

The net electricity production of the Renewable Energy division in 2008 amounted to 17,242 million kWh, as compared to the 14,741 million kWh generated in 2007. In addition, the Renewable Energy division produced 9,920 million kWh for the first half of 2009, as compared to the 8,702 million kWh generated in the first half of 2008. The following table illustrates in detail the net electricity production of the Renewable Energy division in the years ended December 31, 2008 and 2007 and for the six months ended June 30, 2009 and 2008.

	Year ended December 31		Six months ended June 30	
	2008	2007	2009	2008
	(MWh)			
Italy				
Hydroelectric plants	5,235	4,336	3,618	2,637
Wind farms	467	473	241	273
Geothermal plants	5,181	5,233	2,477	2,655
Other sources	2	–	1	1
Total Italy	**10,885**	**10,042**	**6,337**	**5,566**
Abroad				
Hydroelectric plants	4,418	3,537	2,339	2,189
Wind farms	1,594	819	1,042	764
Geothermal plants	37	36	48	26
Other sources	308	307	154	157
Total abroad	**6,357**	**4,699**	**3,583**	**3,136**
Total net production	**17,242**	**14,741**	**9,920**	**8,702**

As of June 30, 2009, the installed net efficient capacity of the Renewable Energy division was 4,572 MW, as compared to 4,222 MW installed at June 30, 2008. The following table illustrates in detail the installed net efficient capacity of the Renewable Energy division as of June 30, 2009 and as of December 31, 2008.

	Total as of December 31, 2008	Total as of June 30, 2009
	(MW)	
Italy		
Hydroelectric plants	1,510	1,509
Wind farms	362	382
Geothermal plants	671	665
Other sources	4	4
Total Italy	**2,547**	**2,560**
Abroad		
Hydroelectric plants	988	996
Wind farms	875	922
Geothermal plants	7	47
Co-generation plants	26	26
Biomasses	21	21
Total abroad	**1,917**	**2,012**
Total net efficient capacity	**4,464**	**4,572**

Key data of the Renewable Energy division

The Renewable Energy division recorded revenues of €1,852 million in 2008, of which €1.675 million represented sales to parties outside the Group (2.7% of the Group's total revenues) and €863 million for the six-month period ending June 30, 2009, of which €794 million represented sales to parties outside the Group (2.8% of the Group's total revenues). The division's gross operating margin (EBITDA) was €1,188 million in 2008 (8.3% of the Group's gross operating margin) and €620 million for the six-month period ending June 30, 2009 (7.8% of the Group's gross operating margin). The division's capital expenditures on tangible and intangible assets amounted to €951 million in 2008, equal to 14.6% of the total of the expenditures of the Group and €326 million for the six-month period ending June 30, 2009, equal to 12.6% of the total expenditures of the Group. As of June 30, 2009, the division employed a total of 2,693 employees (3.2% of the total workforce of the Group).

The Parent Company

The Parent Company aims to create synergies within the Group and to optimize the management of services in support of the core business activities. In particular, the Parent Company, in its capacity as an industrial holding company, defines strategic targets for the Group and coordinates the activities of subsidiaries. In addition, it manages central treasury operations and insurance risk coverage, providing assistance and guidelines on organization, personnel management and fiscal, labor relations, accounting, administrative, legal and corporate matters. The Parent Company also currently holds a contract with Atel for the import of electricity on the Swiss border.

The Parent Company recorded revenues of €727 million in 2008, of which €405 million represented sales to parties outside the Group (0.7% of the Group's total revenues) and €356 million for the six-month period ending June 30, 2009, of which €191 million represented sales to parties outside the Group (0.7% of the Group's total revenues). The gross operating margin (EBITDA) was negative €71 million in 2008 and positive €54 million for the six-month period ending June 30, 2009.

The Parent Company's capital expenditures on tangible and intangible assets amounted to €13 million in 2008, equal to 0.2% of the total of the expenditures of the Group. It did not have any capital expenditures for the six-month period ending June 30, 2009. As of June 30, 2009, it employed a total of 716 employees (0.9% of the total workforce of the Group).

Services and other activities area

The Services and Other Activities area provides real estate and facilities, as well as information technology, training, human resources management, general management, factoring and insurance related services to the various companies of the Group.

The Services and Other Activities area recorded revenues of €1,169 million in 2008, of which €159 million represented sales to parties outside the Group (0.3% of the Group's total revenues) and €509 million for the six-month period ending June 30, 2009, of which €57 million represented sales to parties outside the Group (0.2% of the Group's total revenues). The area's gross operating margin (EBITDA) was €116 million in 2008 (0.8% of the Group's gross operating margin) and €89 million for the six-month period ending June 30, 2009 (1.1% of the Group's gross operating margin).

The area's capital expenditures on tangible and intangible assets amounted to €109 million in 2008, equal to 1.7% of the total of the expenditures of the Group, and €31 million for the six-month period ending June 30, 2009, equal to 1.2% of the total expenditures of the Group. As of June 30, 2009, the area employed a total of 4,301 employees (5.1% of the total workforce of the Group).

Markets and competition

Enel is the principal electricity company in Italy and Spain, and, based on publicly available data, the Company estimates that it is the second largest electricity company in Europe, based on total installed capacity. The Group's net electricity production in 2008 amounted to 253.2 TWh, of which 96.3 TWh was produced in Italy and 156.9 TWh was produced abroad. In 2008, the Group distributed 393.5 TWh of electricity, of which 257.9 TWh was distributed in Italy and 135.6 TWh was distributed abroad.

In 2008, the Group sold 8.2 billion cubic meters of gas, of which 5.7 billion cubic meters were sold in Italy, where the Group is the second largest operator, and 2.5 billion cubic meters were sold abroad. In 2008, the Group distributed 3.9 billion cubic meters of gas, of which 3.6 billion cubic meters were distributed in Italy and approximately 300 million cubic meters of gas were distributed abroad Each of the above figures includes Enel's proportional share of Endesa's capacities and volumes for the relevant periods. See "Presentation of financial and other information—Endesa consolidation" herein for more information.

Enel operates in energy markets that have been subject to progressive liberalization, albeit on different time schedules and with different features from country to country. Within this framework the Group has focused on growth opportunities by pursuing a strategy of internationalization, vertical integration and technological innovation, including the following actions:

- Expansion abroad, in particular in Eastern Europe, Russia, Spain and Latin America;
- Optimization of the combination of sources for electricity generation, in order to improve the competitiveness of the Group's plants;
- Upstream integration of fuels; and
- Development of renewable resources, with the creation of a dedicated organizational division.

The following subsections describe the competitive position of the Group in each of the main countries in which it operates and set forth certain summary information regarding the regulatory systems in those countries. For additional information regarding regulation in Italy and Spain, see "Regulation" herein.

The Italian electricity market

Enel is the principal electricity producer in Italy, with 40.3 GW of installed capacity as of December 31, 2008 and a market share, calculated on the basis of data from Terna, of approximately 31.7% of Italian gross production in 2008 (as compared to 31.7% in 2007). The main competitors are the Edison Group, with a market share of approximately 11.8%, Eni, with a market share of approximately 8.6%, Edipower, with a market share of 7.8%, and E.On Italia. (Approximate market-share data for competitors is based on an Authority for Electricity and Gas report released in 2009 in respect of the 2008 calendar year.) According to Terna, energy consumption in the Italian free market in 2008 reached 226.7 TWh, net of network losses (including the network's own use), representing a 15% increase compared to 2007.

In 2008, Enel sold electricity to 2,033,909 clients on the free market, of which 2,002,430 were mass market clients and 31,479 were large or medium-sized business clients. Of the total volume sold on the free market, 31.8 TWh of electricity was sold to mass-market clients and 23.7 TWh was sold to large or medium-sized business clients, an overall increase of 15 TWh compared to 2007. According to estimates by Terna, Enel's share of the free market in 2008 was 25%, as compared to 20% in 2007.

According to Terna, 2008 energy consumption on the regulated market amounted to 90.0 TWh. In 2008, Enel sold 81.7 TWh of electricity to 28.4 million clients on the regulated market (including under the Last-Resort Service in the period to April 30, 2008). Enel's share of the regulated market in 2008 was 90.8%, according to Terna estimates.

Summary of the Italian regulatory framework for the electricity market

The Bersani Decree advanced the liberalization of the electricity sector in Italy, producing profound changes over the past decade, including the liberalization of electricity production and sales activities, which permitted the entry of new competitors, including some from foreign countries. This competition encouraged companies to pursue higher levels of efficiency; safety standards were also improved due to new investments in plants and energy networks. The following section provides a brief overview of regulations. See "Regulation—Italian Regulation" for details.

Wholesale market

The Power Exchange, a virtual marketplace where sellers and buyers submit bids and offers for electricity to be supplied on a next-day basis, began operations in 2004.

Producers can sell electricity either directly on the Power Exchange, in which case the price is determined through the bidding process, or through freely negotiated bilateral contracts, in which case the price is negotiated with the purchaser.

The Single Buyer, a state-owned corporation controlled by the Electricity Services Operator, may purchase electricity on the Power Exchange in order to ensure the supply of electricity to clients in the regulated market (since July 1, 2007, residential clients and small businesses that have not chosen a supplier on the free market).

Moreover, several other operators act as purchasers on the Power Exchange, including: (i) integrated operators' selling companies; (ii) wholesalers that do not belong to groups with production plants; and (iii) some large end-users. Nonetheless, the Single Buyer remains the most important wholesaler in the market, purchasing approximately 30% of national demand, Enel estimates on the basis of publicly available information.

Recently, platforms for the organized forward trading of electricity have begun operations, including for contracts with physical delivery (in the case of the Mercato Elettrico a Termine, or "MTE," operated by the Electricity Market Operator) and derivative products on electricity (in the case of the Mercato Derivati Elettrici, or "IDEX," managed by Borsa Italiana).

On January 28, 2009, Law 2/2009, referred to as the Anti-Crisis Law, was enacted. It introduced new provisions governing the wholesale electricity market. On April 29, 2009, the MED issued a decree implementing the above-mentioned law, which provides for some measures to be realized in the 2009-2012 period, e.g. the creation of an intraday market, the enhancement of the MTE and, following previous examination of market conditions, the introduction of the "pay as bid" mechanism on the next-day market. On the same day, the Authority for Electricity and Gas issued, in implementation of Law 2/2009, a regulation containing certain provisions applicable to the management of must-run power plants.

Retail market

Since July 1, 2007 all clients, both residential and non-residential, have been permitted to freely choose their electricity suppliers on the free market.

On June 18, 2007, the Italian Government adopted Decree No. 73/2007 (subsequently ratified into law pursuant to Law 125/07, which came into force on August, 15 2007), establishing:

- provisions to ensure the supply of electricity to low-voltage residential and small business clients (businesses with less than 50 employees and annual revenues of less than €10 million) that have not chosen a supplier on the free market. This service, "Universal Service," is provided by special-purpose companies connected to distributors (since January 1, 2008, Enel Servizio Elettrico has supplied electricity to clients connected to Enel Distribuzione's networks, while Vallenergie has supplied energy to clients connected to Deval's networks). The standard conditions and reference prices for the service are determined by the Authority for Electricity and Gas and are updated on a quarterly basis. Reference prices represent the sum of several factors: a generation component covering the price of purchase and supply of the electricity itself by the Single Buyer, a transport component, covering costs of transmission, distribution and measurement, a component covering costs for commercialization and sale activities, system charges and taxes.

- the Last-Resort Service, with a supplier selected by tender for clients not eligible for the Universal Service who have not chosen their supplier on the free market.

Two decrees of the Minister for Economic Development dated November 23, 2007 and February 8, 2008 set out provisions governing the procedures for allocating the Last-Resort Service through auctions held on a geographical basis. At the completion of tenders for 2009 and 2010, Enel Energia was assigned six areas in the center and south of Italy (Sardinia, Campania, Lazio, Abruzzo and Molise, Puglia and Basilicata, Calabria and Sicily) and the areas of Piemonte, Valle d'Aosta, Liguria and Lombardy.

Distribution and measurement

Distribution and measurement activities are operated by Enel Distribuzione pursuant to a 30-year concession expiring in 2030.

Costs for providing distribution and measurement services are covered by tariffs fixed by the Authority for Electricity and Gas at the beginning of each reference period, equal to four years, and updated on a yearly basis by applying defined mechanisms.

In setting tariff levels for the first year of each reference period, the Authority for Electricity and Gas identifies, relying on the information contained in the financial statements of each operator, a reference cost for the sector which includes operating costs, amortization and an appropriate return on invested capital.

The component covering operating costs is automatically updated through a price cap mechanism, based on the inflation rate and a rate of annual reduction of recognized costs, called the X-factor. The return on invested capital and amortization are revised to take into account new investments, tariff amortizations and the revaluation of existing assets through the amortization of gross fixed investments.

The current reference period is that for 2008-2011. The return on invested capital recognized in the current reference period is equal to 7% for distribution activities (compared to 6.8% in the previous period) and 7.2% for measurement activities (compared to 8.4% in the previous period). Operating costs included in the tariff are subject to a price-cap equal to 1.9% for distribution activities and 5% for measurement activities (compared to 3.5% in the previous period for both activities.

The Italian natural gas market

In 2008, Enel imported 9.86 billion cubic meters of gas. In the retail market, in 2008 Enel sold 3,222 million cubic meters of gas to 2,642,251 mass-market clients and 2,455 million cubic meters of gas to 1,719 large and medium-sized business clients. Based on data from the MED and other sources, Enel estimates that the Group's market share for the sale of gas in 2008 was 11.7%, as compared to 10.1% in 2007. In 2008, Enel distributed 3.6 billion cubic meters of gas.

Summary of the Italian regulatory framework for the natural gas market

On May 23, 2000 Legislative Decree No. 164 opened the gas sector in Italy to competition by implementing European Directive 98/30/EC, which contains provisions for the creation of an internal gas market. Since then, the import, export and sale of gas have been unregulated. Transport activities are also open to competition but are considered to be activities of public importance and are therefore subject to regulation by the Authority for Electricity and Gas. Distribution and storage activities are operated through concessions.

Wholesale market

Gas extraction activities, operated by owners of research permits or licenses for the exploration and production of hydrocarbons, are unregulated. The importation of gas into Italy is unregulated with reference to gas produced in EU countries, while it is subject to ministerial authorization with reference to imports from non-EU countries. In 2003, Legislative Decree 164/2000 (the **Letta Decree**) made it illegal for any single operator to introduce into the Italian market (whether by production or importation) gas in a quantity exceeding 75% of domestic gas consumption. Such percentage has decreased by two percentage points each year thereafter, and will continue to decrease until it reaches 61% in 2010. At the same time, until that date, no single operator is allowed to hold a market share higher than 50% of domestic sales to final clients. The applicable percentages are calculated net of quantities of gas consumed by the relevant operator or by its controlled or affiliated companies. Regulations have not yet been adopted for the period beginning January 1, 2011.

Companies engaged in the transport of gas must connect users requiring it to their gas transport networks, provided that they have enough capacity and that consenting such access is economically and technically feasible.

Operators of gas storage facilities must obtain a concession (lasting up to 20 years) from the MED. In addition, importers from countries outside the EU are required to maintain storage reserves equal to 10% of the gas they import each year.

Retail market

The sale of gas to end-users requires an authorization from the MED.

The standard conditions and reference prices for the supply of gas to clients on the regulated market (i.e., residential clients whose gas consumption is less than 200,000 cubic meters per year and other end-users who have not exercised the right to choose their supplier) represent the sum of several factors: the raw material component, covering import costs; the transport, re-gasification, storage and distribution components, which reflect tariffs set by the Authority for Electricity and Gas; and the sale component, covering commercialization costs sustained by sales companies.

Distribution and measurement

The Letta Decree established that distribution activities be exercised only by operators having won bids for gas distribution concessions for periods not exceeding 12 years.

The Letta Decree also provided that distribution activities which were active as of June 21, 2000 expired by law on the earlier of their original expiration date and December 31, 2005, with certain exceptions.

Costs for providing distribution and measurement services are covered by tariffs fixed by the Authority for Electricity and Gas at the beginning of each reference period, equal to four years, and updated on a yearly basis by applying defined mechanisms.

The current reference period is that for 2009-2012. The return on invested capital recognized in the current period is equal to 7.6% for distribution activities (compared to 7.5% in the previous period) and 8% for measurement activities. Operating costs included in the tariff are subject to a price-cap of between 5.4% and 3.2%, depending on dispatch locations, for distribution activities, and 3.6% for measurement activities.

Iberia and Latin America

In 2008, in the Iberia and Latin America markets, the Group's net production of energy amounted to 101.8 TWh, and energy sales amounted to 106.9 TWh. Each of the figures in this section includes Enel's 67.05% proportional share of Endesa's capacities or volumes, as the case may be.

Iberian Peninsula

The Group's installed capacity on the Iberian Peninsula amounted to 16.6GW as of December 31, 2008. In the year then ended, its production amounted to 61.2 TWh of energy and its sales amounted to 75.5 TWh (32.4 TWh of which were sold on the free market and 43.1 TWh of which were sold in regulated markets). The main operators in the Iberian electricity industry are Endesa, Iberdrola, Hidrocantabrico and Unión Fenosa.

Among its investments aimed at developing its distribution network and improving the quality of service for its clients, Endesa is required to implement a digital measuring system by 2018, according to a schedule set by the regulator.

As regards the regulatory framework of the electricity sector, the liberalization of the market was completed in July 2009 with the entry into force of Spain's last-resort tariff. Pursuant to the provisions of Royal Decree 485/2009 of April 3, 2009, starting from July 1, the relevant ministry fixes, on at least a semi-annual basis, the so called "tariff of last resort" available only to low-voltage clients with contracted power lower than or equal to 10 kW (approximately 60% of low-voltage consumption) served by a last-resort supplier. The royal decree also identified five companies, including Endesa, which have sufficient resources and means to be the last-resort service suppliers (the other four companies are Iberdrola, Unión Fenosa, Hidrocantabrico and E.On). Algorithms for calculating the tariff of last resort were set with Ministerial Order n. 1659/09 of June 23, 2009. In order to guarantee safety and supply continuity, last-resort suppliers supply clients other than at the tariff of last resort if they are temporarily without a valid supply agreement with a supplier; the price is settled by the Ministry for Industry and Trade, and it will be adjusted over time, in order to incentivize clients to sign an agreement.

Royal Decree-Law 5/2005 provides that, in the event the system's regulated proceeds are not sufficient to cover the costs of regulated activities, the main companies operating in the market must finance the relevant tariff deficit, on the basis of a percentage fixed in the royal decree. Endesa, as the main operator in the market, has contributed to financing 44.16% of the deficit. The amount financed by each company is recognized as a receivable to be recovered from end-users through future tariff increases. In order to provide the operators with the possibility to sell the receivables deriving from the deficit to others, on March 15, 2008, the CNE approved Order 694/08 setting forth rules for the auctioning of such receivables. One successful auction took place in 2008, but subsequent auctions have not concluded successfully due to a lack of offers caused by the poor liquidity of the markets.

Royal Decree-Law 6/2009 of April 30, which was published on May 7, 2009, introduced some new measures aimed at relieving Spanish electricity companies from these deficit-financing obligations. The royal decree-law provides for a state guarantee of receivables related to the deficit that were recognized but not securitized and sold before December 31, 2008, as well as a further state guarantee for receivables recorded before December 31, 2012. Additionally, the royal decree-law provides for industry-wide caps on the amount of the deficit of €3.5 billion in

2009, €3.0 billion in 2010, €2.0 billion in 2011 and €1.0 billion in 2012, requiring that tariffs be increased so that these caps are not exceeded. Under the royal decree-law, beginning in 2013, tariffs are to be set so as to generate sufficient proceeds to cover the total cost of providing regulated services, thus avoiding the incurrence of further ex ante deficits. However, there can be no assurance that the new measures introduced by the Spanish government will function as intended and that they will not be amended or revoked, or that Spanish electricity companies such as Endesa will not incur additional costs related to such deficits. See "Regulation—Spanish Regulation—Settlement of Regulated Activities and the Tariff Deficit."

Attempts to eliminate the tariff deficit have been set back by a welfare measure, the "bono social," a new deduction on clients' electricity bills, which is borne in its entirety by the generators (Endesa contributes a 36.77% share).

For further information about regulation in Spain, see "*Regulation—Spanish Regulation*."

Latin America

As of December 31, 2008, the Group's installed capacity in Latin America was equal to 10.9 GW. In 2008, production amounted to 44.2 TWh and sales amounted to 31.4 TWh (4.6 TWh of which on the free market, and 26.8 TWh of which on the regulated market). Each of the figures presented in this section in respect of the Enel Group includes the Group's proportional share of Endesa's capacities or volumes, as the case may be.

Latin America has traditionally been a strategic area for growth for Endesa. This region has reacted relatively well to the current economic crisis, due to the success of economic policies implemented in recent years. With respect to the electricity market, there is a need to increase generation capacity. The expectations for the development of the markets in this region, in terms of medium- and long-term growth in electricity demand and sales are sufficient to justify continued investment in the region. The relevant regulatory frameworks are generally modern, transparent and stable.

Distribution activities are generally carried out through concessions granted under long-term contracts or contracts with undefined durations. Distribution tariffs are revised every four years in Chile and Peru, and every five years in Argentina and Colombia. The tariffs of Endesa's Brazilian subsidiary, Coelce are revised every four years, while those of a second Brazilian subsidiary, Ampla, are revised every five years. Distribution tariffs have recently been revised for many of the Endesa companies operating in Latin America.

The liberalization of the retail market, although still ongoing, is generally quite advanced. Remaining client usage thresholds for regulation are set at 0.3 MW in Argentina (10% of volumes in 2008), 3 MW in Brazil (25% of volumes in 2008), 0.5 MW in Chile (33% of volumes in 2008), 0.1 MW in Colombia (35% of volumes in 2008) and 0.2 MW in Peru (46% of volumes, decreased compared with 1 MW threshold applicable in 2008). Free clients can execute bilateral contracts with generators for the provision of energy. Tariffs for sales to regulated clients are set by regulatory authorities.

As regards wholesale sales of energy and/or capacity, long-term auctions have become gradually more widespread: these auctions are aimed at ensuring the continuity of the provision of energy and giving more stability to generators. This is expected to incentivize new investments. Long-term contractual schemes have so far been implemented in Chile, Brazil, Peru and Colombia. For example current regulatory frameworks in Chile and Peru also permit distributors to execute long-term contracts for sales to regulated clients.

As of December 31, 2008, Endesa had a total installed capacity in Argentina of 4.5GW (29% hydroelectric and 71% thermoelectric). It held a 16% share of the electricity generation market in 2008. In the distribution sector, Endesa controls Edesur (Buenos Aires), a company with 2.2 million clients that distributed 16 TWh of energy in 2008.

In Argentina, wholesale sales are carried out on the Mercado Eléctrico Mayorista, which includes a forward market and a spot market. There is a mechanism by which the spot prices paid by distributors are stabilized every three months; a specific stabilization fund has been created for the purpose of compensating distributors for differences in payments due to the inequality between the stabilized price and the spot price. The persistent difference between these two prices has caused a deficit in the fund. Due to the worsening situation and the subsequent difficulties in making new investments, the "Foninvemem" fund has been created in order to build two CCGTs; this fund is financed by a tariff component and a portion of the credit of generators in the wholesale market. Final tariffs have been kept artificially low over the last few years.

Notwithstanding the fact that the regulatory and market situation in Argentina currently appears to be more complex than in other countries in Latin America, the problem of the deficit in the wholesale market and the decreased capacity margin in the country are expected to be resolved in the medium term, through the implementation of structural measures, and the activation of the CCGT plants, financed by the Foninvemem fund.

As of December 31, 2008, Endesa had a total installed capacity in Brazil of 1 GW (67% hydroelectric and 33% thermoelectric). In 2008 it held a 1% share of the electricity generation market. In the distribution sector, Endesa controls Ampla (Rio de Janierio), a company that has 2.4 million clients and distributed 11.8 TWh of energy in 2008, and Coelce (Rio de Janeiro), a company that has 2.8 million clients and distributed 8.7 TWh of energy in 2008.

The current Brazilian regulatory model was established in 2004 with the express purpose of leading to the expansion of cost-efficient generation. To this end, the Brazilian government created two "contracting environments": the ACR (Ambiente de Contrataçaõ Regulada) and the ACL (Ambiente de Contrataçaõ Libre). The ACR is the "environment" for carrying out auctions for supplying distributors that have to provide services to regulated clients, whereas the ACL is the "environment" for bilateral negotiations with free clients.

Brazilian auctions are designed to bring about supply security and competition in the long term. They are divided into auctions for new energy carried out three or five years in advance for contracts having 15- to 35-year durations, and auctions for existing energy, which are annual, for contracts having 3- to 15-year durations.

In February 2009 the Brazilian regulator authorized Companhia de Interligacaõ Elétricia (CIEN), the company that manages the interconnection between Brazil, Argentina and Uruguay and is 90% controlled by Endesa, to receive remuneration for transportation activities carried out during nine months of 2009.

As of December 31, 2008, Endesa had a total installed capacity in Chile of 4.5 GW (76% hydroelectric and 24% thermoelectric). In 2008 it held a 37% share of the electricity generation market. In the distribution sector, Endesa controls Chilectra (Santiago de Chile), a company that has 1.5 million clients and distributed 13 TWh of energy in 2008.

In Chile, electricity is sold through freely negotiated bilateral contracts, on the spot market, or, for the supply of regulated clients, through contracts between generators and distribution companies. Wholesale sales of electricity for regulated clients are currently remunerated at the precio de nudo, set every six months by the regulatory authority, the CNE; prices and volumes relating to contracts beginning in 2010 will be defined through an auction mechanism. During 2008, the revision of distribution tariffs for the 2008-2012 period was completed.

As of December 31, 2008, Endesa had a total installed capacity in Colombia of 2.9GW (86% hydroelectric and 14% thermoelectric). In 2008, it held a 24% share of the electricity generation market. In the distribution sector Endesa controls Codensa (Bogotá), a company that has 2.2 million clients and distributed 14 TWh of energy in 2008.

In Colombia, the regulatory framework is relatively stable. Electricity generated in the country is sold through the Mercado de Energía Mayorista (**MEM**). Pursuant to Electricity Law No. 143/1994, all plants with capacity above 20 MW must participate in this market. The "cargo por confiabilidad" system for the remuneration of capacity through auction procedures on the MEM was introduced in 2006. Free clients cannot directly access the MEM (access is reserved to generators and sales companies), but they can choose their sales companies, with which they can freely negotiate prices. In order to supply free clients, the sales companies can choose whether to obtain supplies of energy on the spot market (on the basis of the offers made by generators), or through bilateral contracts with freely negotiated prices. Sales companies have the same option for the supply of regulated clients, although the general trend is to execute long-term contracts through public tenders, which generally are carried out 1-2 years in advance.

As of December 31, 2008, Endesa had a total installed capacity in Peru of 1.6 GW (47% hydroelectric and 53% thermoelectric). In 2008, it held a 31% share in the electricity generation market. In the distribution sector, Endesa controls Edelnor (Lima), a company that has 1 million clients and distributed 6 TWh of electricity in 2008.

Peru has a stable and fairly advanced regulatory framework. Pursuant to the Ley para Asegurar el Desarollo Eficiente de la Generación Eléctrica (Law No. 28832 of 2006), and to the Ley de Concesiones Electricas (Law No. 25844 of 1992), sales from generators to distributors for the supply of energy to regulated clients are completed through contracts derived from auctions (called by distributors) or through contracts without auctions, with prices not exceeding the "precio en barra" fixed by the regulator (this price cannot differ by more than 10% from the price for free clients). At least 80% of contracts must have a duration exceeding five years. The next update of the distribution tariffs is expected by November 2009.

Russia

As of December 31, 2008, the Group's installed capacity in Russia amounted to 8.2 GW. In 2008, its production amounted to 22.5 TWh of energy, and sales to final clients (through Res Holdings) amounted to 17.4 TWh (17.2 TWh of which were sold on the free market and 0.2 TWh of which were sold on the regulated market).

The restructuring and privatization process in respect of the assets of RAO UES (the previously vertically integrated and state-controlled monopolist) has been successfully completed, with the dissolution of RAO UES itself in July 2008. The electricity generation assets, divided into approximately 20 different generating companies, have been purchased both by national investors (among the main ones, Gazprom, KES and Lukoil) and foreign investors (aside from Enel, E.On from Germany, and Fortum from Finland). The hydroelectric generation company (HydroOGK) and the company managing nuclear stations (Rosenergoatom), as well as network companies, remain controlled by the state. Until 2007, wholesale sales of electricity and capacity were carried out entirely on a regulated basis, according to tariffs per plant, as determined by the Federal Office for Tariffs pursuant to the cost-plus methodology. The energy tariff mainly covers fuel costs, whereas the capacity tariff is aimed at covering fixed costs (e.g. maintenance, environmental and labor costs). Within the process of progressive liberalization of the electricity market, starting in 2007, a progressive reduction of the volumes sold at regulated tariffs has occurred, which should lead to their elimination, except for the consumption of residential clients, in 2011.

According to Decree 333/2007 the regulated gas price will be gradually increased to be in line with the netback value of the gas sold on EU markets. This "net-back parity" (meaning that it will be equally attractive to sell gas domestically or export it) , expected at first to be reached in 2011, was then postponed due to recent economic trends and market conditions. Given the latest periodic price revisions adopted by the Government for 2011 and 2012, net-back parity is likely to occur in 2014-2015.

In July 2008, a short-term capacity market, representing a provisional model, was established, and it will be effective until 2010 (inclusive). This represents a very important step for the ongoing reforms in this sector. The short-term market should be replaced by the long-term capacity market designed to ensure that enough capacity is made available in the long term. As of the date hereof, a draft decree is under discussion, and its approval is expected by the end of 2009.

Price control mechanisms to hold down price spikes on the free market were applied, on a non-continuous basis, during 2008 and 2009. Similar regulatory measures could be adopted also in the future.

Due to a recent accident which occurred at an approximately 6 GW hydro power plant in Siberia, a price cap regulation in the Siberian electricity market has been temporarily introduced. It will have no direct impact on Enel's portfolio, since the company does not own plants in that region.

However, the Government is also assessing the possibility of introducing a broader state regulation of prices in case of temporary capacity shortages or force majeure.

Slovakia

As of December 31, 2008, the Group had an installed capacity in Slovakia of 5.99 GW, and it produced 22.25 TWh of energy in 2008.

Enel's share in the generation market, through Slovenské elektrárne, amounted to 83.2% in 2008, as compared to an 83.5% share in 2007.

Slovenské elektrárne is the main Slovakian producer of electricity. Other operators in the electricity generation market are PPC Power, U.S. Steel Kosice, TEKO, Slovnaft, Mondi SCP and Slovintegra. None of these companies has a market share above 5%.

The Group believes that the Slovakian market will be under-supplied in the medium term, until completion of the Group's two units under construction at the Mochovce plant. In particular, the country's reserve margin will remain lower than 15% due to the recent decommissioning of the two V1 atomic reactors at Bohunice, (the last unit was shut down at the end of 2008).

The activation of the new reactors will enhance Enel's presence in the interconnected CENTREL market, and will lighten the capacity burdens that currently characterize that region.

From a regulatory standpoint, it should be noted that Slovakia has liberalized the market and that the regulator, URSO, has approved requests to readjust the weights of different tariff components, bringing the share of the energy component close to 50%. However, on July 2, 2008, as a consequence of the increasing pressures of commodity prices on electricity prices, the Slovakian government issued a law for the protection of the supply of electricity to residential clients and small businesses. Prices set for 2009 and 2010 have by now largely guaranteed consistency with market prices. Through the Market Decree of July 4, 2007, the Slovakian government introduced an export fee, which entered into force on January 1, 2008, on each kWh exported to neighboring countries. This export fee was derogated, as of April 1, 2009, by URSO Decree No. 0304/2009/E, pending its final repeal.

Romania

In 2008, the Enel Group sold 7.8 TWh of electricity in Romania, 87% of which was sold on the regulated market. The total market share held by the Group in terms of sales of electricity in Romania amounted to 22% in 2008. The main operators in the electricity market are Electrica and, among foreign operators, Enel, E.On and CEZ.

Enel has three separate distribution companies (Banat, Dobrogea and Muntenia Distributie) in Romania. Its interests in the country also extend to generation from renewable resources, and the acquisition or construction of generation plants, in general.

On July 1, 2007, Romania introduced the European principle of corporate unbundling. That is, separate companies were created for managing the distribution network and for sales, with a consequent separation of administrative, accounting and management activities. As of the same date, all clients are able to choose their provider on the free market. Continuity of service is however guaranteed for those clients who do not choose a provider, by means of implicit and last-resort suppliers (which intervene in the event of an implicit provider's default). These implicit-supply and last-resort supply services are performed by the same companies operating in retail sales generally.

Distribution tariffs are (pursuant to a new methodology introduced in November 2004 and updated in 2007) based on multi-year regulatory periods (a first three-year period of 2005-2007, followed by subsequent five-year periods) to each of which a price cap mechanism is applied. The distribution margin is based on a company's regulated asset base, and is updated during each regulatory period in accordance with investment plans, plus compensation for operating costs and maintenance.

Yearly adjustments are subject to a price cap linked to consumer price inflation, and an efficiency factor is applied to operating and maintenance costs. For the first regulatory period, the efficiency factor was fixed at 1%; for the second regulatory period it is equal to 80% of the efficiency achieved in the first period. The weighted-average cost of capital determined for the first regulatory period amounted to 12%; for the second period it has been fixed at 10%.

A total cap for the yearly increase of the distribution tariff has been fixed at 18% for the first period, and at 12% for the second regulatory period (caps are defined in real terms, net of inflation). The methodology for the computation of final tariffs has not been adjusted as a result of liberalization; however an update is expected in 2009. The methodology for sales to regulated clients contemplates, as a basic principle, that complete compensation for the costs of energy be included in the tariff (full passthrough), plus a 2.5% margin.

The regulator, ANRE, has set the energy portfolio for regulated clients, in terms of prices and volumes, with the purpose of obtaining a single final tariff for the whole of the national territory.

France

Due to the Nice Agreement executed with EdF in 2007, Enel carries out nuclear and wind-power generation and commercialization activities in France. More precisely, Enel currently holds a 12.5% interest in the EPR nuclear plant under construction at Flamanville, and is benefiting from a "know-how transfer agreement" providing for a number of nuclear energy technicians to be trained by EdF. Enel sold 0.8 TWh of electricity in France in 2008 (which it acquired from EdF as an advance on the production of the above-mentioned Flamanville plant).

In line with the general cooperation principles defined in the Nice Agreement, Enel has recently executed two memoranda of understanding with EdF. According to these memoranda Enel and EdF have agreed to jointly participate in the development of new nuclear generation capacity in Italy, and Enel France has confirmed its interest in the EPR plant of Penly in France. With respect to renewable energy, Enel is considering the possibility of participating in the tender for the renewal of some hydroelectric concessions in France.

Enel's commercialization activities in France have been heavily affected by the introduction of the new return-tariff regime, the "TARTAM," addressed to clients who had originally decided to go on the free market, but later decided to benefit again from a regulated tariff. Originally it was introduced with some important time limits (the deadline for the request was June 2007, with a two-year benefit). In 2008, however, the regime was offered to new beneficiaries (through the removal of the time limit for the request and the two-year duration). The final termination date is, however, June 30, 2010.

On November 4, 2008, the Champsaur Commission was created, and it was assigned the task to formulate a proposal for the post-TARTAM period. The debate within this commission recently ended with the publication, on April 24, 2009, of its conclusions, suggesting the elimination of regulated tariffs for industrial clients, and a revision of tariffs for small consumers, for whom the possibility of total withdrawal from the free market has been introduced.

As regards the electricity generation segment, the same document proposes that EdF make available to other providers base energy volumes (with the express exclusion of volumes from the new nuclear plants, in which Enel has an interest), to be defined with respect to their client portfolios in France. Such volumes would be sold at a regulated price, which should include coverage for operating costs and plant maintenance costs. The regulated mechanism to access base nuclear production was preferred, rather than a tax on nuclear production, as it has been considered a more stable mechanism, it is more compatible with the introduction of more competition in the energy sector, and it was preferred by the operators that testified at the commission's hearings.

In September 2009, the French government announced its intention to implement the conclusions of the Champsaur Commission, following an informal agreement with the European Commission. In August 2009 an executive decree setting final tariffs was issued. The new tariffs to be applied from August have been increased for all categories of final customers. Hydroelectric, onshore and offshore wind, biofuels and photovoltaic and geothermal generation are promoted in France through a feed-in tariff mechanism, with tariffs differentiated by source, accelerated adjustments and up to 33% tax deductions for investments in overseas departments.

According to the Grenelle Law 1, published in August 2009, power generation stemming from renewable energy sources will have to cover 23% of the electricity demand by 2020. The Grenelle Law 2, which will develop the framework established by Grenelle 1, is currently under discussion in the French Parliament and is expected to be approved in 2009.

Renewable energy

Within the renewable energy sector, which will continue to have an important role in Enel's future, the growth of the Group is focused on wind-power, in which the Group expects to invest approximately €2 billion over the next five years and thereby increase its installed capacity from 1.2 GW to 2.8 GW by 2013. The Group operates in markets that are characterized by a strong potential for growth, fuelled by the incentives and plans for eliminating CO_2.

In the United States, Enel expects to be able to exploit its position as a first-mover in the renewable energy sector, within a political context in which the importance of environmental issues is growing.

During 2008, in many countries where the Group operates or where its activities are developing, important regulatory changes favoring new investments have occurred, including: (i) the assignment of two green certificates for each MWh produced until 2015 to new wind-power plants in Romania; (ii) increases to many countries' feed-in tariffs (which are still the most common incentive); (iii) the continuation of tax credits in the United States and new funding for renewable energy in the recent U.S. economic stimulus package; (iv) the creation of a new mechanism for green certificates in Chile; and (v) auctions for new wind-power plants in Brazil.

Environmental matters

Each year, the Group publishes an environmental report, a document through which the Company presents developments in its environmental performance. The environmental report is the result of thorough reporting and monitoring of the performance of all the Group's activities and defines the Group's objectives and results in respect of a large number of environmental parameters and indicators. Enel considers the environment, the fight against climate change and sustainable development as strategic factors in the exercise and development of its activities and as decisive issues affecting the consolidation of its position in the energy markets.

The environmental policy of the Group is based on three founding principles and pursues ten strategic objectives. The three founding principles are: (i) environmental protection and employee health and safety; (ii) enhancement of environmental standards and product quality; and (iii) value-creation for the Company.

The ten strategic objectives are:

- Application of international occupational health & safety and environmental management systems to its entire organization.
- Optimized integration of installations and buildings into the landscape.
- Mitigation of environmental impacts by applying the best available technologies and the best practices in building, operating and decommissioning its installations.
- Leadership in renewables and low-emission power generation.
- Efficient use of energy, water resources and raw materials.
- Optimized management of waste and residues.
- Development of innovative technologies for the environment.
- Communication of Enel's environmental management efforts to the public at large and to institutions.
- Occupational health & safety and environmental awareness, training and education of employees.
- Promotion of environmentally-sustainable practices among suppliers and contractors.

Environmental management systems

As of December 31, 2008, approximately 78% of the Group's capacity was subject to an ISO 14001 certificate and around 41% of the capacity installed in the European Union was EMAS (Eco-Management and Audit Scheme (Regulation 761/01/EC)) registered. Enel is seeking to implement environmental management systems throughout the Group in order to obtain the ISO 14001 certification for 100% of the 126 activities carried out by the Group and thus obtain a Group certificate for the coordination and harmonization of environmental management. This process was set back slightly in 2008 as a result of acquisitions of non-compliant plants and divestitures of compliant plants.

Environmental protection costs

Since 2005, environmental expenditures have generally been recorded according to a classification system that draws from the Eurostat and Istat criteria. According to the Istat criteria, "expenditure for the protection of the environment" is considered to consist of the cost of activities and actions of prevention and reduction of pollution and environmental damage as well as restoration of environmental quality, regardless of the motivation (i.e., whether required by law, by agreement with a local government pursuant to a corporate decision, etc.). Costs incurred to limit the exploitation of natural resources and activities which, despite making a positive impact on the environment, are carried out for other purposes (such as the safety of the working environment) are excluded. The meaning "expenditure" is always used algebraically, as it could include revenues, as in the case of an assignment for waste recovery.

The financial commitment incurred by the Group in 2008 for the protection of the environment included:

- €252 million in capital expenditure; and
- €454 million in current expenses.

Environmental performance indicators

The use of adequate indicators allows for the analysis of developments in environmental performance over time, regardless of the volume of activities in a given year. The following are some of the indicators used by the Group for the analysis of its performance:

Specific net consumption of thermoelectric production

The specific net consumption of thermoelectric production represents the amount of fuels (measured in kilocalories) used on average by the Group's thermoelectric plants to generate 1 net kWh. The trend for both the Group and each national entity has been marked over the last few years by the effects of the increase in internal electricity demands related to the functioning of emissions-reducing systems, as well as the energy demands of new high-performance combined-cycle power plants (in Italy and Spain). Below is a table illustrating the development of the net specific consumption of the Group's thermoelectric generation from 2004 to 2008 (expressed in kilocalories per kWh):

2004	2,241
2005	2,262
2006	2,284
2007	2,257
2008	2,187

Electricity production from renewable resources

In 2008, electricity production from renewable resources reached 26.4%, when expressed as a percentage of the Group's total electricity production. Below is a table illustrating the development of the incidence of renewable resources energy generation in the Group's total production in the years from 2004 to 2008:

2004	27.4%
2005	27.1%
2006	28.3%
2007	28.8%
2008	29.2%

Specific atmospheric emissions

With respect to specific emissions into the atmosphere, it is necessary to distinguish the performance of the Group's thermoelectric power plants that only generate electricity from the performance of cogeneration thermoelectric plants (or rather those that generate both electricity and heat). The Group's plants of the former variety are located mainly in Italy, Spain, Portugal, Bulgaria and Latin America, while plants of the latter variety are located in Slovakia and Russia.

With regard to the production of electricity, the specific emissions into the atmosphere are the quantities of the typical and significant substances emitted into the atmosphere for each net kWh of electricity generated (thermoelectric or geothermal or total), or net kWh-equivalents of electricity and heat generated in the case of co-generation.

The specific emissions of thermoelectric production (co-generation excluded) represent:

- With respect to SO_2, NOX and particulate matter (all of which derive from the thermal combustion process and are measured by multiplying the concentration in fumes (measured continuously) by the volumes of fumes), the aggregate effect of the combination of fuels used, the efficiency of the thermoelectric production units and the direct emissions prevention and reduction measures employed; and

- With respect to CO_2, the aggregate effect of the combination of fuels used and the efficiency of the thermoelectric production units, plus the marginal contribution of the de-sulfuration process.

CO_2 is the characteristic product of combustion, and as such, the Group's CO_2 emissions originate almost entirely from its thermoelectric plants throughout the world. CO_2 is also present in the reaction products of the desulfuration of fumes at the exit points of the heating units of certain thermoelectric plants. With the coming into force of the exchange system of greenhouse gases emissions quotas established by Directive 2003/87/EC, in the case of plants and fuels subject to the directive and subject to monitoring and communication, CO_2 emissions are calculated from the parameters obtained from analysis (carbon in the fuel, heating power, carbon in the ashes) carried out on single units of fuel. In the other cases (plants and fuels not subject to Directive 2003/87/EC, with total emissions lower than 50 kilotons), Enel uses reference parameters from national greenhouse gases inventories.

The trends in the Group's specific emissions of SO_2, NOX and particulate matter (each measured in grams per net kWh) from thermoelectric production are illustrated in the below table. From 2004 to 2008, the Group recorded: (i) a considerable decrease (down 2.62 g/kWh) in SO_2, due to the increasing use of desulfurators; (ii) a notable decrease (down 0.06 g/kWh) in particulate matter; and (iii) an increase (by 0.42 g/ kWh) in NOX.

	SO_2	NO_X	Particulate matter (g/kWh)
2004	3.89	0.831	0.115
2005	3.92	0.838	0.120
2006	3.95	0.821	0.120
2007	3.12	1.038	0.121
2008	1.27	1.240	0.060

In line with the practice adopted by many electricity companies, the Group's evaluation of specific CO_2 emissions is carried out by comparing the total production of electricity and heat (expressed in kWh equivalents)with the additional element of also representing the effect of the overall combination of energy sources.

The following chart illustrates the progression of the Group's specific CO_2 emissions from thermoelectric generation, with reference to the total electricity and heat production (grams per net kWh-equivalent) from 2004 to 2008.

2004	525
2005	530
2006	488
2007	467
2008	433

The Group's specific emissions were affected in 2008 by the consolidation of Endesa.

Avoided CO_2 emissions

Enel measures the overall environmental benefits of the combination of resources used in its production processes and of the efficiency of the various stages of production for various products. CO_2 emissions are "avoided" when Enel produces electricity from renewable resources, or nuclear power, in each case instead of the thermoelectric fossil-fuel generation that would otherwise be necessary.

Emissions avoidances are calculated by multiplying the electricity production generated from each renewable or nuclear source by the specific average CO_2 emissions of the Group from thermoelectric fossil production of the plants located in various regions. (Where there are no thermoelectric plants of the Group, the national average specific emissions, taken from the publication "Electricity Information 2007" (IEA Statistics) are taken as a reference.) The total avoided emissions are calculated as a sum of the avoided emissions in various regions. In the case of hydroelectric energy, only natural contributions are taken into account, excluding contributions by means of pumps. In 2008, for the whole range of generating technologies except for nuclear power, the CO_2 emissions avoided were equal to 32% of the total CO_2 emissions that the Group's electricity generation would have produced in the absence of the use of renewable resources (avoided CO_2/(actual CO_2 + avoided CO_2)). If one considers the emissions avoided due to nuclear production, this ratio is approximately 42%. The avoided emissions of the Group amounted to around 80 million tons in 2008 (as compared to 21 million tons in 2004, 19 million in 2005, 35 million in 2006, and 44 million in 2007).

Waste recovery

It is necessary to consider the trend in the various regions where Enel is active, given the enormous variations in legislation and considering that, at a global level, trends are influenced by the modification of the volumes and fields of activity. In general, it can be said that in the regions in which Enel has been active for over a year and where the field and volume of activity have remained substantially the same, improvements in terms of total percentages of recovered waste can be appreciated.

Biodiversity conservation

The presence of the Group in many countries is an opportunity to support the preservation of ecosystems and natural habitats. In this context, Enel participates every year in the World Biodiversity Day and, in collaboration with various environmental organizations and international parks, carries out a series of initiatives in favor of the environment. This commitment is part of Countdown 2010, an initiative promoted by IUCN (International Union for Conservation of Nature) in order to enact, by 2010, measures to halt biodiversity loss. The Group would like to highlight, among the initiatives: in Italy, the reintegration of the white stork in the Lombard Park of the Ticino Valley and of deer in the National Park of the Val d'Agri, the monitoring of the course of migratory birds in the Central Mediterranean in collaboration with LIPU (Italian League for the Protection of Birds); in Slovakia, the conservation of the peregrine falcon in the National Park of the High Tatra Mountains; and in Romania, the protection of the white stork in the Danube delta area.

Enel is sharing environmental management systems within the Group that take into account the effects of various activities on biodiversity. Furthermore, environmental impact studies provide for specific in-depth examination of the conservation of the landscape, of the environment and of biodiversity. Each large project subject to an environmental impact evaluation must be carried out with an attempt to adopt all the possible solutions to not damage current ecosystems. Careful studies are carried out with respect to any interference with the environment, flora and wildlife during both construction and operation of plants and infrastructure, in order to adopt adequate solutions and minimize interference. Upon the commencement of operations at a new thermoelectric plant, a biological monitoring plan, both terrestrial and aquatic (sea and rivers), is developed so as to monitor the relationship of the project with the surrounding environment over time.

The Company is moreover involved in an international artificial basis network. New stable humid areas are created around hydroelectric basins for wildlife protection.

Properties, plants and equipment

The Group owns and leases a large number of office buildings and warehouse spaces throughout Italy and in the foreign countries in which it operates. The Group owns substantially all of the plants, machinery and equipment used to carry out its productive activities. As of June 30, 2009, €308 million plants and equipment were subject to financial leases.

At June 30, 2009, no creditors or other third parties had any significant rights over or in respect of any of the property, plants or equipment of the Group.

Recent significant transactions and related material agreements

Acquisition of Endesa

Gas Natural and E.On tender offers for Endesa shares; Acquisition of a relevant shareholding in Endesa by Acciona

In September 2005, Gas Natural launched a tender offer for 100% of the share capital of Endesa, the leading electric utility in Spain, which tender offer was authorized by the Spanish Comisión Nacional del Mercado de Valores (the **CNMV**) in February 2006. In the meantime, in February 2006, E.On launched a competing offer, authorized by the CNMV in November 2006. Separately, during the second half of 2006, Acciona, one of the main Spanish groups operating in the development and operation of infrastructure, utility services and renewable-energy plants, purchased a 10% shareholding in Endesa.

Acquisition of Endesa shares by Enel

On February 27, 2007, Enel, acting through its wholly owned subsidiary EEE, purchased 105,800,000 shares of Endesa, equal to 9.99% of that company's share capital, at a price of €39 per share, or total consideration of approximately €4.1 billion. The Endesa shares, acquired through privately negotiated transactions with institutional investors, were financed with cash flow and existing lines of credit, without any involvement of Acciona.

Subsequently, in three transactions carried out on 1, 2 and March 12, 2007, EEE entered into share swap agreements with UBS Limited and Mediobanca in respect of a maximum of 158,601,597 shares of Endesa (equal to 14.98% of the share capital). On June 1, 2007, after obtaining the required administrative authorizations, EEE requested physical settlement of the swaps through delivery of the shares, which took place on June 6, 2007. As a result of this transaction—which was also authorized by CNE—EEE raised its holding to 264,401,597 shares, representing an increase from 9.99% to 24.97% of Endesa's share capital.

Agreement with Acciona

On March 26, 2007, Enel and Acciona—the latter having meanwhile raised its holding in Endesa to approximately 21% of that company's share capital—entered into an agreement for the joint management of Endesa, and also agreed to make a joint tender offer for 100% of the company's share capital (the **Tender Offer**). This agreement was subject to the condition precedent, subsequently satisfied, that E.On not purchase, through its tender offer, which was pending at the time the agreement was entered into, more than 50% of Endesa's share capital. The parties defined their relationships and agreed on a set of governance principles for the joint management of Endesa, following the positive outcome of the Tender Offer. Enel also granted Acciona a put option to sell Enel all, but not less than all, of the shares of Endesa directly or indirectly owned by Acciona at any time between the third and the tenth anniversaries of the agreement.

Agreement with Acciona and E.On

On April 2, 2007, Enel and Acciona signed an agreement with E.On under which the latter agreed, in the case of a negative outcome to its tender offer, to refrain from any direct or indirect attempt to acquire a holding in Endesa in the four years subsequent to the agreement. At the same time, Enel and Acciona, in their capacity as shareholders of Endesa (and provided they achieved joint control of the company), agreed to propose to Endesa's corporate bodies, and to otherwise support, the transfer to E.On of the assets held directly or indirectly by Endesa in Italy, France, Poland and Turkey, as well as a number of additional Endesa assets in Spain. Moreover, Enel agreed to transfer Viesgo to E.On. The transfer of these assets to E.On was made subject to the conclusion of the appraisal of the assets and the obtaining of all the relevant regulatory approvals, which conditions were subsequently satisfied. For the avoidance of doubt, the transfer did not include Enel Unión Fenosa Renovables.

Following the positive outcome of the Tender Offer described below and the achievement of joint control of Endesa, on October 18, 2007, in accordance with the antitrust conditions set by the European Union, a trusteeship was established for the independent management of the Viesgo assets that Enel had agreed to sell to E.On, until the date of the effective transfer. Similarly, a second trusteeship was established for the independent management of the assets held by Endesa in Italy (through Endesa Italia), which were part of the disposal agreed with E.On in the agreement of April 2, 2007.

Tender offer for Endesa shares

On April 11, 2007, following the failure of E.On's tender offer over the Endesa shares, Enel (acting through its subsidiary EEE) and Acciona presented to the CNMV their joint offer for 100% of the Endesa shares.

The main terms for the offer were the following:

- The consideration offered to any accepting shareholder of Endesa was initially equal to €41.30 per share, payable fully in cash. This consideration reflected a price per share of €41.00 previously announced on March 26, 2007, increased by the interest that would have accrued on such amount at the three-month EURIBOR rate for the period from March 26, 2007 to May 31, 2007. The offer consideration was subsequently reduced to reflect the effect of the dividend of €1.14 per share resolved upon at the shareholders' meeting of Endesa on June 20, 2007 and distributed on July 2, 2007, and the price was therefore finally set at €40.16 per share.
- The completion of the Tender Offer was subject to full satisfaction of all of the following conditions: (i) that, before the end of the Tender Offer acceptance period: (a) Endesa's shareholders passed the relevant resolutions to amend certain provisions of the company's articles of association limiting shareholders' voting rights and, generally, remove any other restrictions to Enel's control of the composition of the board of directors; and (b) such resolutions became registered with the Madrid Commercial Registry (Registro Mercantil); (ii) that the shares of Endesa tendered in the Tender Offer, together with any shares of Endesa held directly or indirectly by the offerors, represented more than 50% of the share capital of Endesa; and (iii) that any applicable administrative authorizations were obtained. To that end, the offerors filed applicable notifications with the European Commission pursuant to Regulation (EC) 139/2004 of January 20, 2004, and also filed applicable notifications with the antitrust authorities of other jurisdictions. Similar authorizations were filed with the CNE and with the Spanish Energy General Secretariat (Secretaría General de Energía) of the Ministry of Industry, Tourism and Trade as well as with administrative authorities of other jurisdictions, all as required.

Given that Endesa's shares were admitted to trading on the New York Stock Exchange in the form of ADSs (American Depositary Shares) and on Chile's Registro de Valores Extranjeros, the offerors were obliged to comply with all applicable legal regulations requiring the launching or extension of the Tender Offer in the United States and Chile.

On October 5, 2007, following the conclusion on October 1, 2007 of the Tender Offer acceptance period, the CNMV announced that acceptance of the offer amounted to 46.05% of Endesa's share capital (excluding shares already held by Enel and Acciona), of which 45.62% (equal to 483,060,017 shares) was tendered in the offer in Spain and 0.43% (equal to 4,541,626 ADSs) was tendered in the offer in the United States.

In accordance with the agreement entered into by Enel and Acciona, following completion of the Tender Offer, Enel, through EEE, acquired 42.08% of the share capital of Endesa (equal to 445,522,261 shares), while Acciona acquired 3.97% (equal to 42,079,382 shares). Therefore, following completion of the Tender Offer, Enel owned 67.05% of Endesa's share capital (equal to 709,923,858 shares), while Acciona directly and indirectly held 25.01% (equal to 264,793,905 shares).

On October 18, 2007, the board of directors of Endesa appointed a number of new board members in order to ensure that its composition reflected the ownership structure resulting from the outcome of the Tender Offer.

Authorizations and administrative applications relating to the tender offer

On April 27, 2007 the Spanish government granted EEE the right to exercise the voting rights associated with its shareholding in Endesa.

On May 3, 2007 Enel and Acciona submitted to the CNE the request for the authorization to acquire the shares in Endesa required for the settlement of the Tender Offer and to execute the joint control mechanisms under the terms of the agreement signed by the two companies. On June 11, 2007, Enel and Acciona lodged with the Registro Mercantil in Madrid the covenants, which—within the framework of the agreement for the joint management of Endesa signed by the parties on March 26, 2007—established mutual restrictions to the transferability of the shares of Endesa. The clauses related to the exercise of voting rights at shareholders' meetings of Endesa were subsequently lodged with the same registry.

On July 4, 2007, in response to the request submitted by Enel and Acciona on May 3, 2007, the CNE authorized the acquisition of the shares in Endesa required for the settlement of the Tender Offer, imposing some conditions on the offerors. Enel and Acciona filed an appeal with the Spanish Ministry for Industry, Tourism and Trade opposing some of these conditions.

On July 5, 2007, the European Commission approved the joint tender offer launched by Enel and Acciona for the acquisition of control of Endesa.

On July 25, 2007, the CNMV authorized the offer for 100% of the shares of Endesa launched by Acciona and EEE, and on July 27, 2007, the Spanish Cabinet of Ministers resolved to grant to EEE the right to exercise the voting rights associated with the shares that EEE would acquire after the settlement of the Tender Offer.

On September 25, 2007, at an extraordinary meeting, the shareholders of Endesa approved some amendments to the company's articles of association, and, in particular, removed the limitation on shareholders' voting rights, previously fixed at 10%, thereby satisfying one of the conditions precedent of the Tender Offer.

On October 22, 2007, the Spanish Ministry of Industry, Tourism and Trade granted partial relief in the appeal filed by Enel and Acciona against certain conditions imposed on the Tender Offer by the CNE in its resolution of July 4, 2007.

Endesa transaction financing

In order to meet the financial commitments in respect of its acquisition of shares of Endesa, on April 9, 2007, the board of directors of Enel approved certain financial transactions. In particular, on April 10, 2007, Enel and Enel S.A. entered into a credit facility agreement (the 2007 Credit Agreement, as described under "Risk Factors" herein) totaling €35 billion. The facilities provided under the agreement, which were fully committed in order to cover the costs of the acquisition, consisted of three tranches with the following characteristics:

(i) Tranche A of €10 billion maturing after 12 months (subject to a term-out option for a further 18 months);

(ii) Tranche B of €15 billion maturing after 36 months; and

(iii) Tranche C of €10 billion maturing after 60 months.

The 2007 Credit Agreement provides for the interest rates on such tranches to vary according to Enel's credit ratings. The line of credit may be repaid early, in full or in part, without penalty, but subject to the payment of any applicable brokerage costs. The credit facility was used, in the amount of €21,871 million, to secure the bank guarantee presented on April 13, 2007 by a leading bank to the CNMV to back the payment commitments arising in respect of the Tender Offer. The 2007 Credit Agreement includes, in addition to covenants containing undertakings that are commonly adopted in international business practice, such as negative-pledge clauses, pari passu clauses, change-of-control clauses, and event-of-default clauses, the following covenants: (i) mandatory prepayment clauses, under which the occurrence of specified events (e.g., the issue of certain securities in the capital markets, capital increases, new bank loans, stock issues or asset disposals) oblige Enel to repay the related funds in advance at specific percentages; (ii) a "gearing" clause, under which, at the end of each measurement period, Consolidated Total Net Borrowings (as defined in the agreement) must not exceed six times the amount of the Group's Consolidated EBITDA; and (iii) a "subsidiary financial indebtedness" clause, under which the net aggregate amount of the financial debt of Enel's controlled subsidiaries (with the exception of the debt permitted under the agreement) must not exceed a given percentage of gross consolidated assets. As of the date of this Offering Circular, the "subsidiary financial indebtedness" clause has been satisfied. The level of indebtedness is currently over 2/3 of the threshold set forth in the agreement. (See, also, the discussion of the 2009 Credit Agreement Supplement under "—Further Transaction Financing," below.)

In addition, for the purposes of financing the acquisition of Endesa as well as restructuring the Group's debt, the board of directors of Enel also approved: (i) the renewal in 2007 of its Global Medium-Term Notes Programme, raising the program amount from €10 to €25 billion; and (ii) the issue by Enel, as part of the Global Medium-Term Notes Programme, of one or more bonds in euros or foreign currency to be placed with institutional investors by December 31, 2007, in the total amount of €5 billion.

In execution of that resolution, on June 13, 2007 Enel carried out a multi-tranche issue in total amounts of €3.35 billion and £1.1 billion. Following the issue, the first tranche of the 2007 Credit Agreement was reduced from €10 billion to €5 billion.

Moreover, with a view to restructuring the Group's debt and partially re-financing the 2007 Credit Agreement, on July 26, 2007, Enel's board of directors approved the issue of one or more bonds to be placed with institutional investors or retail investors, and to be listed (in whole or in part) on one or more regulated markets by June 30, 2008, in a total maximum principal amount of €10 billion. In execution of that resolution on September 13, 2007, Enel, through its subsidiary Enel S.A., carried out a multi-tranche bond issue for a total value of $3.5 billion (approximately €2.5 billion), structured as follows:

- $1 billion (approximately €0.7 billion) of 5.70% 5-year fixed-rate notes;
- $1.5 billion (approximately €1.1 billion) of 6.25% 10-year fixed-rate notes; and
- $1 billion (approximately €0.7 billion) of 6.80% 30-year fixed-rate notes.

The notes were fully hedged by Enel with cross-currency swaps that linked each tranche to a fixed rate in Euro.

In addition, from November 19 to December 7, 2007, €2 billion of retail bonds were offered on the Italian market. The size of the issue was up-sized to €2.3 billion (€1 billion fixed-rate and €1.3 billion floating-rate)as a result of excess demand. The bonds, with a maturity of seven years and one month, are due in January 2015. Of the total of €2.3 billion, €2 billion was used to reduce the amount outstanding under the syndicated credit facility, which was thereby reduced to €19.5 billion (the amount outstanding under the facility had been previously lowered to €30 billion in June, €28 billion in September, €23 billion in October and €21.5 billion in November 2007).

Sale of Endesa and Enel assets to E.On

On March 18, 2008, Enel, Acciona and E.On amended the agreement dated April 2, 2007 to vary the assets held by Endesa in Spain to be sold to E.On. Specifically, the parties decided to exclude from the sale the thermal power station at Foix (a fuel oil plant, with an installed capacity of 520MW, which also includes a project under development for the construction of an 800 MW combined-cycle plant) and to replace the power station at Besos 3 (combined-cycle, with an installed capacity of 388 MW) with the thermal plant at Tarragona (combined-cycle, with an installed capacity of 395MW and an estimated useful life similar to the Besos 3 plant).

Following an investment bank's appraisal of the Endesa and Enel assets to be sold to E.On, on March 28, 2008, in accordance with the agreement, the board of directors of E.On formally gave notice of the company's intention to acquire the assets (formally, it gave notice of its intention not to exercise its right to not purchase the assets).

Having obtained the necessary administrative authorizations, on June 26, 2008 the sale to E.On of the identified assets of both Endesa and the Enel Group was finalized. The assets were identified by the parties by common consent. The parties further agreed not to undertake the planned sale to E.On of the drawing rights for electricity generated by the Endesa nuclear power stations in Spain (450 MW for 10 years), which was originally envisaged in the agreement of April 2, 2007. The total value of the transaction amounted to approximately €11.5 billion, including: (i) the debt (approximately €1.8 billion) transferred with the companies that were sold, net of minority interests; (ii) 100% of the enterprise value of Endesa France, net of minority interests; and (iii) the pro quota value of any interests directly or indirectly held by Endesa Europa. In particular: (a) the equity investment of Endesa in Endesa Europa was sold to E.On for €7.1 billion, with an additional €1.2 billion for the balance of the net intra-group financial position (with the price subject to adjustment following the detailed calculation of debt at the sale date); (b) the sale of the thermal power stations of Tarragona and Los Barrios was finalized for €769 million; and (c) the assets of the Enel Group with respect to Viesgo were sold to E.On for an equity value €702.5 million.

In consideration of Enel's portion of revenues deriving from the disposal of the assets of Endesa Europa, and the additional assets, and of the related debt, the transaction enabled Enel to reduce its consolidated Net Financial Debt by approximately €8.4 billion, including the debt (equal to approximately €1.6 billion) attributable to the assets sold.

Acquisition of Acciona's shareholding in Endesa

On February 20, 2009, Enel, EEE and Endesa signed a new agreement with Acciona and its subsidiary Finanzas Dos for the acquisition of the 25.01% of Endesa owned directly and indirectly by Acciona. The agreement provides for the early exercise by Acciona of the put option provided by the agreement of March 26, 2007 (the original first exercise date was March 1, 2010).

The additional acquisition was completed on June 25, 2009, and consequently the agreement of March 26, 2007 expired and Enel's stake in Endesa reached 92.06%. The purchase price for the 25.01% of Endesa owned directly and indirectly by Acciona was set at €9.627 billion. The purchase price was determined by subtracting the dividends distributed by Endesa and received by Acciona after February 20, 2009 (€1.561 billion) from the value of the holding established on February 20, 2009 (€11,107 billion) and adding the interest accrued as from that date (€0.81 billion) and applied to the share of the debt taken on directly and indirectly by Acciona to acquire its stake in Endesa. On the same date of the transfer by Acciona to Enel of its 25.01% interest in Endesa, Endesa sold to Acciona a number of plants operating in Spain and Portugal with a total capacity of 1,946 MW for €2,634 million. The parties also agreed for Endesa to sell to Acciona other plants with a total capacity of 133 MW, mainly wind facilities, for €183 million once the regulatory and technical procedures are completed (one such plant was sold on July 30, 2009 for €85.1 million).

Further transaction financing

In order to finance the acquisition of 25.01% of Endesa, Enel utilized €8 billion under the 2009 Credit Agreement Supplement (as described under "Risk Factors" herein), structured as described below, and available credit lines.

The 2009 Credit Agreement Supplement is a supplementary agreement to the 2007 Credit Agreement, which expressly provided for Enel and Enel S.A.'s option to request the increase of Tranche C (equal to €10 billion and maturing in 2012) by up to a maximum amount of €8.0 billion in case of exercise by Acciona of the put option referred to above (see "Acquisition of Acciona's shareholdings in Endesa").

In particular, the 2009 Credit Agreement Supplement provided for a "Facility C Increase" increasing Tranche C of the 2007 Credit Agreement by a further €8.0 billion maturing in 2012. In addition, the Rollover Facility Agreement was entered into on April 16, 2009 and will replace the Facility C Increase starting from 2012, with the relevant financial institutions being committed under the Rollover Facility Agreement to replace the Facility C Increase with two new tranches amounting respectively to €5.5 billion (maturing in 2014) and €2.5 billion (maturing in 2016). The 2009 Credit Agreement Supplement maintained the floating-interest-rate structure of the 2007 Credit Agreement.

The 2009 Credit Agreement Supplement did not significantly alter the covenants set forth in the 2007 Credit Agreement. However, pursuant to the Rollover Facility Agreement, as of 2012, at the end of each semi-annual measurement period: (i) the gearing clause will require that the Group's Consolidated Net Financial Debt (as defined in the agreement) not exceed by 4.5 times Consolidated EBITDA; and (ii) the ratio between Consolidated EBITDA and consolidated amount of net interest (as defined in the agreement) payable by the Group must not be lower than 4-to-1. As of the date of this Offering Circular, the Group is in compliance with the covenants set forth in the 2009 Credit Agreement Supplement.

Acquisition of OGK-5

On June 6, 2007, following an auction process carried out in Russia, Enel acquired, through its subsidiary EIH, a stake of 25.03% in OGK-5, which has four thermal power plants in various parts of the country with a total capacity of about 8,700MW. Established in 2004 as part of Russia's industry reform program, OGK-5 is one of the six Russian thermal generation companies with assets strategically located in the most developed regions of the country. Enel's winning bid totaled $1.5 billion (equal to approximately €1.1 billion). On July 11, 2007, Enel signed a contract to acquire an additional 4.96% of OGK-5 for a total of about $281 million (approximately €210 million).

On August 16, 2007, the FAS (the Russian antitrust authority) authorized Enel to increase its stake to 100% of OGK-5. The authorization was made valid for one year.

On October 24, 2007, Enel, through EIH, acquired approximately 7.16% of OGK-5's share capital from Credit Suisse, for a total of 10.8 million rubles (equal to approximately €304 million).

Having exceeded the threshold of 30% of the company's capital, and following authorization obtained in August from the FAS, on November 15, 2007, Enel, through EIH, launched a compulsory public tender offer for the entire share capital of OGK-5. The tender offer regarded approximately 22.2 billion OGK-5 shares (equal to the 62.85% of the Russian company's share capital not already held by Enel) at a price of 4.4275 rubles per share, fully payable in cash. The price was determined as the highest price paid by the offeror for OGK-5 shares over the previous six months. The transaction was financed using existing credit facilities.

On February 11, 2008, at the end of the period in which OGK-5 shareholders could participate in the public tender offer, the number of shares tendered to Enel, acting through EIH, amounted (as verified subsequently) to 8,012,088,702, equal to 22.65% of the share capital of OGK-5.

These shares, along with the 37.15% of OGK-5 already held by EIH before the public tender offer, therefore gave EIH a total holding of 59.80% in the company as of that date. The price offered in the bid was 4.4275 rubles per share, for a total of approximately €993 million. Negotiations were subsequently carried out between EIH and two international financial organizations (the European Bank for Reconstruction and Development and the International Finance Corporation) for the sale to these organizations of a maximum of 7% of the share capital of OGK-5 held by EIH, at a price equal to that paid in the public tender offer for OGK-5 carried out by EIH.

Following these negotiations, on June 25, 2008, EIH sold to the European Bank for Reconstruction and Development a 4.1% minority stake in OGK-5 for approximately €175 million and purchased from some former managers of the company a 0.16% stake. As a result of these transactions, EIH's stake in OGK-5 as of June 30, 2009 was equal to approximately 55.86% and the company was renamed Enel OGK-5.

A shareholders' agreement between EIH and the European Bank for Reconstruction and Development provides the latter with the right to designate a member of the board of directors but it does not provide the European Bank for Reconstruction and Development with veto powers or with put/call options. Such shareholders' agreement imposes on EIH the obligation to maintain control over OGK-5 (50% plus 1 share) for so long as the European Bank for Reconstruction and Development retains a share interest in the Russian company.

Agreements with Eni and Gazprom in Russia

On October 30, 2008, Eni, Enel and Gazprom further developed their existing partnership. More specifically, the parties signed agreements for the development of SeverEnergia and its subsidiaries, as well as an agreement committing Gazprom to take a stake in SeverEnergia, as envisaged in an earlier (2007) agreement. This commitment was executed upon on June 5, 2009, when Enel and Eni signed an agreement with Gazprom for the sale to the latter of a 51% stake in the share capital of SeverEnergia, the company holding the entire share capital of Arctic Gas, Urengoil and Neftegastechnologia, which in turn hold hydrocarbon exploration and production licenses covering oil and gas reserves estimated at 5 billion barrels of oil equivalent (BOE). The transaction was consummated on September 23, 2009 for consideration of approximately $1,600 million, of which Enel is expected to receive $626.5 million. Gazprom has paid the first installment of $384 million (of which Enel received $153.5 million) and is expected to pay the second and final installment by March 2010. Following the transaction, Enel's interest in SeverEnergia was reduced from 40% to 19.6%, while Eni's interest decreased from 60% to 29.4%. As a result of the agreement, SeverEnergia, which employs over 500 people in the offices of Moscow and Novy Urengoy, will become the first Russian-Italian company actively operating in the Yamal Nenets autonomous region in Western Siberia. The region currently produces some 90% of Russian gas. The parties also agreed to start producing gas by June 2011 from the Samburskoye field and to reach a production level of at least 150,000 BOE per day within two years from the start of production. The parties agreed to cooperate on the renewal and updating of licenses as well as on setting the details of the fields' development plan.

The sale of 51% of SeverEnergia to Gazprom extinguished a call option over the same percentage of SeverEnergia's shares that Gazprom had previously been granted. As of the date hereof, none of the SeverEnergia shareholders has any further put or call options vis-à-vis any other shareholder.

Agreement for the sale of Enel Distribuzione's high-voltage network

On December 19, 2008, Enel Distribuzione and Terna signed an agreement for the sale of the entire share capital of ELAT, a wholly owned subsidiary of Enel Distribuzione, to Terna. Effective from January 1, 2009, Enel Distribuzione transferred operations consisting of 18,583 kilometers of high-voltage grid, mainly at 132 kV and 150 kV, and the associated assets and liabilities and other legal relationships to ELAT. The price for the sale was agreed at €1,152 million, which was paid in full at closing on April 1, 2009, and is subject to adjustment on the basis of changes in the shareholders' equity of ELAT between the reference date and the sale date and changes in the tariff revenues recognized by the Authority for Electricity and Gas.

Agreement with EdF for the development of nuclear power in Italy

In the framework of the Italian-French Protocol of Understanding for Energy Cooperation of February 24, 2009, Enel and Electricité de France S.A. (**EdF**) signed a memorandum of understanding that sets the basis for the joint development of nuclear energy in Italy by the two companies. This project will be carried out in parallel with the similar project agreed upon by the same two companies for the joint development of nuclear power plants in France with European Pressurized Reactor (**EPR**) technology. In particular, when the legislative and technical process to enable a return to nuclear power in Italy is complete, Enel and EdF will undertake to develop, build and operate at least four generation units based on EPR technology. The goal is for the first Italian unit to enter commercial service no later than 2020.

Following the approval on July 9, 2009 by the Italian Parliament of a law named "Disposizioni per lo sviluppo e l'internazionalizzazione delle imprese, nonchè in materia di energia" in view of allowing the development of new nuclear power plants in Italy, on July 30, 2009, Enel and EdF entered into a joint venture agreement for the development of the feasibility studies for the construction of the EPR units. The agreement provides for the creation of the joint venture Sviluppo Nucleare Italia S.r.l. (**Sviluppo Nucleare Italia**), which was duly incorporated on July 31, 2009, and sets the two parties' commitments as well as the corporate governance rules. Enel and EdF each hold a 50% stake in the joint venture. Sviluppo Nucleare Italia has a board of directors composed of eight members, four appointed by EdF, including the Chairman and the Vice-Chairman, and four appointed by Enel, including the Chief Executive Officer. Sviluppo Nucleare Italia is responsible for preparing all documentation necessary to allow Enel and EdF to make a positive or negative final decision on the feasibility studies. Subsequently, once the studies have been completed and the necessary investment decisions taken, individual companies will be created to build, own and operate each of the EPR units. Each EPR plant will feature: (i) a majority stake for Enel in the ownership of the plant and electricity withdrawal rights; (ii) Enel leadership in plant operation; and (iii) the opening of ownership to third parties, with Enel and EdF retaining majority control. As far as concerns the parallel program for the joint development of nuclear power in France (as agreed between Enel and EdF in November 2007), Enel has a 12.5% interest in the EPR reactor being constructed at Flamanville, in Normandy. The participation agreement for the Flamanville project confers upon Enel: (i) the right to have access to a corresponding quota of the plant's generation capacity for the purpose of reselling the produced energy on the French market; (ii) prior to the commencement of operations at the plant in 2013, the right to purchase capacity produced by other EdF nuclear plants—equal to 200 MW in 2006 and increasing by 200 MW per year until reaching 1,200 MW in 2012—at the cost of production of a nuclear plant; and (iii) the option to have the possibility to participate—on the same above-mentioned conditions—in the building of five other nuclear plants in France.

With reference to investments that this agreement implies, Enel's anticipated total investment in the construction phase is equal to approximately €500 million. Enel is also responsible for its pro quota share of operating costs.

On the same date as the signing of the Italian-French Protocol of Understanding for Energy Cooperation (February 24, 2009), in a second memorandum of understanding, Enel expressed its willingness to participate in the construction of the nuclear plant at Penly—recently authorized by the French government—on the same terms as its participation in the Flamanville plant.

Disposal of 80% stake in Enel Rete Gas

Enel entered into an agreement on May 29, 2009 (subsequently amended on September 25, 2009) to sell 80% of the share capital of Enel Rete Gas to F2i SGR S.p.A. and AXA Private Equity, for €515.7 million. The terms of the agreement establish that the price for the sale will be financed with €370.7 million of the buyers' own funds and a vendor loan granted by Enel to the buyers in the amount of €145 million, bearing an annual interest rate of 8.25% and maturing in 2017. The transaction closed on September 30, 2009.

Litigation

In the ordinary course of its business the Group is subject to various civil and administrative proceedings, as well as certain arbitral and criminal proceedings.

Enel records provisions in its consolidated balance sheet to cover contingent litigation-related liabilities whenever Enel's internal and external counsel advise it that an adverse outcome is likely in a given litigation and a reasonable estimate of the amount of the loss can be made. As of June 30, 2009, such provisions amounted to €711 million, of which €333 million consisted of Endesa's provisions. The foregoing amount does not include €64 million of allowances made in respect of the property tax litigation described under "—Municipal property tax issues" below. For a discussion of other significant provisions for contingent liabilities (unrelated to litigation), see Note 39 to the Group's audited financial statements as of and for the year ended December 31, 2008 and Note 36 to the Group's unaudited condensed interim consolidated financial statements as of and for the six months ended June 30, 2009.

Enel does not believe that any active or pending litigation is likely to have a material adverse effect on the financial condition or results of operations of the Group. See "Risk Factors—Risks Related to the Enel Group—Enel is subject to a large variety of litigation and regulatory proceedings and cannot offer assurances regarding the outcomes of any particular legal proceedings."

The following is a discussion of the principal proceedings to which the Group is subject.

Environmental litigation

Litigation against the Group regarding environmental issues primarily concerns the installation and operation of power lines and other equipment of Enel Distribuzione, which succeeded Enel in the related distribution activities. Enel Distribuzione has been involved in a number of civil and administrative suits—including claims for interim relief—seeking the precautionary transfer or modification of power lines by persons living near them on the basis of their alleged potential to cause harm, despite the fact of their having been installed in compliance with all applicable regulations. In a number of proceedings, claims for damages for harm allegedly caused by electromagnetic fields have been lodged. The outcome of litigation on these issues has generally been favorable to the Company. In this regard, in a decision of the Court of Castrovillari and an order of the Court of Venice, it has been ruled that compliance with the statutory limits on exposure to electrical and magnetic fields ensures, as supported by the most authoritative studies in the field and evidence arising at the European level, does not jeopardize health.

There have been sporadic adverse precautionary rulings, which have all been appealed. At present there are no final adverse rulings regarding Group companies. Nonetheless, in August 2008, Italy's Supreme Court (Corte di Cassazione) issued a ruling concerning a 380 kW power line (Forlí-Fano) no longer owned by Enel, in which the court, contrary to current scientific knowledge in this area, accepted the existence of a causal relationship between the headaches suffered by a number of parties and exposure to electromagnetic fields.

No damages for physical harm have ever been granted against the Group, although a recent (February 2008) ruling, which has been appealed, found that harm had been caused by the "stress" associated with living near power lines and the fear of possible health problems. There have also been a number of proceedings concerning electromagnetic fields generated by medium- and low-voltage transformer substations within buildings, in which the equipment, according to the Company's technical staff, has always been in compliance with induction limits set by current regulations. Two recent rulings confirmed that compliance with the applicable regulations is a sufficient guarantee of protection from harm.

The situation concerning this type of litigation has evolved following the entry into force of the framework law on electromagnetic emissions (Law No. 36 of February 22, 2001) and the related implementing regulations (the Prime Minister's Decree of July 8, 2003) for power lines. The new regulations seek to harmonize rules at the national level. The new regulations also introduce (subject to the issuance of a specific decree by the Prime Minister) a ten-year program as from the entry into force of Law No. 36/2001 for the environmental upgrading of the entire national network to comply with new exposure limits. They also envisage the possibility of owners of power lines and substations recovering, in part or in full, related costs incurred by the owners through electricity rates, in accordance with criteria to be set by the Authority for Electricity and Gas, pursuant to Law No. 481/95, as they would represent costs incurred in the public interest. At present, the Prime Minister has not issued the decree setting the criteria for the upgrading and restructuring of power lines (as required by Article 4(4) of Law No. 36/2001), but a decree of the Ministry for the Environment's Director General for Environmental Protection of May 29, 2008 approved procedures for measuring and assessing magnetic induction, pursuant to Article 5(2) of the decree of July 8, 2003, and another decree issued by the same ministry on May 29, 2008 approved the calculation methods for determining the distance restrictions for power lines, pursuant to Article 4(1h) of Law No. 36/2001.

A number of urban planning and environmental disputes regarding the construction and operation of certain power plants and transmission and distribution lines are pending. Based on an analysis of individual cases, Enel believes the possibility of adverse rulings is remote. For a limited number of cases, an unfavorable outcome cannot be ruled out completely, however. The consequences of unfavorable judgments could, in addition to the possible payment of damages, also include the costs related to work required to modify electrical equipment and the temporary unavailability of plants. At present such charges cannot be reliably quantified and are therefore not included in the "provision for litigation, risks and other charges" in the Group's balance sheet.

Criminal proceedings relating to air pollution caused by the Porto Tolle thermoelectric plant

The Court of Adria, in a ruling issued March 31, 2006 concluding criminal proceedings begun in 2005, convicted former directors and employees of Enel for a number of incidents of air pollution caused by emissions from the Porto Tolle thermoelectric plant. The decision, which was provisionally enforceable, held the defendants and Enel (as a civilly liable party) jointly liable for the payment of damages for harm to multiple parties, both natural persons and local authorities. Damages for a number of mainly private parties were set at €367,000. The calculation of the amount of damages owed to certain public entities (the regions of Veneto and Emilia Romagna, the province of Rovigo and various municipalities) was postponed to a subsequent civil trial, although a "provisional award" of approximately €2.5 million was immediately due and paid.

In the criminal proceeding, an appeal was lodged against the ruling of the Court of Adria by the Company and its employees and former directors. On March 12, 2009, the Court of Appeal of Venice partially amended the lower court's sentence, absolving the former directors of Enel of responsibility, due to their not having committed the relevant acts. Finding flaws in the lower court's environmental damage findings, it also halved the compensation to private parties and revoked the provisional award. Former employees, however, have been fined for minor criminal offenses. The General Prosecutor of Venice appealed the Court of Appeal's sentence to the Supreme Court (Corte di Cassazione).

Litigation connected with the blackout of September 28, 2003

With regard to a blackout that occurred on September 28, 2003, Enel Distribuzione received numerous letters (most drafted on the basis of standardized forms prepared by consumer associations) containing requests for automatic lump-sum indemnities (€25.82 each), allegedly due under the Electricity Service Charter and resolutions of the Authority for Electricity and Gas, in addition to further damages to be quantified by clients with a view to possible legal action.

Currently about 90,000 related proceedings are pending against Enel Distribuzione, individually for small amounts (mainly before justices of the peace in the regions of Calabria, Campania and Basilicata). The proceedings are aimed at requesting damages and in limited cases for automatic lump-sum indemnities.

Enel Distribuzione has challenged these requests with the following arguments: First, neither the Authority for Electricity and Gas resolutions nor the Electricity Service Charter (whose reference legislation has been repealed) provide for automatic lump-sum indemnities in the case of an interruption of supply, as specified by the Authority for Electricity and Gas in a press release. Second, in relation to both the manner and extent of the blackout, the electricity supply interruption of September 28, 2003 was an unexpected and unforeseeable event beyond the control of the relevant Group companies, for which they cannot therefore be held liable. At the end of 2008 more than 84,000 rulings had been issued by justices of the peace, with a majority finding in favor of the plaintiffs. The appellate courts have nearly all found in favor of Enel Distribuzione, based upon both the lack of proof of the losses claimed and the recognition that the Group was not involved in causing the event. The few adverse appellate rulings against Enel Distribuzione have been appealed to the Supreme Court (Corte di Cassazione). On July 23, 2009, the Supreme Court issued three Ordinances (No. 17.282, 17.283 and 17.284) directly rejecting the relevant clients' claims and fully adopting the contents of Enel Distribuzione's appeal. In particular, the Supreme Court described Enel Distribuzione's appeal as clearly well-founded, stating that no responsibilities can be attributed to Enel Distribuzione in relation to the blackout on the basis that Enel Distribuzione is not responsible for activities other than those of its role as electricity distributor within the relevant legal framework.

At the same time, action has been taken to obtain reimbursement from insurance companies for the amounts paid as a result of adverse judgments. In response to complaints from the insurance companies, in May 2008 Enel brought a suit to ascertain its right to reimbursement of amounts paid in settlement of unfavorable rulings. No provisions have been recorded by the Group.

Municipal property tax issues

Article 1-quinquies of Legislative Decree No. 44 of March 31, 2005 states that Article 4 of Royal Decree No. 652 of April 13, 1939 (governing land registries) shall be interpreted, with regard to power plants alone, such that buildings and permanent constructions, as well as those parts that are structurally attached to them, even temporarily, which may be joined by any means of connection with movable parts for the purpose of creating a single complex asset, all consist of part of the land. Enel has objected to this Article 1-quinquinies of Legislative Decree No. 44, especially with respect to the inclusion of turbines, and has commenced litigation. Enel and others have raised issues concerning the constitutionality of the decree.

Seeking clarity, the Regional Tax Commission of Emilia Romagna, in Ordinance No. 16/13/06 (filed on July 13, 2006), referred the issue of the constitutionality of Article 1-quinquinies of Legislative Decree No. 44 to the Italian Constitutional Court.

On May 20, 2008, the Constitutional Court, in Judgment No. 162/08, ruled that the issues regarding the constitutionality of the decree raised by Enel and others, and referred to the Constitutional Court by the Regional Tax Commission of Emilia Romagna, had no foundation and, therefore, confirmed the legitimacy of the interpretation. The Group expects the effects of this to be as follows: (i) the inclusion of the value of turbines in land registry values; (ii) the power for local land registry offices to modify taxes from past years retroactively; and (iii) the probable limitation of the retroactive effects of Article 1-quinquinies to certain power plants that to date have been the subject of comments by the land registry offices. The Group notes that, to date, no valuation criterion has been introduced for movable assets considered relevant for the determination of land registry values either with regard to the valuation method or the effective identification of the object of the valuation, and the above ruling does not appear to provide any guidance on this issue.

Accordingly, with regard to pending litigation, Enel Produzione and Enel Green Power shall continue to pursue the case to request a substantial reduction of the values originally assigned by the land registry offices to the removable parts of their plants. They have, however, allocated what they believe to be an adequate amount to the "provisions for litigation, risks and charges" to cover fully the potential charges that would result from an unfavorable outcome, including the information that has emerged from new assessments. At the same time, they do not feel that further provisions are necessary to take into account possible retroactive application of the rule to other plants, which to date have not been the subject of comments by the land registry offices. In any event, such plants are primarily small in size.

With respect to the specific criteria used to assess the risk of a potential unfavorable outcome in pending property tax litigation, Enel takes into account all of the amounts contained in each of the assessments delivered to the relevant Group companies, as well as properties susceptible to similar disputes. As of June 30, 2009, the total amount set aside for Enel Produzione was equal to €54.3 million and the corresponding amount for Enel Green Power was equal to €9.1 million.

Inquiries by the Milan Public Prosecutor's Office and the State Audit Court

In February 2003, the Milan Public Prosecutor's Office initiated a criminal investigation of former top managers of Enelpower S.p.A. (**Enelpower**) and other individuals for alleged offences to the detriment of Enelpower and payments made by contractors to receive certain contracts. On January 16, 2008, a preliminary hearing was held, following which the magistrate responsible for preliminary inquiries granted the request of Enel, Enelpower and Enel Produzione to be recognized as injured parties. On April 27, 2008, the preliminary investigatory judge in the case accepted a plea bargain in respect of some of the parties concerned; however the ex-managers of Enelpower will go to trial. The initial trial date has been set as January 12, 2010.

Implementing the resolutions of the boards of Enel, Enelpower and Enel Produzione, legal action was also taken against the suppliers involved, which led to settlements with Siemens and Alstom, and most recently the agent Emirates Holdings.

On the basis of information that emerged during the criminal proceedings, the public prosecutor of the State Audit Court sued the former chief executive officer and another former executive of Enelpower, in addition to the former chairman of Enel Produzione, citing them for possible administrative liability in relation to losses caused to the tax authorities. Enel, Enelpower and Enel Produzione deposited an instrument in support of the request of the public prosecutor. In a ruling of February 22, 2006, the State Audit Court, found that the former directors and managers cited in the suit were liable. The court also awarded special damages of approximately €14 million to Enelpower. The ruling was appealed by the State Audit Court—Lombardy Section and the former directors and managers. On December 3, 2008, the Central Jurisdictional Appeals Section of the Rome State Audit Court issued ruling No. 532/2008, which restates part of the first ruling and fines the former directors and managers a total of approximately €22 million. The ruling also confirmed the seizure of assets of the appellants ordered by the regional public prosecutor and sentenced them to pay court costs for both proceedings. In February 2009, the ruling was appealed to the Supreme Court (Corte di Cassazione) by the former chairman of Enel Produzione. In addition, in parallel with the above proceeding, Enelpower and Enel Produzione initiated a revocatory action against the claimants in respect of the former Enel Produzione chairman and the former chief executive officer and other former executive of Enelpower, obtaining a court ruling on the invalidity of a number of asset disposals they had approved. Finally, following the enforcement proceedings undertaken against the former directors and managers, more than €300,000 has been recovered.

Litigation concerning bill payment procedures

On March 21, 2007, the Authority for Electricity and Gas published Resolution No. 66/07 which—following an investigation begun in 2006—imposed a fine of €11.7 million on Enel Distribuzione for alleged violation of the provisions of a previous resolution (No. 55/2000) which required the company to indicate in its invoices for electricity consumption the no-additional-cost payment method as one of the payment methods available to clients. Enel appealed the ruling to the Lombardy Regional Administrative Court requesting that the resolution and the fine imposed be voided, arguing that they were illegal in a number of respects and the amount of the fine imposed was not proportionate. On October 30, 2007, Enel Distribuzione paid the fine, reserving all rights to obtain restitution following the outcome of the appeal pending before the court and in no way acknowledging any liability. On January 29, 2008, a first hearing of the appeal was held, and the Lombardy Regional Administrative Court ruled in Enel's favor, finding that there was no requirement to publish information on free payment options in invoices and validating Enel's conduct. In execution of the ruling, Enel requested restitution of the fine paid. The Authority for Electricity and Gas appealed the ruling to the Council of State; the date of the hearing has not yet been set. In the meantime, however, an increasing number of cases have been brought by clients before justices of the peace seeking compensation for alleged (minimal) damages (there are currently more than 30,000 disputes pending). The majority of rulings issued to date have found in favor of the plaintiffs. The Group's overall exposure connected with this litigation is approximately €20 million.

Inepar litigation

The arbitration panel called upon to decide on the request advanced by Inepar Energia, Inepar Administração Participações and Inepar Industria e Costruções for damages from Enelpower for losses that the latter is alleged to have caused to the above Brazilian companies for breach of an agreement concerning a number of projects to be pursued in Brazil was convened at the Arbitration Chamber of Paris. The damages requested, originally about $114 million in unspecified losses, were subsequently increased and specified by Inepar Energia and Inepar Industria e

Construções, which asked for Enelpower to pay $427 million (of which $10 million was for breach of contract and $417 million represented damages). Enelpower, in firmly rejecting the claim, offered its defense and filed a counterclaim for reimbursement of costs already incurred in respect of the agreement and damages for the harm caused to its image. The arbitration panel issued a decision rejecting all the claims made by the plaintiffs, as well as Enelpower. The board has also ordered the plaintiffs, severally, to pay to Enelpower defense costs of $805,086.52.

WISCO litigation

Enel.NewHydro S.r.l. (**NewHydro**) has initiated an arbitration proceeding against Trenitalia S.p.A. (**Trenitalia**) in relation to its investment in Water & Industrial Services Company W.I.S.C.O. S.p.A. (**WISCO**) and the corresponding agreement (entered into by Enel.Hydro S.p.A., which was succeeded by NewHydro following a spin-off) with Trenitalia on December 23, 2003.

The agreement covered the transfer by Trenitalia to NewHydro of a 51% share of WISCO's share capital and ascribed responsibility for the management of WISCO to NewHydro, making the latter responsible for the designation of the company's chief executive officer. It also provides for a put option for Trenitalia to sell its remaining 49% in WISCO to NewHydro, exercisable in whole or in part between April 1 and May 31 of each of 2007, 2008 and 2009, at a minimum exercise price of €17.5 million for the 49% interest.

NewHydro has requested verification of the failed implementation of the project to develop WISCO, which was involved in the conversion, on behalf of third parties, of some waste treatment plants through appropriate, authorized procedures envisaged in the agreement, with the consequent voidance of the contract and of the acquisition of 51% of WISCO from Trenitalia (for €15 million), as well as the nullification of the put option for the sale (to NewHydro) of Trenitalia's remaining 49% stake in WISCO. Trenitalia has asked that the claim be rejected and that the agreements be binding on NewHydro, and has also requested confirmation of its exercise of the put option on May 22, 2007, at a price of €17.5 million. Trenitalia has moreover requested damages for any substantiated losses.

Litigation concerning certain power line construction agreements

Beginning in 1997, certain companies that had contracted to construct lines for the distribution of electric power for the Group filed civil suits against Enel Distribuzione, complaining about the abuse of its alleged dominant position in the market for electric power distribution, and seeking to obtain increases to contract prices, as well as declarations of nullity in respect of certain contract clauses that they alleged were unlawful. The first three judgments in these cases rejected the claims raised by the respective plaintiffs for reasons relating to the jurisdiction of the courts. (Previously, in 1995, the AGCM, in connection with similar claims raised by certain contractors, had held that Enel Group was not responsible for any abuse of any dominant position, as no relevant market existed in the field of construction of infrastructure for the transport of electric power.)

As of today, only the Court of Appeals of Bari has rendered a judgment on the merits in respect of claims raised by contractors. With a judgment deposited on August 9, 2005, the court rejected the claims raised by the particular contractors, based on the above-mentioned decision of the AGCM—with the reasoning of which independent experts of appointed by the court concurred.

The contractors appealed the judgment before the Supreme Court (Corte di Cassazione), which, through Judgment No. 3638 of February 13, 2009, vacated the judgment of the Court of Appeals of Bari and remanded the case to such court. In short, according to the Supreme Court, the definition of the relevant market used by the court of appeals was not adequate. Hence, the court of appeals must redefine the relevant market, clarifying its extension, both geographical and in terms of products. Then, the court of appeals must determine the Group's share of such market and, finally, whether the Group has a dominant position or not. Depending on such finding, the court of appeals must determine whether the contract terms and conditions were unfair or detrimental to the contractors. The overall value of the currently pending litigation against the Enel Group is approximately €100 million.

Italian antitrust proceeding

On October 2, 2008, the Italian Competition Authority (the **ICA**) began proceedings for abuse of dominant position against Enel Distribuzione, Enel Servizio Elettrico and Enel, claiming that the two Group companies involved in the provision of last resort services from July 2007 to April 2008 impeded the entrance of a competitor (Exergia S.p.A.) into this market. According to Exergia S.p.A., the information provided by the Enel companies was incorrect, incomplete and, in a number of cases, provided late. Enel Distribuzione, Enel Servizio Elettrico and Enel submitted commitments to the ICA in order to close the proceeding without a finding of any infraction. In July 2009, the ICA published on its website a notice to market test these commitments. The proceedings are scheduled to be completed by December 31, 2009.

Contingent liabilities of Endesa

The following are the principal proceedings to which Endesa is subject:

- In 2002, EdF International submitted a request for arbitration to the International Court of Arbitration of the International Chamber of Commerce in relation to a claim against Endesa Internacional (now Endesa Latinoamérica), Repsol and YPF. The claim against Endesa is for \$256 million (plus interest) 141 and the claim against Repsol and YPF is for \$69 million (plus interest). The request was contested by Endesa Latinoamérica, Repsol and YPF, and Endesa Latinoamérica and YPF also submitted counterclaims for \$58 million and \$14 million, respectively. The dispute originated with the sale to EdF International of the equity investments held by Endesa Latinoamérica and YPF in the Argentine companies Easa and Edelnor. On October 22, 2007, the court ruled that Endesa Latinoamérica should pay approximately \$100 million (plus interest); both parties have appealed the ruling. In April 2008, Endesa Latinoamérica and YPF obtained a ruling from the ordinary Argentine courts suspending the effects of EdF International's claim. In August 2009, the ordinary Argentine Courts notified both parties of their respective appeals and on September 7, 2009, Endesa responded to EdF's appeal.
- There are three pending legal proceedings under way against Endesa Distribución Eléctrica, concerning certain forest fires that occurred in Catalonia, in the areas of Gargallà (1994), Castellbisbal (1994) and Aguillar de Segarra (1998), which may give rise to liabilities for damages totaling €44 million. In addition, in a separate administrative proceeding, the Generalitat de Catalunya has fined the above-mentioned company €10 million for the service interruptions that occurred in Barcelona on July 23, 2007. Endesa Distribución Eléctrica has appealed such ruling. On April 8, 2009 the Tribunal Superior de Justicia of Catalonia temporarily suspended the effects of the ruling.
- Endesa's Brazilian subsidiary, Ampla Energía e Servicios, S.A. (**Ampla**), was awarded a favorable judgment in connection with a claim filed against the Brazilian Government; in the decision it was ruled that Ampla should be exempt from the "social security funding contribution," a tax on revenues from electricity sales. The competent appellate court sustained such ruling, declaring it final. However the Brazilian government filed an "Açaõ Rescisória" seeking to void the ruling. The Açaõ Rescisória is a special proceeding aimed at reviewing a final judgment. The amount at issue in the litigation is approximately €145 million.
- In 2005, the Brazilian tax authority served Ampla with a rates-return form (liquidazione tributaria) in the amount of €250 million. Such rates-return form has been contested. The Brazilian tax authority believes that a special tax standard, exempting from taxation in Brazil the interests gained by the underwriters of fixed-rate notes issued by Ampla in 1998, is not

applicable. On December 6, 2007, in the second instance of an administrative proceeding, Ampla obtained a favorable judgment against which the Brazilian Hacienda Publica filed a special claim with the High Court of Tax Claims that is still pending.

- On July 30, 2007, Iberdrola requested an indemnity of approximately €144 million from Endesa for alleged non-pecuniary damage and loss of prestige following the suspension of a public tender offer initiated by Gas Natural in 2005 and the agreement between Gas Natural and Iberdrola concerning the division between those companies of assets acquired by Endesa.
- On May 8, 2008, the court issued its ruling in Endesa's appeal against the sentence of the Audiencia Nacional voiding the order of the Spanish Minister of Industry of October 29, 2002 governing costs regarding the transition to competition in 2001. The court ruled against Endesa, upholding the decision of the Audiencia Nacional. The ruling is not expected to have a significant impact on the company's earnings.
- On September 18, 2008, the Spanish Ministry of Industry, Tourism and Trade issued a resolution in which it undertook to initiate a disciplinary proceeding against Endesa Generación for the release of radioactive particles at the Asco I nuclear power plant as a result of the accidental contamination of the plant's ventilation system (with no harm to persons or property). The alleged violations (four major, two minor), defined by Law 25/1964, carry total penalties of €15 million. Endesa Generació has challenged these penalties.
- The National Energy Commission has initiated an infraction proceeding against Endesa Generación for alleged anticompetitive practices regarding the rules governing the electricity generation market, as the company ceased generation between November 12 and 17, 2008. The maximum fine is €6 million.
- In March 2009, the company Josel SL filed suit against Endesa Distribución Eléctrica claiming the termination of the sale and purchase agreement for certain real estate due to the change of their cadastral class (categoria urbanistica). The plaintiff claimed the repayment of €85.2 million plus interest. On April 3, 2009, Endesa Distribución Eléctrica filed an answer to oppose Josel SL's termination claim.
- On May 19, 2009 the municipality of Granadilla de Abona imposed a pecuniary fine of €72 million on Endesa relating to the construction of the combined-cycle power plant at Granadilla (Central Generadora de Ciclo Combinado 2) without having received some of the legal permits. Endesa has filed an appeal against the order and has obtained a temporary suspension of the fine.
- Through its resolution dated April 2, 2009 the Comision Nacional de Competencia (Spanish antitrust authority) imposed a fine of €15.3 million on Endesa Distribución Eléctrica for the breach of Article 6 of the Ley de Defensa de la Competencia (Law for the Protection of Competition) and Article 82 of the European Union Treaty. Such breach allegedly consists of the abuse of its dominant position to obstruct access to the "SIPS" system (Sistema de Información de Puntos de Suministro), created pursuant to Royal Decree 1535/2002, by the energy marketing company Centrica Energía, S.L. and having transferred clients' commercial data to the marketing company of its own group, Endesa Energia SA. Pursuant to an appeal filed by Endesa Distribución Eléctrica before the judicial courts, the Comision Nacional de Competencia suspended the order on May 27, 2009 pending a final decision of the judicial courts.
- In 2005, an arbitral tribunal was constituted at the Mediation and Arbitration Chamber of the "Fundación Getúlio Vargas" of Río de Janeiro upon the request of Enertrade Comercializadora de Energia S.A. The latter filed a suit against the Brazilian subsidiary of Endesa Latinoamérica, Ampla, regarding the interpretation of an energy supply agreement. On March 19, 2009, the arbitral tribunal issued its award finding that Endesa's subsidiary must pay the amount claimed by the plaintiff plus interest, and upholding the termination of the agreement. The

financial impact of such decision is approximately 72.6 million Brazilian reais (approximately €25.6 million at current exchange rates). Possible legal actions against the arbitral award are currently being evaluated.

- Endesa Generación is currently engaged in arbitration proceedings with a seller under a long-term LNG sale and purchase agreement. The dispute relates to a price review and an award is not expected until 2010. In the event that the award is against Endesa Generación, that company could be exposed to liability in the form of adjustments to the price of the LNG already delivered, as well as an adjustment to the price of future deliveries. It is not possible at this time to indicate with precision the overall potential liability.

- On June 24, 2009, the Directorate of Investigation of the Comision Nacional de Competencia (Spanish antitrust authority) initiated proceedings against several distribution companies, including Endesa, for a possible violations of antitrust laws in the supply of electricity. The proceedings regard an allegedly collusive agreement that, according to the Comision Nacional de Competencia, was designed to prevent, restrict or distort competition in the domestic market for supply of electricity. The case seeks to analyze the presence or absence of illegal agreements between the various distribution companies or practices that allegedly would have delayed the process to change supplier. At this stage in the proceeding it is not clear what the amount of an eventual sanction could be.

- On September 9, 2009, the co-shareholder of Endesa Desarollo in Endesa Hellas filed an arbitration alleging that Endesa Desarollo violated the shareholders' agreement and asking, as a remedy, to be permitted to acquire Endesa Desarrollo's stake in Endesa Hellas at the market price discounted by 17%. Endesa is now preparing its defence and counterclaim in which it asks that either the claiming party acquire the stake for €205 million, or Endesa Desarollo be allowed to acquire the claiming party's stake at the market value, discounted by 17%.

Employees

As of June 30, 2009, the Group's employees totaled 83,749, of which 39,594 were employed in Italy and 44,155 were employed abroad (including all of Endesa's employees as of such period end). The following table illustrates the evolution of the overall number of staff employed by the Group over the past three years, specifically indicating whether they were employed in Italy or abroad.

As of	Total employees	Employees in Italy[(1)]	Employees abroad[(1)]
June 30, 2009[(2)]	**83,749**	39,594	44,155
December 31, 2008	**75,981**	40,327	35,654
December 31, 2007	**73,500**	41,594	31,906
December 31, 2006	**58,548**	44,590	13,958

(1) Employees of foreign offices of Italian Group companies are included under "Employees Abroad."

(2) The increase in the number of employees as of June 30, 2009 reflects the inclusion of 100% of Endesa's employees.

The following table illustrates the distribution of employees by category, for those employed by the Group in Italy, as of June 30, 2009 and December 31, 2008, 2007 and 2006.

Position	June 30, 2009	December 31, 2008	December 31, 2007	December 31, 2006
Executives	518	489	476	465
Supervisors	3,952	3,977	3,762	3,714
Staff	23,008	23,410	24,073	25,859
Workers	12,116	12,451	13,283	14,552
Total	**39,594**	**40,327**	**41,594**	**44,590**

The following table illustrates the distribution of employees by category, for those employed by the Group abroad, as of June 30, 2009 and December 31, 2008, 2007 and 2006.

Position	June 30, 2009	December 31, 2008	December 31, 2007	December 31, 2006
Executives	866	650	593	226
Supervisors	4,737	3,513	2,807	1,186
Staff	26,788	20,119	19,529	4,681
Workers.	11,764	11,372	8,977	7,865
Total	**44,155**	**35,654**	**31,906**	**13,958**

The amount of the liability entered in the Group's consolidated financial statements for severance indemnities and other similar obligations related to employees was equal to €3,184 million as of June 30, 2009.

Research and development activities of the Group

The Group's research and development activities are structured through a network of research centers, laboratories and experimental stations. In Italy, the Group has long-standing experience in the electricity sector, and has, for decades, undertaken research to further the technological development of electricity transmission networks, among other things.

The research carried out by the Group has a marked experimental aspect to it. Technologies, processes and systems are first studied at the laboratory level and subsequently tested in experimental plants, at the prototype level, before finally being used in industrial applications in working plants. The entire development process is supported by specialized mathematical modeling.

The aim of the Group's research is to improve the competitiveness of its business through the development of new technologies that allow the production of clean, low-cost energy; to optimize productive processes; and to increase the efficiency of plants, with the ultimate goal of increasing the competitiveness of the Group's business, as well as the well-being of the communities in which the Group operates and the natural environment.

Recent research and development activities

During 2008, as in recent years, the Enel Group pursued activities aimed at the development and demonstration of innovative technologies in the fields of: (i) carbon capture and sequestration (CCS); (ii) the generation of electricity from renewable resources; (iii) the use of hydrogen as an energy source; (iv) the distributed generation electricity; (v) emissions containment; and (vi) energy efficiency, all with the aim of increasing the Group's competitiveness and its technological and environmental leadership. Enel has committed approximately €650 million for the development of projects in these areas over the next five years. Research-related expenses amounted to €35.5 million in 2008, as compared to €29.0 million in 2007, while capitalized costs related to the Group's research increased from €6.6 million in 2007 to €31.8 million in 2008.

Further technical details regarding Enel's recent research follow:

- *Carbon capture and sequestration:* With respect to post-combustion capture of CO_2, the Group's initial laboratory tests are reaching their conclusion and a pilot project at the Federico II power station in Brindisi will commence shortly. The pilot plant, one of the first of its size in the world, will permit Enel to reinforce its know-how regarding the capture of CO_2 with a view to constructing a demonstration plant on an industrial scale. Enel's commitment to reduce CO_2 does not end, however, with its research into post combustion-capture technology, but rather includes a strong focus on experimental research in the area of "oxy-combustion." The Livorno experimental plant has been developed to carry out tests for combustion of carbon into oxygen at atmospheric pressure, as part of the planning for a 48 MW pilot plant at the Brindisi power station. With respect to the geological-storage component of CCS technology, and with the aim of developing an industrial-scale solution to CO_2, Enel is engaged in research to study potential offshore storage sites in the Adriatic and elsewhere.

- *Generation of electricity from renewable resources:* With respect to solar thermodynamic generation, the Group has begun construction on its Progetto Archimede. This project foresees the realization of an innovative solar thermodynamic plant with linear parabolic collectors (5 MW) with molted salt technology developed by ENEA. The Group hopes that this avant-guard technology (this is the first demonstration plant in the world) will lead to an increase in plant efficiency, and thus productivity. Enel is also conducting research on innovative photovoltaic technologies and has developed a solar laboratory in Catania, with latest-generation technology, which may allow the application of innovative photovoltaic systems on a vast scale and should assist the development of new technologies with greater conversion yields and contained costs. In addition to solar energy, Enel is conducting research regarding geothermal energy-generation at its experimental site in Livorno (involving a high-efficiency 500 kW prototype generator) and research regarding electricity generation from biomass and waste products. With respect to the latter, the Group has begun testing the co-combustion of biomass and coal (5% biomasses, 95% coal) at Unit 4 of the power station at Fusina; this activity will permit the study of the behavior of a traditional power station when it is powered by fuels from biomass for the production of renewable energy. Enel has, furthermore, completed a demonstration project, called the “Energy Farm,” which tested innovative technologies for the conversion of different types of biomass into electric and thermal energy, and for the production of bio-fuels.
- *Hydrogen:* The first ignition of a hydrogen-methane mixture at a new hydrogen demonstration-plant at Fusina is foreseen for mid-2009. The plant (12 MW), which has been designed to be powered with pure hydrogen (originating from the petrochemical area of Marghera) or with hydrogen-methane mixtures in varying ratios, is the first example of its kind in the world.
- *Distributed generation of electricity:* Simulations of active channels (smart grids) are being undertaken as part of the “ADDRESS Project,” which foresees the definition of a new infrastructure with the inclusion of new network, generation and compensation systems. Particularly critical scenarios will be simulated and pilot tests will also be carried out in several European countries.
- *Emissions containment:* Activities related to the development of technologies for the control of emissions are ongoing. In particular: (i) as regards mercury, testing has been carried out on a pilot circuit at La Spezia and the first trials of the electro-catalytic oxidation process have been conducted in Livorno at a small-scale plant, while laboratory testing on mercury absorption in a “DeSOx system” has been launched; (ii) as regards atmospheric particulate matter, a study is under way for the adjustment of an integrated method for the evaluation of the contribution of carbon power stations to the concentration of such matter in neighboring areas; and (iii) as regards the improvement of the environmental performance of geothermal plants, the qualification of the process of depression of hydrochloric acid in overheated vapors through the dry-injection of sodium bicarbonate has been completed successfully. Furthermore, Enel has launched a project to promote the environmental and technical exploitation of residues produced by the process of clean combustion of carbon through their full re-use as construction products.
- *Energy efficiency:* Enel actively takes part in international projects (e.g. COMTES 700) for the study of optimized components for high-efficiency coal plants. In a few years’ time, with the development of technologies that may allow increases in the temperatures and pressures used in coal plants, it may be possible to create plants with more than 50% efficiency.

During 2008, Enel signed an agreement with Daimler-Mercedes for the realization, during 2010, of a pilot project in which Smart will provide final clients with 100 electric cars, while Enel will develop an infrastructure and the recharging system for them, with at least 400 dedicated sites. The project brings together the specific competencies of two business entities, with the aim of bringing about sustainable and eco-compatible mobility in urban settings.

Intellectual property

Enel holds numerous trademarks and patents, which it deems of considerable importance in carrying out its activities and those of the Group, among which are the trademarks in relation to the name "Enel" and its tree symbol, as well as certain patents for technologies for the improvement of fuel, from both an energy and an environmental standpoint.

Enel Distribuzione holds some patents and copyrights on the so-called "Telegestore" system, for remote management and reading of electric consumption through electronic meters and concentrators. The various trademarks, patents and copyrights are registered in Italy, the European Union and/or non-European countries. Some of the trademarks are licensed for use to the companies of the Group and at times sub-licensed to third parties, such as franchisees.

To protect its brands and intellectual property rights, Enel relies on both the registration of exclusivity rights, in accordance with the rules of various countries, as well as proceedings before competent authorities, when necessary, to protect its rights.

In the ordinary course of its business, the Group makes use of non-disclosure agreements to protect its know-how, as well as other technical or classified commercial information, both of the Group and of third parties.

Regulation

Italian regulation

Overview of regulation of the energy sector in Italy

The Ministry of Economic Development (**Ministry of Economic Development** or **MED**) and the Authority for Electricity and Gas share responsibility for overall supervision and regulation of the Italian energy sector, comprising both electricity and gas. The MED is responsible for establishing the strategic guidelines for the energy sector and for ensuring the safety and economic soundness of the electricity and gas sectors.

The Authority for Electricity and Gas is responsible for:

- setting and adjusting tariffs on the basis of general criteria established by law;
- advising the MED on the structuring and administration of licensing and authorization regimes for the energy sector;
- ensuring the quality of services provided to clients;
- overseeing the separation of utility companies into distinct units for accounting and management purposes;
- promoting competition; and
- protecting the interests of consumers, including the authority to mediate disputes between utilities and consumers, and impose sanctions for violations of regulations.

In addition to regulation by the Authority for Electricity and Gas, the Italian antitrust authority (the AGCM) also plays an active role in the energy market in ensuring competition between suppliers and protecting the rights of clients to choose their providers.

The third energy package

The European Union is active in energy regulation by means of its legislative powers, as well as investigations and other actions by the European Commission. In this regard, the European institutions have recently adopted the so-called "third energy package," which includes two directives and three regulations aimed at completing the liberalization of both electricity and gas markets. In particular, the third package contemplates the separation of supply and production activities from transmission network operations. To achieve this goal, Member States will be able to choose between the following three options:

- *Full ownership unbundling.* This option entails vertically integrated undertakings selling their gas and electricity grids to an independent operator, which will carry out all network operations.
- *Independent System Operator (ISO).* Under this option, vertically integrated undertakings maintain the ownership of the gas and electricity grids, but they are obliged to designate an independent operator for the management of all network operations.
- *Independent Transmission Operator (ITO).* This option is a variant of the ISO option albeit vertically integrated undertakings do not have to designate an ISO, but need to abide by strict rules ensuring separation between supply and transmission.

The third energy package contains also several measures that enhance consumers' rights, such as the right: (i) to change supplier within three weeks and free of charge and to receive the final closure account at the latest six weeks after switching suppliers; (ii) to obtain compensation if quality targets are not met; (iii) to receive information on supply terms through bills and company websites; and (iv) to see complaints dealt with in an efficient and independent manner. The third package also strengthens protection for small businesses and residential clients, while rules are introduced to ensure that liberalization does not cause detriment to vulnerable energy consumers. Finally, the third energy package provides for the creation of a European Union agency for the coordination of national energy regulators, which will issue non-binding framework guidelines for the national agencies. It is expected that this will result in more harmonized rules on energy regulation across the EU.

Electricity regulation

The regulatory framework for the Italian electricity sector has changed significantly in recent years due to the implementation of the European directives including, in particular, Directive 2003/54/EC and Directive 2001/77/ EC.

The Bersani Decree, which entered into force on April 1, 1999, began the liberalization of the electricity sector through the separation of generation, transmission and distribution activities, the introduction of free competition in power generation and the gradual opening of the retail market to competition for consumers meeting certain consumption thresholds (the **free market**), while maintaining a regulated monopoly structure for power transmission and distribution.

In addition, the Bersani Decree, among other things:

- liberalized, as of April 1, 1999, the generation, import and export of electricity;
- provided that after January 1, 2003, no electricity company could produce or import more than 50% of the total of imported and domestically produced electricity in Italy, which limit resulted in Enel's sale of three generating companies, Elettrogen S.p.A. (now Endesa Italia S.p.A.), Eurogen S.p.A. (now Edipower S.p.A.) and Interpower S.p.A. (now Tirreno Power S.p.A.) (the **Gencos**);
- provided for the establishment of the "Single Buyer";
- provided for the creation of the Power Exchange, a virtual marketplace in which producers, importers, wholesalers, the Electricity Services Operator, the Single Buyer and other participants in the free market, buy and sell electricity at prices determined through a competitive bidding process;
- provided for the creation of the entity that manages the Power Exchange (the Electricity Market Operator);
- provided for the separation of management and operation of the national electricity transmission grid, which was to be licensed to an independent Electricity Services Operator, the Gestore della Rete, from ownership of the grid assets, which were retained by existing owners, primarily Terna; and
- established a new licensing regime for electricity distribution and provided incentives for the consolidation of electricity distribution networks within each municipality.

Please be aware that the Authority for Electricity and Gas has a general power to apply monetary sanctions to gas and electricity market operators. In particular, according to Article 2, paragraph 20, point c), of Law no. 481/1995, the Authority for Electricity and Gas is entitled to apply a monetary sanction ranging from a minimum of Euro 2,500 to a maximum of Euro 154,937,070.00 , among others, in the following events:

(a) any breach of its regulation by the gas and electricity market operators;

(b) failure in providing the Authority for Electricity and Gas with information requested or due under a specific regulatory provision; or

(c) incompleteness or untruth of information requested by the Authority for Electricity and Gas.

Euro 154,937,070.00 is the maximum monetary penalty applicable; in order to quantify the specific amount of the monetary penalties, the Authority for Electricity and Gas refers to the guidelines approved pursuant to its resolution no. 144/08. According to such resolution, the amount of the monetary sanctions mainly depends on two conditions: the gravity of the breach and the economic conditions of the operators.

Further, Law 290/03 required the reunification of ownership and management of the grid. Thus, Enel no longer controls Terna following the disposal of its controlling stake. In addition, the Gestore della Rete has been renamed Gestore dei Servizi Elettrici and is entrusted with the promotion of energy from renewable resources, including CIP-6 electricity, besides being the holding company of the Electricity Market Operator and the Single Buyer.

Wholesale market

The Power Exchange is a marketplace for the spot trading of electricity by producers and consumers under the management of the Electricity Market Operator. It began operations on April 1, 2004. Producers can sell their electricity on the Power Exchange at the system marginal price defined by hourly auctions. Otherwise they can choose to enter into bilateral contracts and, in this case, the price is agreed with the other counterparty.

One of the most important participants on the Power Exchange is the Single Buyer, a company belonging to Electricity Services Operator, which is wholly owned by the Italian state. The Single Buyer has the mission of ensuring continuous, secure, efficient and competitively priced electricity supply to clients remaining in the "Universal Service" regime (consisting, since July 1, 2007, of residential clients and small business clients that have not chosen a supplier in the market), in order to enable them to reap the benefits of the electricity liberalization process. Based on its own periodic estimates of future electricity demand and MED guidelines, the Single Buyer purchases electricity in the market on the most favorable terms and then it sells this energy to retail companies supplying Universal Service clients. The Single Buyer is the largest wholesaler in the market, purchasing about 30% of the total national demand.

The Single Buyer purchases electricity on the Power Exchange and through bilateral contracts (including contracts for differences) with producers, and imports electricity. The total payments by the Single Buyer to electricity producers for its purchases, plus its own operating costs, must equal the total revenues it earns from energy sales to the retail companies operating within the regulated market under the regulated price 147 structure. As a consequence, the Authority for Electricity and Gas adjusts reference prices from time to time to reflect the ones actually paid by the Single Buyer, as well as other factors. Enel Trade, as supplier, entered into the following power purchase agreements with the Single Buyer, as purchaser: (i) two agreements for the year 2010 having a value of Euro 163,99 millions and Euro 149,34 millions and (ii) two agreements for the year 2009 having a value of Euro 120,5 millions and Euro 287,18 millions. In addition, Enel Produzione entered into three power purchase agreements for the sale of electricity to the Single Buyer for the period 2008-2010. All such power purchase agreements provide for the right of withdrawal of either party with a 5 business days advance notice, without the other party being entitled to any indemnification or restoration due such withdrawal. Such right of withdrawal can be exercised only in the event a change in law or regulation or any change of other nature makes the fulfillment, in whole or in part, of the contractual obligations not possible and such impossibility lasts for a period exceeding 30 calendar days. The ratio of such power purchase agreements is purchasing the electricity required by the Single Buyer, in its quality of supplier of final household customers which have not opted for the free market, pursuant to article 1, paragraph 2, Law Decree no. 73/2007, converted into Law no. 125/2007.

Other participants in the Power Exchange are the retail companies belonging to integrated operators, the wholesalers and some large electricity users.

The Authority for Electricity and Gas and the AGCM constantly monitor the Power Exchange to ensure that it delivers the expected results: improved competition between electricity producers and enhancement of the efficiency of the Italian electricity system.

Recently the market was enhanced through the commencement of operations of new forward markets: (i) the forward physical market **(MTE)** which is managed by Electricity Market Operator; and (ii) the derivatives financial market **(IDEX)** which is managed by Borsa Italiana.

On November 29, 2008, the Italian parliament approved Legislative Decree 185/08 (the **Anti-Crisis Decree**), which was subsequently ratified through Law 2/2009. The provisions of the Anti-Crisis Decree concerning energy have been implemented by a ministerial decree issued by MED on April 29, 2009. The new rules set forth a series of measures to be implemented in the period 2009-2012, involving: (i) the adoption of a new mechanism to set prices on the day-ahead market; and (ii) the creation of an intra-day market and the development of the aforementioned forward markets. In addition to that, the MED decree sets forth guidelines for the reform of the ancillary services market **(ASM)** to become operative from January 1, 2010. These guidelines call for: (i) the segmentation of the market according to the services provided; (ii) the utilization of new calculation procedures to select offers; and (iii) separate accounting for costs according to the specific services purchased.

Pursuant to the Anti-Crisis Decree and the implementing measures, the Authority for Electricity and Gas is empowered to adopt measures that impose on the owners of essential power plants the obligation to render capacity available in the market under economic terms fixed by the Authority for Electricity and Gas. According to the Anti-Crisis Decree, essential power plants should be identified by the Authority for Electricity and Gas that they are among those plants that are technically necessary for the avoidance of grid congestion and/or necessary for ensuring the safe operation of the transmission grid for a significant period of time. In compliance with the above provisions, the Authority for Electricity and Gas adopted, on April 29, 2009, Resolution No. 52/09. This resolution, which partially modifies Resolution No. 111/06, establishes: (i) criteria for the identification of the must-run power plants; (ii) conditions on the basis of which the owners of the must-run power plants should offer capacity in the markets; and (iii) mechanisms aimed at ensuring: (a) the reduction of the consideration paid by the users of the system in order to cover the costs incurred by Terna for the safety of the grid; (b) the reduction of the costs incurred by the system and, in particular, the production costs; and (c) fair remuneration for the owners of the must-run plants that offer capacity in the market. According to Resolution No. 52/09, the above measures will be effective from January 1, 2010. Resolution No. 52/09 was appealed by Enel Produzione to the Lombardy Regional Administrative Court and the verdict is still pending.

In July 2008 the Authority for Electricity and Gas, with Resolution No. 97/08, had already established the regulatory framework for "must run" power plants, classifying all the generation plants in Sicily and Sardinia as essential for the security of the electrical system (**must-run plants**). The rules provided for such plants to be subject to administered operation in certain periods of the year depending on the security requirements of the system. The implementation procedures defined by Terna, as communicated on July 31, 2008, were approved through Resolution No. 106/08. Both the Authority for Electricity and Gas's resolutions and the Terna communications were appealed by Enel Produzione and the Lombardy Regional Administrative Court ruled in favor of Enel Produzione, ordering Terna to pay damages for the loss related to period from August 13 - October 24, 2008. The Authority for Electricity and Gas and Terna appealed to the Council of State which confirmed the verdict of the Lombardy Regional Administrative Court in favor of Enel Produzione. The Council of State has initiated an inquiry to quantify the damages to be paid to Enel Produzione.

Law No. 99/2009 of July 2009 (referred to as the **Development law**) authorized the Authority for Electricity and Gas to adopt temporary measures aimed at expanding the offer of electricity in Sardinia. With Resolution No. 115/09, the Authority for Electricity and Gas defined the auction mechanism for the acquisition and cession of virtual power capacity for the period 2010-2014. The disposal of virtual power capacity relates to Enel and E.On (225 MW and 150 MW, respectively), as major electricity producers in Sardinia, and is aimed at promoting competition and efficiency in the relevant wholesale electricity market. In particular, each of Enel and E.On shall enter into contracts for difference (one way or two ways) on the basis of the price of the day-ahead market referred to final clients located in Sardinia; such contracts shall last for one year or five years and the purchasers of virtual power capacity executing such contracts shall be selected through a tender procedure.

Imports

The volume of electricity that can be imported into Italy is limited by the capacity of transmission lines that connect the Italian grid with those of other countries and by concerns relating to the security of the system. Currently, a maximum import capacity of approximately 8,040 MW is available to import energy safely.

The rules for the assignment of interconnection capacity have been the same since 2007. Following agreement between Terna and neighboring transmission system operators (**TSOs**) interconnection capacity rights for each border are jointly allocated by explicit auction (on a yearly, monthly and daily basis). Revenues arising from the auctions (which are shared evenly between TSOs involved) and belonging to Terna are transferred to clients on a pro rata basis. Currently, the Single Buyer receives 15% of the revenues coming from the auctions on interconnection capacity as established by the decree.

Enel has one contract for the import of electricity with Atel (on the Swiss border, expiring on December 31, 2011). The electricity imported pursuant to its contract is sold to the Single Buyer to be used to supply Universal Service clients. Through a decree dated December 11, 2008, the Minister for Economic Development confirmed the capacity reserve on the Italian-Swiss border for the year 2009 and set a price of €78/MWh to be paid by the Single Buyer for the first quarter of 2009. In addition, the measure modified the procedure for updating the price, introducing an indexation method linked to the Italian wholesale price as defined on the Power Exchange. The price, calculated with the new method, was set at €65.87/MWh for the second quarter of 2009 and €48.45/MWh for the third quarter of 2009.

Incentives to provide generation capacity and to build new generation plants

A number of measures have been taken in order to address a current deficit in Italian generation capacity relative to rising electricity demand.

In accordance with Legislative Decree No. 379 of December 19, 2003 the availability of capacity must be regulated by a compensation mechanism aimed at assuring the adequacy of the system to cover the demand with the necessary reserve margins. This capacity payment mechanism has to be based on the following principles: it must ensure transparency and it must not cause distortion in the market, while reducing the total costs for consumers.

In 2004, the Authority for Electricity and Gas established a provisional system of payments to remunerate producers that make generation capacity available to the electricity system at times of peak demand, known as capacity payments (**Capacity Payments**). Capacity Payments to a given producer comprise both an amount due for capacity available on critical days designated formerly by the Electricity Services Operator and now by Terna, and a further amount payable when pool market prices fall below specified thresholds, as an extra incentive. The provisional system continues to be in place as of the date hereof. A new system for capacity payments is expected to be defined by the Authority for Electricity and Gas in the second half of 2009.

Stranded costs

Stranded costs are current costs deriving from contractual commitments or investment decisions that electricity companies undertook for reasons of public policy at a time when the electricity markets were not yet open to competition, and which could have been recovered in a monopoly regime but cannot be recovered under a regime of competitive electricity pricing.

To facilitate the transition to open electricity markets, the European Commission has stated that electricity companies should be refunded their stranded costs provided that:

- they minimize the impact of those costs (and hence the amount of the refund) on their future operations; and
- they submit an industrial plan demonstrating the long-term profitability of the activity related to the stranded costs.

In August 2004, the MEF and the MED issued a joint decree that determined the overall amount of stranded costs Enel is entitled to recover. Enel has been totally reimbursed for its stranded costs through compensation in the amount of €1,976 million. This amount might be revised according to the results of the verification process for the natural gas volumes linked to part of the reimbursement. Such process was started by Resolution No. 183/08.

Transmission

The term "transmission" refers to the transport of electricity on high and very high voltage interconnected networks from the plants where it is generated or, in the case of imported energy, from the points of acquisition, to distribution systems. The national electricity transmission grid, which includes very-high voltage (380/220 kV) and high-voltage (G= 150 kV) lines, is 98% held by Terna and 2% held by other companies (such as Rete Ferroviaria Italiana S.p.A.).

Distribution of electricity

The term "distribution" refers to the transportation and conversion of electric energy, from the transmission grid, on distribution networks of high, medium and low-voltage for delivery to end-users. Distribution companies in Italy are required to be licensed by the state and to provide distribution services to all clients who request them. These clients are subject to the payment of applicable tariffs and have to comply with technical and safety requirements.

The Bersani Decree sought to promote the consolidation of the Italian electricity distribution industry by providing for the issuance of only one distribution license within each municipality and establishing procedures to consolidate distribution activities under a single operator in each municipality where both Enel and a local distribution company were engaged in electricity distribution. The same Decree gave local distribution companies the right to request that Enel sell its distribution networks located in the municipalities where those companies operated.

In almost every municipality where Enel coexisted with other operators, the local distribution companies requested to purchase Enel's networks.

Enel Distribuzione has recently sold its HV lines to Terna (more than 18,000 km) and currently holds about 86% of the total Italian distribution network.

Retail market

On June 18, 2007, the Government adopted Law Decree 73/2007 (subsequently ratified into law through Law 125/07, which came into force on August 15, 2007) in the run up to the opening of the free electricity market to all clients (which took place on July 1, 2007). The measure establishes:

- The obligation for corporate separation between distribution and sales activities for distribution companies with more than 100,000 clients.
- Provisions to ensure non-discriminatory access to metering data.
- Provisions to ensure the supply of electricity by distribution companies, or suitable sales companies, to Universal Service clients. For these clients (residential clients and small business clients that have not opted for the free market), the provisioning of electricity is guaranteed by the Single Buyer. The standard conditions and reference prices for the service are determined by the Authority for Electricity and Gas.
- The presence of a Last-Resort Service supplier, selected by tender, for clients not eligible for Universal Service. Until completion of the tenders, responsibility for Last-Resort Service clients remained with their former suppliers.

In accordance with the provisions specified above, Enel Distribuzione and Deval no longer provide service directly to the clients of the former regulated market. Supply to clients that do not exercise the option to receive service on the free market and that are eligible for Universal Service are handled by a special-purpose company. On September 13, 2007, Enel Servizio Elettrico was formed for this purpose. The company began operation on January 1, 2008 to provide electricity to Universal Service clients connected to Enel Distribuzione's networks. Universal Service clients connected to Deval's networks are supplied electricity by Vallenergie, which was formed for this purpose on October 1, 2007 and also began operation on January 1, 2008. These companies will continue to buy power from the Single Buyer in order to serve these clients.

The decree of the Minister for Economic Development of November 23, 2007, and the subsequent decree of February 8, 2008, set out provisions governing the procedures for allocating the Last-Resort Service through tenders. From May 1, 2008, the Last-Resort Service suppliers have been chosen through tenders held on a geographical basis (the Authority for Electricity and Gas identified six geographical areas, A through F) at a price established by the tender. Initially, the tenders covered the period from May to December 2008; thereafter, they covered two-year periods.

On February 22, 2008, the Single Buyer published the results of the first tenders to select the Last Resort service providers for the May 1—December 31, 2008 period. Enel Energia won the tender for three of the six geographical areas and was therefore the Last Resort supplier for the following areas: "D" (Tuscany, Umbria, Marche and Sardinia), "E" (Lazio, Abruzzo and Molise) and "F" (Campania, Puglia, Basilicata, Calabria and Sicily). In relation to the tenders for the 2009-2010 period, the Authority for Electricity and Gas issued Resolution No. 122/08, increasing the number of geographical areas up for bid from six to twelve. Following the tenders, Enel Energia is the last resort supplier for Sardinia; Campania; Lazio, Abruzzo and Molise; Puglia and Basilicata; Calabria; Piemonte; Valle d'Aosta; Liguria and Lombardy.

Pricing regulations

The price paid by all Italian clients for electricity includes:

- a generation component covering the price of the electricity itself;
- a transmission component;
- a distribution component;
- a sale component;

- system charges; and
- taxes.

Since July 2007, the Italian electricity market has been fully liberalized and, therefore, the generation and the sale components of the price are no longer determined by the Authority for Electricity and Gas, except in respect of the Universal Service for which the Authority for Electricity and Gas sets the structure of the tariffs and publishes the quarterly reference prices (Resolution No. 156/07 of the Authority for Electricity and Gas).

Apart from Universal Service and Last-Resort Service clients, there is a specific tariff regulation for vulnerable clients. An interministerial decree issued on December 28, 2007 established income thresholds for benefiting from special energy prices and other criteria. Pursuant to Resolution No. 117/08 (as subsequently amended), the Authority for Electricity and Gas has adopted implementing provisions, defining more precisely the categories of clients that are entitled to special prices. These rules apply for 2008 and 2009. According to the estimates of the Authority for Electricity and Gas approximately five million families will benefit from these measures. The increased costs resulting from the compensation mechanism are covered by a specific rate component applicable to all users, with the exception of those who benefit from the above measures.

In May 2008, the Authority for Electricity and Gas established mandatory hourly-block prices in the Universal Service market, which are (or will be) effective as follows:

(i) for residential clients, from April 1, 2010;

(ii) for small business clients with an available power higher than 16.5 kW as of January 1, 2009; and

(iii) for small business clients with an available power lower or equal to 16.5 kW as of April 1, 2009.

Transmission and distribution components are still set directly by the Authority for Electricity and Gas and are subject to a price cap mechanism aimed at progressively reducing these charges with reference to specific efficiency targets (the **Regulated Components**). The Authority for Electricity and Gas sets base tariff levels for the distribution and transmission components every four years. In setting the level of the Regulated Components the Authority for Electricity and Gas takes into account:

- operating costs of transmission and distribution activities, including procurement costs, and amortization and depreciation;
- an appropriate return on invested capital, including both equity and debt financing; and
- the costs associated with system charges.

For distributors, the determination of operating costs is required to reflect the average costs incurred by the main distributors for the transport of electricity through the local distribution networks and for the sales related services they provide to final clients, plus a specified return on invested capital.

Pursuant to Resolution No. 348/2007, the Authority for Electricity and Gas set the transmission, distribution and metering rates for the current regulatory period (2008-2011). The weighted average cost of capital (WACC) for distribution services was increased from 6.8% for the second regulatory period to 7%, while that for metering services was reduced from 8.4% to 7.2% with regard to the consolidation of the regulated nature of the sector.

The X-factor, applied only to the rate component covering operating costs, was set at 1.9% for distribution services and at 5% for metering, so as to allow the higher efficiency gains achieved by the companies to be passed on to the end-user within eight and six years, respectively.

The rules envisage incentives, using differentiated WACCs (+2%) and for a minimum of eight years, for specific types of investments in the distribution network, such as those relating to the construction of new transformer stations, investments in replacing existing transformers in MV/LV transformer substations with new low-loss transformers, and smart grids.

Equalization mechanism for distributors

The Authority for Electricity and Gas has set a price equalizing mechanism intended to minimize the effects of a timing discrepancy between prices paid to the Single Buyer for electricity to be sold on the regulated market—set monthly—and the prices that operators may charge to end-users on the regulated market—fixed in advance by the Authority for Electricity and Gas on a quarterly basis. The equalizing mechanism is funded through a specific component set by the Authority for Electricity and Gas, applicable from 2005. Prior to the separation between distributors and Universal Service suppliers, the equalization mechanism referred only to distributors' imbalances, as, until December 31, 2007, distribution operators were responsible for both activities. Now the operator to be "equalized" is the supplier.

System charges and other charges

The tariff structure also addresses the need to cover various costs resulting from public policy-related requirements imposed on the Italian electricity industry by providing for the following charges, payable by all electricity consumers:

- Charges concerning the electricity system, established by the MED, that consist of: (i) a nuclear surcharge, covering part of the costs incurred by So.g.i.n., the company to which Enel transferred its discontinued nuclear operations, in connection with the dismantling of nuclear plants and decommissioning of nuclear fuels (this surcharge is designed to cover substantially all of such costs when added to the funds that Enel transferred to So.g.i.n.); (ii) a surcharge that benefits renewable resources producers; (iii) special surcharges covering the cost of supplying electricity at mandated discounts to certain clients (primarily the Italian state-owned railway company and Acciai Speciali Terni., both of which transferred electricity assets to Enel as part of the nationalization of the Italian electricity industry in 1962); and (iv) research and development surcharges, covering related costs.
- Other general interest charges established by the Authority for Electricity and Gas to adjust or refine the operation of the tariff mechanism, which include adjustments to cover potential differences between distributors' costs as recognized under the current tariff structure and actual tariff revenues.
- Incentives for the enhancement of the quality of service.
- Charges recovered through upward adjustments to the price caps, as established by the Authority for Electricity and Gas, which cover: (i) costs deriving from unforeseeable events, changes in the regulatory framework or new obligations for Universal Service; and (ii) costs deriving from demand-side management initiatives intended to promote a more efficient use of resources by electricity clients, including information campaigns.

Tariffs for connection to the grid

While awaiting a complete overhaul of the regulations on the delivery of connection service, the Authority for Electricity and Gas has also reorganized the rules concerning the economic conditions for connection to electricity networks, applying a price cap to connection contributions and fixed fees.

Moreover, the Authority for Electricity and Gas has set new rules for all connections of generation plants to the grid into a single document, rationalizing the previous rules (Resolution No. 99/08). These provisions, applied from January 1, 2009, establish connection procedures with more stringent deadlines and indemnities and, differently from previous rules, fixed fees for medium-voltage connections in addition to those already established for low-voltage connections.

The Authority for Electricity and Gas also issued a specific measure concerning procedures for settling any disputes between power generators and grid operators that should arise during the provision of the connection service.

Continuity and quality of service regulation

Since July 1, 2000, the Authority for Electricity and Gas has issued guidelines setting targets for electricity service continuity and quality.

The Authority for Electricity and Gas has instituted an incentive system whereby it grants bonuses (paid through a component of the tariff structure) to companies that exceed its targets for continuity of service and imposes penalties on companies that fail to meet them. Enel has consistently exceeded its continuity of service targets since 2000. In particular, in respect of the results achieved in 2007, Enel Distribuzione received a net bonus of €181.7 million, while Deval received a net amount of €455,000. Pursuant to Resolution No. 333/2007, the Authority for Electricity and Gas established new rules concerning the quality of electricity services for the 2008-2011 regulatory period. Specifically, with regard to service continuity, it introduced rules governing the average annual number of long and short interruptions and confirmed those relating to the cumulative duration of interruptions.

With respect to quality of service, if a distribution company fails to meet specific service standards set by the Authority for Electricity and Gas, the company is required to reimburse the client a fixed amount. So far, Enel has achieved most of the quality of service targets, and has not been required to make material reimbursements.

In July 2007, the Authority for Electricity and Gas defined an automatic compensation system to support clients in the event of a blackout or other prolonged service interruption (Resolution 172/07). For both exceptional and ordinary interruptions, distributors are obliged to restore the electricity service within the same lapse of time. The Authority for Electricity and Gas created an Exceptional Events Fund to compensate clients for interruptions that take place in "exceptional" circumstances. This fund is financed by clients, through an increase in distribution tariffs, and by distributors and Terna, in proportion to interruptions caused by them.

Moreover, from January 1, 2008, the Authority for Electricity and Gas established strict obligations for companies that sell electricity and natural gas as regards the quality of call centre services, mandating quality standards defined on the basis of specific indicators (such as access to the service, average waiting time and level of service).

Promotion of renewable resources

In 1992, the Interministerial Price Committee, an Italian governmental committee, issued Regulation 6/92 (**CIP-6**), which established incentives for new generation plants using renewable resources and for the sale of electricity produced from renewable resources. In November 2000, the MED issued a decree that transferred all energy produced from renewable resources under the CIP-6 regime to the Electricity Services Operator as of January 1, 2001. Under current regulations, the Electricity Services Operator is required to purchase all CIP-6 electricity, which it resells to Eligible Clients and, since 2004, also to the Single Buyer. The Electricity Services Operator sells Green Certificates representing electricity from renewable resources purchased from CIP-6 producers.

The Bersani Decree provided that, starting in 2001, all companies introducing more than 100 GWh of electricity generated from conventional sources into the national transmission grid in any year must, in the following year, introduce into the national transmission grid an amount of electricity produced from newly qualified renewable resources (**Renewable Obligation**) initially equal to at least 2% of the amount of such excess over 100 GWh, net of co-generation, self-consumption and exports (**Green Certificates Quota**—that is, the amount of renewable energy such companies are required to produce). Electricity from renewable resources may be produced directly or purchased from other producers who have obtained tradable Green Certificates representing a fixed amount of electricity certified as generated from renewable resources.

On July 23, 2009, the Italian Parliament issued Law no. 99 (**Law No. 99/2009**).

According to Article 27, paragraph 18, of Law No. 99/2009, the Renewable Obligation is transferred to all operators executing an offtaking dispatching agreement with Terna—Rete Elettrica Nazionale S.p.A. (i.e. agreement executed in order to offtake electricity from the Italian national electricity grid, **Offtakers**), as indicated under the resolution of the Authority for Electricity and Gas No. 111 of 9 June 2006 (the resolution ruling the contractual relationship between electricity operators and the Electricity Services' Operator).

Law No. 99/2009 also provides that, within six months following the date on which the same Law No. 99/2009 has come in full force and effect, the Ministry of Economic Development shall issue a decree containing provisions:

- enacting the transfer of the Renewable Obligation starting from year 2011 and based on the electricity offtaken in the previous year; and
- amending the values of the Green Certificates Quota in compliance with the Italian national and European undertakings on renewable sources.

At the date of this Offering Circular, such decree by the Ministry of Economic Development has not been issued yet.

In addition, the Bersani Decree directs the transmission system operator, currently Terna, to dispatch electricity into the national transmission grid so that energy produced from qualified renewable resources takes priority over other types of electricity.

The preceding rules do not apply to solar plants. Photovoltaic solar plants may take advantage of the comprehensive rate on the energy account provided for by the ministerial decree of February 19, 2007, which implements Legislative Decree 387/03. Rates are differentiated based on the size of the solar panels and the extent of their integration in buildings.

In implementation of Article 7 of Legislative Decree 387/03, on April 11, 2008, the Minister for Economic Development, in agreement with the Minister for the Environment, issued a ministerial decree that establishes the criteria and procedures for encouraging the generation of electricity using thermal solar systems. The decree provides for the application of a fixed incentive rate on top of the price of the electricity generated. The additional component decreases as the share of output not attributable to solar power increases.

The EU directive 2001/77 issued in September 2001 set indicative targets for energy production from renewable resources, requiring that by 2010 a share equal to 22% of total electricity consumed in the EU be generated from renewable resources and setting recommended national targets to achieve this goal. Italy adopted legislation to implement this directive in December 2003, setting a 22.5% target for total production of electricity from renewable resources by 2010, lower than the 25% target for Italy recommended in the EU directive.

On April 6, 2009, the Council of the European Union adopted the final text of a directive setting a common EU framework in the field of the promotion of energy from the renewable resources. The main objective of the directive is the achievement of a 20% share of energy from renewable resources in the EU's final consumption of energy in 2020. In light of this objective, for the first time, Member States are assigned mandatory individual targets for the share of renewable energy sources in final energy consumption. For Italy, this target has been established at 17% in comparison to the 5.2% it had in 2005. In order to achieve the assigned targets by 2020, each Member State has to pursue an indicative trajectory towards the assigned target. Moreover, each of the Member states shall adopt a national renewable energy plan and provide it to the European Commission by June 2010. The new directive also contemplates several rules on cooperation mechanisms between the Member States and third countries, guarantees of origin and access to the electricity grids for energy from renewable resources. Member States are obliged to implement the new directive within 18 months from its publication in the EC Community Official Journal.

Amendments to regulations governing Green Certificates

In addition to providing for an annual increase (0.75%) in the requirement to generate/import electricity from renewable resources as a percentage of the conventional electricity generated/ imported in the preceding year for the years 2007 to 2012 and establishing its incompatibility with other incentives offered by national, regional, local or community authorities involving the energy account, capital account or 154 interest with advance capitalization, the Budget Law for 2008, with reference to power plants coming on line after December 31, 2007, updated the rules on Green Certificates and reintroduced a support mechanism (recognition of a comprehensive rate) for electricity generation from renewable resources by certain small power plants.

The updated Green Certificate rules:

- differentiate recognized Green Certificates by source using coefficients that are adjusted every three years;
- increase the recognition period to 15 years;
- calculate the price of Green Certificates issued by the Electricity Services Operator (pursuant to Article 11(3) of the Bersani Decree) as the difference between €180/MWh (value updated every three years) and the average annual price of electricity as established by the Authority for Electricity and Gas; and
- establish that at the request of the generator, the Electricity Services Operator can withdraw any Green Certificates (expiring that year) in excess of those needed to meet the obligation.

On December 18, 2008, the Minister for the Environment and the Minister for Economic Development issued the implementing decree for the provisions of the Budget Law for 2008 concerning the reform of the Green Certificates system. The main changes regard the extension of net metering rules to plants with a capacity of up to 200 kW (the previous limit was 20 kW), the notification of monthly (rather than annual) output for the purposes of issuing guarantees of origin, the requirement to register quantities and prices for Green Certificates traded on the free market (outside of the market managed by the Electricity Market Operator), the guaranteed withdrawal (for 2009-2011) by the Electricity Services Operator of Green Certificates produced until 2010 at the average market price in the three years prior to that in which the request for withdrawal is submitted—which is likely to foster an increase in the price of Green Certificates—and the modification of the coefficient (0.9 rather than 1) for the recognition of Green Certificates for refurbishments and re-powering.

As an alternative to Green Certificates and at the request of the generator, power plants with a capacity of no more than 1 MW have the right to a comprehensive rate which varies according to the source used and can be updated every three years.

According to Law No. 99/2009 published in the Official Journal on July 31, 2009, the quota obligation will be transferred as of 2011 from electricity producers and importers to suppliers (all operators executing an offtaking dispatching agreement with the Electricity Services Operators as indicated under the resolution of the Authority for Electricity and Gas No. 111 of June 9, 2006). A Ministerial Decree, to be adopted within six months following the date of entry into force of the Law, will define the implementation measures of such a disposal. The same *Law No. 99/2009* also modified the coefficient for off-shore wind power plants (from 1.1 to 1.5) and for biomass (from 1.1 to 1.3), while it removed the comprehensive rate previously established for biomass coming from short production and distribution chain.

Photovoltaic power plants

Photovoltaic plants benefit from a special incentives' regime other than the Green Certificates' incentive regime.

The output produced by photovoltaic plants benefits from additional incentives paid by the GSE, on the basis of an incentive scheme known as "Conto Energia"regulated under Ministerial Decree of 19 February 2007 (the **Conto Energia Decree**). In a nutshell:

(i) incentives are paid for twenty years as of entry into operation of the photovoltaic plant, on the basis of a specific agreement to be executed with the GSE.

(ii) The amount of the incentives is set forth under the Conto Energia Decree and varies according to whether the photovoltaic plants concerned are stand-alone or partially/totally integrated in buildings, based on specific technical criteria set out in the Conto Energia Decree. Stand-alone plants enjoy a lesser incentive than integrated plants.

For photovoltaic plants entering into operation in 2009, applicable tariffs have been decreased by 2% and will be further decreased by 2% in respect of photovoltaic plants entering into operation in 2010. The incentives paid to photovoltaic plants entering into operation as from 1 January 2011 will be fixed by the MED through a specific decree. Until such decree is issued the incentives payable to photovoltaic plants entering into operation in 2010 will continue to apply.

The Conto Energia Decree sets out the requisites to be held by applicants for incentives, as well as the minimum technical requirements of photovoltaic plants for being eligible for the Conto Energia scheme. Proceedings and other practicalities governing access to the Conto Energia scheme are provided under resolution of the Authority for Electricity and Gas no. 90/2007.

CIP 6 power plants

Enel Produzione sells the output produced by an hybrid power plant (fuelled by both coal and biomass) located in the Municipality of Portoscuso (CA) under a CIP6 power purchase agreement entered into with the GSE. Pursuant to such agreement, Enel Produzione makes available to the GSE the net power equal to 15,000 kW as of 1 August 2006. The quota of the output produced by biomass is subject to the incentives scheme set forth under article 22, Law no. 9/1991 and, therefore, Enel Produzione is entitled to receive a tariff calculated pursuant to the terms and conditions set forth under CIP6/92 regulation. The CIP6 incentives' period lasts up to 31 July 2014.

Hydroelectric power

Under the Bersani Decree, the terms of all Enel's licenses for the generation of electricity from large bodies of water, which were originally of perpetual duration, were changed to expire in April 2029. In addition, the Bersani Decree automatically extended the term of all hydroelectric licenses for the generation of electricity from large bodies of water that were granted to other electricity producers to December 31, 2010 even though they were scheduled to expire before such date. All hydroelectric licenses expiring after December 31, 2010 were to retain their original expiration dates. The Bersani Decree also provided that in any bidding contest, an existing license holder would enjoy preferential treatment over competitors in the case of equal bids.

In January 2004, the European Commission determined that some of the Italian regulations regarding hydroelectric concessions were contrary to EU law. In particular, the European Commission objected to the preference granted to existing holders of licenses when renewing concessions (and in the region of Trentino-Alto Adige, to preference given to the operator controlled by the local authorities) as well as to the fact that the regulations provided for the expiration of all concessions in 2029 (and for the region of Trentino-Alto Adige, in 2010), even though these concessions had previously been of perpetual duration.

In 2005, Italy amended the provisions of the Bersani Decree (through Law 266/2005) extending the duration of Enel's hydroelectric concessions, as well as the provisions that accord preferential treatment to Enel and all other current license holders in any bidding contest, and postponed the expiration of all concessions for an additional ten years.

As a consequence, on June 28, 2006, the European Commission decided to close the proceedings in relation to the provisions of the Bersani Decree and to suspend the proceedings, for the time being, against Italy on the same issue, relating to the regulations in force in Trentino-Alto Adige, pending the next judgment of the Italian Constitutional Court. Five regional governments in Italy and the local authorities of the region of Trentino-Alto Adige have brought proceedings against these amended regulations before the Italian Constitutional Court, seeking the reinstitution of the original expiry dates for the operations that they control.

In 2007, the European Commission closed all the proceedings against the Italian government regarding the terms of expiration of the hydroelectric concessions and the system of preferences.

Law 17/2007 (known as **mille proroghe**), reversed the extension of ten years, as set out in Law 266/2005, accorded to the current hydroelectric concessions of the autonomous provinces of Trent and Bolzano. Currently, Enel's hydroelectric concessions in the region of Trentino-Alto Adige are due to expire on December 31, 2010, save for the concessions for the use of large bodies of water in the autonomous province of Trent. The latter are due to expire on December 31, 2020. The Constitutional Court, addressing the claims of some Italian regions (Tuscany, Piedmont, Emilia Romagna, Campania and Friuli Venezia Giulia), declared Law 266/2005 illegitimate through it ruling no. 1 of January 14, 2008, with particular reference to paragraphs 483(a), 485, 486, 487 and 488, which establish the ten-year extension for large-bodies-of-water concessions. Consequently the rules about the extension of the concessions and the payment of additional fees for all the concessions on large bodies of water on the Italian territory have been abrogated.

Gas regulation

Italian regulations enacted in May 2000 (Legislative Decree 164/00) implementing EU directives on gas sector liberalization (1998/30/EC) introduced competition into the Italian natural gas market through the liberalization of the import, export, transport, dispatching, and sale of gas. The liberalization process was successively strengthened by EU Directive 2003/55/EC, which introduced, on the one hand, stricter unbundling obligations on companies operating in the gas transport and distribution sectors and, on the other hand, incentives for new import infrastructure.

Sale and imports of gas

Importation is unregulated with respect to gas produced in the EU, but subject to MED authorization in reference to gas import from countries outside the EU. Enel Trade is authorized to import gas to be sold to power plants and wholesalers. The sale of gas to end-users is also permitted under authorizations granted by the MED, which both Enel Energia and Enel Trade have obtained.

As established by Legislative Decree 164/00 no single operator is allowed to import gas (for the purpose of selling such gas, directly or through subsidiaries, holding companies or companies controlled by the same holding company) in a quantity exceeding a specified percentage of the total gas consumption, set at 75% in 2002 and decreasing by two percentage points each year thereafter, to 61% in 2010. At the same time, until that date, no single operator is allowed to hold a market share higher than 50% of domestic sales to final clients, directly or through subsidiaries, holding companies or companies controlled by the same holding company. In 2008, based on data provided by the Authority for Electricity and Gas, the MED and the national grid operator, Enel had a market share in sales of natural gas of approximately 11.7%. The applicable percentage is calculated net of quantities of gas consumed by the relevant operator or by its controlled or affiliated companies. Regulations have not yet been adopted for the period beginning January 1, 2011.

Until December 31, 2002, only certain large consumers—gas Eligible Clients—were able to freely choose their suppliers of natural gas. During the same period, clients, mainly residential, who did not qualify as gas Eligible Clients, were obliged to purchase gas from distributors operating in their local area at a tariff set by the Authority for Electricity and Gas. Since 2003, all clients have been able to freely choose their suppliers of natural gas.

Finally, Law No. 99/2009 foresees the constitution of a market exchange for the supply and sale of natural gas. The Electricity Market Operator, in compliance with the principles of transparency, competition and non-discrimination, would be designated as manager of the natural gas exchange market. Law No. 99/2009 also establishes Last-Resort Service provisions for residential clients. In this regard, the Single Buyer would be responsible for ensuring annual supplies up to 200,000 cubic meters to final residential clients. Single Buyer identified the suppliers of last resort for the thermal year 2009-2010. Enel Energia will be responsible for supplying gas in Northwest Italy and Southern Italy.

Transport and storage

Companies engaged in the transport and dispatching of gas must allow access to their gas transport networks to third parties, provided that they have enough capacity and that giving such access is economically and technically feasible. Transport fees are established by the Authority for Electricity and Gas based on proposals from the individual operators.

Storage activities are conducted under concessions, granted by the MED, which have terms of 20 years and may be extended for a total of two further 10-years periods. Operators are required to provide storage services to third parties upon request, with priority for residential clients, provided that they have enough capacity and that providing such storage services is economically and technically feasible. Importers are required to maintain storage reserves equal to 10% of the gas they import from countries outside the EU.

Enel Stoccaggi, a joint venture owned 51% by Enel Trade and 49% by Fondi Italiani per Le Infrastrutture, has won the auction to convert the Romanengo field into a storage facility. It is estimated that the process to convert the depleted gas field into a storage site will be completed by 2012. The storage capacity of such site is estimated to be approximately 300 million cubic meters.

The Marzano Law provides incentives for investment in new natural gas infrastructure by exempting the investing entity from the obligation to provide third-party access to not less than 80% of the capacity of new infrastructure for a period of not less than 20 years.

Rules governing distribution of gas

The Letta Decree (Decree 164/2000) stated that gas distribution concessions awarded prior to May 2000 by means other than competitive tender had to expire by law at the earlier of their original expiration date or December 31, 2005, with the expiration date extendible for up to five years under certain conditions. On February 23, 2006, the Italian parliament issued a law stating that gas distribution concessions expire by law on the earlier of their original expiration date and December 31, 2007 or an extended expiration date of December 31, 2009 under certain conditions. Local authorities may further extend the expiration date by one year. Furthermore, certain gas distribution concessions for southern Italy, partially financed through public funds under a public incentives plan for the use of natural gas in the south of Italy, expire at the later of June 21, 2012 or 12 years from the entry into force of their approval by the MEF. Finally, gas distribution concessions awarded prior to May 2000 by competitive tender expire at the earlier of their original expiration date or December 31, 2012. Approximately 50% of Enel's existing gas distribution concessions are currently due to expire on December 31, 2009.

Law Decree 159/2007 (ratified into law pursuant to Law 222/2007) and the accompanying tax decree to the Budget Law for 2008 provided that, within three months of the date of entry into force of the ratification law, the Minister for Economic Development and the Minister for Relations with the Regions and Local Governments, would establish criteria for the tender and evaluation of bids for gas distribution concessions. Pursuant to the proposal of the Authority for Electricity and Gas, the ministers will also determine the minimum geographical areas for the tenders, and develop measures to encourage aggregation.

Law Decree 112/08 (ratified into law pursuant to Law 133/08) modified the regulation of public services, gas distribution included, providing that regions and local governments shall determine the geographical areas for the tenders. This regulation is subject to sectoral regulation in each sector. Recently, Law n. 99/2009 (effective from August 15, 2009) has safeguarded and maintained the provisions of Legislative Decree n. 164/2000 and of Art. 46 bis of the above-mentioned Law Decree 159/2007. As a consequence of such law, the determination of the minimum geographical areas for the tenders is indisputably a decision of the Minister for Economic Development and the Minister for Relations with the Regions.

Pricing regulations

The Authority for Electricity and Gas has imposed an obligation upon suppliers of gas to residential consumers to offer, aside from their commercial (and freely determined) tariffs, a regulated tariff updated quarterly (the **Reference Economic Conditions**).

The Reference Economic Conditions for gas are composed of:

- raw material component;
- transportation, re-gasification, storage and distribution components;
- a sale component; and
- taxes.

The Reference Economic Conditions refer to the average costs of production and supply that add up to the final charge for the supply gas. In application of the Anti-Crisis Decree, the Authority for Electricity and Gas, through Resolution No. 192/08, eliminated the variance thresholds to which updates in supply prices were linked. Previously, the prices to final clients did not change if the fluctuation of the raw materials prices were within the variance thresholds (set at 2.5%). The new measures modified the final price with a decrease of 1% for the first quarter of 2009, as compared with the previous quarter. The Authority, through Resolution No. 106/09, fixed the compensation systems for burden incurred by sales companies in application of Resolution No. Arg/gas 192/08. The resolution excludes from compensation companies controlled by the same holding company.

The distribution tariff is set by the Authority for Electricity and Gas and is updated on a four-year basis. Pursuant to Resolution No. 159/08, the Authority for Electricity and Gas defined the methodology for determining the distribution tariffs for the new 2009-2012 regulatory period.

The allowed operating cost (which is subject to an X-factor of 3.2%) is determined with reference to the size of the company and the density of its client base. The remuneration for the invested capital in the current regulatory period is 7.6% for distribution activities and 8.0% for the metering activities. Distribution rates for the new period were set on July 1, 2009.

Resolution No. 64/09 defined the new methodology for calculating the Reference Economic Conditions. The Authority for Electricity and Gas also introduced a set of new rules to limit the application of the economic conditions to domestic customers with consumption of less than 200,000 m3/year.

Environmental matters

Enel's businesses are subject to extensive environmental regulation, including laws adopted by the Italian parliament or government to implement regulations and directives adopted by the European Union and international agreements on the environment.

The Group's environmental policy is based on three fundamental principles: (i) protecting the environment and the health and safety of workers; (ii) raising environmental and product quality standards; (iii) and creating corporate value. Since 1996, Enel has taken the initiative of publishing an annual environmental report. In 2002, Enel also started publishing a sustainability report, which contains an environmental section. Enel believes that environmental performance will represent an increasingly important competitive factor in a liberalized market.

Environmental regulations affecting Enel's business primarily relate to air emissions, water pollution, waste disposal, noise and the environmental remediation of contaminated sites. The principal air emissions of fossil-fuelled electricity generation that pollute the atmosphere are SO_2, NO_X, and particulate matter. A primary focus of the environmental regulations applicable to Enel's business is an effort to reduce these emissions. Enel has also given particular attention to seeking to minimize the impact of electromagnetic fields and CO_2 and other greenhouse gas emissions.

Electromagnetic fields

The Italian government adopted regulations in 1992 and 1995 relating to human exposure to electromagnetic fields produced by low-frequency infrastructure, such as that used for the transmission, distribution and consumption of electricity. These regulations set two types of limits: (i) maximum levels of exposure to electromagnetic fields from new and existing transmission and distribution lines and distribution substations; and (ii) minimum distances between transmission or high-voltage distribution lines or substations and residential buildings, office buildings and similarly inhabited areas for lines built after the adoption of the 1992 regulation.

In February 2001, the Italian parliament passed a framework law on electromagnetic field exposure amending these earlier regulations. The 2001 law is intended to protect the general public and workers against alleged potential long-term health effects of exposure to electromagnetic fields generated by both low-frequency and high-frequency infrastructure. The law has made it more difficult to install new transmission and distribution lines and substations.

Furthermore, the 2001 law provides for the adoption and implementation of programs to restructure electricity transmission and distribution lines, substations and high-frequency infrastructure, in accordance with maximum exposure levels. On July 8, 2003, two governmental decrees were enacted providing for measures to implement the 2001 law and setting maximum exposure levels, precautionary levels and quality targets. Currently, the Prime Minister has not issued a decree setting the criteria for the upgrading and restructuring of power lines as required by Article 4(4) of Law No. 36/2001).

On May 29, 2008, the Director General for Environmental Protection of the Ministry for the Environment issued a decree approving procedures for measuring and assessing magnetic induction pursuant to Article 5(2) of July 8, 2003 decree on power lines. In addition, on May 29, 2008 the Director General for Environmental Protection issued a second decree approving the calculation methods for determining the distance restrictions for power lines pursuant to Article 4(1h) of Law No. 36/2001. Enel believes that the costs of complying with these measures, including costs for the related restructuring described above, will not have a material impact on its results of operations. Moreover, because of the 2005 and 2006 disposal of all but 5.12% of Enel's stake in Terna, which owns over 97% of Italy's power transmission lines, Enel is no longer materially affected by regulations relating to electricity transmission. Currently, Enel only owns power lines for the distribution of electricity. Furthermore, as of April 1, 2009, Enel Distribuzione transferred its high-voltage network to Terna S.p.A.

Energy efficiency

Two ministerial decrees of July 2004 established a regulatory framework that came into force on January 1, 2005. Under the scheme, electricity and gas distributors are required to achieve end-use energy efficiency targets, with reductions in primary energy consumption. In particular, the Gestore del Mercato Elettrico S.p.A. issues "**Energy Efficiency Certificates**" to distributors, companies controlled by the same distributors and companies operating in the sector of energy services (Energy Service Companies—ESCOs). The Energy Efficiency Certificates certify the reduction of consumption achieved through measures and projects of energy efficiency improvement.

The Energy Efficiency Certificates, which have a value of one toe (ton of oil equivalent), may be of three types:

1) Type I, certifying the achievement of primary energy savings through projects reducing final electricity consumption;

2) Type II, certifying the achievement of primary energy savings through projects reducing natural gas consumption;

3) Type III, certifying the achievement of primary energy savings through projects other than those mentioned in points 1) and 2).

Electricity and natural gas distributors may achieve their energy efficiency improvement targets both by implementing energy efficiency projects (and gaining Energy Efficiency Certificates) and by purchasing Energy Efficiency Certificates from other parties.

The decree of December 21, 2007, revised and updated the July 2004 decrees on energy efficiency. In particular, it raised the targets to be achieved in 2008 and 2009 and set new energy saving targets for 2010-2012 for both electricity and gas distributors. Enel achieved its energy efficiency targets for 2007 of 384.4 "kilo-tons of oil equivalent" (or 48% of the national target), of which 341.9 kilo-tons of oil equivalent were attributable to Enel Distribuzione (distribution of electricity) and 42.4 kilo-tons were attributable to Enel Rete Gas (distribution of gas). For 2008, national efficiency targets were 2,200 kilotons; Enel's share amounted to 1,041 kilotons for the distribution of electricity and 127.3 kilotons for the distribution of gas (for a total of 53% of the national target). The overall target for Enel for 2009 was set at 1.74 million tons, (equal to 54% of the total requirement and up 45% on 2008), of which 1.57 million tons was allocated to Enel Distribuzione and Deval and 0.17 million tons was allocated to Enel Rete Gas.

The Authority for Electricity and Gas, through Resolution No. 36/08, updated the rate contribution for Energy Efficiency Certificates for 2009 from €100/ton to €88.92/ton on the basis of a mechanism linked to developments in the average annual level of residential rates for electricity and gas and the price of diesel fuel for vehicles. The update will reduce the contribution in a given year if there is an average increase in these measures in the previous year. Conversely, if there is an average decrease during the previous year, the update will increase the contribution.

On July 3, 2008, Legislative Decree 115/08 implementing Directive 2006/32/EC on energy end-use efficiency and energy services was published in the Italian Official Journal. The decree provides for, among other things, the extension of the obligations incumbent on electricity and gas distributors to retail energy sales companies, in compliance with the principle of conformity with the general objectives and existing requirements.

CO_2 emissions

Both the European Union and Italy are signatories to the Kyoto Protocol, which established a market mechanism for the trading of CO_2 emission trading rights. The Kyoto Protocol is part of the United Nations Framework Convention on Climate Change. In accordance with a burden-sharing agreement among EU Member States, Italy has set a target to reduce emissions of CO_2 and the other greenhouse gases listed in the Kyoto Protocol over the 2008-2012 period by 6.5% from their 1990 levels. As of 2006, Enel produced approximately 9% of total greenhouse gas emissions in Italy.

In the framework of the Kyoto Protocol, in 2003, the EU adopted Directive 2003/87/EC (the **Emissions Trading Directive**) establishing a scheme for greenhouse gas emission allowance trading. Italian legislation partially implementing this directive came into force at the end of 2004. In October 2004, the EU also passed another directive (the **Linking Directive**), which amended the Emissions Trading Directive to allow other flexible mechanisms for limiting greenhouse gas emissions. Both the Emissions Trading Directive and the Linking Directive have been implemented by Legislative Decree 216/2006. On January 23, 2008, the European Commission proposed measures to achieve the EU's ambitious targets for reducing greenhouse gas emissions and increasing renewable energy. The proposed measures contemplate a 21% reduction on 2005 emissions levels and allocation of all Emissions Allowances in Europe via auction.

On February 20, 2008, the Italian National Committee for the management and implementation of the Emissions Trading Directive, formed by the Ministry of the Environment and the MED, announced the final decision on the assignment of Emissions Allowances, pursuant to Article 8(2) of Legislative Decree 216/ 2006. Compared to the previous period (2005-2007), total allocations for 2008-20 12 were reduced by approximately 10% overall and by 35% for the thermoelectric sector.

The Italian National Committee, taking into account the provisions of the European Commission's decision concerning the inclusion of additional combustion plants among those subject to the Emissions Trading Directive and of the 6.3% reduction in total allocations, brought the overall cap on the annual CO_2 Emissions Allowances to 201.63 million metric tons. The thermal sector was allocated annual CO_2 Emissions Allowances of 85.29 million metric tons, excluding the reserve for new entrants. The final decision provides for the differentiated use of CERs and Emission Reduction Units for operators in the various sectors. Specifically, the Italian power sector benefits from higher percentage limitations (19.3%) than the average required by the EU (15%).

The final decision allocates to Enel annual CO_2 Emissions Allowances of approximately 33.6 million metric tons per annum for the 2008-2012 period for existing plants, to which a further 9.4 Mt Emissions Allowances from the reserve earmarked for new entrants must be added (the equivalent to about 1.9 million metric tons a year). In light of these allocations, Enel forecasts a CO_2 Emmissions Allowance deficit of approximately 6 million metric tons per year for the 2009-2012 period. Enel intends to satisfy any potential deficit through strategies already implemented to purchase or procure allowances. Based on the report of the emission trading committee dated July 29, 2009, the amount of the CO_2 allowances to be allocated in favour of new entrants plants at a national level (i.e., thermoelectric power plants which became operational on June 30, 2009, thermoelectric power plans which will become operational within 2009 and new entrants of other fields) amount to 37 millions of tons. In the lack of such availability, the MED will not be in a position to allocate the CO_2 allowances to the new entrants and the new entrants should be obliged to purchase such allowances at their cost. Enel Produzione owns three new entrants collectively named Torvaldaliga Nord (group 4 which became operational on June 30, 2009, group 3 which will become operational on September 30, 2009, and group 2 which will become operational on December 31, 2009).

On April 6, 2009, the Council of the European Union revised the emissions trading system for greenhouse gases with the aim of achieving greater emission reductions in energy-intensive sectors. The objective of the directive is that of greenhouse gas emissions cuts, by 2020, of 20% compared to the 1990 level. The new directive foresees that from 2013 the allowances will no longer be granted for free to the operators, but should be gradually purchased through an auction system. No free allowances will be made in respect of any electricity production as of 2013. Moreover, the directive of the Council of the European Union obliges the Member States to use at least half of their revenues from the allowances' auctions to fight climate change and to provide for the social consequences that a reduction of the use of the carbon might cause. Auction revenues should be used, among other purposes, to develop renewable energies and the environmentally safe capture and geological storage of CO_2. Finally, the directive foresees also several safeguard clauses providing partial exemption from the obligation to purchase allowances through auctions if such mechanisms causes significant cost increments for companies that face significant international competition. Member States should adopt all the necessary implementation measures by December 31, 2012. The revised Directive was published in the EU Official Journal on June 5, 2009.

On the same date, the Council of the European Union adopted a decision aiming at the achievement by 2020 of a level of CO_2 emissions in the EU 10% lower than that in 2005. For this reason, the decision sets binding emission targets for Member States in relation to the sectors that do not fall under the above-described directive.

The newest European measures have introduced restrictions on the use of CERs derived from CDM projects such as the projects the Group has carried out in China, as well as general restrictions on trading allowances with non-EU countries, which is expected to increase the cost of Emissions Allowances.

SO_2, NO_X and other emissions

The principal EU directive on atmospheric pollution affecting the electricity industry is the Large Combustion Plants Directive (**LCPD**). The LCPD requires each EU Member State to establish and implement a program of progressive reduction of total SO_2 emissions and total NO_X emissions from generation plants licensed before July 1, 1987, and to establish emissions limits for SO_2, NO_X and particulate matter from individual generation plants licensed after July 1, 1987. In 2001, new, more stringent emissions limits were set in an amendment to the LCPD.

In 1990, Italy established a regulation limiting emissions of polluting substances from thermal plants licensed before July 1, 1988, which is stricter than the present LCPD and covers a much broader range of pollutants. This regulation required that individual existing thermal plants in Italy reduce emissions to levels similar to those established under the original LCPD for individual plants licensed after July 1, 1988. This regulation also provided a time schedule for the implementation of environmental compliance measures at existing plants.

Limitations on plant emissions set by Italian legislation are stricter than those envisaged in the LCPD or the 2001 amendment, requiring gradual reduction targets for aggregate emissions from plants licensed prior to July 1, 1988 to the end of 2003. Enel achieved the required reductions in each of the years in which they were applicable including 2003.

In addition, Italy is bound by an EU directive issued in 2001 mandating that Member States achieve specified reduction targets on SO_2, NO_X, volatile organic compounds and NH3 emissions by 2010. To this end, Member States were required to establish and implement programs of emissions reduction in order to achieve the targets set in the directive. Italy is also a member of the Helsinki Protocol and the Oslo Protocol, which require signatory countries to reduce SO_2

emissions, and the Sofia Protocol, which requires signatories to reduce NO_X emissions. The requirements under these protocols have been reflected in Italian law.

In response to this regulation, in 1990, Enel implemented a significant program of environmental measures that affect its entire thermal generation operation. Enel submitted this program to the relevant ministries of the Italian government, including those for industry, environment and health. The program was approved and provided for modifications to both physical plants and operating practices. Enel has achieved the targets the Italian regulation mandated for the implementation of these environmental compliance measures for generating facilities.

In December 2007 the EU Commission published a directive proposal on "industrial emission" (Integrated Pollution Prevention and Control) with the aim of unifying provisions contained in seven different directives, including the Large Combustion Plants directive.

The directive includes:

- Emission limits referred to BREFs (Best available technologies Reference documents)

- Extension of the provision to plants exceeding 20 MW of capacity

The parliament's first reading took place on March 10, 2009, and the Environmental Council reached a political agreement on the IPPC Directive proposal on June 25, 2009. The text approved by the Council contains derogation for limited life time power plants, peak load plants and emergency plants. Final approval of the Directive is not expected before first quarter of 2010.

PCBs and asbestos

In May 1999, the Italian government adopted a legislative decree concerning the recovery and disposal of electric transformers and other equipment containing polychlorinated biphenyls (**PCBs**). Enel's Infrastructure and Networks division adopted a disposal plan anticipating this legislation. In the course of 2008, the Infrastructure and Networks division continued its special project, which began on January 1, 2005, of decontamination/disposal of equipment containing oil with PCBs. Decontamination/disposal of equipment containing oil with a PCB content exceeding 500 ppm had already been completed in 2007 (ahead of the regulatory time-limit: 2009). Both power and measuring transformers with a PCB content of 50 to 500 ppm will be totally disposed of by 2010, despite the fact that the applicable legislation provides for removal at the end of their life. The project covers over 33,000 units (about 8% of those owned at the start of the project), mostly power transformers, but also measuring transformers, capacitors and other equipment. From the start of the project to the end of 2008, 23,000 units of contaminated equipment were disposed of.

Enel also delivers waste products containing asbestos to specialized companies authorized to treat and dispose of asbestos. Such waste products derive from the cleaning of Enel's plants, which it conducts in accordance with its general maintenance and environmental programs.

Integrated prevention and reduction of air pollution

Legislative Decree 59/2005 implemented Directive 96/61/EC concerning the integrated prevention and reduction of air pollution (**IPPC**). This directive provides that all the operators require a single authorization, replacing separate authorizations provided under previous regulations. The operators are also requested to adopt the best available technologies in order to reduce air pollution and other emissions. The scope of Legislative Decree 59/2005 includes energy activities and, in particular, combustion installations with a rated thermal input exceeding 50 MW, including many Enel plants.

Water Pollution Prevention

Enel is subject to environmental laws and regulations limiting heat and other characteristics of water discharges from its thermal plants and wastewater from its hydroelectric plants. The most recent regulations concerning water pollution prevention are represented by Legislative Decree 152/2006 (**Decree 152/2006**). The aim was to unify, in a single text, the most relevant provisions of the previous regulations on this topic. In particular:

- Law 36/1994 on management of water resources;
- Legislative Decree 152/1999 which regulated the preservation of water from pollution; and
- Directive No. 2000/60/EC concerning European Community legal action on water pollution.

Legislative Decree 152/2006 provides for civil, penal and administrative sanctions in case of violations of its provisions.

Solid waste management

Legislative Decree 152/2006 sets out the legal framework on waste management. Under Legislative Decree 152/2006, companies producing and storing waste are responsible and chargeable for waste transportation, recycling and disposal.

Site remediation

Legislative Decree 152/2006 sets out the legal framework on contaminated sites. This regime substitutes the previous framework on contaminated sites, set out by Legislative Decree 22/97 and by Ministerial Decree 471/99.

In 2008, Enel continued its environmental rehabilitation and restoration of contaminated sites in industrial areas considered to be at high risk. Law 426/98 designated these sites as of "national interest" and subject to the technical rules laid down in Legislative Decree 152/2006, in 2008, Enel:

- prepared a characterization plan for its Assemini and Giugliano power plant sites;
- completed soil and groundwater characterization studies for its Piombino, Maddaloni and Brindisi Sud power plant sites;
- began urgent groundwater safety and conservation measures for its, Fusina, La Spezia, Livorno, Porto Marghera, Porto Scuso and Sulcis power plant sites, based on findings from characterization studies;
- completed the planning of environmental rehabilitation and restoration works for its Fusina, Livorno, Porto Marghera, Porto Scuso and Sulcis power plant sites; and
- began a project of environmental rehabilitation in its Priolo Gargallo and Augusta power plant sites.

Landscape protection

Enel has taken the following actions to reduce the environmental and esthetic impact of its distribution lines:

- re-using routes of previous power lines wherever possible;
- using towers for Enel's high-voltage lines aimed at reducing the environmental and esthetic impact of towers in non-urban areas of particular landscape value;
- acting to reduce the impact of lines in environmentally sensitive or protected areas;

- increasing use of underground cables in urban areas where possible;
- for medium voltage lines, placing underground cables in urban areas and aerial cables with low environmental impact in other areas with specific environmental value; and
- using aerial insulated cables or underground cables in low voltage networks (at present, Enel has built approximately two-thirds of its network in this way).

Enel limits use of underground high-voltage cables to urban areas because they are significantly more expensive than aerial cables and the process of installing them may involve significant logistical and environmental problems.

Environmental registrations, certifications and authorizations

Enel has joined the Eco-Management and Audit Scheme (**EMAS**), a European Union initiative to implement a voluntary environmental management and registration system, which seeks to improve the level of environmental efficiency and disclosure of European industrial companies. Rules concerning EMAS are contained in a European Union regulation issued in 1993. Originally applicable only to individual sites, in 2001 the EU passed a new regulation that extended the scope of the EMAS system to groups of sites and sites with no generation assets, such as distribution networks.

In August 1999, the Italian government enacted a legislative decree implementing the 1996EU directive on the prevention and reduction of pollution. This legislative decree requires all industrial plants to operate under a new integrated environmental license by 2007 and to make use of the best techniques available for the prevention and reduction of pollution. This law, however, allows licenses for EMAS-registered and ISO 14001-certified plants to be reviewed every eight and six years respectively (instead of five) in light of the stringent requirements that must be met to obtain both EMAS registrations and ISO 14001 certifications. Enel has filed all necessary applications for licenses within the March 31, 2007 deadline.

By December 2008, more than 75% of the Group's installed plants had obtained ISO 14001 environmental certification and about 40% of the European installed capacity had also obtained EMAS-certification.

Discontinued nuclear operations

Since November 2000, Enel has not owned any nuclear power plants in Italy. Enel has not produced electricity from nuclear power plants in Italy since 1988. Following a national referendum in 1987 in which the Italian electorate expressed its opposition to the use of nuclear power, the Italian government ordered the interruption of power production from nuclear fuels and Enel ceased operations at its four nuclear plants in Italy, which had an aggregate net efficient capacity of 1,500 MW. In addition to its nuclear power plants, Enel owned a 33% stake in NERSA, an electricity generation company that operated a nuclear power plant located in France. French and German utilities owned the balance of NERSA. In July 1998, Enel sold its stake in NERSA. Enel, however, retained ownership and responsibility for the decommissioning of Enel's share of the nuclear fuel in the plant. Pursuant to the Bersani Decree, Enel transferred its discontinued nuclear operations to So.g.i.n., then one of its wholly owned subsidiaries. The principal activity of So.g.i.n. is the decommissioning of the nuclear plants and of Enel's share of the nuclear fuel in the NERSA plant in France, including disposal of nuclear fuel and nuclear waste.

Under the Bersani Decree, Enel was required to transfer to the MEF all the shares of So.g.i.n. without compensation. The transfer was completed on November 3, 2000.

Law No. 99/2009, that entered into force on August 15, 2009, delegates to the Italian government the power to re-introduce the necessary regulatory framework for the production of nuclear energy within the Italian territory, as well as to adopt several measures for the promotion of the construction of nuclear power plants in Italy.

In particular, within six months from the entry into force of the law, the Italian Government should issue one or more legislative decree(s), concerning, inter alia:

- the rules for siting of nuclear power plants, nuclear fuel fabrication plants, temporary storages of spent fuel and radioactive waste, final repository of radioactive waste;
- the compensative to be paid and to be made in favor of the population involved; and
- the authorization procedures and requirements for the construction, operation and decommissioning of the new nuclear power plants.

Moreover, Law No. 99/2009 sets up an agency for nuclear safety, which will be responsible for ensuring the safe operation of the nuclear power plants in Italy. In particular, the agency will implement the nuclear security technical regulations and issue binding opinions on authorizations for the operation of the nuclear power plants. Finally, the agency will have the power to carry out the necessary inspections in the power plants and, in case of violations of the relevant safety regulations, to suspend (or to withdraw) the authorizations for the operation of plants, as well as to impose sanctions against the concerned companies. For information on recent developments regarding nuclear power in Italy, see "Description of Enel—Recent significant transactions and related material agreements—Agreement with EdF for the development of nuclear power in Italy."

Nuclear Liability

Italy is a party to the 1960 Paris Convention on Third Party Liability in the Field of Nuclear Energy and the 1963 Brussels Supplementary Convention. Italian law implementing the conventions imposes strict liability for claims relating to nuclear plants and the transportation and storage of nuclear matter. Strict liability under Italian law means that someone does not need to be negligent in order to be found liable. The law imposes strict liability for nuclear accidents only on the entity that is the operator of the plant at the time of the accident. Consequently, Enel is not liable for any accident that may occur following the transfer to the MEF of So.g.i.n.'s shares on November 3, 2000, even if the cause of the accident predates the transfer. Although Enel is not aware of any accident that predates the transfer, Enel will remain liable for any accident that occurred before the transfer, even if the damage, or the accident itself, is discovered in the future. The operator of the plant may claim reimbursement from a third party which has contributed to the cause of the accident for any sums it may have to pay but only if that party has accepted liability contractually or is a physical person who has intentionally caused the damage. Italian law implementing the conventions imposes a maximum period of ten years from the date of the accident in which someone claiming damages must bring claims. At the time of Enel's transfer of So.g.i.n.'s shares, Enel represented to the MEF that it had performed, on a regular basis, every required test on its nuclear plants and that it was not aware, with respect to all nuclear assets owned by So.g.i.n., of any event which might be the source of civil liability for nuclear operations.

Spanish regulation

Spain's regulatory framework for the electric power industry is based on the country's Electricity Sector Act, which reorganized the operations of Spain's electric power system by requiring more competition and liberalization of the electricity system while still guaranteeing supply. The Electricity Sector Act distinguishes between regulated activities, which include the economic and technical management of the electricity system and the transmission and distribution of electricity, and liberalized activities, which include generation and retail sales of electricity.

Under the Electricity Sector Act, the corporate purpose of companies that carry out regulated activities must be confined exclusively to regulated activities. Accordingly, these companies may not carry out nonregulated activities, such as electricity generation and retail sales of electricity to clients. Until June 30, 2009, distribution companies will remain charged with the regulated activity of retail sales to end-users in the regulated market, at tariffs set by the government. As of July 1, 2009, this activity was discontinued, the last remaining full-service tariffs disappeared (high-voltage tariffs disappeared in July 2008) and supply to end-users is now carried out by supply companies.

Regulated and non-regulated activities may be carried out within the same group of companies, provided they are unbundled, or separately performed by different companies.

Regulated system

Royal Decree 1955/2000 was approved in December 2000 and regulates the conditions for engaging in electricity transmission, distribution and supply activities and electricity facility authorization procedures. The Electricity Sector Act also provides for the right of clients and retailing companies to use transmission and distribution systems and establishes that access fees for transmission and distribution systems be regulated under a single tariff applicable to the whole of Spain for this purpose, which takes into account the different levels of voltage and other characteristics of the electricity consumed. Published on October 26, 2001, Royal Decree 1164/2001 sets forth the structure and components of tariffs for access to the electricity transmission and distribution systems.

Red Eléctrica de España, S.A. carries out the transmission management and system operation activities, which, pursuant to the Electricity Sector Act, have been unbundled from generation, retail and distribution activities. The Electricity Sector Act defines and assigns the responsibility for the operation of the wholesale market, which is the daily market for energy for the following day, and intraday market sessions management to Operador del Mercado Ibérico de Energía—Polo Español, S.A, which is in charge of the mechanisms for receiving bids, matching demand to supply and making the notifications required to establish the generation dispatch to Red Eléctrica de España S.A. (acting as system operator) and to the market participants.

Remuneration of distribution and transmission activities

Under the Electricity Sector Act, the remuneration of electricity distribution activity must be based on the costs required to carry out this activity, using a model characterizing the various distribution areas, and other parameters. The current remuneration regime for electricity distribution was established by Royal Decree 222/2008, which set the basis for a remuneration methodology based on costs, including investment and operating costs, and on incentives, such as product quality and loss-reduction incentives. The remuneration model introduced by Royal Decree 222/2008 sets forth a methodology customized by company, which is applicable for four-year regulatory periods and is based on two regulatory tools: (i) the reference system model; and (ii) regulatory accounting. The reference system model seeks to evaluate technical efficiencies in investment plans, quality and losses, whereas regulatory accounting is set up as a reference for recognizing investment, operating and other costs. At the beginning of each four-year period, all available information is analyzed and reference remuneration is established that changes over the period with a correction index to which a term for an increase in business is added. Service quality incentives and loss reduction incentives are established each year. The reference remuneration set for 2008 is established as a base for the 2009-2012 period. Some elements of the remuneration model introduced by Royal Decree 222/2008 are still under development, specially the mechanism for updating the remuneration based on the increase in activity, and a transitory formula is being applied in the meantime.

Electricity transmission facilities in Spain are regulated under one of three remuneration regimes: (i) a regime that applies to facilities placed into operation before 1998; (ii) a regime that applies to facilities placed into operation between 1998 and 2007; and (iii) a regime that applies to facilities placed into operation from 2008 onwards. Installations placed into operation before 1998 are remunerated globally by means of a fund that is updated yearly according to a revenue cap formula. Installations placed into operation from 1998 through 2007 are remunerated individually based on investment, financial costs and operating and maintenance costs. Royal Decree 325/2008 established a new remuneration regime for transmission facilities placed into operation from January 1, 2008 onwards. The new remuneration system is based on a new parametric formula that incorporates certain financial elements, such as the amortization rate and operation and maintenance costs, with a rate of return of Spanish government bonds with a maturity of 10 years (Obligaciones del Estado) in the first year of each four-year period plus 375 basic points. In addition, electricity transmission companies receive a bonus (or penalty) depending on the aggregate availability of facilities, and under the new remuneration scheme transmission companies may receive additional remuneration to minimize the environmental impact of the construction of new transmission facilities. The remuneration framework is reviewed every four years and the actual amount of remuneration for each transmission operator is determined on a yearly basis.

Regulated full-service tariffs

Until the end of June 2009, there were two types of tariffs in Spain: (i) full-service tariffs (the price at which electricity was supplied to end-users); and (ii) access tariffs (the price at which clients had access to the transmission and distribution grids. Royal Decree 1432/2002 established, among other things, the method by which full-service tariffs for sales of electricity from distributors to consumers were calculated for each year. They included energy costs, distribution and transmission costs, the remuneration of the CNE (Comisión Nacional de Energía), premium and feed-in tariffs for renewable generation, etc. Royal Decree 1634/2006 (further adjusted by Royal Decree 871/2007) established the electricity tariff from January 2007 and provided that the Spanish government would update the full-service tariffs on a quarterly basis.

The Electricity Sector Act was amended by Law 17/2007 for the purposes of bringing the act in compliance with the provisions of the EU's Electricity Directive (Directive 2003/54/CE). The reform primarily affects the elimination of full-service tariffs and the introduction of the "supply of last resort" concept to ensure supply 165 to end-users. Law 17/2007 and subsequent modifications require that the current full-service tariff system be eliminated in July 2009.

In July 2008, most high-voltage full-service tariffs were eliminated and all related clients were obliged to switch to suppliers in the deregulated market. Royal Decree 485/2009, published in April 2009, establishes the framework for the "tariff of last resort" and specifies that those clients that are supplied at a low voltage level with contracted power below or equal to 10 kW are entitled to it. The tariffs of last resort represent the maximum and minimum prices that may be charged by a supplier of last resort to a consumer. The list of suppliers of last resort was introduced in Royal Decree 485/2009. Nevertheless, the "supply of last resort" is not a regulated activity to be carried out by supply companies.

Generation in the non-mainland systems

Article 12 of the Electricity Sector Act established that electricity supply in the non-mainland territories of the Canary Islands, the Balearic Islands, Ceuta and Melilla are subject to specific regulation. Royal Decree 1747/2003, developed by Orders ITC 913 and 914/2006 regulates these activities. The main element of these regulations is that generation in the non-mainland systems is defined as a regulated activity, unlike on the mainland, while distribution, transmission and supply in the non-mainland systems are regulated, like on the mainland.

Liberalized system

Generation and supply to end-users are liberalized activities under the Electricity Sector Act. The installation of new generating facilities has been deregulated since 1997, although necessary authorizations must still be required.

Retail sales

In the liberalized system established under the Electricity Sector Act, clients that purchase electricity on the deregulated market and electricity suppliers establish transaction terms bilaterally. Since January 1, 2003, all consumers have been able to choose their electricity supplier under this system.

As of July 2009, after the disappearance of the full-service tariffs, low-voltage clients with up to 10 kW of contracted power will be entitled to the tariff of last resort when they purchase energy from the suppliers of last resort.

Ordinary Regime and the Special Regime

The Electricity Sector Act regulates generators of electricity under one of two regimes: (i) the ordinary regime regulated by the Electricity Sector Act, Royal Decree 2019/1997 and Royal Decree 1955/2000 (the **Ordinary Regime**); and (ii) the special regime established by Royal Decree 436/2004, which was replaced by Royal Decree 661/2007 (the **Special Regime**) and Royal Decree 1578/2008 regulating remuneration for solar photovoltaic plants.

Special Regime

Facilities eligible to be regulated under the Special Regime are facilities that have installed capacity of 50 MW or less and either: (i) use co-generation or other methods of electricity production associated with non-electrical activities and which involve high efficiency production; (ii) use any of the qualifying renewable energy sources as raw materials, within certain limits of power output, as long as their owners do not perform production activities under the Ordinary Regime; or (iii) use non-renewable waste as a primary energy source. Qualifying renewable energy sources include co-generation, solar energy, wind power, hydroelectric power, biomasses, geothermal power, wave power and tidal power, "hot dry rock" geothermal energy, ocean thermal power, ocean currents, power from the utilization of thermal heat from waste and biofuels. Other facilities that are eligible for regulation under the Special Regime include those that have an installed capacity of less than 25 MW, involve highly efficient energy production, produce electrical energy from treatment facilities and use waste from the agriculture, livestock and service sectors. The Special Regime is discretionary; companies that own eligible facilities may apply for regulation under the Special Regime.

Under the Special Regime, generators may sell their net electricity production at either: (i) the tariff fixed by the Spanish government; or (ii) a market price set by the pricing schemes applicable under the Ordinary Regime, plus certain premiums or incentives (which, for certain installations, can vary with the market 166 price). Other benefits granted to generators under the Special Regime include priority access to transmission and distribution networks.

Pursuant to Royal Decree No. 1578 of September 26, 2008, the Ministry of Industry, facing an increase in requests for the development of photovoltaic installations to a level above the government's expectations, set forth new rules regulating photovoltaic technology and the remuneration of electricity derived therefrom, supplanting the rules set forth in Royal Decree No. 661/07. In particular, the new decree identifies two specific categories of solar installations and provides for owners of installations to be inscribed in the correct registry. Requests to be registered may only take place during four windows each year and will be processed by the ministry in the order of receipt, up to a cap of 400MW per quarter (except that additional capacity of 160 MW is provided for in respect of each of 2009 and 2010). With respect to remuneration, the decree provides for tariffs that vary by the category of solar installation.

Ordinary Regime

All generation facilities not governed by the Special Regime are governed by the Ordinary Regime. Under the Ordinary Regime, there are four methods of contracting for the sale of electricity and determining a price for the electricity, all of which Endesa is eligible to utilize: (i) through the organized wholesale energy market or Power Pool operated by the Operador del Mercado Ibérico de Energía—Polo Español, S.A. (**OMEL**); (ii) through bilateral contracts; (iii) through auctions for Virtual Power Plants; and (iv) through the so-called CESUR auctions.

The Spanish Power Pool operated by OMEL

The Spanish Pool was created on January 1, 1998 and governs sales to and from market agents through day-ahead and intraday auctions with marginal pricing. Market participants are the companies qualified to operate as electricity vendors or purchasers, specifically electricity generation and supply companies, as well as large clients, and include participants from other countries interconnected with the Spanish network. The Spanish Pool is managed by OMEL.

Bilateral contracts

Bilateral forward contracts (with either financial or physical settlement) are possible between electricity generators, suppliers (with no restriction for vertically-integrated companies) and large clients, as an alternative to the Spanish Pool. These contracts are traded either bilaterally (over the counter) or through the futures market operated by Operador del Mercado Iberico de Energía—Polo Portugués, S.A.

Virtual power plant auctions

The first VPP auctions (known in Spanish as **Emisiones Primarias de Energía**) took place at the beginning of 2007. The VPP auction regime is applicable to Endesa and Iberdrola. Under the VPP auction regime, these companies generally sell quarterly, semi-annually and yearly peak and base load contracts, structured as call options, to suppliers and traders.

The Electricity Sector Act, as amended by Law 17/2007, Royal Decree 324/2008 and the Secretary General of Energy's Resolution 9155, dated May 13, 2008, set out the conditions and the operating and participation procedures for VPP auctions.

CESUR auctions

Order ITC/400/2007 of February 26, 2007 established electricity contract auctions (quarterly and semiannually) for the supply of electricity to distribution companies serving full-service tariff clients in mainland Spain. Vendors could freely participate in such auctions, which comprised base load and peak load contracts. After the disappearance of the full-service tariff regime in July 2009, the CESUR auctions (together with similar but smaller auctions organized by OMEL) will be used by the suppliers of last resort to procure energy and to contribute to setting the energy price component in the tariff of last resort.

Settlement of regulated activities and the tariff deficit

Regulated electricity revenues based on full-service tariffs and access tariffs should cover all costs of the regulated system, in accordance with an allocation and settlements system managed by the CNE, as established by Royal Decree 2017/1997. A tariff deficit results when revenues from the provision of regulated services fall below the costs of providing such services (which may occur, for example, as a 167 result of mistakes in forecasts or spikes in energy costs for full-service tariff clients). Currently, Royal Decree-Law 6/2009 sets forth the regime under which certain electricity generators, including Endesa, are required to finance such deficits. Endesa is responsible for financing 44.16% of tariff deficits. The Spanish government recognizes the right of the generating companies to recover this financing by including the necessary increases in the tariffs for the future years. In addition, electricity generators are permitted to securitize and sell tariff-deficit receivables to companies in the financial sector. Royal Decree-Law 6/2009 establishes a structured fund to which recovery rights for deficits generated and not passed on to third parties will be transferred, and which will issue debt that will be backed by a state guarantee, to facilitate securitization.

Until 2006 the tariff deficit was the result of a low energy price included in the tariff calculations, and was recognized ex-post. Royal Decree 1634/2006 defined a new system to fund tariff deficits under which the Spanish government recognizes ex ante the tariff deficit and appoints the CNE as the body to manage regular auctions of receivables, consisting of the right to receive a certain amount of tariff revenues. The auction system was implemented by Order 694/2008. Under the new system, electricity generators that were required to contribute to the tariff deficit pursuant to Royal Decree-Law 5/2005 (later replaced by Royal Decree-Law 6/2009) continue to be required to finance tariff deficits ex ante until such auctions take place. Following auctions, amounts financed are to be returned, with interest, to the electricity generators. Auctions have recently generated little investor interest.

The deficit for 2006 has been recognized by the government, through Royal Decree 485/2009, as having amounted to €2,280 million (€1,022 million of which related to Endesa). The deficit for 2007 has been auctioned to third parties pursuant to Order 694/2008. The deficit for 2008, according to CNE estimates, is expected to have reached—after carbon windfall profits claw-backs—around €4,700 million.

Royal Decree-Law 6/2009 also introduced some further measures aimed at relieving electricity companies from deficit financing obligations. The royal decree-law provides for industry-wide caps on the amount of the deficit of €3.5 billion in 2009, €3.0 billion in 2010, €2.0 billion in 2011 and €1.0 billion in 2012, requiring that tariffs be increased so that these caps are not exceeded. Under the royal decree-law, beginning in 2013, tariffs are to be set so as to generate sufficient proceeds to cover the total cost of providing regulated services, thus avoiding the incurrence of further ex ante deficits.

Nuclear power regulation

The safety, construction and operation of all nuclear power stations in Spain is regulated and supervised by the Nuclear Safety Council (Consejo de Seguridad Nuclear), a government agency that reports directly to the Spanish parliament.

Nuclear facilities use enriched uranium as fuel. Under Spanish law, all enriched uranium supplies must be purchased from Enusa, which is owned by Spanish government agencies. Enresa administers a fund to finance certain activities in connection with another governmental entity, which sets forth a program for decommissioning nuclear power stations and disposing of nuclear waste.

Pursuant to Royal Decree-Law 5/2005, amended by Law 33/2007, and further by Royal Decree-Law 6/2009, all the waste treatment and dismantling costs attributable to the operation of nuclear power plants are financed by the plant owners during the plants' operation, through a charge per nuclear kWh generated that is billed by Enresa. Enresa has responsibility for the decommissioning of nuclear stations and the treatment and disposal of nuclear waste.

The Iberian electricity market

On October 1, 2004, Spain and Portugal signed an international agreement for the constitution of the Iberian Electricity Market, or MIBEL. Pursuant to the agreement, a single operator for the

Iberian electricity pool was created, Operador del Mercado Ibérico de Energía, with two poles, one in Spain (OMEL, in charge of the day-ahead market) and one in Portugal (in charge of the futures market). From July 2007 onwards, the wholesale markets of both countries have been jointly operated, incorporating market splitting rules to manage the interconnection capacity. Market-splitting rules aim to ensure proper crossborder flow of electricity by establishing two price areas when the interconnection capacity is congested.

The Spanish natural gas sector

The regulatory framework of Spain's natural gas industry is based on Hydrocarbons Law 34/1998 (the **Hydrocarbons Law**), enacted through Royal Decree 949/2001 and Royal Decree 1434/2002 and 168 amended by Law 12/2007. Royal Decree 949/2001 regulates third-party access to natural gas facilities and provides for an integrated business system for the natural gas industry. Royal Decree 1434/2002 regulates the transportation, distribution, sales/marketing, supply and authorization procedures for natural gas and natural gas facilities. There is a gas transmission system operator, Enagas.

In July 2007, Law 12/2007 was passed amending Law 34/1998 to bring the Hydrocarbons Law into compliance with EU Directive 2003/55/EC, known as the Gas Directive. Law 12/2007 introduced a number of significant changes in furtherance of an unbundled regime, the most important of which was the removal of the existing natural gas tariffs and the supply of gas at regulated prices by distributors, and the introduction of a last-resort tariff similar to the one introduced for electricity. "Tariffs of last resort" are the prices at which "last resort suppliers" can supply consumers entitled to receive such supplies under the applicable regime from July 1, 2008 (residential clients and small industrial or commercial clients).

CO_2 emissions allowances

Since 2005, all companies in Europe that produce CO_2 emissions from their electricity generation activity in any year must, in the first few months of the subsequent year, deliver to governmental authorities an amount of CO_2 Emissions Allowances equal to the volume of CO_2 emissions produced during the year. The national allocation plans regulate the allocation of free Emissions Allowances to CO_2 emitting facilities (additional Emission Allowances needed to cover the actual emissions must be purchased in the market).

The second phase of the Spanish national allocation plan, which is governed by Royal Decree 1370/2006, covers the 2008-2012 period. CO_2 Emissions Allowances allocated free of charge to the Spanish electricity sector for the 2005-2007 period amounted to 266.71 million tons, of which 118.67 million tons was allocated to facilities of Endesa (37.3 million tons and 39 million tons for 2007 and 2006, respectively).

The second phase of the Spanish national allocation plan, which is governed by Royal Decree 1370/2006, covers the 2008-2012 period. CO_2 Emissions Allowances allocated free of charge to the Spanish electricity sector for the 2008-20 12 period amount to 272.1 million tons, of which 133.6 million tons was allocated to facilities of Endesa, before the divestiture of certain of such facilities to E.On. Taking into account the sale of these power plants to E.On, the total amount of free Emissions Allowances assigned to Endesa for the 2008 period was 123.38 million tons.

Royal Decree-Law 3/2006, developed by Order ITC/3315/2007, provided that, for 2006 and 2007, the estimated impact of the CO_2 Emissions Allowances in the wholesale electricity prices would be deducted from the remuneration of the electricity generators under the Ordinary Regime. Royal Decree-Law 11/ 2007 established a similar reduction of revenues from the period 2008-2012. Royal Decree-Law 11/2007 has yet to be implemented. Notwithstanding the above, the CO_2 Emissions Allowances deduction system has been derogated from July 2009 onwards by Royal Decree-Law 6/2009. The newest European measures have introduced restrictions on the use of CERs derived from CDM projects such as the projects the Group has carried out in China, as well as general restrictions on trading allowances with non-EU countries, which is expected to increase the cost of Emissions Allowances.

Other environmental regulations

In addition to obtaining general authorizations and municipal authorization licenses, Endesa must obtain environmental licenses for a facility before it may begin to generate electricity. To receive approval for a new electricity production facility, an Environmental Impact Assessment (**EIA**) must be completed to analyze and predict the impact the proposed project will have on the physical and social environment. The EIA process requires that a proposed project be evaluated for its expected effects on the surrounding physical environment. Governmental authorities may impose preventative measures, based on the results of the EIA, which are often included as conditions to the final authorization of a project. Each of Spain's autonomous regions may also pass legislation to protect the local environment; as a result, regulation of the EIA process often varies from region to region.

In addition, pursuant to Law 1/2005, energy generation facilities rating a thermal input exceeding 20 MW are required to obtain authorization from the regional authorities to produce CO_2 emissions. Regional authorities will typically grant such authorization upon a showing that the facility operator will fulfill the monitoring and information obligations set forth in Annex III to Law 1/2005. Endesa's nuclear power plants in Spain are subject to extensive regulations arising out of their operations for processing and storing low-level radioactive materials. Applicable regulations primarily take into account nuclear safety, environmental and public health protection and national safety considerations.

Management

Corporate bodies and principal officers

Board of directors

At the date hereof, Enel's board of directors is composed of nine members, appointed at Enel's annual general meeting of shareholders held on June 11, 2008. The directors' term will expire on the date of the general shareholders' meeting called to approve the financial statements as of and for the year ending December 31, 2010.

The names of the members of the board of directors are set forth in the following table.

Name	Position	Place and date of birth
Piero Gnudi[(1)]	Chairman	Bologna, May 17, 1938
Fulvio Conti[(1)]	Chief Executive Officer	Rome, October 28, 1947
Giulio Ballio[(2)(3)]	Director	Rome, March 4, 1940
Lorenzo Codogno[(3)]	Director	Brescia, April 24, 1959
Renzo Costi[(2)(3)]	Director	Reggio Emilia, January 5, 1937
Augusto Fantozzi[(2)(3)]	Director	Rome, June 24, 1940
Alessandro Luciano[(2)(3)]	Director	Rome, January 18, 1952
Fernando Napolitano[(3)]	Director	Naples, September 15, 1964
Gianfranco Tosi[(2)(3)]	Director	Busto Arsizio, October 28, 1947

(1) Executive director.

(2) Independent director pursuant to Article 148, third paragraph, of the Italian Unified Financial Act and the Code of Self-Regulation

(3) Non-executive director.

The business address of the board of directors' members is Enel's registered office. The management competence and experience of each director are briefly summarized below:

Piero Gnudi: Mr. Gnudi was born in Bologna on May 17, 1938. He graduated in economics and business from the University of Bologna in 1962 and was a founding partner of an accounting firm with office in Bologna. He has held numerous positions on the boards of directors and the boards of statutory auditors of major Italian companies, including STET, Eni, Enichem and Credito Italiano S.p.A. Between 1995 and 1996, he served as economic adviser to the Ministry of Industry. Since 1994, Mr. Gnudi has been a member of the board of directors of IRI, where he supervised (from 1997 to 1999) privatizations and held (from 1999 to 2000) the position of chairman and chief executive officer; at IRI he also held (from 2000 to 2002) the position of chairman of the liquidation committee. He has served as the chief executive officer of Carimonte Holding, and is a member of the steering committees of Confindustria (the organization representing manufacturing and service industries in Italy) and Assonime (the association of Italian corporations), of the strategic Committee for the Development of the Italian Financing Market, of the executive committee of the Aspen Institute, and of the Committee for Corporate Governance of Listed Companies re-established in April 2005 and sponsored by Borsa Italiana, as well as chairman of the Mediterranean Energy Observatory (OME) and of the "€8" (the organization of chairmen of major electricity production companies in the world). Mr. Gnudi currently also holds the positions of chairman of Emittenti Titoli and director of UniCredit S.p.A., AlfaWassermann and Galotti, and is the president of the board of statutory auditors of Marino Golinelli & Co., as well as serving as a member of the supervisory board of ACB Group. Mr. Gnudi has been the chairman of Enel's board of directors since May 2002.

Fulvio Conti: Mr. Conti was born in Rome on October 28, 1947. He graduated in economics and commerce from the University "La Sapienza" of Rome in 1969, whereupon he joined the Mobil

Group, where he held several management positions both in Italy and abroad and where he ultimately served, between 1989 and 1990, as financing director for Europe. Mr. Conti was the head of the Accounting, Finance and Control Department of Montecatini (from 1991 to 1993) and also served as head of the Montedison-Compart Group's finance department (from 1993 to 1996), overseeing the financial restructuring of the group. He was general manager and chief financial officer of Ferrovie dello Stato between 1996 and 1998, also holding important positions in the companies of such group (including Metropolis and Grandi Stazioni). He was vice chairman of Eurofima in 1997, and between 1998 and 1999 he served as general manager and chief financial officer of Telecom Italia, holding important positions in the companies of the relevant group (including Finsiel, TIM, Sirti, Italtel, Meie and STET International). From 1999 to June 2005, he served as chief financial officer of Enel. He has been chief executive officer (and general manager) of Enel since May 2005. He currently also holds the position of director at Barclays Plc and AON Corporation. Mr. Conti is also vice chairman of Eurelectric and director of the National Academy of Santa Cecilia.

Giulio Ballio: Mr. Ballio was born in Rome on March 4, 1940. He graduated in aeronautical engineering from the Milan Polytechnic Institute in 1963, where he continued to carry out studies and research, becoming a professor at the institute in 1975. He has held the chair for steel construction at the school of engineering of the same university since 1983. Mr. Ballio has also been the president of the institute since 2002. The author of many publications (also published abroad), he has carried out extensive scientific activity. In parallel to his university activity, he collaborates (since 1964) with several engineering firms, founding in 1970 an engineering services company (B.C.V. Progetti), where he has been involved in numerous projects as a designer, site engineer and consultant, both in Italy and abroad. A member of the National Research Council's committee on regulations for construction with steel (from 1970 to 2000), Mr. Ballio served as chairman of the Board of Steel Experts in the two-year period 1981-1982 (being a member of the board from 1975 to 1985) and as a member of the chairman's council of the Italian Calibration Service (from 1997 to 2002). Mr. Ballio has been involved in the renovation of several important monuments (including the Accademia Bridge in Venice) and has coordinated research activities in the field of construction both in Italy and abroad. A member of Enel's board of directors since May 2005, he has also held the same position in RCS Quotidiani since April 2007 and "La Triennale" Foundation in Milan since May 2009.

Lorenzo Codogno: Born in Brescia on April 24, 1959, Mr. Codogno studied at the University of Padua and at the Syracuse University in Syracuse, New York, where he earned a master's degree in finance (1986-1987). He has served as vice manager in charge of the Research Department at Credito Italiano (now UniCredit S.p.A.). From 1995 to 2006, he worked at Bank of America, initially in Milan and, from 1998, in London, where he held the position of managing director, senior economist and co-head in charge of European economic analysis. Since 2006, Mr. Codogno has worked at the Ministry of Economy and Finance, where he is currently general manager of the Treasury Department and responsible for the Analysis and Economic Finance Planning Department. This department deals with macroeconomic forecasts, economic and structural analyses of the Italian and international economies and analysis of currency and financial issues. Mr. Codogno is also head of the Italian delegation at the Economic Policy Committee of the European Union (a body where he has also been the vice president since January 2008), as well as of the Committee of Economic Policy and Working Party 1 of the OECD (where he has been a vice president since October 2007). Within the ambit of the Economics Policy Committee of the European Union, he also holds the position of chairman of the Lisbon Methodology Working Group (Lime), which has the purpose to develop methodological approaches for the monitoring, analyzing and modeling of structural reforms. Mr. Codogno is also the author of many scientific publications and articles in the specialized press. Before joining the ministry, he also was an economic commentator on the main economic-financial international networks. From 1999 to 2003, Mr. Codogno has been member of the board of directors of MTS (a market company for the negotiation of bond securities, now part of the London Stock Exchange Group) and currently he is member of the administrative committee of ISAE (Economics Research Institute) and of the scientific committee of the Masi Foundation. He has been a director of Enel since June 2008.

Renzo Costi: Mr. Costi was born in Reggio Emilia on January 5, 1937. He was a judge from 1964 to 1968, and has been a professor since 1972 and the founding partner of a law firm with an office in Bologna. In particular, from 1972 to 1974 he was professor of commercial law in the Faculty of Economics and Business at the University of Modena, where in the same period he was the dean. Since 1974, Mr. Costi has been a professor of commercial law in the Faculty of Law of the University of Bologna, where, since 1981, he has also been teaching banking law and, more recently, financial-markets law. He was one of the major proponents of the Italian banking law reform of 1993 and the Italian Financial Markets Law of 1998, participating in the relevant government committees. The founder of important law journals in the area of commercial and banking law, Mr. Costi is also the author of numerous works on legal topics. In the last 20 years, he has assisted, as a lawyer, major financial institutions and companies (including listed companies) in important transactions on the Italian market. From 1996 to 2008, he served as a member of Eni's board of directors and he is currently a member of the board of directors of the publishing company "Il Mulino." Mr. Costi has been a member of Enel's board of directors since June 2008.

Augusto Fantozzi: Born in Rome on June 24, 1940, Mr. Fantozzi graduated in law from the University "La Sapienza" of Rome in 1963. He is a lawyer and the founding partner of a law firm with offices in Rome, Milan, Bologna and Lugano, as well as a professor of tax law at the University "La Sapienza" and at the University LUISS Guido Carli. He served as Minister of Finance from January 1995 to May 1996 in Prime Minister Lamberto Dini's cabinet—where for several months he also held the offices of Minister of the Budget and Economic Planning and Minister for the Coordination of E.U. Policies—and subsequently became the Minister of Foreign Trade in Prime Minister Romano Prodi's cabinet (from May 1996 to October 1998). He was a member of the Chamber of Deputies in the thirteenth legislature (from May 1996 to May 2001) and was chairman of the Budget, Treasury and Economic Planning Committee (from September 1999). Mr. Fantozzi has been vice president of the Finance Council, president of the Ascotributi and a member of the Consulta of Vatican City. A former chairman of the technical committee of the "International Fisco Association," he is also the author of numerous publications and has been a member of the editorial boards of Italian and international law reviews. He also has been on the boards of directors of numerous companies, including Benetton Group, Lloyd Adriatico, Banca Antonveneta and Citinvest, currently holding the positions of special commissioner of Alitalia, director of Ferretti S.p.A., as well as chairman of the board of statutory auditors of Hewlett Packard Italia S.r.l. Mr. Fantozzi has been a member of Enel's board of directors since May 2005.

Alessandro Luciano: Mr. Luciano was born in Rome on January 18, 1952. A graduate in law, he earned a master's degree in economics and finance in London. As a lawyer, he began his career in 1974, advising major Italian and foreign banks on currency matters and pleading before the Currency Commission of the Treasury Ministry. In parallel, he focused on the incorporation of companies and financing from abroad, contributing in this area to the execution of several transactions in favor of industries, insurance groups and state-owned companies. Beginning in 1984, he extended his legal practice to the telecommunications industry, where he studied the corporate as well as the financial and technical profile of companies. A former adviser of STET, Techint, Snam Progetti, Aquater, and Comerint, as well as of American DSC Communications (on behalf of which he participated in experimental studies in Italy for the ISDN, MDS, Airspan and video-on-demand systems), he also has been vice president of two committees of the Italian Soccer Federation. From October 2008 to March 2005, he was a commissioner of the Italian Communications Authority, where he was member of the board and of the Infrastructure and Networks Committee; at the authority he focused on the development, competition and interconnection of communication networks, as well as on the claims between telecommunications operators and users. Since June 2005, he has been chairman of the board of directors of

Centostazioni (Ferrovie dello Stato Group). In November 2007, he was appointed as a member of the Federal Court of the Italian Football Federation and has been a member of Enel's board of directors since May 2005.

Fernando Napolitano: Born in Naples on September 15, 1964, Mr. Napolitano graduated in economics and commerce from the University of Naples in 1987. He has subsequently refined his studies in the United States, first with a master's degree in management science from the Brooklyn Polytechnic University and later with an advanced management program at the Harvard Business School. Mr. Napolitano began his career working in the marketing department at Laben S.p.A. (Finmeccanica Group) and then at Procter & Gamble Italia, and subsequently, in 1990, he joined the Italian office of Booz Allen Hamilton (currently Booz & Company Italia), a consulting company in the management and technology sector, where in 1998 he was appointed partner and vice president. In this position, he was responsible for the development of activities in the telecommunications, media and aerospace sectors, gaining experience in Europe, the United States, Asia and the Middle East; at Booz & Company Italia he is currently the chief executive officer, with responsibilities also at an international level. From November 2001 to April 2006, he was a member of the committee for surface digital television at the Ministry of Communications and from July 2002 to September 2006, he was the director of the Italian Center for Aerospace Research. Mr. Napolitano has been a member of Enel's board of directors since May 2002, and from May 2007 to October 2008 he served as a member of the board of directors of Data Service (now B.E.E. Team).

Gianfranco Tosi: Born in Busto Arsizio on October 28, 1947, Mr. Tosi graduated in mechanical engineering from the Milan Polytechnic Institute in 1971. Since 1972 he has carried out research at the same institution, where in 1982 he became professor of technology of metals. Since 1992, he has been teaching the course of technology of metallic materials (together with a similar course at the University of Lecco). The author of more than 60 publications, he has carried out deep scientific research. A member of several boards of directors of companies and associations, he has also held positions in associations, including the vice presidency of the Youth Group of Federlombarda (serving as a regional delegate to the Committee of Young Entrepreneurs established within Confindustria) and the office of member of the Union for Entrepreneurship of Varese province. From December 1993 to May 2002, he was the mayor of the city of Busto Arsizio. Chairman of the Cultural Centre for Lombardy, established by the region to protect and develop its local culture, he has also been admitted to the journalists' register. He has been a member of Enel's board of directors since May 2002.

None of the members of the board of directors has any family relationship with any other member of the same board, with any member of Enel's board of statutory auditors, with the officer in charge of the drawing-up of corporate accounting documents (as described below), or with any of the Group's principal officers.

To the extent Enel is aware, none of the members of the board of directors of Enel has, in the last five years, been convicted of fraud; been involved in a company subject, during the performance of his professional duties, to any bankruptcy proceeding, temporary receivership or compulsory winding-up; or been subject to criminal charges and/or sanctions by public authorities or regulators (including appointed industry associations) or to injunction by any court affecting his ability to hold any position as a member of Enel's corporate, management or supervisory bodies or to perform any of Enel's corporate or management activities.

Board of statutory auditors

At the date hereof, Enel's board of statutory auditors, appointed at the general shareholders' meeting of May 25, 2007, is composed of three statutory members and two alternate auditors, whose names and positions are set forth in the following table. The terms of the members of the board of statutory auditors will expire on the date of the general shareholders' meeting called to approve the financial statements as of and for the year ending December 31, 2009.

Name	Position	Place and date of birth
Franco Fontana	Chairman	Canistro, July 6, 1943
Carlo Conte	Statutory Auditor	Rome, June 12, 1947
Gennaro Mariconda	Statutory Auditor	Santa Lucia di Serino, May, 21, 1942
Giancarlo Giordano	Alternative Auditor	Rome, September 13, 1945
Paolo Sbordoni	Alternative Auditor	Rome, December 4, 1958

The business address of the board of statutory auditors' members is that of Enel's registered office. The competence and experience of each auditor are briefly summarized below:

Franco Fontana: Born in Canistro on July 6, 1943, Mr. Fontana is an accountant and professor of economics and management. Since 1973, he has taught at several Italian universities, and since 1995 he has been appointed dean of the Faculty of Economics of the University LUISS Guido Carli. Since 2004, he has been the director of the LUISS Business School. He has been member of several technical commissions for the restructuring of the Italian civil service (Ministry of Postal Services and Telecommunications, MEF, Ministry of the Industry, Ministry of Health). From 1994 to 1997, he was chairman of the Cassa di Risparmio of the province of L'Aquila, from 2002 to 2006, chairman of Crea Impresa (BNL Group), from 2001 to 2004, chairman of the board of statutory auditors of COFIRI and from 2002 to 2005 chairman of the board of statutory auditors of Gallo & Co. (Meliorbanca). Currently, he serves as chairman of the boards of statutory auditors of Thales Alenia Space Italia, Agip Rete, Polimery Europa, Eniservizi and Messina Fuels, as well as a statutory auditor of Ansaldo Breda, ExxonMobil Mediterranea, Essocard, ST Microelectronics S.r.l. and SOFID. He also serves as chairman of the board of directors of I.S.V.I.M. He has been a statutory auditor of Enel since 2001. He has been chairman of Enel's board of statutory auditors since 2007. Mr. Fontana is the author of numerous publications on management and organization of companies.

Carlo Conte: Born in Rome on June 12, 1947, Mr. Conte graduated in economics and commerce from the University "La Sapienza" in Rome, and has continued to carry out activities in the economics field, teaching at the University of Chieti (1988-1989) and the University LUISS Guido Carli (1989-1995). Currently, he is a professor of public accountancy at the Superior School of Civil Service, the Superior School of Economics and Finance and the School of Management of the University LUISS Guido Carli, as well as professor of administration and governmental accounting at the Bocconi University in Milan. An auditor and accountant, he is the author of several publications. In 1967, he entered the civil service at the Government Accounting Office, and became general manager in 2002. Currently, he represents the Government Accounting Office on several commissions, committees, and study and working groups, including representing Italy on several committees of the OECD. A statutory auditor since 2004, Mr. Conte carries out auditing functions in several entities, bodies, companies and enterprises.

Gennaro Mariconda: Mr. Mariconda was born in Santa Lucia di Serino on May 21, 1942. Since 1970, he has worked as a notary, and since 1977, he has been a notary in Rome. From 1995 to 2001, he was a member of the National Council of Notaries, where from 1998 to 2001 he was the chairman. Within the notary profession, he has been involved in the most important processes of restructuring, transformation and concentration of Italian banking and industrial enterprises, such as the Banca di Roma, Medio Credito Centrale, Capitalia, IMI-San Paolo, Beni Stabili and Autostrade. Since 1966, he has taught at several Italian universities and currently he is a professor of private law in the Faculty of Economics and Commerce of the University of Cassino. He has been appointed as a member of the boards of directors of RCS Editori and Beni Stabili, as well as of the Regional Institute of Legal Studies (Istituto Regionale di Studi Giuridici) Arturo Carlo Jemolo. Currently, he is a member of the scientific committees of the law reviews "Notariato" and "Rivista dell'esecuzione forzata." A statutory auditor of Enel since 2007, he is the author of several publications in the legal field, especially in the area of private law and commercial law, as well as of articles, interviews and essays published in several of the most important Italian journals and newspapers.

Giancarlo Giordano: Born in Rome on September 13, 1945, Mr. Giordano graduated in economics and business from the University "La Sapienza" of Rome. An accountant, in 1974 he entered in the Government Accounting Office and since then he has pursued his career within the Italian civil service, becoming, in 1990, a manager, and in 2008, the general manager of the Government Accounting Office. In charge of numerous committees and working groups in the area of public and municipal finance, Mr. Giordano teaches at the Superior School of the Civil Service in the fields of municipal finance and federalism. He has collaborated on several publications and holds internal audit functions in several bodies and organizations.

Paolo Sbordoni: Born in Rome on December 4, 1958, Mr. Sbordoni graduated in economics and business from the University "La Sapienza" of Rome. An auditor and accountant, he carries out activities of consultancy for companies in the accounting, tax and corporate areas, focusing in particular on evaluations of companies, extraordinary corporate transactions and tax and corporate planning both at a national and international level. A member of the professional organization, "Kingston Sorel International," Mr. Sbordoni currently holds the positions of director, chairman of the board of statutory auditors or auditor in many Italian companies.

None of the members of the board of statutory auditors has any family relationship with any other member of the board of statutory auditors, with any members of the board of directors or with any of the principal officers of Enel or of the major companies of the Group.

To the extent Enel is aware, none of the members of the board of statutory auditors of Enel has, in the last five years, been convicted of fraud; been involved in a company subject, during the performance of his professional duties, to any bankruptcy proceeding, temporary receivership or compulsory winding-up; or been subject to criminal charges and/or sanctions by public authorities or regulators (including appointed industry associations) or to injunction by any court affecting his ability to hold any position as a member of Enel's corporate, management or supervisory bodies or to perform any of Enel's corporate or management activities.

Board committees and other corporate governance matters

Establishment of the internal control committee and the compensation committee

In accordance with the provisions on corporate governance set forth by Borsa Italiana, Enel's board of directors has resolved upon the establishment, pursuant to articles 7.P.3 and 8.P.4 of the Code of Self-Regulation (Codice di Autodisciplina) published by Borsa Italiana, of a compensation committee and an internal control committee. In December 2006, the board of directors approved the organizational regulations that set forth the composition, the tasks and methods of each committee. These committees are each composed, at all times, of at least three non-executive directors, the majority of whom must be independent. Members are appointed by the board of directors, which identifies a chairman among the members of each committee, and (as noted above) establishes by resolution the tasks of each committee.

In the performance of their tasks, the committees have the faculty to access the information and the corporate departments necessary to carry out such tasks, and may use external consultants at the expense of the Company, within the limits of a budget approved by the board of directors. Each committee provides for the appointment of a secretary, which may be a person not drawn from among its own members, to whom the duty to draft minutes of meetings is allocated. Each committee's members may participate in the meetings of the other committee, in addition to other members of the board of directors or persons invited on an ad hoc basis by the relevant committee chairman, and whose presence may contribute to the functioning of the committee.

The chairman of the board of statutory auditors or another statutory auditor designated by him attends the meetings of the internal control committee (in consideration of the specific tasks of vigilance over the internal control system assigned to the board of statutory auditors itself by the legislation regarding listed companies currently in force) and, since December 2006, the chairman of the board of directors (in his capacity as executive director appointed to oversee the functionality of the internal control system) has also attended meetings. The person in charge of internal control may also attend meetings. Below is set forth a brief description of the tasks and internal operation of the committees, as well as information concerning the current members of each committee.

Internal control committee

The internal control committee has the duty to assist the board of directors in evaluations and decisions regarding the Group's internal control system, the approval of the Group's financial statements and the relationship between the Company and its external auditors, by preliminarily gathering the relevant facts.

In particular, the internal control committee is charged with the following duties, which are both advisory and proactive duties: (i) to assist the board of directors in performing tasks regarding internal control entrusted to the latter by the Code of Self-Regulation; (ii) to evaluate, together with the executive in charge of drawing up the corporate accounting documents and the external auditors, the proper use of accounting principles and their uniformity for the purpose of preparing the consolidated financial statements; (iii) to express opinions, upon the request of the executive director who is assigned to the task, on specific aspects of identification of the Company's and Group's main risks, as well as the planning, implementation and management of the internal control system; (iv) to examine the work plan prepared by the person in charge of internal control, as well as the latter's periodical reports; (v) to assess, to the extent pertinent to its role, the proposals made by auditing firms to obtain the related assignment, as well as the work plan prepared for the external audit and the results expounded in the report and, if there is one, the letter of suggestions; (vi) to oversee the effectiveness of the external audit process; (vii) to perform the additional tasks assigned to it by the board of directors, with particular regard to the checks aimed at ensuring the transparency and fairness of transactions with related parties; (viii) and to report to the board of directors at least once every six months, when the financial statements and the half-year report are approved, on the work performed and the adequacy of the internal control system.

At the date hereof, the internal control committee is composed of members Gianfranco Tosi (as chairman), Lorenzo Codogno (whose status as having adequate accountancy and financial experience has been verified by the board of directors), Renzo Costi and Alessandro Luciano.

Compensation committee

The directors' compensation is fixed in a sufficient measure in order to attract, retain and motivate directors with the professional qualities required to successfully manage the Company. In this regard, it is up to the compensation committee to take steps such that a significant part of the compensation of the executive directors and officers with strategic responsibilities is tied to the economic results achieved by the Company and by the Group, as well as to specific goals formerly indicated by the board of directors or, in case of the above- mentioned officers, by the chief executive officer; with the aim of aligning the interests of such officers with the achievement of the main goal of value-creation, over a medium to long timeframe, for the shareholders.

The compensation of the non-executive directors is proportional to the effort expected of each one of them, taking into consideration their participation in the committees. In this regard, it is to be noted that, in line with the guidelines set forth in the Code of Self-Regulation, such compensation is not in any way tied to the economic results achieved by the Company or by the Group and the non-executive directors are not participants in the stock incentive plans described further below. In particular, the compensation committee is charged with the following duties, which are both advisory and proactive:

- To present to the board of directors proposals for the compensation of the chief executive officer and of the other directors who hold particulars offices, monitoring the execution of the decisions adopted by the board. It is to be noted, in this regard, that participation of the interested directors in the committee's meetings in which such proposals are formulated is not permitted.
- To periodically evaluate the criteria adopted for the compensation of the officers with strategic responsibilities, supervise the use of the criteria in accordance with information supplied by the chief executive officer and advise the board of directors in respect of the foregoing.

The compensation committee, within its sphere of competence, also carries out a role of prime importance in the elaboration and monitoring of the trends in the share-based compensation plans offered to management, as incentive and loyalty instruments aimed at attracting and motivating personnel of adequate level and experience, further developing their sense of ownership and their effort to create value.

The compensation committee also carries out other duties provided for by the Code of Self-Regulation, as well as playing a supporting role to the chief executive officer and the competent corporate departments in developing the potential of the Company's managerial resources, in the recruitment and evaluation of management talent, and in promoting related initiatives at universities.

At the date hereof, the compensation committee is composed of members Augusto Fantozzi (as chairman), Giulio Ballio and Fernando Napolitano.

Implementation of corporate governance rules

The corporate governance structures in place at Enel S.p.A and in the group of companies that it controls reflect the principles set forth in the Code of Self-Regulation. In particular, and in addition to forming the above-described committees, Enel has, among other things, identified an officer responsible for relationships with institutional investors and other shareholders and adopted internal rules for the discipline of transactions with related parties (as of December 19, 2006).

Adoption of an organizational model

In July 2002, the board of directors approved an organizational and management model pursuant to the requirements of Legislative Decree No. 231 of June 8, 2001. Such organizational model, which was updated in 2006, 2008 and 2009, regulates various aspects of discipline and ethics within the firm and is in line with what is set forth in the guidelines elaborated on the matter by relevant industry associations and American best practices.

Independence of directors and board review

In accordance with the information supplied by the parties concerned or, in any event, with the information available to the Company, immediately after their appointment (on June 11, 2008) and, thereafter, in February 2009, the board of directors has certified that the independence requirements set forth in the Code of Self-Regulation have been satisfied with reference to members Giulio Ballio, Renzo Costi, Augusto Fantozzi, Alessandro Luciano and Gianfranco Tosi. In particular, the members that do not have, and have not recently had, even indirectly, relationships with the Company or with parties connected to the Company, such as to concretely affect their independence of judgment, have been considered independent.

The procedure followed by the board of directors in this regards has relied on the preparation of reports concerning non-executive directors' relationships. Such phase was followed by an auto-evaluation conducted by each one of the non-executive directors with regards to his own personal positions, followed by the final evaluation of each non-executive director completed by the board of directors with the abstention of the single member concerned. In the evaluation of the independence of the non-executive members, the board of directors has taken into consideration the principle of "substance over appearance," as indicated by the Code of Self-Regulation.

In connection with the evaluations carried out during June 2008 and February 2009, the board of directors also certified that the five above-mentioned non-executive directors—Giulio Ballio, Renzo Costi, Augusto Fantozzi, Alessandro Luciano and Gianfranco Tosi—also fulfill the independence criteria required by law (in particular by the Italian Unified Financial Act) for listed companies' auditors. During February 2009, the board of statutory auditors verified that the board of directors, in the performing of the above-mentioned evaluations of the non-executive members' independence, correctly applied the criteria indicated by the Code of Self-Regulation, following for such purposes a transparent verification procedure, which allowed the board of directors to gain knowledge of potential relevant relationships adequate for the evaluation of independence.

During December 2006, the board of directors also verified the absence of conditions which, pursuant to the Code of Self-Regulation, would require the designation of a lead independent director, taking into consideration that, at Enel, the chairman of the board of directors does not hold the position of chief executive officer or own a control stake in the Company.

During the last quarter of 2008, the board of directors, with the assistance of an industry-specialized consulting company carried out—and completed in February 2009—an evaluation of the scope, of the composition and of the functionality of the board and of its committees (i.e., a board review), in line with international best practices and the Code of Self-Regulation. This board review followed similar initiatives undertaken by the board of directors during 2004, 2006 and 2007.

The analysis, conducted through the completion by each director of a questionnaire and submission to individual interviews carried out by the consulting company, focused on the most important attributes of the board of directors, such as: (i) the structure, composition, role and responsibilities of such body; (ii) the carrying-out of meetings, the relevant information processes and decision-making processes adopted; (iii) the composition and functionality of the committees constituted within the board of directors; (iv) the strategies pursued and the board's scheduled performance goals; (v) the relationships between the board, the shareholders and other stakeholders; and (vi) evaluations of the adequacy of the corporate organizational structure.

Transactions with related parties

In December 2006, the board of directors adopted, pursuant to the Italian Civil Code and the Code of Self- Regulation, an internal regulation that sets forth the procedures for approving and carrying out transactions with related parties entered into by the Company or by its subsidiaries, in order to guarantee the transparency and the correctness, both substantive and procedural, of such transactions. Pursuant to such regulation, the internal control committee is called upon to do preventive reviews of different types of transactions with related parties, with the exception of those with a limited risk profile for the Company and for the Group (such as transactions executed between companies entirely owned by Enel, as well as those that are typical or usual, those regulated by standard conditions, and those whose consideration is fixed according to official market quotations or rates set by public authorities).

Following the internal control committee's review, the board of directors must approve (in the case of transactions by the Company) or evaluate (in the case of transactions by other Group companies) the most material transactions with related parties, including: (i) atypical or unusual transactions; (ii) transactions with consideration higher than €25 million (with the exception of those, as previously mentioned, with a limited risk profile for the Company and for the Group); and (iii) additional transactions that the internal control committee deems necessary to submit to the board of directors.

Transactions—even those with consideration equal to or less than €25 million—in which the related party is a board member or a statutory auditor of Enel, or an officer of the Company or the Group with strategic responsibilities (or a person who is a related party by virtue of a relationship to such a person) are always submitted to the internal control committee for preventive review. For each of the transactions with related parties submitted for its approval or evaluation, the board of directors receives adequate information on all the relevant elements and adopts a relevant resolution taking into account the reasons for and the opportunities presented by such transactions for the Company and the Group. The internal regulation also provides that the board of directors must receive detailed information on the execution of transactions approved or evaluated by the board.

In order to avoid any transaction with a related party being executed on different conditions from those that would likely be negotiated between non-related parties, both the internal control committee and the board of directors have the authority to avail themselves of one or more independent experts, chosen among those with certified professionalism and competence, in function of the nature, value or other characteristics of a proposed transaction.

In the event that a business relationship exists with a Company director or with a party related to him, the director in question must promptly inform the board of directors about the nature, terms, origin, and importance of his interest, and then leave the relevant board meeting to allow the other directors to resolve upon the issue, in the event that the constitutive quorum is not affected or the board of directors does not dispose otherwise.

In the event that a business relationship exists with the Company's chief executive officer or with a party related to him, in addition to that stated above, the officer must abstain from participating in the execution of the transaction and vest control of the matter in the board of directors. In the event that a business relationship exists with one of the Company's statutory auditors or a party related to him, the auditor in question must promptly inform the other auditors and the chairman of the board of directors about the nature, terms, origin, and importance of his interest. The internal regulation also provides for a communication and attestation system in order to identify promptly—as soon as first negotiations begin—related-party transactions involving Enel's directors or statutory auditors, or the Company's or Group's officers with strategic responsibilities (or parties related to such individuals).

Officer in charge of the drawing-up of corporate accounting documents

Pursuant to the Italian Unified Financial Act and the articles of association, in June 2006, the board of directors, after consultation with the board of statutory auditors, provided for the appointment of an "officer in charge of the drawing-up of corporate accounting documents." Such person, Luigi Ferraris, the head of the Company's Accounting, Finance and Control department, fulfils (as verified by the board of directors in June 2007) the relevant professional requirements introduced into the articles of association in May 2007, in compliance with the Italian Unified Financial Act.

The duty of such officer is to bring together and organize adequate administrative and accounting procedures for the drawing-up of the Group's consolidated financial statements, and all other financial reporting documents and communications.

Principal officers

The table set forth below contains information regarding the Group's principal officers (that is, officers with strategic responsibilities) at the date hereof, with an indication of the position and seniority of each officer.

Name	Position	Year joined group	Place and date of birth
Marco Arcelli	Head, Up-Stream Gas Department	2001	Genoa, June 14, 1971
Andrea Brentan	Head, Iberia and Latin America Division	2002	Tangier (Morocco), March 3, 1949
Antonio Cardani	Head, Procurement and Services Department	2000	Milan, February 5, 1950
Salvatore Cardillo	General Counsel	2000	Naples, August 14, 1949
Massimo Cioffi	Head, Personnel and Organization Department	1999	Milan, November 2, 1960
Gianluca Comin	Head, External Relations Department	2002	Udine, April 2, 1963
Francesca Di Carlo	Head, Audit Department	2006	Rome, October 18, 1963
Luigi Ferraris	Head, Accounting, Finance and Control Department	1999	Legnano, February 23, 1962
Livio Gallo	Head, Infrastructure and Networks Division	1999	Belgirate, June 17, 1950
Claudio Machetti	Head, Group Risk Management Department	2000	Rome, October 30, 1958
Giovanni Mancini	Head, Generation and Energy Management and Sales Divisions	1997	Savona, June 14, 1965
Simone Mori	Head, Regulatory Affairs and Environmental Policies Department	1990	Perugia, December 24, 1964
Claudio Sartorelli	Head, Corporate Secretariat	1970	Rome, June 12, 1945
Silvio Sperzani	Head, Information and Communication Technology Department	2007	Milan, October 16, 1962
Francesco Starace	Head, Renewable Energy Division	2000	Rome, September 22, 1955
Carlo Tamburi	Head, International Division	2002	Rome, January 1, 1959
Livio Vido	Head, Engineering and Innovation Division	2008	Menaggio, November 16, 1948

The management competence and experience of the Group's principal officers are briefly summarized below:

Marco Arcelli: Born in Genoa on June 14, 1971, Mr. Arcelli graduated in mechanical engineering from the University of Genova and is a graduate of the Advanced Management Program at Harvard University. Before joining Enel, from 1997 to 2001 he held several positions in business development and sales at General Electric in the US and Italy, and was a project manager and a dispute resolution manager in London, San Francisco and Copenhagen. In 2001 he joined Enel as executive assistant of the chief executive officer. From 2003 to 2005 he was President and CEO of Enel North America, a leading renewable energy company with over 70 renewable energy plants in the U.S. and Canada, and from 2005 to 2006 he was General Director of Slovenské elektrárne, one of the leading power generators in Central Europe with over 6000 MW of nuclear, coal, and hydro capacity installed. From 2006 to June 2009 he was Head of Business Development, M&A and Operations Support in the International Division, and since June 2009 he has been the Head of the Up-Stream Gas department.

Andrea Brentan: Born in Tangier (Morocco), on March 3, 1949, Mr. Brentan graduated in engineering from the Milan Polytechnic Institute. He was a research assistant at New York University from 1975 to 1977 and then held various positions at GIE, an Italian engineering and contracting group operating worldwide in the construction of turnkey power plants, until the beginning of 1991. From 1991 to 1999, he successively held the positions of chief financial officer, general manager and chief executive officer at Sae Sadelmi, a Milan-based company belonging to the ABB Group which engages in power plant engineering and construction, and electrical generation equipment manufacturing and service. From 2000 to 2002, he worked in Paris as head of the international power plant business at Alston. He joined Enel in November 2002 as head of International Operations and Business Development in its Domestic Generation and Energy Management division. Currently, he is chief executive officer of Endesa and the head of the Iberia and Latin America division.

Antonio Cardani: Born in Milan on February 5, 1950, Mr. Cardani graduated in economics, from Bocconi University in Milan. He served as head of the administration department of Olivetti S.p.A. from 1984 to 1995. He then served as head of the administration and finance department of Telemedia S.p.A. from 1995 to 1997. He joined Telecom Italia S.p.A. in 1997, where he was responsible for strategic planning from 1997 to 1998 and for planning and organizational development from 1998 to 2000. He was head of Enel's Audit department from 2000 to 2007 and he has been the head of Enel's Procurement and Services department since 2008.

Salvatore Cardillo: Born in Naples on August 14, 1949, Mr. Cardillo graduated in law from the University of Naples. He has served as the general counsel of a number of major Italian companies, including Aeritalia-Finmeccanica from 1983 to 1991, Alitalia S.p.A. from 1991 to 1997, Edison, a subsidiary of Compart Group-Montedison, from 1997 to 1999 and De Agostini S.p.A., a major Italian publishing company, from 1999 to 2000. Since 2000 he has been Enel's general counsel.

Massimo Cioffi: Born in Milan on November 2, 1960, Mr. Cioffi graduated in political economics from Bocconi University in Milan. He began his career with the Olivetti Group, where from 1995 to 1997, he was the manager of organization and human resources development. From 1997 to 1999, he was manager of human resources and organization for the concrete division of the Italcement Group. He joined Enel in 1999, where he was manager of planning, organization and human resources development for the Group, prior to assuming a position at Terna as Head of Personnel and Organization in December 2003. Since July 2006, he has led the Group's Personnel and Organization department. He currently holds the position of chairman of Sfera and is a member of the boards of directors of seven companies of the Group.

Gianluca Comin: Born in Udine on April 2, 1963, Mr. Comin graduated in communication sciences from the Libera University Maria Ss. Assunta (LUMSA) of Rome. He served as head of the public relations department and communications department at Montedison S.p.A. from 1999 to 2001. He also served as head of the press relations department at Telecom Italia S.p.A. from September 2001 to June 2002. He previously worked as a journalist at "Il Gazzettino," an Italian newspaper, from 1987 to 1997. From 1997 to 1998 he was the spokesperson and head of the press office of the Italian Ministry of Public Works. In July 2002, he joined Enel as head of the External Relations department. He is currently also an executive director of the Enel Cuore Onlus Foundation, the president of the Italian Public Relations Federation (FERPI) and a member of the national committee of Confindustria. He is currently a member of the board of directors of Endesa S.A.

Francesca Di Carlo: Born in Rome on October 18, 1963, Ms. Di Carlo graduated in economics and business from the University "La Sapienza" of Rome. She worked in the equity and corporate finance areas at the UBS Group from 1987 to 1993, first in London and later in Milan. Between 1994 and 2006, she has worked for the Telecom Italia Group, where she held positions in the financial planning and mergers and acquisitions departments, as well as serving as the company's head of Corporate Development and Investor Relations. In 2006, she joined Enel as head of the Corporate Strategy Unit. Since January 2008, she has led the Audit department.

Luigi Ferraris: Born in Legnano on February 23, 1962, Mr. Ferraris graduated in economics and business from the University of Genoa. He has held several administration and controllership positions with a number of Italian and foreign companies including Elsag Bailey Process Automation, part of the Finmeccanica group, where he served as Area Controller for Europe until 1999. In 1999, he joined Enel as chief financial officer of Eurogen, Elettrogen and Inter power (formerly Gencos). In 2001, he was appointed chief financial officer of the Infrastructure and Networks division. Since 2005, he has led Enel's Accounting, Planning and Control department (the Accounting, Finance and Control department since June 2009). He is also currently a member of the boards of directors of Enel's main subsidiaries (including Endesa) and chairman of Enel's shared services company (Enel Servizi S.r.l.). Finally, he is a lecturer at the University LUISS Guido Carli, teaching a course on "control systems and administration."

Livio Gallo: Born in Belgirate on June 17, 1950, Mr. Gallo graduated in electronic engineering, from the Milan Polytechnic Institute. From 1976 to 1988 he held a variety of positions at Hartmann & Brown (part of the Mannesmann Group). From 1988 to 1992 he was responsible for the "Industrie" business area at ELSAG (part of the Finmeccanica Group). From 1992 to 1999 he served as the chief executive officer of several subsidiaries of Elsag Bailey Process Automation, and was also the area vice president for Western Europe and Africa at Finnmeccanica. He joined Enel in 1999, where he led the sales division of Enel's Eurogen, Elettrogen and Interpower companies (formerly Gencos) until 2001. From 2002 to 2004, he was responsible for sales at Enel Distribuzione, and from 2004 to 2005 he led the Electric Network business area of, and also served as the chief executive officer of, Enel Distribuzione. He currently holds the positions of head of the Infrastructure and Networks division and chief executive officer of Enel Distribuzione and of Deval, as well as serving as executive director of Enel Rete Gas and Enel Sole.

Claudio Machetti: Born in Rome on October 30, 1958, Mr. Machetti graduated in statistical sciences from the University "La Sapienza" of Rome. He served as manager in the central financial analysis department of Banca di Roma in 1990. In 1992, he served as manager in the capital markets unit at Ferrovie dello Stato, the national railway company, and, from 1997 to 2000 he held the positions of head of finance and chief executive officer of Fercredit. He has also served as a member of the boards of directors of several finance and insurance companies. He joined Enel in 2000, holding the position of head of the Finance Unit of the Accounting, Finance and Control department. From June 2005 until June 2009, he held the position of head of the Finance department. Since June 2009, he has held the position of head of the Group Risk Management department. Currently, he also sits on the boards of directors of several of major companies of the Group (including Endesa), as well as the public company, Terna.

Giovanni Mancini: Born in Savona on June 14, 1965, Mr. Mancini graduated in economics and business from the University of Genoa. He served as audit manager and then as head of the asset management department of the Olivetti Group from 1992 to 1997. He joined Enel in 1997, where he served as chief financial officer of Enelpower and then as head of the Group Planning and Control department. From 2003 to 2005, he was head of the Fuel Business department. Since 2008, he has been the head of the Generation and Energy Management division and of the Sales division.

Simone Mori: Born in Perugia on December 24, 1964, Mr. Mori graduated in physics from the University of Parma. After obtaining an MBA, Mr. Mori held several positions at Enel. Since 1996, he has been involved with the internal and strategic reorganization of Enel after the Italian energy market liberalization and Enel's privatization. He worked closely with national and European institutions on electricity and natural gas market regulation issues. In February 2004, he became Head of Regulatory Affairs for Enel. In May 2007, he was appointed director of Regulatory Affairs and Environmental Policies, coordinating the activities of the Enel Group (in Italy and abroad) in the field of regulation. Currently, he is President of the Energy Group of Assolombarda, a member of the board of Assoelectrica (the Italian association of energy companies) and a member of the Energy Commission of Confindustria (the association of Italian enterprises). He is also a fellow of the "German Marshall Fund of the United States" and of the "Young Leaders Program of the Italy-United States Council."

Claudio Sartorelli: Born in Rome on June 12, 1945, Mr. Sartorelli graduated in law from the University "La Sapienza" of Rome. He joined Enel in 1970. Since then, he has held a number of positions. He was general counsel from 1996 to 2000. He has been the director of Enel's Corporate Secretariat since 1996 and he currently serves as secretary of Enel's board of directors.

Silvio Sperzani: Born in Milan on October 16, 1962, Mr. Sperzani graduated in economics and business from Bocconi University in Milan. He worked at Accenture from 1987 to 1993, at McKinsey & Co. from 1993 to 2004 and at Capitalia S.p.A. from 2004 to 2007. He joined Enel in 2007 and is currently the head of the Information and Communication Technology department.

Francesco Starace: Born in Rome on September 22, 1955, Mr. Starace graduated in engineering from the Milan Polytechnic Institute. He held a number of management positions in Italy, the United States, Saudi Arabia, Egypt and the UAE in the contracting and engineering department of General Electric Company from 1982 to 1987. He subsequently worked at ABB and then at Alstom Powers Corporation from 1987 to 2000, where he served as chief executive officer of ABB Combustion Engineering Italia and then as the Zurich-based director responsible for global sales and turnkey plants for the gas turbine division. He joined Enel in 2000 as head of Energy Management for Enel Produzione. From 2005 to 2008, he was the head of the Domestic Sales division. Currently, he is the head of the Renewable Energy division. He sits on the boards of directors of some companies of the Group and is the chief executive officer of Alpe Adria Energia S.p.A.

Carlo Tamburi: Born in Rome on January 1, 1959, Mr. Tamburi graduated in statistical sciences from the University "La Sapienza" of Rome. He held a number of positions over a period of 20 years at Citibank N.A., I.R.I. and the Italian Ministry of Economy and Finance. He has been the chairman of Tirrenia di Navigazione S.p.A., as well as a member of the boards of directors of several Italian companies such as Finnmeccanica and Alitalia. He joined Enel in 2002 and is currently the head of the International division.

Livio Vido: Born in Menaggio on November 16, 1948, Mr. Vido graduated in mechanic engineering from the Milan Polytechnic Institute. He was the technical director of Tecnimont until 1993, the engineering company previously part of the Montedison Group (now part of Maire Tecnimont S.p.A.), acting in chemical and petrochemical plant engineering procurement and construction. From 1993 to 1996, he was the technical director of ABB Sal Sadelmi Company, part of the ABB group engaged in the engineering, procurement and construction of power plants and power lines. From 1996 to 2005, he was chief executive officer of Italferr, the engineering company of Ferrovie dello Stato, and was responsible for railway infrastructure design, contracting and construction, as well as of the Italian high-speed rail system. From 2005 to 2007, he was senior vice president of Alitalia engineering and maintenance services, working on aircraft, engines and components maintenance. He joined Enel in April 2008 as the head of the Engineering and Innovation division.

None of the principal officers indicated in the above-mentioned table has any family relationship with any member of the board of directors, with any member of the board of statutory auditors or with any of the other principal officers indicated.

To the extent Enel is aware, none of the principal officers of the Group has, in the last five years, been convicted of fraud; been involved in a company subject, during the performance of his professional duties, to any bankruptcy proceeding, temporary receivership or compulsory winding-up; or been subject to criminal charges and/or sanctions by public authorities or regulators (including appointed industry associations) or to injunction by any court affecting his ability to hold any position as a member of the Group's corporate, management or supervisory bodies or to perform any of the Group's corporate or management activities.

Conflicts of Interest

At the date hereof, neither any member of the board of directors or the board of statutory auditors nor any of the Group's principal officers has any private interests in conflict with his duties arising from his or her office or position within the Group.

Directors', statutory auditors' and officers' compensation and benefits

Set forth below is a table illustrating the compensation paid (in euros) during 2008 by the Company and by its directly or indirectly controlled companies to the members of the board of directors and the board of statutory auditors, as well as to the Group's current principal officers.

Name	**Fees**	**Non-monetary benefits**	**Incentives**	**Other compensation**	**Total**
Board of directors					
Piero Gnudi	700,000.00	13,348.38(1)	210,000.00(2)	–	923,348.38
Fulvio Conti	600,000.00	–	600,000.00(3)	2,036,308.24(4)	3,236,308.24
Giulio Ballio	116,416.30(5)	–	–	–	116,416.30
Lorenzo Codogno	64,472.22(6)	–	–	–	64,472.22
Renzo Costi	64,471.54	–	–	–	64,471.54
Augusto Fantozzi	121,068.75	–	–	–	121,068.75
Alessandro Luciano	116,915.97	–	–	–	116,915.97
Fernando Napolitano	116,415.97	–	–	–	116,415.97
Gianfranco Tosi	120,082.97(7)	–	–	–	120,082.97
Subtotal	**2,019,843.72**	**13,348.38**	**810,000.00**	**2,036,308.24**	**4,879,500.34**
Board of statutory auditors:					
Franco Fontana	75,000.00	–	–	–	75,000.00
Carlo Conte	65,000.00(8)	–	–	–	65,000.00
Gennaro Mariconda	65,000.00	–	–	–	65,000.00
Subtotal	**205,000.00**	–	–	–	**205,000.00**
Principal officers:					
Principal officers	–	–	–	11,352,084.49	11,352,084.49
Total	**2,224,843.72**	**13,348.38**	**810,000.00**	**13,388,392.73**	**16,436,584.83**

(1) Insurance policy.

(2) Variable component of the compensation related to 2007, resolved and paid during 2008. In May 2009, the board of directors provided for the allotment of the variable part of the chairman's compensation for 2008 in an amount equal to €333,245.90, following verifications regarding the achievement of the Group's scheduled goals for such year.

(3) Variable component of the compensation related to 2007, resolved and paid during 2008. In May 2009, the board of directors provided for the allotment of the variable part of the chief executive officer's compensation for 2008 in an amount equal to €609,180.33, following verifications regarding the achievement of the Group's scheduled goals for such year.

(4) Such amount is composed of: (i) €702,582.28 of the fixed part of the compensation related to the holding of the general manager position for 2008; (ii) €700,000.00 of the variable part of the compensation related to 2007, resolved and paid during 2008; (iii) €97,000.00 as an amount granted as an extra-ordinary allowance una tantum that—in different forms,

according to the goal performance individually achieved—could be acknowledged in favor of all the addressees of the 2005 stock option plan (in consideration of the largely positive results achieved by the Group in the relevant period, in spite of the cancellation of such plan), in which the party concerned participated in his previous position as director of the Accounting, Finance and Control department; (iv) €21,530.76 as an amount earned following the exercise of the stock options and of the subsequent resale of shares which were taxed as income from subordinate employment according to applicable tax regulations (which were applied for the entire 2008 year); and (v) €515,195.20 of the bonuses acknowledged in conjunction with the exercise of the stock options. In this respect, the bonuses were acknowledged in general to the officers addressees of the stock options, at the moment of the exercise of their assigned options; the measure of such bonuses, proportional to the number of options exercised, is related to the portion of the dividends, distributed by Enel after the allotment of the stock options and prior to the exercise of such options by the addressees, connected to increases in value arising from such assets' termination. During 2009, the board of directors provided for the allotment of the further variable part of the compensation to the general manager for 2008 in an amount equal to €710,710.38, following the verifications on the achievement of the Group's scheduled goals for such year.

(5) Compensation paid to the Milan Polytechnic Institute in an amount equal to €5,615.56 pursuant to Law 662/1996, Article 1, paragraph 123.

(6) Compensation paid to the Ministry of Economics and Finance in an amount equal to €63,222.22 pursuant to the Directive of the Presidency of the Council of the Ministries—Public Division and Public Function Department of March 1, 2000.

(7) Compensation paid to the Milan Polytechnic Institute in an amount equal to €5,615.56 pursuant to Law 662/1996, Article 1, paragraph 123.

(8) Compensation paid to the Ministry of Economics and Finance pursuant to the Directive of the Presidency of the Council of the Ministries—Public Division and Public Function Department of March 1, 2000.

(9) During 2008 such officers held positions as functional area directors at Enel or directors of operating divisions, for a total of 17 management positions. The compensation of such officers also includes (i) the sums received following stock option exercises and the subsequent resale of the remaining shares, which are taxed as income from subordinate employment according to the applicable tax regulations (which were applied for the entirety of 2008), as well as (ii) the bonuses acknowledged in conjunction with the stock option exercise. In this respect, the bonuses were acknowledged in general to the officers addressees of the stock options, at the moment of the exercise of their assigned options; the measure of such bonuses, proportional to the number of options exercised, is related to the portion of the dividends, distributed by Enel after the allotment of the stock options and prior to the exercise of such options by the addressees, connected to increases in value arising from such assets' termination.

Severance payments

At the date hereof, employment contracts entered into with members of the corporate, management or supervisory bodies of Enel or its subsidiaries that provide for severance payments do not exist, except in respect of the chairman and the chief executive officer.

Corporate agreements provide that Enel's chairman and chief executive officer are to be paid, in the event of justified resignations from their positions or of termination without just cause, an indemnification equal to: (i) in the case of the chairman, an amount equal to the fixed and variable compensation that he would have received until the expiry of his mandate (assuming, for the variable part, the average of the compensation received during the prior two years or, in the absence of available information, 50% of the maximum amount expected); and (ii) in the case of the chief executive officer (and general manager), the total amount of the fixed and variable compensation (assuming, for the variable part, the average of the compensation received during the prior two years or, in the absence of available information, 50% of the maximum amount expected) that he would have received as chief executive officer and as general manager until the expiry of the relevant employment relationships.

In addition to the above, agreements provide that the general manager is to be paid, in the case of termination of the management employment relationship subsequent to termination of his directorship relationship due to a justified resignation or a termination without just cause, an indemnification equal to three years of annual compensation, consisting of: (i) the fixed compensation received in such capacity, as well as (ii) 50% of the variable compensation received in the same capacity, for a total amount equal to €3,675,000.00. The receipt of such indemnification is deemed to substitute for notice requirements and imply the general manager's waiver of rights under the collective labor contract for corporate officers.

Current shareholdings of directors and officers

The following table summarizes the current holdings of stock of Enel or Group companies by members of the board of directors, members of the board of auditors and top management, as well as the numbers of stock options or other rights assigned to such individuals.

Name	Position	Number of shares held	Company	Number of options/ other rights	Exercise period
Piero Gnudi	Chairman	387,496	Enel S.p.A.	–	–
Fulvio Conti	Chief Executive Officer	529,632	Enel S.p.A.	3,422,772	2013
		200	Endesa S.A.	–	–
Giulio Ballio	Director	70,000	Enel S.p.A.	–	–
Augusto Fantozzi	Director	75,200	Enel S.p.A.	–	–
Alessandro Luciano	Director	9,080	Enel S.p.A.	–	–
Fernando Napolitano	Director	63,840	Enel S.p.A.	–	–
Carlo Conte	Statutory Auditor	38,000	Enel S.p.A.	–	–
Gennaro Mariconda	Auditor	456,472	Enel S.p.A.	–	–
Giancarlo Giordano	Alternate Auditor	524	Enel S.p.A.	–	–
Marco Arcelli	Head, Up-Stream Gas Department	–	Enel S.p.A.	343,167	2012
Andrea Brentan	Head, Iberia and Latin America	–	Enel S.p.A.	970,349	2014
		100	Endesa S.A.	–	–
Antonio Cardani	Head, Procurement and Services	34,638	Enel S.p.A.	820,594	2014
Salvatore Cardillo	General Counsel	14,468	Enel S.p.A.	691,823	2014
Massimo Cioffi	Head, Personnel and Organization	144	Enel S.p.A.	856,198	2014
Gianluca Comin	Head, External Relations	14,739	Enel S.p.A.	1,080,087	2013
		100	Endesa S.A.	–	
Francesca Di Carlo	Head, Audit	–	Enel S.p.A.	533,151	2014
Luigi Ferraris	Head, Accounting, Finance	15,428	Enel S.p.A.	940,087	2014
	and Control Department	100	Endesa S.A.	–	–
Livio Gallo	Head, Infrastructure and Networks	–	Enel S.p.A.	90,000	2009
Claudio Machetti	Head, Group Risk Management	–	Enel S.p.A.	920,595	2014
	Department	100	Endesa S.A.	–	–
Giovanni Mancini	Head, Generation and Energy Management	66,600	Enel S.p.A.	946,196	2014
Simone Mori	Head, Regulatory Affairs and Environmental Policies	–	Enel S.p.A.	670,718	2014
Claudio Sartorelli	Head, Corporate Secretariat	3.040	Enel S.p.A.	720,717	2014
Silvio Sperzani	Head, Information and Communications Technology	3,048	Enel S.p.A.	856,195	2014
Francesco Starace	Head, Renewable Energy Division	103,858	Enel S.p.A.	1,125,770	2014
Carlo Tamburi	Head, International Division	163,723	Enel S.p.A.	912,995	2014
Livio Vido	Head, Engineering and Innovation	2,150	Enel S.p.A.	486,920	2014

At the date hereof, the parties indicated in the table above have not agreed to any restrictions on the sale of the shares held by them.

Description of Enel Finance International S.A.

General

Enel Finance International S.A. (**Enel S.A.**) was incorporated for an unlimited duration as a public limited liability company (*société anonyme*) under the laws of Luxembourg on July 3, 1997. The registered office of Enel S.A. is 11, boulevard de la Foire, L-1528, Luxembourg and its telephone number is +352 26 86 13 20. It is registered with the Luxembourg trade and companies register under Section B, number 60 086. Enel S.A. is owned as to 100% directly by Enel. The business address of Enel S.A. is at 11, boulevard de la Foire, L-1528, Luxembourg.

Corporate purpose

According to article 3 of the articles of incorporation of Enel S.A. (in its most recent version (statuts coordonnés) dated November 25, 2002 which may be inspected during the normal business hours at the Luxembourg trade and companies register where copies may be obtained free of charge), the object of Enel S.A. is the holding of participations, in any form whatsoever, in Luxembourg and foreign companies, the acquisition by purchase, subscription, or in any other manner as well as the transfer by sale, exchange or otherwise of stock, bonds, debentures, notes and other securities of any kind, and the ownership, administration, development and management of its portfolio. Enel S.A. may also hold interest in partnerships. Enel S.A. may borrow in any form and proceed to the issue of bonds and debentures. In a general fashion Enel S.A. may grant assistance to affiliated companies, take any controlling or supervisory measures and carry out any operation which it may deem useful in the accomplishment and development of its purposes. Enel S.A. may further carry out any commercial, industrial or financial operations, as well as any transactions on real estate or on moveable property. Enel S.A. is a corporate taxpayer subject to common tax law and does not fall in the scope of the holding company law of July 31, 1929.

Principal activities

It is intended that Enel S.A. shall continue to operate as a financing company for the Group, raising funds through bond issuances, loans and other facilities. Enel S.A. will then on-lend such funds to Group companies. As at June 30, 2009, Enel S.A. has entered into, as a lender, several loan agreements with Group companies, with the following terms:

- revolving credit facility granted to Enel Erelis S.A.S. for an amount up to €115 million, bearing interest at 3-month EURIBOR plus a spread of 2.00% and a commitment fee of 0.0625%, maturing on December 31, 2009;
- revolving credit facility granted to Enel France S.A.S. for an amount up to €253 million, bearing interest at 3-month EURIBOR plus a spread of 1.25% and a commitment fee of 0.0625%, maturing on December 31, 2009;
- revolving credit facility granted to Blue Line Impex S.r.l. for an amount up to €20 million, bearing interest at 3-month EURIBOR plus a spread of 2.00% and a commitment fee of 0.0625%, maturing on December 31, 2009;
- revolving credit facility granted to Enel Productie S.r.l. for an amount up to €1.87 million, bearing interest at 3-month EURIBOR plus a spread of 2.00% and a commitment fee of 0.0625%, maturing on December 31, 2009;
- revolving credit facility granted to Enel Latin America Llc. for an amount of U.S.$100,809,503.00, bearing interest at US Libor (quarterly average rate on a 360 day count basis) plus a spread of 3.00%, and a commitment fee of 0.0625%, maturing on December 31, 2009;
- revolving credit facility granted to Enel Rus Llc. for an amount of RUB 230 million, bearing interest at 3-month MOSIBOR plus a spread of 3.50%, and a commitment fee of 0.0625%, maturing on December 31, 2009;

- revolving credit facility granted to Enel Green Power International S.A. for an amount of €220 million, bearing interest at 3-month EURIBOR plus a spread of 1.25%, maturing on December 31, 2009;
- term loan granted to Enel Investment Holding B.V. for an amount of €88 million, bearing interest at 3-month EURIBOR plus a spread of 0.45%, maturing on December 31, 2009;
- term loan granted to Enel OGK-5 for an amount of €28 million, bearing interest at EURIBOR plus a spread of 3.00%, and a commitment fee of 0.10%, maturing on October 22, 2009;
- term loan granted to Enel OGK-5 for an amount of €20 million, bearing interest at EURIBOR plus a spread of 2.90%, and a commitment fee of 0.08%, maturing on October 22, 2009;
- revolving credit facility granted to Enel North America Inc. for an amount of U.S.$200 million, bearing interest at US Libor (quarterly average rate on a 360 day count basis) plus a spread of 2.00%, and a commitment fee of 0.0625%, maturing on December 31, 2009;
- revolving credit facility granted to Enel for an amount of €4 billion, bearing interest at EURIBOR plus a spread varying from 0.15% to 1.50%, maturing on December 31, 2010;
- revolving credit facility granted to Enel Trade Hungary Kft for an amount of €5 million, bearing interest at 3-month EURIBOR plus a spread of 1.50%, and a commitment fee of 0.0625%, maturing on December 31, 2009;
- revolving credit facility granted to Enel Trade Romania S.r.l. for an amount of RON 37 million, bearing interest at 3-month ROBOR plus a spread of 2.00%, and a commitment fee of 0.0625%, maturing on December 31, 2009;
- term loan granted to Enel for an amount of €3,021 million, bearing interest at 1-month EURIBOR plus a spread of 2.50%, maturing on December 31, 2009;
- term loan granted to Artic Russia B.V. (a subsidiary of the Group) for an amount of U.S.$200 million bearing an interest at LIBOR plus a spread of 0,65%, maturing on December 31, 2009;
- term loan granted to Enel for an amount of €2,644 million, bearing interest at 6.0413%, maturing on December 31, 2013; and
- term loan granted to Enel for an amount of €7,865 million, bearing interest at 3-month EURIBOR plus a spread of 0.9013%, maturing on December 31, 2013.

Enel S.A. mainly acts as intermediate center in Enel's centralized treasury operations; therefore, according to local provisions, Enel Group foreign operating companies deposit their excess cash in intercompany current accounts opened with Enel S.A.

In addition to the above financing agreements, there is an amount payable owed by Enel to Enel S.A. which, according to the balance of the intercompany current account at June 30, 2009, is equal to €55,201,115.32 and bears interest at 1-month EURIBOR (monthly average rate on a 360 day count basis).

Enel S.A. acts solely as a financing company for the Group and therefore is not engaged in market competition in the energy sector with third parties.

Subsidiaries

Enel S.A. holds 100% of Enel Ireland Finance Ltd., a company established under the laws of Ireland, which acts as a financing company for the companies of the Group. The shareholders' equity of Enel Ireland Finance Ltd. as at June 30, 2009 was equal to €61,171,232.00.

Share capital

The share capital of Enel S.A. amounts to €1,391,900,230 and is represented by 139,190,023 shares with a nominal value of €10 each.

As at June 30, 2009 shareholders' equity comprised issued and paid in capital of €1,391,900,230, legal reserves of €13,515,983, non-distributable reserves of €13,982,450 (in accordance with article 174 bis of the Luxembourg Income Tax Law), and a profit brought forward equal to €21,420,494.

During the first half of 2009, Enel S.A. had a profit equal to €46,700,573.

Members of the board of directors

Enel S.A. is managed by a board of directors composed of four members, appointed by the general meeting of shareholders, who may, at any time, remove them. The board of directors is invested with broad powers to perform all acts of administration and disposition in compliance with the corporate objects of Enel S.A.

Enel S.A. may be bound by the joint signatures of any two directors or by the joint or single signatures of any person to whom such signatory power shall have been delegated by the board of directors.

As at the date hereof, the members of the board of directors are:

(i) Mr. Claudio Machetti;

(ii) Mr. Sergio Bertasi;

(iii) Mr. Gabriele Frea; and

(iv) Mr. Francesco Moglia.

On April 26, 2007, Mr Claudio Machetti was appointed as chairman of the board of directors of Enel S.A., in accordance with article 64(2) of the Luxembourg Act dated August 10, 1915 on commercial companies, as amended.

The independent auditor of Enel S.A. is KPMG Audit S.à.r.l. Enel S.A. does not have a statutory auditor or a separate audit committee.

The business addresses of each of Enel S.A.'s current board of directors is that of Enel S.A.'s registered office at 11, boulevard de la Foire, L-1528, Luxembourg.

Enel S.A. considers itself to be in compliance with all Luxembourg laws relating to corporate governance that are applicable to it.

Conflicts of interest

As at the date of this Offering Circular, the above mentioned members of the board of directors and the principal officers of Enel S.A. do not have potential conflicts of interests between any duties to Enel and their private interests or other duties.

Employees

As at the date hereof, Enel S.A. has four employees.

Principal shareholders

According to the entries in Enel's stock register, the reports made to Consob, and the information available as of the date of this Offering Circular, no shareholder owns more than 2% of the Company's share capital except: the MEF (which owns 13.88% of Enel's shares), the Cassa Depositi e Prestiti S.p.A., a company 70% owned by the MEF and 30% owned by a consortium of Italian banking foundations (which owns 17.36% of Enel's shares), and Barclays Global Investors UK Holdings Ltd. (which owns 2.015% of Enel's shares).

The following table illustrates the components of the MEF's 31.24% interest in Enel:

Shareholder:	Share capital	No. of shares
Ministry for the Economy and Finance:		
Directly	13.88%	1,305,348,513
Through Cassa Depositi e Prestiti	17.36%	1,632,624,218
Total	**31.24%**	**2,937,972,731**

At the date hereof, Enel has not issued any shares other than ordinary shares.

At the date hereof, Enel is controlled by the MEF under the definition of control contained in Article 93 of the Italian Unified Financial Act. See also "Risk Factors—Risks Relating to Enel's Ordinary Shares."

To the best of Enel's knowledge, at the date hereof, there do not exist any agreements that could change the control structure of the Company at any date.

Related-party transactions

The relationships between the Enel Group and its related parties—identified according to the principles of IAS 24—primarily consist of business transactions relating to the sale and purchase of products and the provision of services. They fall within the ordinary activities carried out by the Group. See, also, Note 37 to the Group's Audited Financial Statements as of and for the year ended December 31, 2008 included elsewhere herein.

The Company believes that all of the transactions between the Group and its related parties take place at market prices, except for transactions with Terna for the transport of electricity, which take place at prices set by the Authority for Electricity and Gas.

The Company notes, moreover, that in the month of December 2006, the board of directors adopted regulations, as required by the Italian Civil Code, which set out the manner by which to approve and execute transactions undertaken by the Company, or one of its subsidiaries, with related parties. This is aimed at ensuring transparency and proper conduct, both substantive and procedural, vis-à-vis transactions. On the basis of those internal regulations, the internal control committee is charged with preliminarily examining the various transactions with related parties, except for those that present limited risk for the Company and Group (including transactions undertaken between companies wholly owned by Enel, as well as those transactions that are typical and usual, those that are based on standard conditions, and those in which compensation is set by official market price lists or tariffs established by public authorities).

The following table summarizes the income statement and balance sheet effects of transactions with related parties as of and for the years ended December 31, 2008, 2007 (both as restated and as originally reported) and 2006. See also Note 34 in the June 30, 2009 Unaudited Condensed Interim Consolidated Financial Statements included herein.

	2008		2007 (Restated)		2007		2006	
	Related Parties	% of Total Amount	Related Parties	% of Total Amount	Related Parties	% of Total Amount	Related Parties	% of Total Amount
	(€ millions, except percentages)							
Income Statement:								
Revenues from sales and services	11,749	19.7%	10,059	23.5%	10,059	23.6%	9,795	26.1%
Other revenues(1)	25	N.A.	10	N.A.	10	N.A.	1,037	N.A.
Raw materials and consumables	17,310	48.5%	14,577	56.8%	14,578	56.7%	14,620	62.3%
Services	1,792	27.0%	1,591	31.3%	1,591	32.9%	1,285	37.0%
Other operating expenses(2)	56	N.A.	81	N.A.	81	N.A.	1,594	N.A.
Financial income	16	0.6%	15	0.7%	15	0.7%	14	2.7%
Revenues from discontinued operations	343	N.A.	164	N.A.	164	N.A.	–	N.A.
Costs from discontinued operations	(387)	N.A.	(167)	N.A.	166	N.A.	–	N.A.
Total revenues	**12,133**		**10,248**		**10,248**		**10,846**	
Total costs	**19,545**		**16,416**		**16,416**		**17,499**	
Balance Sheet:								
Trade receivables	2,045	16.5%	2,388	20.6%	2,388	20.6%	1,935	24.3%
Other current assets	–	–	146	3.6%	146	3.6%	182	7.4%
Current financial assets	–	–	–	–	–	–	10	2.5%
Assets held for sale	–	–	175	1.3%	175	2.1%	–	–
Total current assets	**2,045**		**2,709**		**2,709**		**2,127**	
Trade payables	3,765	35.5%	3,897	40.5%	3,897	40.5%	3,064	49.5%
Other current liabilities	8	0.1%	228	4.3%	228	4.3%	303	7.4%
Liabilities held for sale	–	–	93	2.1%	93	2.3%	–	–
Total current liabilities	**3,773**		**4,218**		**4,218**		**3,367**	

(1) Includes income from commodity risk management.

(2) Includes charges from commodity risk management.

The following tables identify the details of transactions with related parties as of and for the years ended December 31, 2008, 2007 and 2006, for each related party. Please note that data relating to 2007 as restated and 2007 as originally reported are the same; therefore they are treated under a single column in the table below.

	Balance sheet					
	Current assets			Current liabilities		
	As of December 31,			As of December 31,		
	2008	2007	2006	2008	2007	2006
	(€ millions)					
Transactions with State-Controlled Entities:						
In respect of continuing operations:						
Single Buyer	286	375	483	1,547	1,597	2,017
Electricity Market Operator	1,204	1,537	968	1,022	1,140	352
Terna	389	440	357	557	569	394
Electricity Services Operator	126	136	263	299	332	354
Eni	3	2	39	245	419	191
Poste Italiane	–	–	–	44	38	41
Others	4	1	–	24	1	–
Subtotal	**2,012**	**2,491**	**2,110**	**3,738**	**4,096**	**3,349**
In respect of assets held for sale:						
Single Buyer	–	14	–	–	17	–
Electricity Market Operator	–	98	–	–	12	–
Terna	–	49	–	–	14	–
Electricity Services Operator	–	14	–	–	–	–
Eni	–	–	–	–	50	–
Subtotal	–	**175**	–	–	**93**	–
Total (State-Controlled Entities)(A)	**2,012**	**2,666**	**2,110**	**3,738**	**4,189**	**3,349**
Transactions with Affiliated Companies:						
Centro Elettrotecnico Sperimentale Italiano (**Cesi**)	1	1	1	21	24	17
La Geo	13	29	–	–	–	–
Minor companies	19	13	16	14	5	1
Total (Affiliated Companies)(B)	**33**	**43**	**17**	**35**	**29**	**18**
Total (State-Controlled Entities and Affiliated Companies) (A + B)	**2,045**	**2,709**	**2,127**	**3,773**	**4,218**	**3,367**

	Income statement					
	Current assets			Current liabilities		
	As of December 31,			As of December 31,		
	2008	2007	2006	2008	2007	2006
	(€ millions)					
Transactions with State-Controlled Entities:						
In respect of continuing operations:						
Single Buyer	8,735	8,476	12,309	761	342	1,749
Electricity Market Operator	6,588	4,261	1,579	7,888	6,963	6,274
Terna	2,081	2,148	1,919	2,044	2,158	2,062
Electricity Services Operator	13	–	27	461	359	539
Eni	1,418	1,169	1,502	610	241	199
Poste Italiane	169	174	145	7	16	15
Others	125	5	–	5	2	–
Subtotal	**19,129**	**16,233**	**17,481**	**11,776**	**10,081**	**10,838**
In respect of assets held for sale:						
Single Buyer	–	–	–	33	1	–
Electricity Market Operator	45	5	–	162	120	–
Terna	52	7	–	146	5	–
Electricity Services Operator	–	–	–	2	37	–
Eni	290	155	–	–	–	–
Subtotal	**387**	**167**	–	**343**	**163**	–
Total (State-Controlled Entities)(A)	**19,516**	**16,400**	**17,481**	**12,119**	**10,244**	**10,838**
Transactions with Affiliated Companies:						
Cesi	12	14	15	1	–	1
La Geo	6	–	–	–	4	–
Minor companies	11	2	3	13	–	7
Total (Affiliated Companies)(B)	29	16	18	14	4	8
Total (State-Controlled Entities and Affiliated Companies) (A + B)	**19,545**	**16,416**	**17,499**	**12,133**	**10,248**	**10,846**

Transactions with the Single Buyer and the Electricity Market Operator principally related to the sale and purchase of electricity. Transactions with the Electricity Services Operator related to the sale of electricity, transactions with Terna principally related to the purchase of use of the electricity grid, transactions with Eni related to the purchase of fuels for generation and gas.

The following table highlights the impact of transactions with related parties on the Group's cash flow statements for the financial years ended December 31, 2008, 2007 (both as restated and as originally reported) and 2006.

	2008		2007 (Restated)		2007		2006	
	Total	Related Parties	Total	Related Parties	Total	Related Parties	Total	Related Parties
			(€ millions)					
Cash flow from operating activities before changes in net current assets	14,809	–	10,552	–	10,552	–	8,362	–
Increase/(Decrease) in provisions	(1,180)	–	(1,146)	–	(1,146)	–	(749)	–
Increase/(Decrease) in inventories	(251)	–	(44)	–	(44)	–	(109)	–
(Increase)/Decrease in trade receivables	(425)	518	(1,599)	(511)	(1,599)	(511)	449	531
(Increase)/Decrease in financial and non-financial assets/liabilities	2,409	(75)	(728)	(36)	(728)	(36)	776	118
Increase/(Decrease) in trade payables	730	(225)	1,574	850	1,574	850	(497)	(542)
Interest income and other financial income collected	1,298	16	1,125	15	1,125	15	312	14
Interest expense and other financial expense paid	(4,453)	–	(1,987)	–	(1,987)	–	(847)	–
Income taxes paid	(2,427)	–	(1,677)	–	(1,677)	–	(941)	–
Cash flows from operating activities	**10,510**	–	**6,070**	–	**6,070**	–	**6,756**	–
Cash flows from investing/ disinvesting activities	**(2,140)**	–	**(35,353)**	–	**(35,353)**	–	**(2,374)**	–
Financial debt (new long-term borrowing)	4,788	–	30,813	–	30,813	–	1524	–
Financial debt (repayments and other changes)	(5,916)	–	2,543	(10)	2,543	(10)	(1,995)	(7)
Dividends paid	(3,401)	–	(3,180)	–	(3,180)	–	(3,959)	–
Increase in share capital and reserves due to the exercise of stock options	12	–	50	–	50	–	108	–
Capital increases paid by minority interests	7	–	–	–	–	–	–	–
Cash flows from financing activities	**(4,510)**	–	**30,226**	–	**30,226**	–	**(4,322)**	–
Impact of exchange rate fluctuations on cash And cash equivalents	(112)	–	(52)	–	(52)	–	4	–
Increase/(Decrease) in cash and cash equivalents	**3,748**	–	**891**	–	**891**	–	**64**	–

Between December 31, 2008 and the date hereof, the Group has not carried out material transactions with related parties that fall outside the ordinary activities of the Group.

Form of the Notes

The Notes will be in registered form, without Coupons attached. Notes will be issued both outside the United States in reliance on the exemption from registration provided by Regulation S under the Securities Act (**Regulation S**) and within the United States in reliance on Rule 144A.

The Notes offered and sold in reliance on Regulation S, which will be sold to non-U.S. persons outside the United States, will initially be represented by a global note in registered form, without receipts or coupons (a **Regulation S Global Note**), which will be deposited with a custodian for, and registered in the name of a nominee of, DTC for the accounts of Euroclear and Clearstream, Luxembourg. Prior to expiry of the distribution compliance period (as defined in Regulation S), beneficial interests in a Regulation S Global Note may not be offered or sold to, or for the account or benefit of, a U.S. person save as otherwise provided in Condition 2 and may not be held otherwise than through Euroclear or Clearstream, Luxembourg as participants in DTC and such Regulation S Global Note will bear a legend regarding such restrictions on transfer.

The Notes may only be offered and sold in the United States or to U.S. persons in private transactions to "qualified institutional buyers" within the meaning of Rule 144A under the Securities Act (**QIBs**). The Notes sold to QIBs will be represented by a global note in registered form, without Receipts or Coupons (a **Rule 144A Global Note** and, together with a Regulation S Global Note, the **Global Notes**), which will be deposited with a custodian for, and registered in the name of a nominee of, DTC.

Persons holding beneficial interests in Global Notes will be entitled or required, as the case may be, under the circumstances described below, to receive physical delivery of definitive Notes in fully registered form.

The Rule 144A Global Note will be subject to certain restrictions on transfer set forth therein and will bear a legend regarding such restrictions.

Payments of principal, interest and any other amount in respect of the Global Notes will, in the absence of provision to the contrary, be made to the person shown on the Register (as defined in Condition 6(b)) as the registered holder of the Global Notes. None of the Issuer, Enel, any Paying Agent and the Registrar will have any responsibility or liability for any aspect of the records relating to or payments or deliveries made on account of beneficial ownership interests in the Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Payments of principal, interest or any other amount in respect of the Notes in definitive form will, in the absence of provision to the contrary, be made to the persons shown on the Register on the relevant Record Date (as defined in Condition 6(b)) immediately preceding the due date for payment in the manner provided in that Condition.

Interests in a Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Notes without receipts, interest coupons or talons attached only upon the occurrence of an Exchange Event. For these purposes, **Exchange Event** means that (i) an Event of Default has occurred and is continuing, (ii) DTC has notified the Issuer that it is unwilling or unable to continue to act as depository for the Notes and no alternative clearing system is available, (iii) DTC has ceased to constitute a clearing agency registered under the Exchange Act or the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and, in any such case, no successor clearing system is available or (iv) the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Notes in definitive form. The Issuer will promptly give notice to Noteholders in accordance with

Condition 14 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, DTC, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Global Note) may give notice to the Registrar requesting exchange and, in the event of the occurrence of an Exchange Event as described in (iv) above, the Issuer may also give notice to the Registrar requesting exchange. Any such exchange shall occur not later than 10 days after the date of receipt of the first relevant notice by the Registrar.

Transfer of interests

Interests in a Global Note may, subject to compliance with all applicable restrictions, be transferred to a person who wishes to hold such interest in another Global Note. No beneficial owner of an interest in a Global Note will be able to transfer such interest, except in accordance with the applicable procedures of DTC. **Registered Notes are also subject to the restrictions on transfer set forth therein and will bear a legend regarding such restrictions, see "Subscription and sale."**

General

So long as DTC or its nominee is the registered owner or holder of a Global Note, DTC or such nominee, as the case may be, will be considered the sole owner or holder of the Notes represented by such Global Note for all purposes under the Agency Agreement and such Notes except to the extent that in accordance with DTC's published rules and procedures any ownership rights may be exercised by its participants or beneficial owners through participants.

A Note may be accelerated automatically by the holder thereof in certain circumstances described in Condition 10. In such circumstances, where any Note is still represented by a Global Note and the Global Note (or any part thereof) has become due and repayable in accordance with the Terms and Conditions of such Notes and payment in full of the amount due has not been made in accordance with the provisions of the Global Note then the Global Note will become void at 8.00 p.m. (London time) on such day. At the same time, holders of interests in such Global Note credited to their accounts with Euroclear and/or Clearstream, Luxembourg and/or DTC, as the case may be, will become entitled to proceed directly against the Issuer on the basis of statements of account provided by Euroclear, Clearstream, Luxembourg and DTC on and subject to the terms of a deed of covenant (the **Deed of Covenant**) dated November 8, 2005 and executed by the Issuer. In addition, holders of interests in such Global Note credited to their accounts with DTC may require DTC to deliver Definitive Notes in registered form in exchange for their interest in such Global Note in accordance with DTC's standard operating procedures.

Terms and conditions of the Notes

The following are the Terms and Conditions (the **Conditions**) of the $1,250,000,000 3.875% Notes due 2014 (the **A Notes**), the $1,750,000,000 5.125% Notes due 2019 (the **B Notes**) and the $1,500,000,000 6.000% Notes due 2039 (the **C Notes** and, together with the A Notes and the B Notes, the **Notes**) which will be incorporated by reference into each Global Note (as defined below) and each definitive Note.

The Notes are issued by Enel Finance International S.A. (the **Issuer** or **Enel S.A.**), and are issued pursuant to the Agency Agreement (as defined below).

References herein to the Notes shall mean:

(i) a global Note (the **Global Note**); and

(ii) any definitive Notes.

The Notes have the benefit of an amended and restated Agency Agreement (the **Agency Agreement**) dated September 3, 2009 made between, among others, Enel Finance International S.A. as an issuer, Enel—Società per Azioni (**Enel**) in its capacity as both an issuer and as the guarantor of notes issued by Enel S.A., The Bank of New York Mellon as issuing and principal paying agent and agent bank (the **Principal Paying Agent**, which expression shall include any successor principal paying agent) and the other paying agents named therein (together with the Principal Paying Agent, the **Paying Agents**, which expression shall include any additional or successor paying agents), The Bank of New York Mellon as exchange agent (the **Exchange Agent** which expression shall include any successor exchange agent)) and as transfer agent and the other transfer agents named therein (together with the Registrar, the **Transfer Agents**, which expression shall include any additional or successor transfer agents) and The Bank of New York Mellon (Luxembourg) S.A. as registrar (the **Registrar**, which expression shall include any successor registrar).

The Notes will be unconditionally and irrevocably guaranteed by Enel (in such capacity, the **Guarantor**) pursuant to a deed of guarantee (the **Guarantee**) dated November 8, 2005. Under the Guarantee, Enel has guaranteed the due and punctual payment of all amounts due under such Notes and the Deed of Covenant (as defined below) executed by the Issuer as and when the same shall become due and payable. The original of the Guarantee is held by the Principal Paying Agent on behalf of the Noteholders at its specified office.

Any reference to **Noteholders** or **holders**, shall mean the persons in whose name the Notes are registered and shall, in relation to any Notes represented by a Global Note, be construed as provided below.

The Noteholders are entitled to the benefit of the Deed of Covenant (the **Deed of Covenant**) dated November 8, 2005 and made by the Issuer. The original of the Deed of Covenant is held by the common depositary for Euroclear Bank S.A./N.V. (**Euroclear**) and Clearstream Banking, société anonyme (**Clearstream**, **Luxembourg**).

Copies of the Agency Agreement, the Guarantee, a deed poll (the **Deed Poll**) dated November 8, 2005 and made by the Issuer and the Guarantor and the Deed of Covenant are available for inspection during normal business hours at the registered office of each of the Principal Paying Agent and the other Paying Agents (together the **Agents**). The Noteholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Agency Agreement, the Deed Poll and the Deed of Covenant. The statements in these Terms and Conditions include summaries of, and are subject to, the detailed provisions of the Agency Agreement.

Words and expressions defined in the Agency Agreement shall have the same meanings where used in these Terms and Conditions unless the context otherwise requires.

1. Form, denomination and title

The Notes are in registered form and, in the case of definitive Notes, serially numbered, in denominations of US$100,000 and integral multiples of US$1,000 in excess thereof (the **Authorized Denomination**).

Subject as set out below, title to the Notes will pass upon registration of transfers in accordance with the provisions of the Agency Agreement. The Issuer, the Guarantor and any Agent will (except as otherwise required by law or ordered by a court having jurisdiction or an official authority) deem and treat the registered holder of any Note as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes but, in the case of any Global Note, without prejudice to the provisions set out in the next succeeding paragraph.

For so long as The Depository Trust Company (**DTC**) or its nominee is the registered owner or holder of a Global Note, DTC or such nominee, as the case may be, will be considered the sole owner or holder of the Notes represented by such Global Note for all purposes under the Agency Agreement and the Notes except to the extent that in accordance with DTC's published rules and procedures any ownership rights may be exercised by its participants or beneficial owners through participants.

Notes which are represented by a Global Note will be transferable only in accordance with the rules and procedures for the time being of DTC and its participants (including Euroclear and Clearstream, Luxembourg) and its indirect participants, as the case may be.

2. Transfers

(a) Transfers of interests in Global Notes

Transfers of beneficial interests in Global Notes will be effected by DTC and, in turn, by other participants and, if appropriate, indirect participants in such clearing systems acting on behalf of beneficial transferors and transferees of such interests. A beneficial interest in a Global Note will, subject to compliance with all applicable legal and regulatory restrictions, be transferable for Notes in definitive form or for a beneficial interest in another Global Note in the Authorised Denomination and only in accordance with the rules and operating procedures for the time being of DTC, Euroclear or Clearstream, Luxembourg, as the case may be and in accordance with the terms and conditions specified in the Agency Agreement. Transfers of a Global Note shall be limited to transfers of such Global Note, in whole but not in part, to a nominee of DTC or to a successor of DTC or such successor's nominee.

(b) Transfers of Notes in definitive form

Subject as provided in paragraphs (e), (f) and (g) below, upon the terms and subject to the conditions set forth in the Agency Agreement, a Note in definitive form may be transferred in whole or in part (in the Authorised Denomination). In order to effect any such transfer (i) the holder or holders must (a) surrender the Note for registration of the transfer of the Note (or the relevant part of the Note) at the specified office of the Registrar or any Transfer Agent, with the form of transfer thereon duly executed by the holder or holders thereof or his or their attorney or attorneys duly authorized in writing and (b) complete and deposit such other certifications as may be required by the Registrar or, as the case may be, the Transfer Agent and (ii) the Registrar or, as the case may be, the Transfer Agent must, after due and careful enquiry, be satisfied with the documents of title and the identity of the person making the request. Any such transfer will be subject to such reasonable regulations as the Issuer and the Registrar may from time to time prescribe (the initial such regulations being set out in Schedule 9 to the Agency Agreement). Subject as provided above, the Registrar or, as the case may be, the Transfer Agent will, within three business days (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar or, as the case may be, the Transfer Agent is located) of the request (or such longer period as may be required to comply with any applicable fiscal or other laws or regulations) authenticate and deliver, or procure the authentication and delivery of, at its specified office to the transferee or (at the risk of the transferee) send by uninsured mail to such address as the transferee may request, a new Note in definitive form of a like aggregate nominal amount to the Note (or the relevant part of the Note) transferred. In the case of the transfer of part only of a Note in definitive form, a new Note in definitive form in respect of the balance of the Note not transferred will be so authenticated and delivered or (at the risk of the transferor) sent by uninsured mail to the address of the transferor.

(c) Registration of transfer upon partial redemption

In the event of a partial redemption of Notes under Condition 7, the Issuer shall not be required to register the transfer of any Note, or part of a Note, called for partial redemption.

(d) Costs of registration

Noteholders will not be required to bear the costs and expenses of effecting any registration of transfer as provided above, except for any costs or expenses of delivery other than by regular uninsured mail and except that the Issuer may require the payment of a sum sufficient to cover any stamp duty, tax or other governmental charge that may be imposed in relation to the registration.

(e) Transfers of interests in Regulation S Global Notes

Prior to expiry of the applicable Distribution Compliance Period (as defined below), transfers by the holder of, or of a beneficial interest in, a Regulation S Global Note (as defined below) to a transferee in the United States or who is a U.S. person will only be made:

(i) upon receipt by the Registrar of a written certification substantially in the form set out in the Agency Agreement, amended as appropriate (a **Transfer Certificate**), copies of which are available from the specified office of the Registrar or any Transfer Agent, from the transferor of the Note or beneficial interest therein to the effect that such transfer is being made to a person whom the transferor reasonably believes is a QIB (as defined below) in a transaction meeting the requirements of Rule 144A (as defined below); or

(ii) otherwise pursuant to the Securities Act (as defined below) or an exemption therefrom, subject to receipt by the Issuer of such satisfactory evidence as the Issuer may reasonably require, which may include an opinion of U.S. counsel, that such transfer is in compliance with any applicable securities laws of any State of the United States, and, in each case, in accordance with any applicable securities laws of any State of the United States or any other jurisdiction.

In the case of (i) above, such transferee may take delivery through a Legended Note (as defined below) in global or definitive form. After expiry of the applicable Distribution Compliance Period (i) beneficial interests in Regulation S Global Notes may be held through DTC directly, by a participant in DTC, or indirectly through a participant in DTC and (ii) such certification requirements will no longer apply to such transfers.

(f) Transfers of interests in Legended Notes

Transfers of Legended Notes or beneficial interests therein may be made:

(i) to a transferee who takes delivery of such interest through a Regulation S Global Note, upon receipt by the Registrar of a duly completed Transfer Certificate from the transferor to the effect that such transfer is being made in accordance with Regulation S and that, if such transfer is being made prior to expiry of the applicable Distribution Compliance Period, the interests in the Notes being transferred will be held immediately thereafter through Euroclear and/or Clearstream, Luxembourg as participants in DTC; or

(ii) to a transferee who takes delivery of such interest through a Legended Note where the transferee is a person whom the transferor reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A, without certification; or

(iii) otherwise pursuant to the Securities Act or an exemption therefrom, subject to receipt by the Issuer of such satisfactory evidence as the Issuer may reasonably require, which may include an opinion of U.S. counsel, that such transfer is in compliance with any applicable securities laws of any State of the United States, and, in each case, in accordance with any applicable securities laws of any State of the United States or any other jurisdiction.

Upon the transfer, exchange or replacement of Legended Notes, or upon specific request for removal of the Legend, the Registrar shall deliver only Legended Notes or refuse to remove such Legend, as the case may be, unless there is delivered to the Issuer such satisfactory evidence as may reasonably be required by the Issuer, which may include an opinion of U.S. counsel, that neither the Legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act.

(g) Exchanges and transfers of Notes generally

Holders of Notes in definitive form may exchange such Notes for interests in a Global Note of the same type at any time.

(h) Definitions

In this Condition, the following expressions shall have the following meanings:

Distribution Compliance Period means the period that ends 40 days after the later of the commencement of the offering and the completion of the distribution of the Notes, as certified by the Lead Manager (as defined in the Subscription Agreement (as defined in "Subscription and Sale));

Legended Note means Notes (whether in definitive form or represented by a Global Note) sold in private transactions to QIBs in accordance with the requirements of Rule 144A;

QIB means a "qualified institutional buyer" within the meaning of Rule 144A;

Regulation S means Regulation S under the Securities Act;

Regulations S Global Note means a Global Note representing Notes sold outside the United States in reliance on Regulation S;

Rule 144A means Rule 144A under the Securities Act; and

Securities Act means the United States Securities Act of 1933, as amended.

3. Status of the Notes and the Guarantee

(a) Status of the Notes

The Notes are direct, unconditional and (subject to the provisions of Condition 4) unsecured and unsubordinated obligations of the Issuer and rank pari passu without any preference among themselves and at least equally with all other outstanding unsecured and unsubordinated obligations of the Issuer, present and future, other than obligations, if any, that are mandatorily preferred by statute or by operation of law.

(b) Status of the Guarantee

The obligations of the Guarantor under the Guarantee are direct, unconditional and (subject to the provisions of Condition 4) unsecured and unsubordinated obligations of the Guarantor and rank at least equally with all other outstanding unsecured and unsubordinated obligations of the Guarantor, present and future, other than obligations, if any, that are mandatorily preferred by statute or by operation of law.

4. Negative pledge

Neither the Issuer nor the Guarantor will, so long as any of the Notes remain outstanding (as defined in the Agency Agreement), create or have outstanding (other than by operation of law) any mortgage, lien, pledge or other charge upon the whole or any part of its assets or revenues, present or future, to secure any Indebtedness unless:

(a) the same security shall forthwith be extended equally and ratably to the Notes; or

(b) such other security as shall be approved by an Extraordinary Resolution of the Noteholders shall previously have been or shall forthwith be extended equally and ratably to the Notes.

As used herein, **Indebtedness** means any present or future indebtedness for borrowed money of the Issuer or the Guarantor which is in the form of, or represented by, bonds, notes, debentures or other securities and which is or are intended to be quoted, listed or ordinarily dealt in on any stock exchange, over-the-counter or other established securities market.

5. Interest

(a) Interest

Each Note bears interest from and including October 7, 2009 at a rate of 3.875% per annum (in the case of the A Notes), 5.125% per annum (in the case of the B Notes) and 6.000% per annum (in the case of the C Notes) (the **Rate of Interest**), payable semi-annually in arrear on April 7 and October 7 in each year commencing on April 7, 2010 (each an **Interest Payment Date**) up to (and including) October 7, 2014 (in the case of the A Notes), October 7, 2019 (in the case of the B Notes) and October 7, 2039 (in the case of the C Notes) (the **Maturity Date**).

The amount of interest payable on an Interest Payment Date shall be calculated by applying the Rate of Interest to the outstanding principal amount of the Notes, dividing the product by two and rounding the resultant figure to the nearest cent (half a cent being rounded upwards). If interest is required to be calculated for any other period, it will be calculated on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed.

(b) Reserved

(c) Reserved

(d) Accrual of interest

Each Note (or in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest (if any) from the date for its redemption unless, upon due presentation thereof, payment of principal is improperly withheld or refused. In such event, interest will continue to accrue until whichever is the earlier of:

(i) the date on which all amounts due in respect of such Note have been paid; and

(ii) five days after the date on which the full amount of the moneys payable in respect of such Notes has been received by the Principal Paying Agent or the Registrar, as the case may be, and notice to that effect has been given to the Noteholders in accordance with Condition 14.

6. Payments

(a) Method of payment

Subject as provided below, payments will be made by credit or transfer to an account in US dollars maintained by the payee with, or a, at the option of the payee, by a check in US dollars drawn on, a bank in New York City.

Payments will be subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 8.

(b) Reserved

(c) Reserved

(d) Payments

Payments of principal in respect of each Note (whether or not in global form) will be made against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the Note at the specified office of the Registrar or any of the Paying Agents. Such payments will be made by transfer to the Designated Account (as defined below) of the holder (or the first named of joint holders) of the Note appearing in the register of holders of the Notes maintained by the Registrar (the **Register**) at the close of business on the third business day (being for this purpose a day on which banks are open for general business in the city where the specified office of the Registrar is located) before the relevant due date (the **Record Date**). If (i) a holder does not have a Designated Account or (ii) the principal amount of the Notes held by a holder is less than US$250,000, payment will instead be made by a check in U.S. dollars drawn on a Designated Bank (as defined below). For these purposes, **Designated Account** means the account maintained by a holder with a Designated Bank and identified as such in the Register and **Designated Bank** means a bank in New York City.

Payments of interest in respect of each Note (whether or not in global form) will be made by a check in US dollars drawn on a Designated Bank and mailed by uninsured mail on the business day in the city where the specified office of the Registrar is located immediately preceding the relevant due date to the holder (or the first named of joint holders) of the Note appearing in the Register at the close of business on the 15th day (whether or not such 15th day is a business day) before the Record Date at his address shown in the Register on the Record Date and at his risk. Upon application of the holder to the specified office of the Registrar not less than three business days in the city where the specified office of the Registrar is located before the due date for any payment of interest in respect of a Note, the payment may be made by transfer on the due date in the manner provided in the preceding paragraph. Any such application for transfer shall be deemed to relate to all future payments of interest (other than interest due on redemption) and installments of principal (other than the final installment) in respect of the Notes which become payable to the holder who has made the initial application until such time as the Registrar is notified in writing to the contrary by such holder. Payment of the interest due in respect of each Note on redemption and the final installment of principal will be made in the same manner as payment of the principal amount of such Note.

Holders will not be entitled to any interest or other payment for any delay in receiving any amount due in respect of any Note as a result of a check posted in accordance with this Condition arriving after the due date for payment or being lost in the post. No commissions or expenses shall be charged to such holders by the Registrar in respect of any payments of principal or interest in respect of the Notes.

None of the Issuer, the Guarantor and the Agents will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

(e) General provisions applicable to payments

The holder of a Global Note shall be the only person entitled to receive payments in respect of Notes represented by such Global Note and the Issuer or, as the case may be, the Guarantor will be discharged by payment to, or to the order of, the holder of such Global Note in respect of each amount so paid. Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg or DTC as the beneficial holder of a particular nominal amount of Notes represented by such Global Note must look solely to Euroclear, Clearstream, Luxembourg or DTC, as the case may be, for his share of each payment so made by the Issuer or, as the case may be, the Guarantor to, or to the order of the holder of such Global Note.

(f) Payment Day

If the date for payment of any amount in respect of any Note is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, **Payment Day** means any day which (subject to Condition 9) is:

(i) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in:

  (A) the relevant place of presentation;

  (B) London; and

(ii) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in New York City.

(g) Interpretation of principal and interest

Any reference in these Conditions to principal in respect of the Notes shall be deemed to include any additional amounts which may be payable with respect to principal under Condition 8. Any reference in these Conditions to interest in respect of the Notes shall be deemed to include any additional amounts which may be payable with respect to interest under Condition 8.

7. Redemption and purchase

(a) Redemption at maturity

Unless previously redeemed or purchased and cancelled as specified below, each Note will be redeemed by the Issuer at its principal amount in US dollars on the Maturity Date.

(b) Redemption for tax reasons

The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Principal Paying Agent and, in accordance with Condition 14, the Noteholders (which notice shall be irrevocable), if:

(i) on the occasion of the next payment due under the Notes, the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 8 or the Guarantor would be unable for reasons outside its control to procure payment by the Issuer and in making payment itself would be required to pay such additional amounts, in each case as a result of any change in, or amendment to, the laws or regulations of a Tax Jurisdiction (as defined in Condition 8) or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after September 30, 2009; and

(ii) such obligation cannot be avoided by the Issuer or, as the case may be, the Guarantor taking reasonable measures available to it,

provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer or, as the case may be, the Guarantor would be obliged to pay such additional amounts were a payment in respect of the Notes then due.

Prior to the publication of any notice of redemption pursuant to this Condition, the Issuer shall deliver to the Principal Paying Agent a certificate signed by two directors of the Issuer or, as the case may be, the Guarantor stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred, and an opinion of independent legal advisers of recognized standing in a Tax Jurisdiction (as defined in Condition 8) to the effect that the Issuer or, as the case may be, the Guarantor has or will become obliged, as aforesaid, to pay such additional amounts as a result of such change or amendment.

Notes redeemed pursuant to this Condition 7(b) will be redeemed at their principal amount together (if appropriate) with interest accrued to (but excluding) the date of redemption.

Upon the expiry of such notice, the Issuer shall be bound to redeem the Notes accordingly.

(c) Redemption at the option of the Issuer (Issuer Call)

The Issuer may at any time in whole or in part subject to having given:

(i) not less than 15 nor more than 30 days' notice to the Noteholders in accordance with Condition 14 with a copy to the Guarantor; and

(ii) not less than 15 days before the giving of the notice referred to in (i), notice to the Principal Paying Agent and, in the case of a redemption of Registered Notes, the Registrar; (which notices shall be irrevocable and shall specify the date fixed for redemption), redeem all or some only of the Notes then outstanding on such date (an **Optional Redemption Date**), at a redemption price equal to the greater of (i) 100 per cent. of the nominal amount of the Notes to be redeemed plus accrued and unpaid interest thereon, if any, to (but excluding) the date of redemption of the Notes or (ii) as determined by an Independent Investment Banker, the sum of the present values of the remaining scheduled payments of principal of the Notes to be redeemed and interest thereon discounted to the date of redemption of the Notes on a semiannual basis (using the same interest rate convention as that used in computing interest on the Notes) at the Treasury Rate plus 0.25% for the A Notes, 0.30% for the B Notes and 0.30% for the C Notes, plus accrued and unpaid interest on such Notes (or any portion thereof) being redeemed and additional amounts, if any, to (but excluding) the date of redemption of the Notes (or any portion thereof) being redeemed.

H.15 (519) means the weekly statistical release designated as such, or any successor publication, published by the Board of Governors of the Federal Reserve System.

Independent Investment Banker means an independent investment banking institution of international standing in the U.S. Dollar denominated bond markets appointed by the Issuer and the Guarantor.

Treasury Rate means the annual rate equal to the semi-annual yield to maturity for United States Treasury securities maturing on the stated maturity of the Notes being redeemed and trading in the public security markets either:

- as determined by interpolation between the most recent weekly average yield to maturity for two series of United States Treasury securities trading in the public security markets,
  - — one maturing as close as possible to, but earlier than, the stated maturity of the Notes being redeemed and
  - — the other maturing as close as possible to, but later than, the stated maturity of the Notes being redeemed, in each case as published in the most recent H.15 (519), or
- if the weekly average yield to maturity for United States Treasury securities maturing on the stated maturity of the Notes being redeemed is reported in the most recent H.15 (519), this weekly average yield to maturity as published in such H.15 (519).

Any such redemption must be of a nominal amount not less than US$100,000 (the **Minimum Redemption Amount**). In the case of a partial redemption of Notes, the Notes to be redeemed (**Redeemed Notes**) will be selected individually by lot, in the case of Redeemed Notes represented by definitive Notes, and in accordance with the rules of DTC in the case of Redeemed Notes represented by a Global Note, not more than 30 days prior to the date fixed for redemption (such date of selection being hereinafter called the **Selection Date**). In the case of Redeemed Notes represented by definitive Notes, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 14 not less than 15 days prior to the date fixed for redemption. No exchange of the relevant Global Note will be permitted during the period from (and including) the Selection Date to (and including) the date fixed for redemption pursuant to this paragraph (c) and notice to that effect shall be given by the Issuer to the Noteholders in accordance with Condition 14 at least five days prior to the Selection Date. The notice referred to in this condition is a notice given by the Issuer to the Holders in accordance with Condition 14, which notice will be irrevocable and will specify:

- the Notes subject to redemption;
- whether such Notes are to be redeemed in whole or only some of them are to be redeemed and, if only some of them, the aggregate nominal amount of and the serial numbers of the Notes which are to be redeemed; and
- the due date for such redemption, which will be not less than 15 days nor more than 30 days after the date on which such notice is given.

(d) Reserved

(e) Reserved

(f) Reserved

(g) Reserved

(h) Purchases

The Issuer, the Guarantor or any subsidiaries of the Guarantor may at any time purchase Notes in the open market or by tender or by private agreement at any price. Such Notes may be held, reissued, resold or, at the option of the Issuer, surrendered to any Paying Agent and/or the Registrar for cancellation.

(i) Cancellation

All Notes which are redeemed will forthwith be cancelled. All Notes so cancelled and the Notes purchased and cancelled pursuant to paragraph (h) above shall be forwarded to the Principal Paying Agent and cannot be reissued or resold.

(j) reserved

8. Taxation

All payments of principal and interest in respect of the Notes by the Issuer or by the Guarantor will be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by or on behalf of any Tax Jurisdiction unless such withholding or deduction is required by law. In such event, the Issuer or, as the case may be, the Guarantor will pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the Notes after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Notes in the absence of such withholding or deduction; except that no such additional amounts shall be payable with respect to any Note:

(a) presented for payment in any Tax Jurisdiction (as defined below); or

(b) presented for payment by or on behalf of a holder who is liable for such taxes or duties in respect of such Note by reason of his having some connection with a Tax Jurisdiction other than the mere holding of such Note; or

(c) presented for payment by, or on behalf of, a holder who would be able to avoid such withholding or deduction by making a declaration or any other statement including, but not limited to, a declaration of residence or non-residence, but fails to do so; or

(d) presented for payment by, or on behalf of, a holder who would be able to avoid such withholding or deduction by presenting the relevant Note to another Paying Agent in a Member State of the European Union; or

(e) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or

(f) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to an additional amount on presenting the same for payment on such 30th day assuming that day to have been a Payment Day (as defined in Condition 6(f)); or

(g) having an original maturity (for these purposes, original maturity shall be the period from, and including, the Issue Date to, but excluding, the Maturity Date) of less than 18 months; or

(h) in the event of payment by the Guarantor to a non-Italian resident Noteholder, to the extent that the Noteholder is resident in a country which does not allow for a satisfactory exchange of information with the Italian authorities.

As used herein:

(i) **Tax Jurisdiction** means the Republic of Italy or any political subdivision or any authority thereof or therein having power to tax in the case of payments by the Guarantor or the Grand Duchy of Luxembourg or any political subdivision or any authority thereof or therein having power to tax in the case of payments by the Issuer; and

(ii) the **Relevant Date** means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Principal Paying Agent or the Registrar on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Noteholders in accordance with Condition 14.

9. Prescription

The Notes will become void unless presented for payment within a period of ten years (in the case of principal) and five years (in the case of interest) after the Relevant Date (as defined in Condition 8) therefor.

10. Events of Default

If any one or more of the following events (each an **Event of Default**) shall occur and be continuing:

(a) a default is made for a period of ten days or more in the payment of principal of or any interest in respect of the Notes or any of them after the due date thereof; or

(b) the Issuer or the Guarantor shall be adjudicated or becomes insolvent or shall stop payment or announce that it shall stop payment or shall be found unable to pay its debts (and including, without limitation, in relation to the Issuer, bankruptcy (*faillite*), insolvency, its voluntary or judicial liquidation (*liquidation volontaire ou judiciare*), composition with creditors (*concordat préventif de faillite*), reprieve from payment (*sursis de paiement*), controlled management (*gestion contrôlée*), fraudulent conveyance (*actio pauliana*), general settlement with creditors, reorganization or similar laws affecting the rights of creditors generally), or any order shall be made by any competent court or other competent body for, or any resolution shall be passed by the Issuer or the Guarantor for judicial composition proceedings with its creditors or for the appointment of a receiver, administrative receiver or trustee (including, without limitation in relation to the Issuer, any *commissaire*, *juge-commissaire*, *liquidateur* or *curateur*) or other similar official in insolvency proceedings in relation to the Issuer or the Guarantor; or

(c) the Issuer or the Guarantor fails to pay a final judgment of a court of competent jurisdiction within 60 days from the receipt of a notice that a final judgment in excess of an amount equal to the value of a substantial part of the assets or property of the Guarantor has been entered against it or an execution is levied on or enforced upon or sued out in pursuance of any such judgment against any substantial part of the assets or property of the Issuer or the Guarantor; or

(d) the Issuer or the Guarantor shall be wound up or dissolved (otherwise than for the purpose of a solvent amalgamation, merger or reconstruction under which the assets and liabilities of the Issuer or the Guarantor, as the case may be, are assumed by the entity resulting from such amalgamation, merger or reconstruction and such entity assumes the obligations of the Issuer or the Guarantor, as the case may be, in respect of the Notes or the Guarantee, as the case may be, and an opinion of an independent legal adviser of recognized standing in Luxembourg, in the case of the Issuer or in Italy, in the case of the Guarantor, has been delivered to the Principal Paying Agent confirming the same prior to the effective date of such amalgamation, merger or reconstruction); or

(e) the Issuer or the Guarantor shall cease or announce that it shall cease to carry on its business (otherwise than for the purpose of a solvent amalgamation, merger or reconstruction under which the assets and liabilities of the Issuer or the Guarantor, as the case may be, are assumed by the entity resulting from such amalgamation, merger or reconstruction and such entity assumes the obligations of the Issuer or the Guarantor, as the case may be, in respect of the Notes or the Guarantee, as the case may be, and an opinion of an independent legal adviser of recognized standing in Luxembourg, in the case of the Issuer or in Italy, in the case of the Guarantor, has been delivered to the Principal Paying Agent confirming the same prior to the effective date of such amalgamation, merger or reconstruction); or

(f) any Indebtedness for Borrowed Money (as defined below) of the Issuer or the Guarantor becomes due and repayable prematurely by reason of an event of default (however described) or the Issuer or the Guarantor fails to make any payment in respect of any Indebtedness for Borrowed Money on the due date for payment (as extended by any originally applicable grace period) or any security given by the Issuer or the Guarantor for any Indebtedness for Borrowed Money becomes enforceable or if default is made by the Issuer or the Guarantor in making any payment due under any guarantee and/or indemnity given by it in relation to any Indebtedness for Borrowed Money of any other person (as extended by any originally applicable grace period), provided that no such event shall constitute an Event of Default so long as and to the extent that the Issuer or the Guarantor, as the case may be, is contesting, in good faith, in a competent court in a recognized jurisdiction that the relevant Indebtedness for Borrowed Money or any such security, guarantee and/or indemnity shall be due or enforceable, as appropriate, and provided further that no such event shall constitute an Event of Default unless the aggregate Indebtedness for Borrowed Money relating to all such events which shall have occurred and be continuing shall amount to at least €100,000,000 (or its equivalent in any other currency); or

(g) default is made by the Issuer or the Guarantor in the performance or observance of any obligation, condition or provision binding on the Issuer under the Notes or on the Guarantor under this Guarantee in relation to, or in respect of, the Notes (other than any obligation for payment of any principal or interest in respect of the Notes) and (except in any case where the default is incapable of remedy when no continuation or notice as is hereinafter mentioned will be required) such default continues for 30 days after written notice thereof to the Issuer or the Guarantor, as the case may be, requiring the same to be remedied; or

(h) the Guarantee ceases to be, or is claimed by the Guarantor not to be, in full force and effect,

then any holder of a Note may, by written notice to the Issuer at the specified office of the Principal Paying Agent, effective upon the date of receipt thereof by the Principal Paying Agent, declare any Notes held by the holder to be forthwith due and payable whereupon the same shall become forthwith due and payable at their principal amount, together with accrued interest (if any) to the date of repayment, without presentment, demand, protest or other notice of any kind.

For the purposes of this Condition:

Indebtedness for Borrowed Money means any present or future indebtedness (whether being principal, premium, interest or other amounts) for or in respect of (i) money borrowed, (ii) liabilities under or in respect of any acceptance or acceptance credit or (iii) any notes, bonds, debentures, debenture stock, loan stock or other securities offered, issued or distributed whether by way of public offer, private placing, acquisition consideration or otherwise and whether issued for cash or in whole or in part for a consideration other than cash.

11. Replacement of Notes

Should any Note be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Registrar upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the

Issuer may reasonably require. Mutilated or defaced Notes must be surrendered before replacements will be issued.

12. Agents

The names of the initial Agents and their initial specified offices are in the Agency Agreement.

The Issuer and the Guarantor are entitled to vary or terminate the appointment of any Agent and/or appoint additional or other Agents and/or approve any change in the specified office through which any Agent acts, provided that:

(a) there will at all times be a Principal Paying Agent and a Registrar;

(b) so long as the Notes are listed on any stock exchange or admitted to listing by any other relevant authority, there will at all times be a Transfer Agent with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange or other relevant authority;

(c) there will at all times be a Paying Agent in a Member State of the European Union that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive; and

(d) there will at all times be a Paying Agent in a jurisdiction within Continental Europe, other than the jurisdiction in which the Issuer or the Guarantor is incorporated.

Any variation, termination, appointment or change shall take effect (other than in the case of insolvency, when it shall be of immediate effect) after not less than 30 nor more than 45 days prior notice thereof shall have been given to the Noteholders in accordance with Condition 14.

In acting under the Agency Agreement, the Agents act solely as agents of the Issuer and the Guarantor and do not assume any obligation to, or relationship of agency or trust with, any Noteholders. The Agency Agreement contains provisions permitting any entity into which any Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor agent.

13. Reserved

14. Notices

All notices regarding the Notes will be deemed to be validly given if sent by first class mail or (if posted to an address overseas) by airmail to the holders (or the first named of joint holders) at their respective addresses recorded in the Register and will be deemed to have been given on the fourth day after mailing.

Until such time as any definitive Notes are issued, there may, so long as any Global Notes representing the Notes are held in their entirety on behalf of Euroclear and/or Clearstream, Luxembourg and/or DTC, be substituted for such publication in such newspaper(s) the delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg and/or DTC for communication by them to the holders of the Notes and, in addition, for so long as any Notes are listed on a stock exchange or are admitted to trading by another relevant authority and the rules of that stock exchange (or relevant authority) so require, such notice will be published in a daily newspaper of general circulation in the place or places required by the rules of that stock exchange (or relevant authority). Any such notice shall be deemed to have been given to the holders of the Notes on the fourth day after the day on which the said notice was given to Euroclear and/or Clearstream, Luxembourg and/or DTC.

Notices to be given by any Noteholder shall be in writing and given by lodging the same, together (in the case of any Note in definitive form) with the relative Note or Notes, with the Registrar. Whilst any of the Notes are represented by a Global Note, such notice may be given by any holder of a Note to the Principal Paying Agent or the Registrar through Euroclear and/or Clearstream, Luxembourg and/or DTC, as the case may be, in such manner as the Principal Paying Agent, the Registrar and Euroclear and/or Clearstream, Luxembourg and/or DTC, as the case may be, may approve for this purpose.

15. Meetings of Noteholders, modification and waiver

(a) The Agency Agreement contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Notes or any of the provisions of the Agency Agreement. Such a meeting may be convened by the Issuer or Noteholders holding not less than one-twentieth in nominal amount of the Notes for the time being remaining outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing not less than one-half in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Noteholders whatever the nominal amount of the Notes so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Notes (including modifying the date of maturity of the Notes or any date for payment of interest thereon, reducing or canceling the amount of principal or the rate of interest payable in respect of the Notes or altering the currency of payment of the Notes), the quorum shall be one or more persons holding or representing not less than two-thirds in nominal amount of the Notes for the time being outstanding, or at any adjourned such meeting one or more persons holding or representing not less than one-third in nominal amount of the Notes for the time being outstanding plus the favorable vote of the Issuer. An Extraordinary Resolution passed at any meeting of the Noteholders shall be binding on all the Noteholders, whether or not they are present at the meeting.

(b) The Principal Paying Agent, the Issuer and the Guarantor may agree, without the consent of the Noteholders, to:

(i) any modification (except as mentioned above) of the Notes or the Agency Agreement which is not prejudicial to the interests of the Noteholders; or

(ii) any modification of the Notes or the Agency Agreement which is of a formal, minor or technical nature or is made to correct a manifest or proven error or to comply with mandatory provisions of the law.

Any such modification shall be binding on the Noteholders and any such modification shall be notified to the Noteholders in accordance with Condition 14 as soon as practicable thereafter.

The provisions of articles 86 to 94-8 of the Luxembourg act of August 10, 1915 on commercial companies, as amended, shall not apply in respect of the Notes.

16. Substitution

The Issuer may at any time, without the consent of the Noteholders, substitute for itself as principal debtor under the Notes Enel as Issuer, provided that no payment in respect of the Notes is at the relevant time overdue. The substitution shall be made by a deed poll (the Substitution Deed Poll), to be substantially in the form set out in the Agency Agreement and may take place only if:

(i) Enel shall, by means of the Substitution Deed Poll, agree to indemnify each Noteholder against (A) any tax, duty, assessment or governmental charge which is imposed on such Noteholder by (or by any authority in or of) the Republic of Italy with respect to any Note and which would not have been so imposed had the substitution not been made and (B) any tax, duty, assessment or governmental charge, and any cost or expense relating to the substitution, except that Enel shall not be liable under such indemnity to pay any additional amounts either on account of "*imposta sostitutiva*" or on account of any other withholding or deduction in the event of payment of interest or other amounts paid to a non-Italian resident legal entity or a non-Italian resident individual which is resident in a country which does not allow for a satisfactory exchange of information;

(ii) all the provisions set forth in Condition 8 with respect to Enel as Issuer of the Notes shall apply to the Notes following the substitution as if the Notes were originally issued by Enel;

(iii) all actions, conditions and things required to be taken, fulfilled and done (including the obtaining of any necessary consents) to ensure that the Substitution Deed Poll and the Notes represent valid, legally binding and enforceable obligations of Enel and in the case of the Substitution Deed Poll of the Issuer have been taken, fulfilled and done and are in full force and effect;

(iv) the relevant stock exchange (if any) shall have confirmed that, following the proposed substitution of Enel as Issuer, the Notes will continue to be listed on such stock exchange;

(v) legal opinions addressed to the Noteholders shall have been delivered to them (care of the Principal Paying Agent) from a lawyer or firm of lawyers with a leading securities practice in the Republic of Italy and in England as to the fulfillment of the preceding conditions of paragraph (iii) of this Condition 16 and the other matters specified in the Substitution Deed Poll; and

(vi) the Issuer shall have given at least 14 days' prior notice of such substitution to the Noteholders, in accordance with Condition 14, stating that "copies, or, pending execution, the agreed text, of all documents in relation to the substitution which are referred to above, or which might otherwise reasonably be regarded as material to Noteholders, will be available for inspection at the specified office of each of the Paying Agents."

References in Condition 10 to obligations under the Notes shall be deemed to include obligations under the Substitution Deed Poll.

By subscribing to, or otherwise acquiring the Notes, the Noteholders expressly consent to the substitution of Enel S.A. and to the release of Enel S.A. from any and all obligations in respect of the Notes and any relevant agreements and are expressly deemed to have accepted such substitution and the consequences thereof.

17. Further issues

The Issuer shall be at liberty from time to time without the consent of the Noteholders to create and issue further notes having terms and conditions the same as the Notes or the same in all respects save for the amount and date of the first payment of interest thereon and so that the same shall be consolidated and form a single series with the outstanding Notes.

18. Contracts (Rights of Third Parties) Act 1999

No person shall have any right to enforce any term or condition of this Note under the Contracts (Rights of Third Parties) Act 1999, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

19. Governing Law and submission to jurisdiction

(a) Governing law

The Agency Agreement, the Programme Agreement, the Deed of Guarantee, the Deed of Covenant, the Deed Poll and the Notes are governed by, and shall be construed in accordance with, English law. The Subscription Agreement is governed by, and shall be construed in accordance with, New York law.

(b) Submission to jurisdiction

In relation to any legal action or proceedings arising out of or in connection with the Notes, the Agency Agreement, the Deed of Covenant and/or the Deed Poll (**Proceedings**), the Issuer irrevocably submits to the jurisdiction of the courts of England and waive any objection to Proceedings in such courts whether on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum. This submission is made for the benefit of each of the Noteholders and shall not limit the right of any of them to take Proceedings in any other court of competent jurisdiction nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not) to the extent permitted by law.

(c) Appointment of Process Agent

Each of the Issuer and the Guarantor appoints Law Debenture Corporate Services Limited of 100 Wood Street, London EC2V 7EX as its agent in England to receive service of process in any Proceedings in England based on any of the Notes, the Agency Agreement, the Deed of Covenant and/or the Deed Poll. If for any reason such process agent ceases to act as such or no longer has an address in England, each of the Issuer and the Guarantor agrees to appoint a substitute agent for service of process and to give notice to the Noteholders of such appointment in accordance with Condition 14.

(d) Other documents

The Issuer and the Guarantor have in the Agency Agreement, the Deed of Covenant, the Deed Poll and the Guarantee (in the case of the Guarantor) submitted to the jurisdiction of the English courts and appointed an agent for service of process in terms substantially similar to those set out above.

Book entry clearance systems

The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of DTC currently in effect. The information in this section concerning DTC has been obtained from sources that the Issuer and the Guarantor believe to be reliable, but none of the Issuer, the Guarantor, nor any Dealer takes any responsibility for the accuracy thereof. Investors wishing to use the facilities of any of DTC are advised to confirm the continued applicability of the rules, regulations and procedures of DTC. None of the Issuer, the Guarantor, nor any other party to the Agency Agreement will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Notes held through the facilities of DTC or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Book-entry systems

DTC

DTC has advised the Issuer and the Guarantor that it is a limited purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to Section 17A of the Exchange Act. DTC holds securities that its participants (**Participants**) deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc. and the National Association of Securities Dealers, Inc. Access to the DTC System is also available to others such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (**Indirect Participants**).

Under the rules, regulations and procedures creating and affecting DTC and its operations (the **Rules**), DTC makes book-entry transfers of Notes among Direct Participants on whose behalf it acts with respect to Notes accepted into DTC's book-entry settlement system (**DTC Notes**) as described below and receives and transmits distributions of principal and interest on DTC Notes. The Rules are on file with the SEC. Direct Participants and Indirect Participants with which beneficial owners of DTC Notes (**Owners**) have accounts with respect to the DTC Notes similarly are required to make book-entry transfers and receive and transmit such payments on behalf of their respective Owners. Accordingly, although Owners who hold DTC Notes through Direct Participants or Indirect Participants will not possess Notes, the Rules, by virtue of the requirements described above, provide a mechanism by which Direct Participants will receive payments and will be able to transfer their interest with respect of the DTC Notes.

Purchases of DTC Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the DTC Notes on DTC's records. The ownership interest of each actual purchaser of each DTC Note (**Beneficial Owner**) is in turn to be recorded on the Direct and Indirect Participant's records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the DTC Notes are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in DTC Notes, except in the event that use of the book-entry system for the DTC Notes is discontinued.

To facilitate subsequent transfers, all DTC Notes deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of DTC Notes with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the DTC Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such DTC Notes are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Redemption notices shall be sent to Cede & Co. If less than all of the DTC Notes within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to DTC Notes. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the DTC Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy). Principal and interest payments on the DTC Notes will be made to DTC. DTC's practice is to credit Direct Participants' accounts on the due date for payment in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on the due date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC, the Issuer, or the Guarantor subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the Issuer, disbursement of such payments to Direct Participants is the responsibility of DTC, and disbursement of such payments to the Beneficial Owners is the responsibility of Direct and Indirect Participants. Under certain circumstances, including if there is an Event of Default under the Notes, DTC will exchange the DTC Notes for definitive Notes, which it will distribute to its Participants in accordance with their proportionate entitlements and which, if representing interests in a Rule 144A Global Note, will be legended. Since DTC may only act on behalf of Direct Participants, who in turn act on behalf of Indirect Participants, any Owner desiring to pledge DTC Notes to persons or entities that do not participate in DTC, or otherwise take actions with respect to such DTC Notes, will be required to withdraw its Notes from DTC as described below.

Euroclear and Clearstream, Luxembourg

Euroclear and Clearstream, Luxembourg each hold securities for their customers and facilitate the clearance and settlement of securities transactions by electronic book-entry transfer between their respective account holders. Euroclear and Clearstream, Luxembourg provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg also deal with domestic securities markets in several countries through established depository and custodial relationships. Euroclear and Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective participants may settle trades with each other.

Euroclear and Clearstream, Luxembourg customers are world-wide financial institutions, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Euroclear and Clearstream, Luxembourg is available to other institutions that clear through or maintain a custodial relationship with an account holder of either system.

Book-entry ownership of and payments in respect of DTC Notes

The Issuer will apply to DTC in order to have each tranche of Notes represented by a Global Note accepted in its book-entry settlement system. Upon the issue of any such Global Note, DTC or its custodian will credit, on its internal book-entry system, the respective nominal amounts of the individual beneficial interests represented by such Global Note to the accounts of persons who have accounts with DTC. Such accounts initially will be designated by or on behalf of the relevant Dealer. Ownership of beneficial interests in such a Global Note will be limited to Direct Participants or Indirect Participants, including the respective depositaries of Euroclear and Clearstream, Luxembourg. Ownership of beneficial interests in a Global Note will be shown on, and the transfer of such ownership will be effected only through, records maintained by DTC or its nominee (with respect to the interests of Direct Participants) and the records of Direct Participants (with respect to interests of Indirect Participants).

Payments in U.S. dollars of principal and interest in respect of a Global Note registered in the name of DTC's nominee will be made to the order of such nominee as the registered holder of such Note. In the case of any payment in a currency other than U.S. dollars, payment will be made to the Exchange Agent on behalf of DTC's nominee and the Exchange Agent will (in accordance with instructions received by it) remit all or a portion of such payment for credit directly to the beneficial holders of interests in the Global Note in the currency in which such payment was made and/or cause all or a portion of such payment to be converted into U.S. dollars and credited to the applicable Participant's account. The Issuer expects DTC to credit accounts of Direct Participants on the applicable payment date in accordance with their respective holdings as shown in the records of DTC unless DTC has reason to believe that it will not receive payment on such payment date. The Issuer also expects that payments by Participants to beneficial owners of Notes will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers, and will be the responsibility of such Participant and not the responsibility of DTC, the Principal Paying Agent, the Registrar or the Issuer. Payments of principal, premium, if any, and interest, if any, on Notes to DTC is the responsibility of the Issuer.

Transfers of Notes represented by the Global Notes

Transfers of any interests in Notes represented by a Global Note within DTC will be effected in accordance with the customary rules and operating procedures of DTC. The laws in some States within the United States require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer Notes represented by a Global Note to such persons may depend upon the ability to exchange such Notes for Notes in definitive form. Similarly, because DTC can only act on behalf of Direct Participants in the DTC system who in turn act on behalf of Indirect Participants, the ability of a person having an interest in Notes represented by a Global Note to pledge such Notes to persons or entities that do not participate in the DTC system or to otherwise take action in respect of such Notes may depend upon the ability to exchange such Notes for Notes in definitive form. The ability of any holder of Notes represented by a Global Note to resell, pledge or otherwise transfer such Notes may be impaired if the proposed transferee of such Notes is not eligible to hold such Notes through a direct or indirect participant in the DTC system.

Subject to compliance with the transfer restrictions applicable to the Notes described under "Subscription and sale", cross-market transfers between DTC, on the one hand, and directly or indirectly through Clearstream, Luxembourg or Euroclear accountholders, on the other, will be effected by the relevant clearing system in accordance with its rules and through action taken by the Registrar, the Principal Paying and the custodian (**Custodian**) with whom the Global Notes have been deposited, which is the Principal Paying Agent. On or after the Issue Date for any Series, transfers of Notes of such Series between accountholders in Clearstream, Luxembourg and Euroclear and transfers of Notes of such Series between participants in DTC will generally have a settlement date three business days after the trade date (T+3). The customary arrangements for delivery versus payment will apply to such transfers.

Cross-market transfers between accountholders in Clearstream, Luxembourg or Euroclear and DTC participants will need to have an agreed settlement date between the parties to such transfer. Transfers of interests between the Legended Notes and Regulation S Global Notes will be effected through the Registrar, the Principal Paying Agent and the Custodian receiving instructions (and where appropriate certification) from the transferor and arranging for delivery of the interests being transferred to the credit of the designated account for the transferee. In the case of crossmarket transfers, settlement between Euroclear or Clearstream, Luxembourg accountholders and DTC participants cannot be made on a delivery versus payment basis. The securities will be delivered on a free delivery basis and arrangements for payment must be made separately.

DTC, Clearstream, Luxembourg and Euroclear have each published rules and operating procedures designed to facilitate transfers of beneficial interests in Global Notes among participants and accountholders of DTC, Clearstream, Luxembourg and Euroclear. However, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or changed at any time. None of the Issuer, the Guarantor, the Agents and any Dealer will be responsible for any performance by DTC, Clearstream, Luxembourg or Euroclear or their respective direct or indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations and none of them will have any liability for any aspect of the records relating to or payments made on account of beneficial interests in the Notes represented by Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial interests.

Certain tax considerations

The statements herein regarding taxation are based on the laws in force as at the date of this Offering Circular and are subject to any changes in law occurring after such date, which changes could be made on a retroactive basis. Neither the Issuer nor the Guarantor will update this summary to reflect changes in laws and if such a change occurs the information in this summary could become invalid.

This summary assumes that the Issuer and the Guarantor are resident for tax purposes in Luxembourg and in the Republic of Italy, respectively, and are structured and conduct their business in the manner outlined in this Offering Circular. Changes in the Issuer's and/or the Guarantor's organizational structure, tax residence or the manner in which each of them conducts its business, as well as the change of the Issuer, may invalidate this summary. This summary also assumes that each transaction with respect to the Notes is at arm's length.

Where in this summary English terms and expressions are used to refer to Italian concepts, the meaning to be attributed to such terms and expressions shall be the meaning to be attributed to the equivalent Italian concepts under Italian tax law.

The following summary does not purport to be a comprehensive description of all the tax considerations which may be relevant to a decision to subscribe for, purchase, own or dispose of the Notes and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities or commodities) may be subject to special rules.

Prospective purchasers of the Notes are advised to consult their own tax advisers concerning the overall tax consequences under the tax laws of the country in which they are resident for tax purposes and of any other potentially relevant jurisdiction of acquiring, holding and disposing of the Notes and receiving payments of interest, principal and/or other amounts under the Notes, including in particular the effect of any state, regional or local tax laws.

United States federal income taxation

TO COMPLY WITH TREASURY DEPARTMENT CIRCULAR 230, PROSPECTIVE INVESTORS ARE HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF FEDERAL TAX ISSUES IN THIS OFFERING CIRCULAR IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED BY ANY TAXPAYER, FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON THE TAXPAYER UNDER THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE **CODE**); (B) ANY SUCH DISCUSSION IS INCLUDED HEREIN IN CONNECTION WITH THE PROMOTION OR MARKETING (WITHIN THE MEANING OF CIRCULAR 230) OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) A TAXPAYER SHOULD SEEK ADVICE BASED ON THE TAXPAYER'S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

The following discussion is a summary of certain material U.S. federal income tax consequences of the purchase, ownership and disposition of the Notes by a U.S. holder (as defined below), but does not purport to be a complete analysis of all potential tax effects and does not address the effects of any state, local or non-U.S. tax laws. This discussion is based upon the Code, Treasury regulations issued thereunder, and judicial and administrative interpretations thereof, each as in effect on the date hereof, and all of which are subject to change, possibly with retroactive effect. This discussion does not address all of the U.S. federal income tax consequences that may be relevant to a holder in light of such holder's particular circumstances or to holders subject to special rules, such as persons other than U.S. holders, certain financial institutions, U.S. expatriates, insurance companies, dealers in securities or currencies, traders in securities, U.S. holders whose functional currency is not the U.S. dollar, tax-exempt organizations, regulated investment companies, real estate investment trusts, partnerships or other pass through entities or investors in such entities, persons liable for alternative minimum tax and persons holding the Notes as part of a "straddle," "hedge," "conversion transaction" or other integrated transaction. In addition, this discussion is limited to persons who purchase the Notes for cash at original issue and at their "issue price" (the first price at which a substantial part of the Notes are sold to the public for cash, excluding sales to bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers) and who hold the Notes as capital assets within the meaning of section 1221 of the Code. In addition, this discussion assumes that the Notes are properly characterized as indebtedness for U.S. federal income tax purposes.

For purposes of this discussion, a "U.S. holder" is a beneficial owner of a Note that is, for U.S. federal income tax purposes, (i) an individual who is a citizen or resident of the United States; (ii) a corporation or any entity taxable as a corporation created or organized in the United States or under the laws of the United States or of any political subdivision thereof; (iii) any estate the income of which is subject to U.S. federal income taxation regardless of its source; or (iv) any trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or if a valid election is in place to treat the trust as a U.S. person.

If a partnership (including any entity treated as a partnership for U.S. federal income tax purposes) holds the Notes, the tax treatment of a partner in the partnership will generally depend upon the status of the partner and the activities of the partnership. A holder that is a partnership, and partners in such partnerships, should consult their tax advisors regarding the tax consequences of the purchase, ownership and disposition of the Notes.

Prospective purchasers of the Notes should consult their tax advisors concerning the tax consequences of holding Notes in light of their particular circumstances, including the application of the U.S. federal income tax considerations discussed below, as well as the application of other federal, state, local, foreign or other tax laws.

Payments of interest

It is anticipated, and this discussion assumes, that the Notes will not be issued with original issue discount for U.S. federal income tax purposes. Payments of stated interest on the Notes generally will be taxable to a U.S. holder as ordinary income at the time that such payments are received or accrued, in accordance with such U.S. holder's method of accounting for U.S. federal income tax purposes.

Interest income on a Note generally will be foreign source "passive category income" or, in the case of certain U.S. holders, "general category income" for purposes of computing the foreign tax credit allowable to U.S. holders under U.S. federal income tax laws.

Should any foreign tax be withheld, the amount withheld and the gross amount of any additional amounts paid to a U.S. holder pursuant to Condition 8 of the Terms and Conditions of the Notes will be included in such holder's income at the time such amount is received or accrued (or deemed received or accrued) in accordance with such holder's method of tax accounting. U.S. holders should consult their tax advisors regarding the creditability or deductibility of any withholding taxes. Any additional amounts would generally constitute foreign source income.

Sale, exchange, retirement, or other taxable disposition of Notes

Upon the sale, exchange, retirement, or other taxable disposition of a Note, a U.S. holder generally will recognize U.S. source gain or loss equal to the difference between the amount realized upon the sale, exchange, retirement or other disposition (less an amount allocable to any accrued but unpaid interest, which will be taxable as interest income as discussed above to the extent not previously included in income by the U.S. holder) and the adjusted tax basis of the Note. A U.S. holder's adjusted tax basis in a Note will, in general, be its cost for such Note.

Any gain or loss will be capital gain or loss. Capital gains of noncorporate U.S. holders (including individuals) derived in respect of capital assets held for more than one year are eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations. Capital gain or loss recognized by a U.S. holder generally will be U.S.-source gain or loss. Consequently, if any such gain is subject to foreign tax, a U.S. holder may not be able to credit the tax against its U.S. federal tax liability unless such credit can be applied (subject to applicable limitation) against tax due on other income treated as derived from foreign sources. U.S. holders should consult their own tax advisors as to the foreign tax credit implications of a disposition of the Notes.

The substitution of Enel for the Issuer as principal debtor under the Notes pursuant to Condition 16 (Substitution) under "Terms and Conditions of the Notes" may result in a taxable exchange of the Note for a "new" note for U.S. federal income tax purposes. U.S. holders should consult their tax advisors regarding the tax consequences of any such substitution.

Information reporting and backup withholding

In general, information reporting requirements will apply to certain payments of principal and interest paid on the Notes and to the proceeds of the sale or other disposition (including a redemption or retirement) of a Note paid to a U.S. holder unless such U.S. holder is an exempt recipient, such as a corporation. Backup withholding may apply to such payments if the U.S. holder fails to provide a taxpayer identification number or a certification that it is not subject to backup withholding.

Backup withholding is not an additional tax and any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against a U.S. holder's U.S. federal income tax liability provided the required information is timely furnished to the IRS.

Taxation in the Republic Of Italy

Legislative Decree 1 April 1996, No. 239 (the **Decree 239**) provides for the applicable regime with respect to the tax treatment of interest, premium and other income (including the difference between the redemption amount and the issue price) from notes falling within the category of bonds (*obbligazioni*) or debentures similar to bonds (*titoli similari alle obbligazioni*) within the meaning of Art. 44 of Italian Presidential Decree 22 December 1986, No. 917 (the **Decree 917**) issued, *inter alia*, by non-Italian resident issuers.

For this purpose, pursuant to Art. 44 of Decree 917, debentures similar to bonds are securities that (i) incorporate an unconditional obligation to pay, at maturity, an amount not lower than their nominal value and (ii) do not grant to the relevant holders any right to directly or indirectly participate to the management of the issuer or of the business in relation to which they are issued or to control the same management.

Italian resident Noteholders

Pursuant to Decree 239, a final tax, referred to as "*imposta sostitutiva*" equal to (a) 12.5% in relation to Notes issued for an original maturity of not less than 18 months, and (b) 27% in relation to Notes issued for an original maturity of less than 18 months, is applied on interest, premium and other income relating to the Notes qualifying as bonds (*obbligazioni*) or debentures similar to bonds (*titoli similari alle obbligazioni*) within the meaning of Art. 44 of Decree 917 issued by the Issuer accrued during the relevant holding period, if received by (i) an Italian individual not engaged in an entrepreneurial activity to which the Notes are connected, (ii) an Italian non-commercial partnership, (iii) an Italian non-commercial private or public institution, or (iv) an Italian investor exempt from Italian corporate income taxation (in each case and in relation to Notes issued for an original maturity of not less than 18 months only, unless the relevant Noteholder has entrusted the management of its financial assets, including the Notes, to an Italian authorized intermediary and has opted for the application of the *Risparmio Gestito* regime provided for by Art. 7 of Legislative Decree 21 November 1997, No. 461 (the ***Risparmio Gestito*** regime—see under "Capital gains tax" below). If the Noteholders described under (i) and (iii) above are engaged in an entrepreneurial activity to which the Notes are connected, the *imposta sostitutiva* applies as a provisional tax.

Imposta sostitutiva is generally applied by banks, *Società di Intermediazione Mobiliare* (**SIMs**), fiduciary companies, SGRs, stockbrokers and other entities identified by decrees of the Italian Ministry of Finance who are (i) resident in Italy or permanent establishments in Italy of non-Italian resident financial intermediaries and (ii) intervene, in any way, in the collection of interest, premium and other income relating to the Notes or in the transfer of the Notes (each an **Intermediary**).

Where the Notes and the relevant coupons are not deposited with an Intermediary, the *imposta sostitutiva* is applied and withheld by any Italian intermediary (or permanent establishment in Italy of foreign intermediary) that intervenes in the payment of interest to any Noteholder and Noteholders who are Italian resident companies or permanent establishments in Italy of foreign corporations to which the Notes are effectively connected are entitled to deduct *imposta sostitutiva* suffered from income taxes due. Where interest and other income on Notes beneficially owned by the subjects under (i) to (iv) above are not collected through the intervention of an Italian resident intermediary and as such no *imposta sostitutiva* is applied, the above Italian resident beneficial owners will be required to declare interest and other income in their yearly income tax return and subject them to final substitutive tax at a rate of 12.5% or 27% depending on the original maturity of the Notes (only limited to those Noteholders not engaged in a business activity to which the Notes are effectively connected), unless option for a different regime is allowed and made.

Italian resident Noteholders that are individuals not engaged in entrepreneurial activity may elect instead to pay ordinary personal income taxes at the progressive rates applicable to them in respect of interest and other income on such Notes: if so, the beneficial owners should generally be entitled to a tax credit for withholding taxes applied outside Italy, if any.

Where an Italian resident Noteholder who is beneficial owner of the Notes is a company or similar commercial entity, or a permanent establishment in Italy of a foreign company to which the Notes are effectively connected and the Notes and relevant coupons are timely deposited with an Intermediary, interest, premium and other income from the Notes will not be subject to *imposta sostitutiva*, but must be included in the relevant Noteholder's annual income tax return and are therefore subject to general Italian corporate taxation (corporate income tax, currently applying at a 27.5 rate) and, in certain circumstances, depending on the "status" of the Noteholder, also to the regional tax on productive activities, generally applying at the rate of 3.9%. IRAP can be increased by regional laws up to 0.92%.

Under the current regime provided by Law Decree No. 351 of 25 September 2001 converted into law with amendments by Law No. 410 of 23 November 2001, as clarified by the Italian Ministry of Economics and Finance through Circular No. 47/E of 8 August 2003, payments of interest, premium and other income in respect of the Notes having an original maturity of not less than 18 months made to Italian resident real estate investment funds established pursuant to Article 37 of Legislative Decree No. 58 of 24 February 1998, as amended and supplemented, and Article 14-bis of Law No. 86 of 25 January 1994 (the **Real Estate Funds**), are subject neither to *imposta sostitutiva* nor to any other income tax in the hands of a Real Estate Fund, provided that the Notes, together with the relevant coupons, are timely deposited with an Intermediary. Please note that Law Decree No. 112 of 25 June 2008, converted into law, with amendments, by

Law No. 133 of 6 August 2008, introduced a 1% property tax, to be levied—on a yearly basis—on the net asset value of certain Real Estate Funds qualifying as "family funds."

If the Noteholder is resident in Italy and is an open-ended or closed-ended investment fund or a SICAV (the **Fund**), and the Notes having an original maturity of not less than 18 months, together with the relevant Coupons, are timely deposited with an authorized Intermediary, interest, premium and other income accrued during the holding period on the Notes will not be subject to *imposta sostitutiva*, but must be included in the management results of the Fund or SICAV accrued at the end of each tax period, subject to an ad-hoc substitutive tax generally applicable at a 12.5% rate.

Where an Italian resident Noteholder is a pension fund (subject to the regime provided for by Article 17 of Legislative Decree No. 252 of 5 December 2005) (the **Pension Funds**) and the Notes having an original maturity of not less than 18 months, together with the relevant Coupons, are timely deposited with an Intermediary, interest, premium and other income relating to the Notes and accrued during the holding period will not be subject to *imposta sostitutiva*, but must be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to an 11% substitutive tax.

Where an Italian resident Noteholder has opted for the *Risparmio Gestito* regime with respect to its investment in Notes issued for an original maturity of not less than 18 months, such Noteholder will be subject to a 12.5% annual substitutive tax on the increase in value of the managed assets accrued at the end of each tax year. In such case, interest, premium and other income on Notes issued for an original maturity of not less than 18 months will be included in the calculation of said annual increase in value of managed assets.

If the Notes are issued for an original maturity of less than 18 months, the 27% *imposta sostitutiva* is also applied to any payment of interest or premium relating to the Notes made to (i) Pension Funds and (ii) Funds.

Non-Italian resident Noteholders

No Italian *imposta sostitutiva* is applied on payments to a non-Italian resident Noteholder of interest, premium and other income relating to Notes issued by the Issuer.

If Notes issued by the Issuer and beneficially owned by non-Italian residents are deposited with an Italian bank or other resident intermediary (or permanent establishment in Italy of foreign intermediary) or are sold through an Italian bank or other resident intermediary (or permanent establishment in Italy of foreign intermediary) or in any case an Italian resident intermediary (or permanent establishment in Italy of foreign intermediary) intervenes in the payment of interest and other income on such Notes, to ensure payment of interest and other income without application of Italian taxation a non-Italian resident Noteholder may be required to produce to the Italian bank or other intermediary a self-declaration stating that he, she or it is not resident in Italy for tax purposes.

Early Redemption

Without prejudice to the above provisions, in the event that Notes issued by the Issuer and having an original maturity of at least 18 months are redeemed, in full or in part, prior to 18 months from the Issue Date, certain Italian resident Noteholders will be required to pay, by way of a withholding to be applied by any Italian withholding agent that intervenes in the collection of interest and other income or the redemption of the Notes, an additional amount equal to 20% of the interest and other income accrued on the Notes up to the time of the early redemption. According to one interpretation of Italian tax law, the above 20% additional amount may also be due in the event that the Issuer were to purchase the Notes and subsequent cancel them prior to the aforementioned eighteen-months period.

Payments made by the Guarantor

We are not aware of authority directly regarding the Italian tax regime of payments on notes made by an Italian resident guarantor. Accordingly, there can be no assurance that the Italian tax authorities will not assert an alternative treatment of such payments than that set forth herein or that the Italian courts would not support such an alternative treatment.

With respect to payments on the Notes made to Italian resident Noteholders by the Guarantor, in accordance with one interpretation of Italian tax law, any such payments may be subject to Italian withholding tax at the rate of 12.5% levied as a final tax or a provisional tax ("*a titolo d'imposta o a titolo di acconto*") depending on the "status" of the Noteholder, pursuant to Presidential Decree No. 600 of 29 September 1973, as subsequently amended. In the case of payments to non-Italian resident Noteholders, the withholding tax should be final and may be applied at (i) 12.5% if the payment is made to non-Italian resident Noteholders, other than those mentioned under (ii); or (ii) 27% if payments are made to non-Italian resident Noteholders who are resident in a "tax haven" (as currently defined and listed in Ministerial Decree 23 January 2002, as amended from time to time). Double taxation treaties entered into by Italy may apply allowing for a lower (or, in certain cases, nil) rate of withholding tax in case of payments to non Italian residents, subject to compliance with relevant subjective and procedural requirements. In accordance with another interpretation, any such payment made by the Guarantor should be treated, in certain circumstances, as a payment by the Issuer and should thus be subject to the tax regime described in the previous paragraphs of this section.

Capital gains tax

Any gain obtained from the sale or redemption of the Notes would be treated as part of the taxable business income (and, in certain circumstances, depending on the "status" of the Noteholder, also as part of the net value of the production for the purposes of regional tax on productive activities) if realized by an Italian company or a similar commercial entity (including the Italian permanent establishment of foreign entities to which the Notes are connected) or Italian resident individuals engaged in an entrepreneurial activity to which the Notes are connected, and subject to the ordinary tax regime applicable thereto.

Where an Italian resident Noteholder is an individual not engaged in an entrepreneurial activity to which the Notes are connected and certain other persons, any capital gain realized by such Noteholder from the sale or redemption of the Notes would be subject to an *imposta sostitutiva*, levied at the current rate of 12.5%. Noteholders may set-off capital losses with gains of the same nature.

For the purposes of determining the taxable capital gain, any interest, premium and other income on the Notes accrued and unpaid up to the time of the purchase and the sale of the Notes must be deducted from the purchase price and the sale price, respectively.

In respect of the application of *imposta sostitutiva*, taxpayers may opt for one of the three regimes described below.

Under the tax declaration regime (*regime della dichiarazione*), which is the default regime for Italian resident individuals not engaged in an entrepreneurial activity to which the Notes are connected, the *imposta sostitutiva* on capital gains will be chargeable, on a cumulative basis, on all capital gains, net of any incurred capital loss of the same nature, realized by the Italian resident individual Noteholder holding the Notes not in connection with an entrepreneurial activity pursuant to all sales or redemptions of the Notes carried out during any given tax year. Italian resident individuals holding the Notes not in connection with an entrepreneurial activity must indicate the overall capital gains realized in any tax year, net of any relevant incurred capital loss of the same nature, in the annual tax return and pay *imposta sostitutiva* on such gains together with any balance income tax due for such year. Capital losses in excess of capital gains may be carried forward against capital gains of the same nature realized in any of the four succeeding tax years.

As an alternative to the tax declaration regime, Italian resident individual Noteholders holding the Notes not in connection with an entrepreneurial activity may elect to pay the *imposta sostitutiva* separately on capital gains realized on each sale or redemption of the Notes according to Article 6 of Italian Legislative Decree No. 461 of 21 November 1997, (the ***Risparmio Amministrato*** regime). Such separate taxation of capital gains is allowed subject to (i) the Notes being deposited with Italian banks, SIMs or certain authorized financial intermediaries (or permanent establishments in Italy of foreign intermediaries) and (ii) an express election for the *Risparmio Amministrato* regime being timely made in writing by the relevant Noteholder. The depository is responsible for accounting for *imposta sostitutiva* in respect of capital gains realized on each sale or redemption of the Notes, net of any incurred capital loss of the same nature, and is required to pay the relevant amount to the Italian tax authorities on behalf of the taxpayer, deducting a corresponding amount from the proceeds to be credited to the Noteholder or using funds provided by the Noteholder for this purpose. Under the *Risparmio Amministrato* regime, where a sale or redemption of the Notes results in a capital loss, such loss may be deducted from capital gains of the same nature subsequently realized, within the same securities management relationship, in the same tax year or in the following tax years up to the fourth. Under the *Risparmio Amministrato* regime, the Noteholder is not required to declare the capital gains in the annual tax return.

Any capital gains on Notes held by Italian resident individuals holding the Notes not in connection with an entrepreneurial activity who have entrusted the management of their financial assets, including the Notes, to an authorized intermediary and have opted for the "*Risparmio Gestito*" regime will be included in the computation of the annual increase in value of the managed assets accrued, even if not realized, at year end, subject to a 12.5% substitutive tax, to be paid by the managing authorized intermediary. Under the *Risparmio Gestito* regime, any depreciation of the managed assets accrued at year end may be carried forward against the increase in value of the managed assets accrued in any of the four succeeding tax years.

Under the *Risparmio Gestito* regime, the Noteholder is not required to declare the capital gains realized in the annual tax return.

Any capital gains on Notes held by a Noteholder who is a Fund will be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to the 12.5% substitutive tax.

Any capital gains on Notes held by a Noteholder who is a Pension Fund will be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to a 11% substitutive tax.

Any capital gains realized by Real Estate Funds on the Notes are not taxable at the same level as Real Estate Funds, unless the latter are subject to 1% property tax enacted by Law Decree No. 112 of 25 December 2008.

Capital gains realized by non-Italian resident Noteholders without a permanent establishment in Italy to which the Notes are effectively connected from the sale or redemption of Notes traded on regulated markets in Italy or abroad are not subject to the *imposta sostitutiva*, regardless of whether the Notes are held in Italy. In such a case, in order to benefit from this exemption from Italian taxation on capital gains, non-Italian resident Noteholders who hold the Notes with an Italian authorized financial intermediary and elect to be subject to the *Risparmio Gestito* regime or are subject to the *Risparmio Amministrato* regime according to Article 6 of Italian Legislative Decree No. 461 of 21 November 1997, may be required to produce in due time to the Italian authorized financial intermediary an appropriate self-declaration that they are not resident in Italy for tax purposes.

Capital gains realized by non-Italian resident Noteholders from the sale or redemption of Notes issued by the Issuer not traded on regulated markets may in certain circumstances be taxable in Italy if the Notes are held in Italy. However, non-Italian resident beneficial owners of Notes without a permanent establishment in Italy to which the Notes are effectively connected are not subject to the *imposta sostitutiva* on capital gains realized upon sale or redemption of the Notes, provided that the beneficial owner: (i) is resident in a country which allows for a satisfactory exchange of information with Italy; or (ii) is an international entity or body set up in accordance with international agreements which have entered into force in Italy; or (iii) is a Central Bank or an entity which manages, inter alia, the official reserves of a foreign State; or (iv) is an institutional investor which is resident or established in a country which allows for a satisfactory exchange of information with Italy, even if it does not possess the status of taxpayer in its own country of residence. In such cases, in order to benefit from this exemption from Italian taxation on capital gains, non-Italian resident Noteholders who hold the Notes with an Italian authorized financial intermediary and elect to be subject to the *Risparmio Gestito* regime or are subject to the *Risparmio Amministrato* regime, may be required to produce in due time to the Italian authorized financial intermediary an appropriate self-declaration stating that they meet the subjective requirements indicated above.

Additional statements may be required for non-Italian resident Noteholders who are institutional investors.

Please note that the currently applicable "white list" providing for countries allowing for a satisfactory exchange of information with Italy is provided for by Ministerial Decree 4 September 1996, as subsequently amended and supplemented. According to the Budget Law 2008, a decree still to be issued is proposed to introduce a new "white list" replacing the current one.

Moreover, in any event, non-Italian resident individuals or entities without a permanent establishment in Italy to which the Notes are effectively connected that may benefit from a double taxation treaty with Italy providing that capital gains realized upon the sale or redemption of Notes are to be taxed only in the country of tax residence of the recipient, will not be subject to *imposta sostitutiva* in Italy on any capital gains realized upon the sale or redemption of Notes. In such a case, in order to benefit from this exemption from Italian taxation on capital gains, non-Italian resident Noteholders who hold the Notes with an Italian authorized financial intermediary and elect to be subject to the *Risparmio Gestito* regime or are subject to the *Risparmio Amministrato* regime may be required to produce in due time to the Italian authorized financial intermediary appropriate documents which include, inter alia, a statement from the competent tax authorities of the country of residence.

Please note that for a non-Italian resident, the *Risparmio Amministrato* regime shall automatically apply, unless it expressly waives this regime, where the Notes are deposited in custody or administration with an Italian resident authorized financial intermediary or permanent establishment in Italy of a foreign intermediary.

Tax Monitoring

Pursuant to Italian Law Decree No. 167 of 28 June 1990, converted by Law No. 227 of 4 August 1990, as amended (**Decree No. 167**), individuals, non commercial institutions and non-commercial partnerships resident in Italy who, at the end of the fiscal year, hold investments abroad or have foreign financial assets (including Notes held abroad and/or Notes issued by the Issuer) must, in certain circumstances, disclose the aforesaid and related transfers to, from and occurred abroad, to the Italian Tax Authorities in their income tax return (or, in case the income tax return is not due, in a proper form that must be filed within the same time prescribed for the income tax return). This obligation does not exist (i) in cases where each of the overall value of the foreign investments or financial assets at the end of the fiscal year, and the overall value of the related transfers to, from and occurred abroad carried out during the relevant fiscal year, does not exceed Euro 10,000, as well as (ii) in case the financial assets are given in administration or management to Italian banks, *Società di Intermediazione Mobiliare* (SIMs), fiduciary companies or other professional intermediaries, indicated in Art. 1 of Decree No. 167, or if one of such intermediaries intervenes, also as a counterpart, in their transfer, provided that income deriving from such financial assets is collected through the intervention of such an intermediary.

Inheritance and gift taxes

Transfers of any valuable asset (including shares, bonds or other securities) as a result of death or donation of Italian residents and of non-Italian residents, but in such latter case limited to assets held within the Italian territory, are generally taxed in Italy as follows:

(i) transfers in favor of spouses and direct descendants or direct ancestors are subject to an inheritance and gift tax applied at a rate of 4% on the value of the inheritance or the gift exceeding Euro 1,000,000 for each beneficiary;

(ii) transfers in favor of relatives to the fourth degree or relatives-in-law to the third degree are subject to an inheritance and gift tax at a rate of 6% on the entire value of the inheritance or the gift;

(iii) transfers in favor of brothers/sisters are subject to the 6% inheritance and gift tax on the value of the inheritance or the gift exceeding Euro 100,000 for each beneficiary; and

(iv) any other transfer is subject to an inheritance and gift tax applied at a rate of 8% on the entire value of the inheritance or the gift.

If the beneficiary has a serious disability recognized by law, inheritance and gift taxes apply on its portion of the net asset value exceeding Euro 1,500,000.

Transfer tax

Article 37 of Law Decree No 248 of December 31, 2007, converted into Law No. 31 of February 28, 2008, has abolished the Italian transfer tax previously applicable on certain transfers of securities, provided for by Royal Decree No. 3278 of 30 December 1923, as amended and supplemented by the Legislative Decree No. 435 of 21 November 1997.

Following the repeal of the Italian transfer tax, as from 31 December 2007 contracts relating to the transfer of securities are subject to the registration tax as follows: (i) public deeds and notarized deeds executed in Italy are subject to fixed registration tax at rate of Euro 168; (ii) private deeds are subject to registration tax at rate of Euro 168 only in case of use or voluntary registration.

EU Savings Directive

Under Council Directive 2003/48/EC on the taxation of savings income (the **Savings Directive**), each Member State of the EU is required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to an individual beneficial owner resident in, or certain limited types of entity established in, that other Member State. However, for a transitional period, Austria, Belgium and Luxembourg will (unless during such period such Member States elect otherwise) instead operate a withholding system in relation to such payments. Under such withholding system, tax will be deducted unless the recipient of the payment elects instead for an exchange of information procedure. The current rate of withholding is 20% and it will be increased to 35% with effect from July 1, 2011. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to exchange of information procedures relating to interest and other similar income.

A number of non-EU countries and certain dependent or associated territories of certain Member States have adopted or agreed to adopt similar measures (either provision of information or transitional withholding) in relation to payments made by a person within their respective jurisdictions to an individual beneficial owner resident in, or certain limited types of entity established in, a Member State. In addition, the Member States have entered into provision of information or transitional withholding arrangements with certain of those countries and territories in relation to payments made by a person in a Member State to an individual beneficial owner resident in, or certain limited types of entity established in, one of those countries or territories.

On November 13, 2008 the European Commission published a proposal for amendments to the Savings Directive. The proposal included a number of suggested changes which, if implemented, would broaden the scope of the rules described above. The European Parliament approved an amended version of this proposal on April 24, 2009.

Implementation in Italy of the EU Savings Directive

Italy has implemented the EU Savings Directive through Legislative Decree No. 84 of 18 April 2005 (**Decree 84**). Under Decree 84, subject to a number of important conditions being met, in the case of interest paid to individuals which qualify as beneficial owners of the interest payment and which are resident for tax purposes in another Member State, Italian qualified paying agents shall report to the Italian Tax Authorities details of the relevant payments and personal information on the individual beneficial owner. Such information is transmitted by the Italian Tax Authorities to the competent foreign tax authorities of the State of residence of the beneficial owner.

With reference to the definition of interest subject to the above described regime, Article 2, paragraph 1, lett. a, of Decree 84 provides that it includes, inter alia: "*interest paid or credited, on accounts arisen from receivables of whatever nature, secured or not by mortgage (...), in particular interest and any other proceed, arising from public bonds and other bonds*."

Prospective investors resident in a Member State of the European Union should consult their own legal or tax advisers regarding the consequences of the EU Savings Directive in their particular circumstances.

Luxembourg Taxation

The following summary is of a general nature and is included herein solely for information purposes. It is based on the laws presently in force in Luxembourg relating to the taxation of the Notes for non-Luxembourg resident Noteholders, though it is not intended to be, nor should it be construed to be, legal or tax advice. Prospective investors in the Notes should therefore consult their own professional advisers as to the effects of state, local or foreign laws, including Luxembourg tax law, to which they may be subject.

Please be aware that the residence concept used under the respective headings below applies for Luxembourg income tax assessment purposes only. Any reference in the present section to a tax, duty, levy, impost or other charge or withholding of a similar nature refers to Luxembourg tax law and/or concepts only. Also, please note that a reference to Luxembourg income tax encompasses corporate income tax (*impôt sur le revenu des collectivités*), municipal business tax (*impôt commercial communal*), a solidarity surcharge (*contribution au fonds de chômage*)as well as personal income tax (*impôt sur le revenu*) generally. Investors may further be subject to net wealth tax (*impôt sur la fortune*) as well as other duties, levies or taxes. Corporate income tax, municipal business tax as well as the solidarity surcharge invariably apply to most corporate taxpayers resident of Luxembourg for tax purposes. Individual taxpayers are generally subject to personal income tax and the solidarity surcharge. Under certain circumstances, where an individual taxpayer acts in the course of the management of a professional or business undertaking, municipal business tax may apply as well.

Withholding tax

Under Luxembourg general tax laws currently in force and subject to the laws of June 21, 2005 and December 23, 2005 as amended (the **Laws**) mentioned below, there is no withholding tax on payments of principal, premium or interest made to resident or non-resident holders of Notes, nor on accrued but unpaid interest in respect of the Notes, nor is any Luxembourg withholding tax payable upon redemption or repurchase of the Notes held by non-resident holders of Notes.

Under the Laws implementing the Council Directive 2003/48/EC of June 3, 2003 on taxation of savings income in the form of interest payments and ratifying the treaties entered into by Luxembourg and certain dependent and associated territories of EU Member States (the **Territories**), payments of interest or similar income made or ascribed by a paying agent established in Luxembourg to or for the immediate benefit of an individual beneficial owner or a residual entity, as defined by the Laws, which are resident of, or established in, an EU Member State (other than Luxembourg) or one of the Territories will be subject to a withholding tax unless the relevant recipient has adequately instructed the relevant paying agent to provide details of the relevant payments of interest or similar income to the fiscal authorities of his/her/its country of residence or establishment, or, in the case of an individual beneficial owner, has provided a tax certificate issued by the fiscal authorities of his/her country of residence in the required format to the relevant paying agent. The withholding tax rate is 20% until June 30, 2011 and 35% thereafter.

Interest payments made by a paying agent established in Luxembourg to an individual resident holder of Notes acting in the course of management of its private wealth or to a Luxembourg or foreign residual entity receiving the payment for the benefit of such holder of Notes are, pursuant to the December 23, 2005 Luxembourg law as amended, subject to a 10% withholding tax (the **10% Luxembourg Tax**).

Where the paying agent is located in a Member State of the European Union or of the European Economic Area other than Luxembourg, such as Ireland or in a Territory, holders of Notes who are Luxembourg residents can opt, pursuant to the December 23, 2005 Luxembourg law as amended, to self-declare and pay the 10% Luxembourg tax on interest payments made to them by the Paying Agent.

The 10% Luxembourg Tax represents the final tax liability on interest received for holders of Notes who are Luxembourg residents and receiving the interest payment in the course of their private wealth.

Individual resident holders of Notes that hold their Notes as business assets must include the interest received or accrued in their taxable income. The 10% Luxembourg tax levied is then credited against the final tax liability of the holders of Notes.

Income taxation

Non-resident holder of Notes

A non-resident holder of Notes, not having a permanent establishment or permanent representative in Luxembourg to which such Notes are attributable, is not subject to Luxembourg income tax on interest accrued or received, redemption premiums or issue discounts, under the Notes. A gain realized by such non-resident holder of Notes on the sale or disposal, in any form whatsoever, of the Notes is further not subject to Luxembourg income tax.

A non-resident undertaking with a collective character (i.e., corporate) holder of Notes or an individual holder of Notes acting in the course of the management of a professional or business undertaking, who has a permanent establishment or permanent representative in Luxembourg to which such Notes are attributable, is subject to Luxembourg income tax on interest accrued or received, redemption premiums or issue discounts, under the Notes and on any gains realized upon the sale or disposal, in any form whatsoever, of the Notes.

Resident holder of Notes

Save where the holder of Notes is exempt from taxation under Luxembourg law, a holder of Notes who is an undertaking with a collective character or an individual holding the Notes as business assets is subject to Luxembourg tax on interest accrued or received, redemption premiums or issue discounts, under the Notes and on any gains realized upon the sale or disposal, in any form whatsoever, of the Notes. Individual holders of Notes holding the Notes as business assets will be allowed to credit the 10% Luxembourg tax against their final tax liability.

A gain realized by an individual holder of Notes acting in the course of the management of his/her private wealth, upon sale, disposal or redemption in any form whatsoever of the Notes is subject to Luxembourg income tax, provided that the sale, disposal or redemption took place within six months after the Notes were acquired. Upon the sale, redemption or disposal of the Notes, accrued but unpaid interest will be subject to the 10% Luxembourg tax (see above).

Net wealth taxation — non-resident holders of Notes

Save where the holder of Notes is exempt from taxation under Luxembourg law, a corporate holder of Notes, whether it is a resident of Luxembourg for tax purposes or, if not, maintains a permanent establishment or a fixed place of business in Luxembourg to which such Notes are attributable, is subject to Luxembourg wealth tax on such Notes.

An individual holder of Notes, whether he/she is resident of Luxembourg or not, is not subject to Luxembourg wealth tax on such Notes.

Other taxes

Neither the issuance nor the transfer of Notes will give rise to any Luxembourg stamp duty, value added tax, issuance tax, registration tax, transfer tax or similar taxes or duties.

If a holder of Notes is not a resident of Luxembourg for tax purposes at the time of his/her death, the Notes are not included in his/her taxable estate for inheritance tax assessment purposes.

Gift tax may be due on a gift or donation of Notes if embodied in a Luxembourg deed or recorded in Luxembourg.

When used in the preceding paragraphs, “interest,” “paying agent” and “residual entity” have the meaning given thereto in the EU Savings Tax Directive, the Luxembourg laws of June 21, 2005 and December 23, 2005, as amended. “Interest” will include accrued or capitalised interest at the sale, repayment or redemption of the Notes.

Subscription and sale

Citigroup Global Markets Inc. and J.P. Morgan Securities Inc., are acting as Global Coordinators and Joint Bookrunners of the offering (the **Global Coordinators and Joint Bookrunners**) and Banc of America Securities LLC, Barclays Capital Inc., Credit Suisse Securities (USA) LLC, Deutsche Bank Securities Inc. and Morgan Stanley & Co. Incorporated are acting as Joint Bookrunners of the offering (together, the **Joint Bookrunners**, and together with Citigroup Global Markets Inc. and J.P. Morgan Securities Inc., the **Managers**). Pursuant to a subscription agreement (the **Subscription Agreement**) dated September 30, 2009, under which each of the Managers has severally but not jointly agreed to purchase, and the Issuer has agreed to sell to each of the Managers, the principal amount of the Notes set forth opposite each Manager's name below:

Managers	Principal amount of A Notes	Principal amount of B Notes	Principal amount of C Notes
Banc of America Securities LLC	$ 178,572,000	$ 250,000,000	$ 214,285,000
Barclays Capital Inc.	$ 178,572,000	$ 250,000,000	$ 214,285,000
Citigroup Global Markets Inc.	$ 178,572,000	$ 250,000,000	$ 214,286,000
Credit Suisse Securities (USA) LLC	$ 178,571,000	$ 250,000,000	$ 214,286,000
Deutsche Bank Securities Inc.	$ 178,571,000	$ 250,000,000	$ 214,286,000
J.P. Morgan Securities Inc.	$ 178,571,000	$ 250,000,000	$ 214,286,000
Morgan Stanley & Co. Incorporated	$ 178,571,000	$ 250,000,000	$ 214,286,000
Total	$1,250,000,000	$1,750,000,000	$1,500,000,000

In the Subscription Agreement, the Issuer and the Guarantor have agreed to reimburse the Managers for certain of their expenses in connection with the issue of the Notes and to indemnify the Managers against certain liabilities incurred by them in connection therewith.

The Notes will constitute a new class of securities of the Issuer with no established trading market. There can be no assurance that the prices at which the Notes will be sold in the market after this offering will not be lower than the initial offering price or that an active trading market for the Notes will develop and continue after this offering. The Managers have advised the Issuer that they currently intend to make a market in the Notes. However, they are not obligated to do so, and they may discontinue any market-making activities with respect to the Notes at any time without notice. Accordingly, there can be no assurance as to the liquidity of or the trading market for the Notes.

The Managers expect that delivery of the Notes will be made against payment therefor on or about the closing date, which will be the fifth New York business day following the date of pricing of the Notes (this settlement cycle being referred to as **T+5**). Under Rule 15c6-1 of the Securities Exchange Act of 1934, trades in the secondary market generally are required to settle in three New York business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade Notes on the date of this Offering Circular or the next succeeding New York business days will be required, by virtue of the fact that the Notes initially will settle in T+5, to specify an alternative settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of Notes who wish to trade Notes on the date of this Offering Circular or the next succeeding New York business days should consult their own advisor.

During the period from the date hereof through and including the date that is 30 days after the date hereof, the Issuer and the Guarantor will not, without the prior written consent of J.P. Morgan Securities Inc., offer, sell, contract to sell or otherwise dispose into the United States any debt securities denominated in US dollars issued or guaranteed by the Issuer or the Guarantor and having a tenor of more than one year.

In connection with the offering, the Managers may purchase and sell Notes in the open market. These transactions may include over-allotment, syndicate covering transactions and stabilizing transactions. Over-allotment involves sale of Notes in excess of the nominal amount of Notes to be purchased by the Managers in this offering, which creates a short position for the Managers. Covering transactions involve purchase of the Notes in the open market after the distribution has been completed in order to cover short positions. Stabilizing transactions consist of certain bids or purchases of Notes made for the purpose of preventing or retarding a decline in the market price of the Notes while the offering is in progress. Any of these activities may have the effect of preventing or retarding a decline in the market price of the Notes. They may also cause the price of the Notes to be higher than the price that otherwise would exist in the open market in the absence of these transactions. The Managers may conduct these transactions, in the over-the-counter market or otherwise. If the Managers commence any of these transactions, they may discontinue them at any time.

Certain of the Managers have performed commercial and investment banking and advisory services for the Guarantor and its affiliates from time to time for which they have received customary fees and expenses. The Managers may, from time to time, engage in transactions with and perform advisory and other services for the Guarantor and its affiliates in the ordinary course of their business. Certain affiliates of certain Managers are lenders under the 2007 Credit Agreement. The financing provided by the Notes is expected to enable Enel to cancel or repay an additional portion of the committed funds under the 2007 Credit Agreement.

Selling restrictions

United States

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

In connection with any Notes which are offered or sold outside the United States in reliance on an exemption from the registration requirements of the Securities Act provided under Regulation S (**Regulation S Notes**), each of the Managers has represented and agreed that it will not offer, sell or deliver such Regulation S Notes (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the completion of the distribution, as determined and certified by J.P. Morgan Securities Inc., of all Notes within the United States or to, or for the account or benefit of, U.S. persons. Each of the Managers has further agreed that it will send to each dealer to which it sells any Regulation S Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Regulation S Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Until 40 days after the later of the commencement of the offering and the completion of the distribution of the Notes, an offer or sale of the Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

The Managers may arrange for the resale of the Notes to QIBs pursuant to Rule 144A and each such purchaser of Notes is hereby notified that the Managers may be relying on the exemption from the registration requirements of the Securities Act provided by Rule 144A. The minimum aggregate principal amount of Notes which may be purchased by a QIB pursuant to Rule 144A is U.S.$100,000 (or the approximate equivalent thereof in any other currency). To the extent that the Issuer or the Guarantor is not subject to or does not comply with the reporting requirements of Section 13 or 15(d) of the Exchange Act or the information furnishing requirements of Rule 12g3-2(b) thereunder, the Issuer or the Guarantor has agreed to furnish to holders of Notes and to prospective purchasers designated by such holders, upon request, such information as may be required by Rule 144A(d)(4).

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a **Relevant Member State**), each Manager has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the **Relevant Implementation Date**) it has not made and will not make an offer of Notes to the public in that Relevant Member State, except that it may, with effect from and including the Relevant

Implementation Date, make an offer of such Notes to the public in that Relevant Member State at any time:

1. to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;

2. to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000 and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts;

3. to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the other Managers; or

4. in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes referred to in (1) to (4) above shall require the Issuer or any Manager to publish a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer of Notes to the public" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression **"Prospectus Directive"** means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

United Kingdom

Each of the Managers has represented and agreed that:

1. it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the **FSMA**)) received by it in connection with the issue of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the Guarantor; and

2. it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

France

Each of the Managers, the Issuer and the Guarantor has represented and agreed that

1. *Offer to the public in France:* it has only made and will only make an offer of Notes to the public (*appel public à l'épargne*) in France in the period beginning (a) when a prospectus in relation to the Notes has been approved by the *Autorité des marchés financiers* (**AMF**), on the date of its publication or, (b) when a prospectus has been approved by the competent authority of another Member State of the European Economic Area which has implemented the EU Prospectus Directive 2003/71/EC, on the date of notification of such approval to the AMF and ending at the latest on the date which is 12 months after the date of the approval of this Offering Circular, all in accordance with articles L.412-1 and L.621-8 of the French *Code monétaire et financier* and the *Règlement général* of the AMF; or

2. *Private placement in France:* in connection with their initial distribution, it has not offered or sold and will not offer or sell, directly or indirectly, Notes to the public in France, and it has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in France, the Offering Circular or any other offering material relating to the Notes and such offers, sales and distributions have been and will be made in France only to (a) providers of investment services relating to portfolio management for the account of third parties, and/or (b) qualified investors (*investisseurs qualifiés*) other than individuals, all as defined in, and in accordance with, articles L.411-1, L.411-2 and D.411-1 of the French *Code monétaire et financier*.

Luxembourg

In addition to the cases described in the "European Economic Area" selling restrictions above in which the Issuer can make an offer of Notes to the public in a Relevant Member State (including the Grand Duchy of Luxembourg), the Issuer can also make an offer of Notes to the public in the Grand Duchy of Luxembourg:

1. at any time, to national and regional governments, central banks, international and supranational institutions (such as the International Monetary Fund, the European Central Bank, the European Investment Bank) and other similar international organizations;

2. at any time, to legal entities which are authorized or regulated to operate in the financial markets (including credit institutions, investment firms, other authorized or regulated financial institutions, undertakings for collective investment and their management companies, pension and investment funds and their management companies, insurance undertakings and commodity dealers) as well as entities not so authorized or regulated whose corporate purpose is solely to invest in securities; and

3. at any time, to certain natural persons or small and medium-sized enterprises (as defined in the Luxembourg act dated 10 July 2005 on prospectuses for securities implementing the Prospectus Directive into Luxembourg law) recorded in the register of natural persons or small and medium-sized enterprises considered as qualified investors as held by the *Commission de surveillance du secteur financier* as competent authority in Luxembourg in accordance with the Prospectus Directive.

Republic of Italy

The offering of Notes has not been registered pursuant to Italian securities legislation and, accordingly, no Notes may be offered, sold or delivered, nor may copies of the Offering Circular or of any other document relating to any Notes be distributed in the Republic of Italy, except, in accordance with all Italian securities, tax and exchange control and other applicable laws and regulations:

1. to qualified investors (*investitori qualificati*), as defined in Article 34-ter, first paragraph, letter b) of CONSOB Regulation No. 11971 of 14 May 1999, as amended (**Regulation No. 11971**); or

2. in other circumstances which are exempted from the rules on public offerings, as provided under Legislative Decree No. 58 of 24 February 1998, as amended (the **Financial Services Act**) or Regulation No. 11971.

Any offer, sale or delivery of the Notes or distribution of copies of this Offering Circular or any other document relating to the Notes in the Republic of Italy must be:

a. made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Financial Services Act, CONSOB Regulation No. 16190 of 29 October 2007 and Legislative Decree No. 385 of 1 September 1993 (the **Banking Act**) (in each case, as amended); and

b. in compliance with Article 129 of the Banking Act, as amended, and the implementing guidelines of the Bank of Italy, as amended from time to time, pursuant to which the Bank of Italy may request information on the issue or the offer of securities in the Republic of Italy; and

c. in compliance with any other applicable laws and regulations or requirement imposed by CONSOB or the Bank of Italy or other Italian authority.

Provisions relating to the secondary market

Please note that in accordance with Article 100-bis of the Financial Services Act, where no exemption from the rules on public offerings applies under paragraphs 1 and 2 above, the subsequent distribution of the Notes on the secondary market in Italy must be made in compliance with the public offer and the prospectus requirement rules provided under the Financial Services Act and Regulation No. 11971. Failure to comply with such rules may result in the sale of such Notes being declared null and void and in the liability of the intermediary transferring the financial instruments for any damages suffered by the investors. Furthermore, where the Notes are placed solely with professional investors and are then systematically resold on the secondary market at any time in the 12 months following such placing, purchasers of Notes who are acting outside of the course of their business or profession may in certain circumstances be entitled to declare such purchase void and to claim damages from any authorized person at whose premises the Notes were purchased, unless an exemption provided for under the Financial Services Act applies.

Limits on issuance of notes by Italian corporate issuers

Article 2412 of the Italian Civil Code imposes limits on the total principal amount of Notes that an Italian joint stock company (*società per azioni*) such as Enel may have outstanding or guarantee from time to time. Under current legislation, an Italian joint stock company (*società per azioni*) may issue Notes up to an aggregate amount representing double the sum of its paid up share capital, its legal reserves and its distributable reserves (the **Issuing Limit**). Notes which are issued by a third party but guaranteed by the company are taken into account for the purpose of calculating the aggregate amount of Notes issued by that company. However, the Issuing Limit does not apply, inter alia, to: (ii) Notes issued by a company whose shares are listed on a regulated market of the European Union where such Notes have been or will be admitted to listing, either on the same or another regulated market of the European Union; or (ii) Notes issued above the Issuing Limit (the **Exceeding Notes**) which are entirely subscribed at the time of issue by professional investors that are subject to regulatory supervision (e.g. banks, investment firms or SGRs) (each a **Primary Professional Investor**). In the latter case, if the Exceeding Notes are sold on the secondary market to a person who is not a professional investor, the relevant seller (whether a Primary Professional Investor or a professional investor) guarantees by operation of law the solvency of the issuer to the purchasers of such Notes.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (Law no. 25 of 1948, as amended; the **FIEL**) and each Manager has agreed that it will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEL and any other applicable laws, regulations and ministerial guidelines of Japan.

General

Each of the Managers has agreed that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes this Offering Circular and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and none of the Issuer, the Guarantor nor any of the other Managers shall have any responsibility therefor.

None of the Issuer, the Guarantor nor the Managers represents that the Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

Transfer restrictions

As a result of the following restrictions, purchasers of the Notes in the United States are advised to consult legal counsel prior to making any purchase, offer, sale, resale or other transfer of the Notes.

Each purchaser of an interest in the Notes or person wishing to transfer an interest from one Global Note to another or from global to definitive form or vice versa, will be required to acknowledge, represent and agree as follows (terms used in this paragraph that are defined in Rule 144A or in Regulation S are used herein as defined therein):

1. that (a) it is a QIB, purchasing (or holding) the Notes for its own account or for the account of one or more QIBs and it is aware that any sale to it is being made in reliance on Rule 144A or (b) it is outside the United States and is not a U.S. person;

2. that the Notes are being offered and sold in a transaction not involving a public offering in the United States within the meaning of the Securities Act, and that the Notes have not been and will not be registered under the Securities Act or any other applicable U.S. State securities laws and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except as set forth below;

3. that, if it holds an interest in a Rule 144A Global Note, if in the future it decides to resell, pledge or otherwise transfer the Notes or any beneficial interests in the Notes, it will do so only (a) to the Issuer or any affiliate thereof, (b) inside the United States to a person whom the seller reasonably believes is a QIB purchasing for its own account or for the account of

a QIB in a transaction meeting the requirements of Rule 144A, (c) outside the United States in compliance with Rule 903 or Rule 904 under the Securities Act, (d) pursuant to the exemption from registration provided by Rule 144 under the Securities Act (if available) or (e) pursuant to an effective registration statement under the Securities Act, in each case in accordance with all applicable U.S. state securities laws;

4. it will, and will require each subsequent holder to, notify each person to whom it transfers the Notes of the resale restrictions referred to in paragraph (3) above, if then applicable;

5. that Notes initially offered in the United States to QIBs will be represented by one or more Rule 144A Global Notes and that the Notes offered outside the United States in reliance on Regulation S will be represented by one or more Regulation S Global Notes;

6. that the Notes, other than the Regulation S Global Notes, will bear a legend to the following effect unless otherwise agreed to by the Issuer:

   "THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE **SECURITIES ACT**), OR ANY OTHER APPLICABLE U.S. STATE SECURITIES LAWS AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT AS SET FORTH IN THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF, THE HOLDER (A) REPRESENTS THAT IT IS A "QUALIFIED INSTITUTIONAL BUYER"(AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) PURCHASING THE SECURITIES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QUALIFIED INSTITUTIONAL BUYERS; (B) AGREES THAT IT WILL NOT RESELL OR OTHERWISE TRANSFER THE SECURITIES EXCEPT IN ACCORDANCE WITH THE AGENCY AGREEMENT AND, PRIOR TO THE DATE WHICH IS TWO YEARS AFTER THE LATER OF THE LAST ISSUE DATE FOR THE SERIES AND THE LAST DATE ON WHICH THE ISSUER OR AN AFFILIATE OF THE ISSUER WAS THE OWNER OF SUCH SECURITIES OTHER THAN (1) TO THE ISSUER OR ANY AFFILIATE THEREOF, (2) INSIDE THE UNITED STATES TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (3) OUTSIDE THE UNITED STATES IN COMPLIANCE WITH RULE 903 OR RULE 904 UNDER THE SECURITIES ACT, (4) PURSUANT TO THE EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE) OR (5) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES AND ANY OTHER JURISDICTION; AND (C) IT AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND.

   THIS SECURITY AND RELATED DOCUMENTATION (INCLUDING, WITHOUT LIMITATION, THE AGENCY AGREEMENT REFERRED TO HEREIN) MAY BE AMENDED OR SUPPLEMENTED FROM TIME TO TIME, WITHOUT THE CONSENT OF, BUT UPON NOTICE TO, THE HOLDERS OF SUCH SECURITIES SENT TO THEIR REGISTERED ADDRESSES, TO MODIFY THE RESTRICTIONS ON AND PROCEDURES FOR RESALES AND OTHER TRANSFERS OF THIS SECURITY TO REFLECT ANY CHANGE IN APPLICABLE LAW OR REGULATION (OR THE INTERPRETATION THEREOF) OR IN PRACTICES RELATING TO RESALES OR OTHER TRANSFERS OF RESTRICTED SECURITIES GENERALLY. THE HOLDER OF THIS SECURITY SHALL BE DEEMED, BY ITS ACCEPTANCE OR PURCHASE HEREOF, TO HAVE AGREED TO ANY SUCH AMENDMENT OR SUPPLEMENT (EACH OF WHICH SHALL BE CONCLUSIVE AND BINDING ON THE HOLDER HEREOF AND ALL FUTURE HOLDERS OF THIS SECURITY AND ANY SECURITIES ISSUED IN EXCHANGE OR SUBSTITUTION THEREFOR, WHETHER OR NOT ANY NOTATION THEREOF IS MADE HEREON)."

7. if it is outside the United States and is not a U.S. person, that if it should resell or otherwise transfer the Notes prior to the expiration of the distribution compliance period

(defined as 40 days after the later of the commencement of the offering and the completion of the distribution of the Notes as certified by J.P. Morgan Securities Inc., and except in either case in accordance with Regulation S under the Securities Act, it will do so only (a)(i) outside the United States in compliance with Rule 903 or 904 under the Securities Act or (ii) to a QIB in compliance with Rule 144A and (b) in accordance with all applicable U.S. State securities laws; and it acknowledges that the Regulation S Global Notes will bear a legend to the following effect unless otherwise agreed to by the Issuer:

"THIS SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE SECURITIES ACT), OR ANY OTHER APPLICABLE U.S. STATE SECURITIES LAWS AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT IN ACCORDANCE WITH THE AGENCY AGREEMENT AND PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OR PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT. THIS LEGEND SHALL CEASE TO APPLY UPON THE EXPIRY OF THE PERIOD OF 40 DAYS AFTER THE LATER OF THE COMMENCEMENT OF THE OFFERING AND THE COMPLETION OF THE DISTRIBUTION OF ALL THE NOTES."; and

8. that the Issuer and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that if any of such acknowledgements, representations or agreements made by it are no longer accurate, it shall promptly notify the Issuer; and if it is acquiring any Notes as a fiduciary or agent for one or more accounts it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

No sale of Legended Notes in the United States to any one purchaser will be for less than U.S.$100,000 principal amount and no Legended Note will be issued in connection with such a sale in a smaller principal amount. If the purchaser is a non-bank fiduciary acting on behalf of others, each person for whom it is acting must purchase at least U.S.$100,000 of the Notes.

General information

Authorization

Enel has obtained all necessary consents, approvals and authorizations in Italy in connection with the renewal of the Programme documents. The establishment, increase in size and update of the Programme documents by Enel have been duly authorized by resolutions of the board of directors of Enel dated June 23, 2000, January 26, 2001, October 1, 2003, September 29, 2005, April 9, 2007, July 18, 2008 and July 30, 2009. The officers responsible for International Structured Finance of ENEL respectively are authorized on the basis of the delegation of powers given to them on July 30, 2009 to update the Programme. The giving of the Guarantee has been duly authorized by resolution of the board of directors of Enel dated January 26, 2001, June 23, 2003, September 29, 2005, April 9, 2007 and July 30, 2009.

The issue of Notes by Enel S.A. under this Offering Circular has been authorized by a board resolution of Enel S.A. dated July 31, 2009.

Documents available

So long as Notes are outstanding, copies of the following documents will, when published, be available for inspection in hard copy, without charge, from the registered office of the Issuer or the Guarantor and from the specified office of the Paying Agent for the time being in Ireland:

(i) the by-laws (with an English translation thereof) of the Issuer and the Guarantor;

(ii) the Agency Agreement, the Guarantee, the Deeds of Covenant, the Deed Poll, the forms of the Global Notes and the Notes in definitive form;

(iii) the consolidated unaudited financial statements of Enel as at and for the six months ended June 30, 2009 and 2008 and as at and for the years ended December 31, 2006, 2007 and 2008 and the non-consolidated audited financial statements of Enel S.A., as at and for the years ended December 31, 2007 and 2008 (in each case with an English translation thereof);

(iv) a copy of this Offering Circular; and

(v) any future supplements, prospectuses, information memoranda and supplements including this Offering Circular and any other documents incorporated herein or therein by reference.

Post-issuance information

The Issuer does not intend to provide any post-issuance information in relation to any issues of Notes.

Foreign languages used in this Offering Circular

Any foreign language text included within this Offering Circular is for convenience only and does not form part of this Offering Circular.

Issue under the Programme

The Notes have been issued under the Programme. A form of final terms for each series of Notes has been prepared and will be delivered to the Principal Paying Agent on or before the issue date of the Notes.

Independent accountants

The consolidated financial statements of Enel S.p.A. and subsidiaries as of and for the years ended December 31, 2008, 2007 and 2006 included in this Offering Circular have been audited by KPMG S.p.A., independent accountants, as stated in their reports appearing herein.

The audit report covering the December 31, 2008 consolidated financial statements contains language stating that such consolidated financial statements present the prior-year corresponding figures for comparative purposes and that, as disclosed in the notes to such financial statements, the Parent Company's directors restated such corresponding figures included in the prior-year consolidated financial statements, which were audited and reported on by the independent accountants on April 22, 2008. The additional language states that the methods used to restate the prior-year corresponding figures and related disclosures were examined by the independent accountants to the extent they considered necessary to express an opinion on the December 31, 2008 consolidated financial statements.

With respect to the unaudited consolidated interim financial statements of Enel S.p.A. and subsidiaries as of and for the six-month period ended June 30, 2009, included herein, the independent accountants have reported that they applied limited procedures in accordance with professional standards for a review of such information. However, their separate review report on such information, included herein, states that they did not audit and that they do not express an opinion on those consolidated interim financial statements. Accordingly, the degree of reliance on their report on such information should be restricted in light of the limited nature of the review procedures applied. Furthermore, their review report contains language stating: "The condensed interim consolidated financial statements present the corresponding figures included in the annual consolidated and condensed interim consolidated financial statements of the previous year for comparative purposes. The corresponding figures have been reclassified in order to reflect the changes to the financial statements schedules introduced by IAS 1 (revised 2007). As disclosed in the notes, the directors have restated the corresponding figures included in the prior year condensed interim consolidated financial statements. We reviewed such financial statements and issued our report thereon on 26 August 2008. We have examined the methods used to restate the corresponding figures and related disclosures for the purposes of our report on the condensed interim consolidated financial statements at 30 June 2009. Reference should be made to the report dated 10 April 2009 for our opinion on the prior year annual consolidated financial statements, which included the related corresponding figures."

Legal matters

Latham & Watkins (London) LLP has advised the Company on certain U.S. and English law matters relating to the Notes. Legance Studio Legale Associato has advised the Company on certain Italian legal matters related to the Notes. Cleary Gottlieb Steen & Hamilton LLP has advised the Managers on certain U.S. legal matters relating to the Notes. Chiomenti Studio Legale has advised the Managers on certain Italian legal matters relating to the Notes.

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CONSOLIDATED FINANCIAL STATEMENTS

AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2008

KPMG S.p.A.
Revisione e organizzazione contabile
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Report of the auditors

To the shareholders
of Enel S.p.A.

1 We have audited the consolidated financial statements of the Enel Group as at and for the year ended 31 December 2008, comprising the balance sheet, income statement, statement of cash flows, statement of recognized income and expenses for the period and notes thereto. The parent's directors are responsible for the preparation of these financial statements in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05. Our responsibility is to express an opinion on these financial statements based on our audit.

2 We conducted our audit in accordance with the auditing standards recommended by Consob, the Italian Commission for Listed Companies and the Stock Exchange. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement and are, as a whole, reliable. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by directors. We believe that our audit provides a reasonable basis for our opinion.

The consolidated financial statements present the prior year corresponding figures for comparative purposes. As disclosed in the notes, the parent's directors restated such corresponding figures included in the prior year consolidated financial statements. We audited such financial statements and issued our report thereon on 22 April 2008. We have examined the methods used to restate the prior year corresponding figures and related disclosures to the extent that we considered to be necessary to express an opinion on the consolidated financial statements at 31 December 2008.

3 In our opinion, the consolidated financial statements of the Enel Group as at and for the year ended 31 December 2008 comply with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05. Therefore, they are clearly stated and give a true and fair view of the financial position of the Enel Group as at 31 December 2008, the results of its operations, changes in its equity and its cash flows for the year then ended.

KPMG SpA

Rome, 10 April 2009

CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2008

Consolidated Income Statement

	Notes	2008	of which with related parties	2007 restated	of which with related parties	2007	of which with related parties
		Millions of euro					
Revenues							
Revenues from sales and services	6.a	59,577	11,749	42,734	10,059	42,695	10,059
Other revenues	6.b	1,607	16	954	5	978	5
	[Subtotal]	61,184	11,765	43,688	10,064	43,673	10,064
Costs							
Raw materials and consumables	7.a	35,695	17,310	25,676	14,577	25,694	14,578
Services	7.b	6,638	1,792	5,076	1,591	4,836	1,591
Personnel	7.c	4,049		3,263		3,326	
Depreciation, amortization and impairment losses	7.d	4,777		3,059		3,033	
Other operating expenses	7.e	1,714	24	927	22	936	22
Capitalized costs	7.f	(1,250)		(1,130)		(1,178)	
	[Subtotal]	51,623	19,126	36,871	16,190	36,647	16,191
Net income/(charges) from commodity risk management	8	**(20)**	**(23)**	**(36)**	**(51)**	**(36)**	**(51)**
Operating income		**9,541**		**6,781**		**6,990**	
Financial income	9	2,596	16	2,128	15	2,101	15
Financial expense	9	5,806		3,013		3,015	
Share of income/(expense) from equity investments accounted for using the equity method	10	48		12		12	
Income before taxes		**6,379**		**5,908**		**6,088**	
Income taxes	11	585		1,956		2,002	
Income from continuing operations		**5,794**		**3,952**		**4,086**	
Income from discontinued operations	12	**240**	**44**	**179**	**3**	**127**	**4**
Net income for the year (shareholders of the Parent Company and minority interests)		**6,034**		**4,131**		**4,213**	
Attributable to minority interests		741		215		236	
Attributable to shareholders of the Parent Company		5,293		3,916		3,977	
Earnings per share (euro)		0.98		0.67		0.68	
Diluted earnings per share (euro)(1)		0.98		0.66		0.67	
Earnings from continuing operations per share		0.94		0.64		0.66	
Diluted earnings from continuing operations per share(1)		0.94		0.63		0.65	
Earnings from discontinued operations per share		0.04		0.03		0.02	
Diluted earnings from discontinued operations per share(1)		0.04		0.03		0.02	

(1) Calculated on the basis of the average number of ordinary shares in the year (6,185,730,695 in 2008 and 6,182,314,371 in 2007) adjusted for the diluting effect of outstanding stock options (0 in 2008 and 73 million in 2007).

Earnings per share and diluted earnings per share, calculated taking account of options exercised to date, have not changed with respect to those calculated using the above methodology.

Consolidated Balance Sheet

	Notes	at Dec. 31, 2008	of which with related parties	at Dec. 31, 2007 restated	of which with related parties	at Dec. 31, 2007	of which with related parties
			Millions of euro				
ASSETS							
Non-current assets							
Property, plant and equipment	13	61,524		60,482		55,434	
Investment property		462		37		37	
Intangible assets	14	25,779		24,743		28,177	
Deferred tax assets	15	5,881		3,442		3,439	
Equity investments accounted for using the equity method	16	397		1,972		1,972	
Non-current financial assets	17	4,324		2,212		2,212	
Other non-current assets	18	1,937		2,068		2,068	
	[Total]	**100,304**		**94,956**		**93,339**	
Current assets							
Inventories	19	2,182		1,726		1,726	
Trade receivables	20	12,378	2,045	11,576	2,388	11,576	2,388
Tax receivables	21	1,239		1,146		1,146	
Current financial assets	22	3,269		2,414		2,414	
Cash and cash equivalents	23	5,106		1,234		1,234	
Other current assets	24	3,478		4,080	146	4,080	146
	[Total]	**27,652**		**22,176**		**22,176**	
Assets held for sale	25	**5,251**		**13,719**	**175**	**8,233**	**175**
TOTAL ASSETS		**133,207**		**130,851**		**123,748**	

Consolidated Balance Sheet — (Continued)

	Notes	at Dec. 31, 2008	of which with related parties	at Dec. 31, 2007 restated	of which with related parties	at Dec. 31, 2007	of which with related parties
		Millions of euro					
LIABILITIES AND SHAREHOLDERS' EQUITY							
Equity attributable to the shareholders of the Parent Company	26						
Share capital		6,186		6,184		6,184	
Other reserves		3,329		4,713		4,730	
Valuation reserve in respect of assets held for sale				35		35	
Retained earnings (losses carried forward)		6,827		5,942		5,942	
Net income for the period(1)		4,056		2,679		2,740	
	[Total]	**20,398**		**19,553**		**19,631**	
Equity attributable to minority interests		5,897		7,080		4,158	
TOTAL SHAREHOLDERS' EQUITY		**26,295**		**26,633**		**23,789**	
Non-current liabilities							
Long-term loans	27	51,045		52,155		52,155	
Post-employment and other employee benefits	28	2,910		2,920		2,920	
Provisions for risks and charges	29	6,922		6,462		6,462	
Deferred tax liabilities	15	6,880		8,321		4,304	
Non-current financial liabilities	30	2,608		1,671		1,671	
Other non-current liabilities	31	3,431		3,333		3,333	
	[Total]	**73,796**		**74,862**		**70,845**	
Current liabilities							
Short-term loans	32	5,467		5,285		5,285	
Current portion of long-term loans	27	3,110		2,729		2,729	
Trade payables	33	10,600	3,765	9,622	3,897	9,622	3,897
Income tax payable		1,991		525		525	
Current financial liabilities	34	2,959		1,561		1,561	
Other current liabilities	35	7,198	8	5,295	228	5,275	228
	[Total]	**31,325**		**25,017**		**24,997**	
Liabilities held for sale	36	**1,791**		**4,339**	**93**	**4,117**	**93**
TOTAL LIABILITIES		**106,912**		**104,218**		**99,959**	
LIABILITIES AND SHAREHOLDERS' EQUITY		**133,207**		**130,851**		**123,748**	

(1) Net income is reported net of interim dividend equal to €1,237 million in both 2008 and 2007.

Consolidated Statement of Cash Flows

	Notes	2008	2008 of which with related parties	2007 restated	2007 restated of which with related parties	2007	2007 of which with related parties
		Millions of euro					
Income for the period (shareholders of the Parent Company and minority interests)		**6,034**		**4,131**		**4,213**	
Adjustments for:							
Amortization and impairment losses of intangible assets		442		252		220	
Depreciation and impairment losses of property, plant and equipment		3,739		2,661		2,575	
Exchange rate gains and losses (including cash and cash equivalents)		(174)		(319)		(319)	
Provisions		1,216		852		852	
Financial (income)/expense		2,828		1,384		1,384	
Income taxes		712		2,008		2,044	
(Gains)/Losses and other non-monetary items		12		(417)		(417)	
Cash flow from operating activities before changes in net current assets		14,809		10,552		10,552	
Increase/(Decrease) in provisions		(1,180)		(1,146)		(1,146)	
(Increase)/Decrease in inventories		(251)		(44)		(44)	
(Increase)/Decrease in trade receivables		(425)	518	(1,599)	(511)	(1,599)	(511)
(Increase)/Decrease in financial and non-financial assets/liabilities		2,409	(75)	(728)	(36)	(728)	(36)
Increase/(Decrease) in trade payables		730	(225)	1,574	850	1,574	850
Interest income and other financial income collected		1,298	16	1,125	15	1,125	15
Interest expense and other financial expense paid		(4,453)		(1,987)		(1,987)	
Income taxes paid		(2,427)		(1,677)		(1,677)	
Cash flows from operating activities (a)		**10,510**		**6,070**		**6,070**	
- of which discontinued operations		**(387)**		**80**		—	
Investments in property, plant and equipment		(7,059)		(4,882)		(4,882)	
Investments in intangible assets		(338)		(348)		(348)	
Investments in entities (or business units) less cash and cash equivalents acquired		(1,627)		(30,390)		(30,390)	
Disposals of entities (or business units) less cash and cash equivalents sold		6,926		—		—	
(Increase)/Decrease in other investing activities		(42)		267		267	
Cash flows from investing/disinvesting activities (b)		**(2,140)**		**(35,353)**		**(35,353)**	
- of which discontinued operations		**(113)**		**(80)**		—	
Financial debt (new long-term borrowing)	27	4,788		30,813		30,813	
Financial debt (repayments and other changes)		(5,916)		2,543	(10)	2,543	(10)
Dividends paid	26	(3,401)		(3,180)		(3,180)	
Increase in share capital and reserves due to the exercise of stock options	26	12		50		50	
Capital increases paid by minority interests	26	7		—		—	
Cash flows from financing activities (c)		**(4,510)**		**30,226**		**30,226**	
- of which discontinued operations		**500**		—		—	
Impact of exchange rate fluctuations on cash and cash equivalents (d)		**(112)**		**(52)**		**(52)**	
Increase/(Decrease) in cash and cash equivalents (a+b+c+d)		**3,748**		**891**		**891**	
- of which discontinued operations		—		—		—	
Cash and cash equivalents at the beginning of the year		1,463		572		572	
- of which discontinued operations		1		1		—	
Cash and cash equivalents at the end of the year[1][2]		5,211		1,463		1,463	
- of which discontinued operations		1		1		—	

(1) Of which short-term securities equal to €73 million at December 31, 2008 (€101 million at December 31, 2007).

(2) Of which cash and cash equivalents pertaining to assets held for sale in the amount of €32 million at December 31, 2008 (€128 million at December 31, 2007).

Statement of Recognized Income and Expenses for the Period

	Notes	2008	2007 restated	2007	of which assets held for sale
		Millions of euro			
Effective portion of change in the fair value of cash flow hedges		(308)	287	287	4
Change in the fair value of financial investments available for sale		(80)	56	56	10
Exchange rate differences		(1,869)	(274)	(235)	1
Net income for period recognized in equity	26	**(2,257)**	**69**	**108**	**15**
Net income for period recognized in income statement		**6,034**	**4,131**	**4,213**	127
Total recognized income and expenses for the period		**3,777**	**4,200**	**4,321**	**142**
Attributable to:					
- shareholders of the Parent Company		3,891	4,066	4,144	141
- minority interests		(114)	134	177	1

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies and measurement criteria

Enel SpA, which operates in the energy utility sector, has its registered office in Rome, Italy. The consolidated financial statements for the period ended December 31, 2008 comprises the financial statements of the Company, its subsidiaries and joint ventures ("the Group") and the Group's holdings in associated companies. A list of the subsidiaries, associated companies and joint ventures included in the scope of consolidation is reported in the annex. These financial statements were approved for publication by the Board on March 11, 2009.

Compliance with IFRS/IAS

The consolidated financial statements for the year ended December 31, 2008 have been prepared in accordance with international accounting standards (International Accounting Standards — IAS and International Financial Reporting Standards — IFRS) issued by International Accounting Standards Board (IASB), recognized in the European Community pursuant to Regulation (EC) no. 1606/2002 and in effect as of the close of the year, the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and the Standing Interpretations Committee (SIC) in effect as of the same date. All of these standards and interpretations are hereinafter referred to as "IFRS-EU." The financial statements have also been prepared in conformity with measures issued in implementation of Article 9, paragraph 3, of Legislative Decree 38 of February 28, 2005.

Basis of presentation

The consolidated financial statements consist of the consolidated balance sheet, the consolidated income statement, the consolidated statement of cash flows, the consolidated statement of recognized income and expenses for the period and the related notes.

The assets and liabilities reported in the consolidated balance sheet are classified on a "current/non-current basis," with separate reporting of assets and liabilities held for sale. Current assets, which include cash and cash equivalents, are assets that are intended to be realized, sold or consumed during the normal operating cycle of the company or in the twelve months following the balance-sheet date; current liabilities are liabilities that are expected to be settled during the normal operating cycle of the company or within the twelve months following the close of the financial year.

The consolidated income statement is classified on the basis of the nature of costs, while the indirect method is used for the cash flow statement.

The consolidated financial statements are presented in euro, the functional currency of the Parent Company Enel SpA. All figures are shown in millions of euro unless stated otherwise.

The financial statements are prepared using the cost method, with the exception of items that are measured at fair value under IFRS-EU, as specified in the measurement policies for the individual items.

Completion of the allocation of the purchase price of the Endesa Group, the effects of which are discussed in more detail in note 4 of this document, gave rise to changes in the amounts previously recognized on a provisional basis in the 2007 financial statements as a result of the definitive determination of the fair value of the assets acquired and the liabilities assumed as part of the business combination. These changes therefore led to the adjustment of certain of the Endesa balance sheet and income statement items used in the initial consolidation. Accordingly, the balances for those items for 2007 have been restated as appropriate. In order to facilitate understanding of the situation for 2007, the balance sheet, the income statement, the statement of cash flows and the statement of recognized income and expenses present both the amounts given in the consolidated financial statements for 2007 and the amounts at the same date and for the same period restated, for comparative purposes only, to take account of the final allocation of the purchase price. In addition, the balances of the income statement for the consolidated financial statements at December 31, 2007, have been restated, for comparative purposes only, to take account of the classification of the activities of the gas network in Italy as discontinued operations.

The explanatory notes below refer to the 2007 figures restated as indicated here.

Use of estimates

Preparing the consolidated financial statements under IFRS-EU requires the use of estimates and assumptions that impact the carrying amount of assets and liabilities and the related information on the items involved as well as the disclosure required for contingent assets and liabilities at the balance sheet date. The estimates and the related assumptions are based on previous experience and other factors considered reasonable in the circumstances. They are formulated when the carrying amount of assets and liabilities is not easily determined from other sources. The actual results may therefore differ from these estimates. The estimates and assumptions are periodically revised and the effects of any changes are reflected in the income statement if they only involve that period. If the revision involves both the current and future periods, the change is recognized in the period in which the revision is made and in the related future periods.

A number of accounting policies are felt to be especially important for understanding the financial statements. To this end, the following section examines the main items affected by the use of estimates, as well as the main assumptions used by management in measuring these items in compliance with the IFRS-EU. The critical element of such estimates is the use of assumptions and professional judgments concerning issues that are by their very nature uncertain.

Changes in the conditions underlying the assumptions and judgments could have a substantial impact on future results.

Revenue recognition

Revenues from sales to customers are recognized on an accruals basis. Revenues from sales of electricity and gas to retail customers are recognized at the time the electricity or gas is supplied on the basis of periodic meter readings and also include an estimate of the value of electricity and gas consumption after the date of the last meter reading of the year. Revenues between the date of the meter reading and the end of the year are based on estimates of the daily consumption of individual customers calculated on the basis of their consumption record, adjusted to take account of weather conditions and other factors that may affect estimated consumption.

Pensions and other post-employment benefits

Part of the Group's employees participate in pension plans offering benefits based on their wage history and years of service.

Certain employees are also eligible for other post-employment benefit schemes. The expenses and liabilities of such plans are calculated on the basis of estimates carried out by consulting actuaries, who use a combination of statistical and actuarial elements in their calculations, including statistical data on past years and forecasts of future costs.

Other components of the estimation that are considered include mortality and withdrawal rates as well as assumptions concerning future developments in discount rates, the rate of wage increases and trends in the cost of medical care.

These estimates can differ significantly from actual developments owing to changes in economic and market conditions, increases or decreases in withdrawal rates and the lifespan of participants, as well as changes in the effective cost of medical care.

Such differences can have a substantial impact on the quantification of pension costs and other related expenses.

Recoverability of non-current assets

The carrying amount of non-current assets and assets held for disposal is reviewed periodically and wherever circumstances or events suggest that more frequent review is necessary.

Where the value of a group of non-current assets is considered to be impaired, it is written down to its recoverable value, as estimated on the basis of the use of the assets and their future disposal, in accordance with the company's most recent plans.

The estimates of such recoverable values are considered reasonable. Nevertheless, possible changes in the estimation factors on which the calculation of such values is performed could generate different recoverable values. The analysis of each group of non-current assets is unique and requires management to use estimates and assumptions considered prudent and reasonable in the specific circumstances.

Mineral assets

Estimates are also used in the measurement of the natural gas and oil reserves, employing engineering techniques, which by their very nature present a margin of uncertainty owing to the quality of the technical data available and the assessment of such data by management.

Natural gas and oil reserves are classified as proven when the amounts identified, on the basis of the technical and economic conditions at the time the estimate is made, can be extracted in the future with a reasonable degree of certainty. Proven reserves are initially classified as undeveloped. Following development activities and, normally, at the time of initial extraction, they are reclassified as developed proven reserves.

Nevertheless, the measurement of these assets is often subject to adjustment owing to changes in conditions. Factors such as price increases or a different production schedule from that originally estimated can lead to significant upward or downward revisions in the volume of reserves.

Recovery of deferred tax assets

At December 31, 2008, the financial statements report deferred tax assets in respect of tax losses to be reversed in subsequent years and income components whose deductibility is deferred in an amount whose recovery is considered by management to be highly probable.

The recoverability of such assets is subject to the achievement of future profits sufficient to absorb such tax losses and to use the benefits of the other deferred tax assets.

The assessment of recoverability takes account of the estimate of future taxable incomes and is based on prudent tax planning strategies. However, where the Group should become aware that it would be unable to recover all or part of such recognized tax assets in future years, the consequent adjustment would be taken to the income statement in the year in which this circumstance arises.

Litigation

The Enel Group is involved in various legal disputes regarding the generation, transport and distribution of electricity. In view of the nature of such litigation, it is not always objectively possible to predict the outcome of such disputes, which in some cases could be unfavorable.

The Group is also involved in various disputes regarding urban planning and environmental issues (mainly regarding exposure to electromagnetic fields) associated with the construction and operation of a number of generation facilities and power lines.

Provisions have been recognized to cover all significant liabilities for cases in which legal counsel feels an adverse outcome is likely and a reasonable estimate of the amount of the loss can be made.

Provision for doubtful accounts

The provision for doubtful accounts reflects estimates of losses on the Group's receivables portfolio. Provisions have been made against expected losses calculated on the basis of historical experience with receivables with similar credit risk profiles, current and historical arrears, eliminations and collections, as well as the careful monitoring of the quality of the receivables portfolio and current and forecast conditions in the economy and the relevant markets.

Although the provision recognized is considered appropriate, the use of different assumptions or changes in economic conditions could lead to changes in the provision and therefore impact net income.

The estimates and assumptions are reviewed periodically and the effects of any change are taken to the income statement in the year they accrue.

Decommissioning and site restoration

In calculating liabilities in respect of decommissioning and site restoration costs, especially for the decommissioning of nuclear power plants and the storage of waste fuel and other radioactive materials, the estimation of future costs is a critical process in view of the fact that such costs will be incurred over a very long period of time, estimated at up to 100 years.

The obligation, based on financial and engineering assumptions, is calculated by discounting the expected future cash flows that the Company considers it will have to pay for the decommissioning operation.

The discount rate used to determine the present value of the liability is the pre-tax risk-free rate and is based on the economic parameters of the country in which the nuclear plant is located.

That liability is quantified by management on the basis of the technology existing at the measurement date and is reviewed each year, taking account of developments in decommissioning and site restoration technology, as well as the ongoing evolution of the legislative framework and the clear sensitivity of governments and the general public to the protection of health and the environment.

Subsequently, the value of the obligation is adjusted to reflect the passage of time and any changes in estimates.

In addition to the items listed above, estimates were also used with regard to financial instruments, share-based payment plans and the fair value measurement of assets acquired and liabilities assumed in business combinations. For these items, the estimates and assumptions are discussed in the notes on the accounting policies adopted.

Related parties

Related parties are mainly parties that have the same parent company with Enel SpA, companies that directly or indirectly through one or more intermediaries control, are controlled or are subject to the joint control of Enel SpA and in which the latter has a holding that enables it to exercise a significant influence. Related parties also include the managers with strategic responsibilities, and their close relatives, of Enel SpA and the companies over which it exercises direct, indirect or joint control and over which it exercises a significant influence. Managers with strategic responsibilities are those persons who have the power and direct or indirect responsibility for the planning, management and control of the activities of the company. They include company directors.

Subsidiaries

Subsidiaries comprise those entities for which the Group has the direct or indirect power to determine their financial and operating policies for the purposes of obtaining the benefits of their activities. In assessing the existence of a situation of control, account is also taken of potential voting rights that are effectively exercisable or convertible. The figures of the subsidiaries are consolidated on a full line-by-line basis as from the date control is acquired until such control ceases.

Special purpose entities

The Group consolidates a special purpose entity (SPE) when it exercises de facto control over such entity. Control is achieved if in substance the Group obtains the majority of the benefits produced by the SPE and supports the majority of the remaining risks or risks of ownership of the SPE, even if it does not own an equity interest in such entity.

Associated companies

Associated companies comprise those entities in which the Group has a significant influence. Potential voting rights that are effectively exercisable or convertible are also taken into consideration in determining the existence of significant influence.

These investments are initially recognized at cost and are subsequently measured using the equity method, allocating any difference between the cost of the equity investment and the share in the net fair value of the assets, liabilities and identifiable contingent liabilities of the associated company in an analogous manner to the treatment of business combinations. The Group's share of profit or loss is recognized in the consolidated financial statements from the date on which it acquires the significant influence over the entity until such influence ceases.

Should the Group's share of the loss for the period exceed the carrying amount of the equity investment, the latter is impaired and any excess recognized in a provision if the Group has a commitment to meet legal or constructive obligations of the associate or in any case to cover its losses.

Joint ventures

Interests in joint ventures — enterprises over whose economic activities the Group exercises joint control with other entities — are consolidated using the proportional method. The Group recognizes its share of the assets, liabilities, revenues and expenses on a line-by-line basis in proportion to the Group's share in the entity from the date on which joint control is acquired until such control ceases.

The following table reports the contribution of the main joint ventures to the aggregates in the consolidated financial statements:

	at Dec. 31, 2008			
	Enel Unión Fenosa Renovables[1]	RusEnergoS byt	Endesa[1]	SeverEnergia (formerly Enineftegaz)
	Millions of euro			
Percentage consolidation	50.0%	49.5%	67.1%	40.0%
Non-current assets	541	22	40,815	823
Current assets	93	17	8,980	37
Assets held for sale	—	—	2,439	—
Non-current liabilities	375	5	17,965	159
Current liabilities	181	17	10,284	107
Liabilities held for sale	—	—	846	—
Revenues	94	660	15,263	—
Costs	51	650	12,171	26

(1) Includes amounts for companies over which joint control is exercised with other shareholders.

Consolidation procedures

The financial statements of subsidiaries used to prepare the consolidated financial statements were prepared at December 31, 2008 in accordance with the accounting policies adopted by the Parent Company.

All intragroup balances and transactions, including any unrealized profits or losses on transactions within the Group, are eliminated, net of the theoretical tax effect. Unrealized profits and losses with associates and joint ventures are eliminated for the part attributable to the Group.

In both cases, unrealized losses are eliminated except when relating to impairment.

Translation of foreign currency items

Each subsidiary prepares its financial statements in the functional currency of the economy in which it operates.

Transactions in currencies other than the functional currency are recognized in these financial statements at the exchange rate prevailing on the date of the transaction. Monetary assets and liabilities denominated in a foreign currency other than the functional currency are later adjusted using the balance sheet exchange rate. Any exchange rate differences are recognized in profit or loss.

Non-monetary assets and liabilities in foreign currency stated at historic cost are translated using the exchange rate prevailing on the date of initial recognition of the transaction.

Translation of financial statements denominated in a foreign currency

For the purposes of the consolidated financial statements, all profits/losses, assets and liabilities are stated in euro, which is the functional currency of the Parent Company, Enel SpA.

In order to prepare the consolidated financial statements, the financial statements of consolidated companies in functional currencies other than the euro are translated into euro by applying the relevant period-end exchange rate to the assets and liabilities, including goodwill and consolidation adjustments, and the average exchange rate for the period, which approximates the exchange rates prevailing at the date of the respective transactions, to the income statement items.

Any resulting exchange rate gains or losses are recognized as a separate component of equity in a special reserve. The gains and losses are recognized in the income statement on the disposal of the subsidiary.

Business combinations

All business combinations are recognized using the purchase method, where the purchase cost is equal to the fair value at the date of the exchange of the assets acquired and the liabilities assumed, plus any costs directly attributable to the acquisition. This cost is allocated by recognizing the assets, liabilities and identifiable contingent liabilities of the acquired company at their fair values. Any positive difference between the purchase cost and the fair value of the share of the net assets acquired attributable to the Group is recognized as goodwill. Any negative difference is recognized in profit or loss. If the fair values of the assets, liabilities and contingent liabilities can only be calculated on a provisional basis, the business combination is recognized using such provisional values. Any adjustments resulting from the completion of the measurement process are recognized within twelve months of the date of acquisition.

On first-time adoption of the IFRS-EU, the Group elected to not apply IFRS 3 (Business combinations) retrospectively to acquisitions carried out before January 1, 2004. Accordingly, the goodwill associated with acquisitions carried out prior to the IFRS-EU transition date is still carried at the amount reported in the last consolidated financial statements prepared on the basis of previous accounting standards (December 31, 2003).

Property, plant and equipment

Property, plant and equipment is recognized at historic cost, including directly attributable ancillary costs necessary for the asset to be ready for use. It is increased by the present value of the estimate of the costs of decommissioning and removing the asset where there is a legal or constructive obligation to do so. The corresponding liability is recognized under provisions for risks and charges. The accounting treatment of changes in the estimate of these costs, the passage of time and the discount rate is discussed under "Provisions for risks and charges."

Financial charges in respect of loans granted for the purchase of the assets are recognized in profit or loss as an expense in the period they accrue.

Certain items of property, plant and equipment that were revalued at January 1, 2004 (the transition date) or in previous periods are recognized at their revalued amount, which is considered as their deemed cost at the revaluation date.

Where major components of property, plant and equipment have different useful lives, the components are recognized and depreciated separately.

Subsequent expenditure is recognized as an increase in the carrying amount of the asset when it is probable that future economic benefits deriving from the cost incurred will flow to the enterprise and the cost of the item can be reliably determined.

All other expenditure is recognized as an expense in the period in which it is incurred.

The cost of replacing part or all of an asset is recognized as an increase in the value of the asset and is depreciated over its useful life; the net carrying amount of the replaced unit is eliminated through profit or loss, with the recognition of any capital gain/loss.

Property, plant and equipment is reported net of accumulated depreciation and any impairment losses determined as set out below. Depreciation is calculated on a straight-line basis over the item's estimated useful life, which is reviewed annually, and any changes are reflected on a prospective basis. Depreciation begins when the asset is ready for use.

The estimated useful life of the main items of property, plant and equipment is as follows:

	Useful life
Civil buildings	40-65 years
Hydroelectric power plants[1]	35-40 years
Thermal power plants[1]	10-40 years
Nuclear power plants	40 years
Geothermal power plants	20 years
Alternative energy power plants	15-35 years
Transport lines	20-40 years
Transformation plant	32-42 years
Medium- and low-voltage distribution networks	20-40 years
Gas distribution networks and meters	25-50 years
Industrial and commercial equipment	4-25 years

(1) Excluding assets to be relinquished free of charge, which are depreciated over the duration of the concession if shorter than useful life.

Land, both unbuilt and on which civil and industrial buildings stand, is not depreciated as it has an indefinite useful life.

Property, plant and equipment acquired under finance leases, whereby all risks and rewards incident to ownership are substantially transferred to the Group, is initially recognized as Group assets at the lower of fair value and the present value of the minimum lease payments due, including the payment required to exercise any purchase option. The corresponding liability due to the lessor is recognized under financial payables. The assets are depreciated on the basis of their useful lives. If it is not reasonably certain that the Group will acquire the assets at the end of the lease, they are depreciated over the shorter of the lease term and the useful life of the assets.

Leases where the lessor retains substantially all risks and rewards incident to ownership are classified as operating leases. Operating lease costs are taken to profit or loss on a systematic basis over the term of the lease.

The Group's plants in Italy include assets to be relinquished free of charge at the end of the concession. These mainly regard major water diversion works and the public lands used for the operation of the thermal power plants. The concessions terminate in 2029, and in 2020 respectively (2010 for plants located in the Autonomous Provinces of Trento and Bolzano). If the concessions are not renewed, at those dates all intake and governing works, penstocks, outflow channels and other assets on public lands will be relinquished free of charge to the State in good operating condition. The Group believes that the existing ordinary maintenance programs ensure that the assets will be in good operating condition at the termination date.

Accordingly, depreciation on assets to be relinquished is calculated over the shorter of the term of the concession and the remaining useful life of the assets.

In accordance with Spanish laws 29/85 and 46/99, the hydroelectric power stations of Endesa in Spanish territory operate under administrative concessions at the end of which the plants will be returned to the government in good operating condition. The concessions will expire in the period between 2011 and 2067.

A number of companies belonging to Endesa that operate in Argentina and Brazil holds administrative concessions with similar conditions to those applied under the Spanish concession system. These concessions will expire in the period between 2013 and 2088.

Endesa also operates under administrative concessions for the distribution of electricity in Spain. The concessions give Endesa the right to build and operate distribution networks for an indefinite period of time.

The Group is a concession holder in Italy for the distribution and sale of electricity. The concession, granted by the Ministry for Economic Development, was issued free of charge and terminates on December 31, 2030. If the concession is not renewed upon expiry, the grantor is required to pay an indemnity. The amount of the indemnity will be determined by agreement of the parties using appropriate valuation methods, based on both the balance-sheet value of the assets themselves and their profitability. In determining the indemnity, such profitability will be represented by the present value of future cash flows. These assets, which comprise the electricity distribution networks, are recognized under "Property, plant and equipment" and are depreciated over their useful lives.

The Group also operates in the gas distribution sector in Italy under concessions granted by local authorities for terms not exceeding twelve years. Local authorities can use service agreements to regulate the terms and conditions of the distribution service, as well as quality targets to be achieved. The concessions are granted based upon the financial conditions, quality and safety standards, investment plans, and technical and managerial expertise offered. The majority of the gas distribution concessions expire on December 31, 2009. For the majority of the concessions, upon expiry the local authorities will hold new tenders to renew the concession. If the concession is not renewed, the new concession holder is required to pay an indemnity equal to the fair value of the assets that serve the concession. For certain concessions, on the expiry date the distribution networks will be relinquished free of charge to the local authorities in good operating condition. Such assets are carried under "Property, plant and equipment" and are depreciated over their useful life, where the concession agreement provides for an indemnity at the end of the concession period, or on the basis of the shorter of the term of the concession and the remaining useful life of the assets, where the assets are to be relinquished free of charge at the end of the concession.

Investment property

Investment property consists of the Group's real estate held to generate rental income or capital gains rather than for use in operations or the delivery of goods and services.

Investment property is initially recognized at cost in the same manner as other property, plant and equipment. Subsequently, it is measured at cost net of depreciation and any impairment losses.

Such losses are determined on the basis of the following criteria.

The fair value of investment property is determined on the basis of the state of the individual assets, projecting the valuations for the previous year in relation to the performance of the real estate market and estimated developments in the value of the assets. The fair value of investment property carried at December 31, 2008 was equal to €653 million.

Intangible assets

Intangible assets are measured at purchase or internal development cost, when it is probable that the use of such assets will generate future economic benefits and the related cost can be reliably determined.

The cost includes any directly attributable incidental expenses necessary to make the assets ready for use. The assets, with a definite useful life, are reported net of accumulated amortization and any impairment losses, determined as set out below.

Amortization is calculated on a straight-line basis over the item's estimated useful life, which is checked at least annually; any changes in amortization policies are reflected on a prospective basis.

Amortization commences when the asset is ready for use.

The estimated useful life of the main intangible assets is reported in the notes to the caption.

Goodwill deriving from the acquisition of subsidiaries, associated companies or joint ventures is allocated to each of the cash-generating units identified. After initial recognition, goodwill is not amortized but is tested for recoverability at least annually using the criteria described in the notes. Goodwill relating to equity investments in associates is included in their carrying amount.

Mineral assets

Costs incurred to purchase mineral rights are recognized on the basis of the value of the various assets acquired calculated by discounting the corresponding expected cash flows. The assets acquired regard exploration potential, probable reserves, possible reserves and proven reserves of hydrocarbons and are allocated to the various assets acquired based on the present value of the expected future cash flows. The costs for acquiring proven, probable, and possible reserves are recognized as assets. The cost of proven reserves, which is recognized under "Property, plant and equipment," is depreciated using the unit-of-production (UOP) method, as defined below, taking account of both developed and undeveloped reserves. The acquisition cost for probable and possible reserves, as well as exploration potential (i.e. the purchase costs for research permits or extensions of existing permits), is deferred under intangible assets until the outcome of the exploration activities is known. Where exploration is abandoned or unsuccessful, these costs are expensed; otherwise, they are reclassified to "Property, plant and equipment" and depreciated using the UOP method.

Exploration costs incurred in order to verify the existence of a new field, both before and after the purchase of mineral rights, are expensed directly, with the exception of well-drilling costs, which are deferred under intangible assets until the outcome of exploration is known.

Development costs incurred to verify proven reserves and to build and install the systems needed for drilling, treatment, collection and storage of natural gas are recognized as assets and depreciated primarily using the UOP method, given that their useful life is closely connected with the availability of economically exploitable gas reserves. Under this method, the depletion of the developed proven reserves is calculated by multiplying their net value by a variable rate equal to the ratio of volumes of hydrocarbons extracted during the period to proven reserves (developed and undeveloped) remaining at the end of the period (taking account of "promotions" during the period). This method is applied to the smallest aggregate that achieves a direct correlation between the investment and the proven reserves developed.

Costs related to production (extraction, routine well maintenance, transport, etc.) are expensed during the period in which they are incurred.

Impairment losses

Property, plant and equipment (including investment property) and intangible assets with a definite life are reviewed at least once a year to determine whether there is evidence of impairment. If such evidence exists, the recoverable amount of any property, plant and equipment and intangible assets with a definite life is estimated.

The recoverable amount of goodwill and intangible assets with an indefinite useful life, if any, as well as that of intangible assets not yet available for use, is estimated at least annually.

The recoverable amount is the higher of an asset's fair value less selling costs and its value in use.

Value in use is determined by discounting estimated future cash flows using a pre-tax discount rate that reflects the current market assessment of the time value of money and the specific risks of the asset. The recoverable amount of assets that do not generate independent cash flows is determined based on the cash-generating unit to which the asset belongs.

An impairment loss is recognized in the income statement if an asset's carrying amount or that of the cash-generating unit to which it is allocated is higher than its recoverable amount.

Impairment losses of cash generating units are first charged against the carrying amount of any goodwill attributed to it and then against the value of other assets, in proportion to their carrying amount.

With the exception of those recognized for goodwill, impairment losses are reversed if the impairment has been reduced or is no longer present or there has been a change in the assumptions used to determine the recoverable amount.

Inventories

Inventories are measured at the lower of cost and net estimated realizable value. Average weighted cost is used, which includes related ancillary charges. Net estimated realizable value is the estimated normal selling price net of estimated selling costs or, where applicable, replacement cost.

The consumption of nuclear fuel is recognized on the basis of the energy generated by the nuclear power plants.

Financial instruments

Financial assets measured at fair value through profit or loss

This category includes debt securities held for trading, debt securities designated as at fair value through profit or loss at the time of initial recognition and equity investments in entities other than subsidiaries, associates and joint ventures (if classified as at "fair value through profit or loss").

Such assets are initially recognized at fair value. Gains and losses from changes in their fair value are recognized in the income statement.

Financial assets held to maturity

This category comprises non-derivative financial instruments that do not represent equity investments that are quoted on an active market for which the entity has the positive intention and ability to hold until maturity. They are initially recognized at fair value as measured at the trade date, including any transaction costs; subsequently, they are measured at amortized cost using the effective interest method, net of any impairment losses.

Impairment losses are calculated as the difference between the carrying amount of the asset and the present value of expected future cash flows, discounted using the original effective interest rate.

Loans and receivables

This category includes non-derivative financial and trade receivables, including debt securities, with fixed or determinable payments that are not quoted on an active market that the entity does not originally intend to sell.

Such assets are initially recognized at fair value, adjusted for any transaction costs, and subsequently measured at amortized cost using the effective interest method, net of any impairment losses. Such impairment losses are calculated as the difference between the carrying amount of the asset and the present value of expected future cash flows, discounted using the original effective interest rate

Trade receivables falling due in line with generally accepted trade terms are not discounted.

Financial assets available for sale

This category includes debt securities, equity investments in other entities (if classified as "available for sale") and financial assets that cannot be classified in other categories. These instruments are measured at fair value with changes recognized in shareholders' equity.

At the time of sale, the cumulative gains and losses previously recognized in equity are reversed to the income statement.

Where there is objective evidence that such assets have incurred a significant or prolonged impairment loss, the cumulative loss previously recognized in equity is eliminated through reversal to the income statement. Such impairment losses, which cannot be reversed, are calculated as the difference between the carrying amount of the asset and its fair value, determined on the basis of the market price at the balance sheet date for financial assets listed on regulated markets or on the basis of the present value of expected future cash flows, discounted using the market interest rate for unlisted financial assets.

When the fair value cannot be determined reliably, these assets are recognized at cost adjusted for any impairment losses.

Cash and cash equivalents

This category is used to record cash and cash equivalents that are available on demand or at very short term, clear successfully and do not incur collection costs.

Cash and cash equivalents are recognized net of bank overdrafts at period-end in the consolidated statement of cash flows.

Trade payables

Trade payables are initially recognized at fair value and subsequently measured at amortized cost. Trade payables falling due in line with generally accepted trade terms are not discounted.

Financial liabilities

Financial liabilities other than derivatives are initially recognized at the settlement date at fair value, less directly attributable transaction costs. Financial liabilities are subsequently measured at amortized cost using the effective interest rate method.

Derivative financial instruments

Derivatives are recognized at fair value and are designated as hedging instruments when the relationship between the derivative and the hedged item is formally documented and the effectiveness of the hedge (assessed periodically) is within the limits set in the IAS 39.

The manner in which the result of measurement at fair value is recognized depends on the type of hedge accounting adopted.

When the derivatives are used to hedge the risk of changes in the fair value of hedged assets or liabilities, any changes in the fair value of the hedging instrument are taken to profit or loss. The adjustments in the fair values of the hedged assets or liabilities are also taken to profit or loss.

When derivatives are used to hedge the risk of changes in the expected cash flows generated by the hedged items or highly probable forecast transactions, changes in fair value are initially recognized in equity, in the amount qualifying as effective, and subsequently released to profit or loss in line with the gains and losses on the hedged item.

The ineffective portion of the fair value of the hedging instrument is taken to profit or loss.

Changes in the fair value of trading derivatives and those that no longer qualify for hedge accounting under IAS 39 are recognized in profit or loss.

Derivative financial instruments are recognized at the trade date.

Financial and non-financial contracts (that are not already measured at fair value) are analyzed to identify any embedded derivatives, which must be separated and measured at fair value. This analysis is conducted at the time the entity becomes party to the contract or when the contract is renegotiated in a manner that significantly changes the original associated cash flows.

Fair value is determined on the basis of official prices used for instruments traded on regulated markets. For instruments not traded on regulated markets fair value is determined on the basis of the present value of expected cash flows using the market yield curve at the reporting date and translating amounts in currencies other than the euro at end-period exchange rates.

The Group also analyzes all forward contracts for the purchase or sale of non-financial assets, with a specific focus on forward purchases and sales of electricity and energy commodities, in order to determine if they must be classified and treated in conformity with IAS 39 or if they have been entered into for physical delivery in line with the normal purchase/sale/use needs of the company.

If such contracts have not been entered into in order to obtain or deliver electricity or energy commodities, they are measured at fair value.

Employee benefits

Liabilities related to employee benefits paid upon leaving or after ceasing employment in connection with defined benefit plans or other long-term benefits accrued during the employment period, which are recognized net of any plan assets, are determined separately for each plan, using actuarial assumptions to estimate the amount of the future benefits that employees have accrued at the balance sheet date. The liability is recognized on an accruals basis over the vesting period of the related rights. These appraisals are performed by independent actuaries.

The cumulative actuarial gains and losses exceeding 10% of the greater of the present value of the defined benefit obligation and the fair value of the plan assets are recognized in profit or loss over the expected average remaining working lives of the employees participating in the plan. Otherwise, they are not recognized.

Where there is a demonstrable commitment, with a formal plan without realistic possibility of withdrawal, to a termination before retirement eligibility has been reached, the benefits due to employees in respect of the termination are recognized as a cost and measured on the basis of the number of employees that are expected to accept the offer.

Share-based payments

Stock option plans

The cost of services rendered by employees and remunerated through stock option plans is determined based on the fair value of the options granted to employees at the grant date.

The calculation method to determine the fair value considers all characteristics of the option (option term, price and exercise conditions, etc.), as well as the Enel share price at the grant date, the volatility of the stock and the yield curve at the grant date consistent with the expected life of the plan. The pricing model used is the Cox-Rubinstein.

This cost is recognized in the income statement, with a specific contra-item in shareholders' equity, over the vesting period considering the best estimate possible of the number of options that will become exercisable.

Restricted share units incentive plans

The cost of services rendered by employees and remunerated through restricted share units (RSU) incentive plans is determined based on the fair value of the RSU granted to employees, in relation to the vesting of the right to receive the benefit.

The calculation method to determine the fair value considers all characteristics of the RSU (term, exercise conditions, etc.), as well as the price and volatility of Enel shares over the vesting period. The pricing model used is the Montecarlo.

This cost is recognized in the income statement, with recognition of a specific liability, over the vesting period, adjusting the fair value periodically, considering the best estimate possible of the number of RSU that will become exercisable.

Provisions for risks and charges

Accruals to the provisions for risks and charges are recognized where there is a legal or constructive obligation as a result of a past event at period-end, the settlement of which is expected to result in an outflow of resources whose amount can be reliably estimated.

Where the impact is significant, the accruals are determined by discounting expected future cash flows using a pre-tax discount rate that reflects the current market assessment of the time value of money and, if applicable, the risks specific to the liability.

If the provision is accreted, the periodic adjustment for the time factor is recognized as a financial expense.

Where the liability relates to decommissioning and/or site restoration in respect of property, plant and equipment, the provision offsets the related asset. The expense is recognized in profit or loss through the depreciation of the item of property, plant and equipment to which it relates.

Where the liability regards the treatment and storage of nuclear waste and other radioactive materials, the provision is recognized against the related operating costs.

Changes in estimates are recognized in the income statement in the period in which the changes occur, with the exception of those in the costs of dismantling, removal and remediation resulting from changes in the timetable and costs necessary to extinguish the obligation or a change in the discount rate, which increase or decrease the value of the related assets and are taken to the income statement through depreciation. Where they increase the value of the assets, it is also determined whether the new carrying amount of the assets may not be fully recoverable. If this is the case, the assets are tested for impairment, estimating the unrecoverable amount and recognizing any loss in respect of the impairment in the income statement.

Where the changes in estimates decrease the value of the assets, the reduction is recognized up to the carrying amount of the assets. Any excess is recognized immediately in the income statement.

As regards the estimation criteria used to determine provisions for decommissioning and/or site restoration, especially those concerning nuclear power plants, please see the section on the use of estimates.

Grants

Grants are recognized at fair value when it is reasonably certain that they will be received or that the conditions for receipt have been met.

Grants received for specific expenditure or specific assets the value of which is recognized as an item of property, plant and equipment or an intangible asset are recognized as other liabilities and credited to the income statement over the period in which the related costs are recognized.

Revenues

Revenues are recognized using the following criteria depending on the type of transaction:

(a) revenues from the sale of goods are recognized when the significant risks and rewards of ownership are transferred to the buyer and their amount can be reliably determined;

(b) revenues from the sale and transport of electricity and gas refer to the quantities provided during the period, even if these have not yet been invoiced, and are determined using estimates as well as the fixed meter reading figures. Where applicable, this revenue is based on the rates and related restrictions established by law, the Authority for Electricity and Gas and the corresponding foreign authorities during the applicable period. Specifically, the authorities that regulate the electricity and gas markets can use mechanisms to reduce the impact of timing differences in setting the prices of energy for sale to the regulated market charged to distributors, compared with setting the prices that the latter charge to end users;

(c) revenues from the rendering of services are recognized in line with the stage of completion of the services. Where it is not possible to reliably determine the value of the revenues, they are recognized in the amount of the costs that it is considered will be recovered;

(d) revenues accrued in the period in respect of construction contracts are recognized on the basis of the payments agreed in relation to the stage of completion of the work, determined using the cost-to-cost method, under which costs, revenues and the related margins are recognized on the basis of the progress of the project. The stage of completion is determined as a ratio between costs incurred at the measurement date and the overall costs expected for the project. In additional to contractual payments, project revenues include any payments in respect of variations, price revisions and incentives, with the latter recognized where it is probable that they will actually be earned and can be reliably determined. Revenues are also adjusted for any penalties for delays attributable to the entity;

(e) connection fees related to the distribution of electricity are independent of any other service connected with the provision of electricity and therefore are recorded in a single amount upon completion of the connection service.

Financial income and expense

Financial income and expense is recognized on an accruals basis. In line with interest accrued on the net carrying amount of the related financial assets and liabilities using the effective interest rate method, it includes the changes in the fair value of financial instruments recognized at fair value through profit or loss and changes in the fair value of derivatives connected with financial transactions.

Dividends

Dividends are recognized when the shareholder's right to receive them is established.

Dividends and interim dividends payable to third parties are recognized as changes in equity at the date they are approved by the Shareholders' Meeting and the Board of Directors, respectively.

Income taxes

Current income taxes for the period are determined using an estimate of taxable income and in conformity with the relevant tax regulations.

Deferred tax liabilities and assets are calculated on the temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and their corresponding values recognized for tax purposes on the basis of tax rates in effect on the date the temporary difference will reverse, which is determined on the basis of tax rates that are in force or substantively in force at the balance sheet date.

Deferred tax assets are recognized when recovery is probable, i.e. when an entity expects to have sufficient future taxable income to recover the asset.

The recoverability of deferred tax assets is reviewed at each period-end. Taxes in respect of components recognized directly in equity are taken directly to equity.

Discontinued operations and non-current assets held for sale

Non-current assets (or disposal group) whose carrying amount will mainly be recovered through sale, rather than through ongoing use, are classified as held for sale and shown separately from the other balance sheet assets and liabilities. Non-current assets (or disposal group) classified as held for sale are first recognized in compliance with the appropriate IFRS/IAS applicable to the specific assets and liabilities and subsequently measured at the lower of the carrying amount and the fair value, net of selling costs. Any subsequent impairment losses are recognized as a direct adjustment to the non-current assets (or disposal group) classified as held for sale and expensed in the income statement. The corresponding values for the previous period are not reclassified.

A discontinued operation is a component of an entity that has been divested or classified as held for sale and:

(f) represents a major line of business or geographical area of operations;

(g) is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or

(h) is an activity acquired exclusively with a view to resale.

Gains or losses on operating assets sold — whether disposed of or classified as held for sale — are shown separately in the income statement, net of the tax effects. The corresponding values for the previous period, where present, are reclassified and reported separately in the income statement, net of tax effects, for comparative purposes.

2. Recently issued accounting standards

First-time adoption and applicable standards

(i) Reclassification of financial assets (amendments to IAS 39 — Financial instruments: recognition and measurement — and IFRS 7 — Financial instruments: disclosures): this document, issued by the IASB in October 2008 and endorsed by the European Commission on October 15, 2008 with Regulation (EC) 1004/2008 permits, in certain specific cases, the reclassification of financial instruments from the category "fair value through profit or loss." The assets in question must be reclassified at the relevant fair value at the date on which the reclassification option is exercised. The amendment further states that:

— a financial asset that meets the definition of "loans and receivables" may be reclassified from the "fair value through profit or loss" category if the entity has the intention and ability to hold the asset until maturity or for the period envisaged;

— a financial asset classified as "available for sale" (AFS) but which meets the definition of "loans and receivables" (L&R) may be reclassified from the AFS category to the L&R category provided that the entity has the intention and ability to hold the asset until maturity or for the period envisaged.

The adoption of the foregoing amendment had no impact on the consolidated financial statements of the Enel Group at December 31, 2008 because the Group did not effect any of the permitted reclassifications.

Standards not yet applicable and not adopted

In 2008, the European Commission endorsed the following new accounting standards and interpretations, which were not yet applicable as of December 31, 2008:

(j) "Amendment to IFRS 2 — Share-based payment: vesting conditions and cancellations": the standard, issued by the IASB in January 2008, set out the accounting treatment to be used in respect of "non-vesting conditions" that may apply to a share-based payment. Furthermore, the new standard extends the IFRS 2 rules governing cancellation of stock option plans by an entity to include cases in which the entity did not itself decide the cancellation or settlement during the vesting period. The amendment will take effect for financial statements for periods beginning on or after January 1, 2009. The application of this amendment is not expected to have an impact for the Enel Group.

(k) "Amendments to IAS 23 — Borrowing costs": this repeals and replaces the previous accounting standard issued by the IASB in 1993, which allowed the expensing of borrowing costs incurred in the course of the financial year. The new version of IAS 23, issued by the IASB in March 2007, eliminates this option and requires the capitalization of borrowing costs that are directly attributable to the acquisition, construction or production of an asset, which are considered to form part of the cost of that asset. The rule will take effect for financial statements for periods beginning on or after January 1, 2009. Enel is assessing the impact that the application of the amended rule will have.

(l) "Amendments to IAS 1 — Presentation of financial statements: a revised presentation," issued in September 2007: this introduces a new method of presentation of financial statements, with a particular impact on the presentation of income statement data for the period through "comprehensive income," which provides for separate reporting of profit and loss for the period and of profit and loss recognized as a change in equity ("other comprehensive income"). The rule will take effect for financial statements for periods beginning on or after January 1, 2009. Enel is assessing the impact that the application of the amended rule will have.

(m) "IFRIC 13 — Customer loyalty programs," issued in June 2007: the interpretation governs the accounting treatment of the obligation to provide prizes to customers as part of customer loyalty programs. The new rules will take effect for financial statements for periods beginning after December 31, 2008. Enel is evaluating the impact of their application.

(n) "IFRIC 14 — The limit on a defined benefit asset, minimum funding requirements and their interaction," issued in July 2007: the interpretation provides guidance for the application of the rules contained in IAS 19 relating to the "asset ceiling." It also defines the effects of a minimum funding requirement on liabilities and/or assets held in relation to a defined benefit plan or other long-term benefits. The interpretation will take effect for financial statements for periods beginning after December 31, 2008. The Enel Group is evaluating the impact of the interpretation.

In 2007, the following standards and interpretations, applicable from the financial year 2009, were also adopted:

(o) IFRIC 11 — "Group and treasury share transactions": the interpretation, which was endorsed with Regulation (EC) 611/2007, establishes that:

— for payments to employees of subsidiaries involving own shares granted by the parent company, the subsidiary must measure the services received by the employees as share-based payments;

— for payments by subsidiaries to their employees involving shares of the parent company, the subsidiary must account for transactions with its employees as cash-settled transactions, regardless of the manner in which the shares used to settle the payment obligation were acquired. Enel does not expect this interpretation to have an impact.

(p) "IFRS 8 — Operating segments": the standard, which was endorsed with Regulation (EC) 1358/2007, replaces "IAS 14 — Segment reporting." IFRS 8 essentially requires the adoption of the management approach in determining and reporting segment profit or loss, i.e. using the methodologies adopted by management in internal reporting in order to assess performance and allocate resources among segments. Enel does not expect the application of the standard to have an impact

During 2008, the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) published new standards and interpretations that, as of December 31, 2008 had not yet been endorsed by the European Commission. The standards are set out below:

(q) "Amendments to IAS 32 and IAS 1 — Puttable financial instruments and obligations arising on liquidation," issued in February 2008: the amendments introduce an exception to the definition of equity instruments by extending the definition to encompass puttable financial instruments where the instruments impose obligations on the entity in the event of liquidation, provided the instruments have certain characteristics subject to endorsement. The new rules will take effect for financial statements for periods beginning on and after January 1, 2009.

(r) "Amendments to IAS 27 — Consolidated and separate financial statements," issued in January 2008: the new version of the standard establishes that changes in equity interests in a subsidiary that do not result in a loss of control shall be recognized in equity. Where a controlling interest is divested, any residual interest must be re-measured to fair value on that date. The amendments will take effect prospectively, subject to endorsement, as from January 1, 2010.

(s) "Amendments to IFRS 1 and IAS 27 — Cost of an investment in a subsidiary, jointly-controlled entity or associate," issued in May 2008: the amendments establish that in the separate financial statements on first-time adoption of IFRS/IAS, the cost of an investment in a subsidiary, associate company or jointly-controlled entity can be measured at cost as provided for by IAS 27 or else at its deemed cost, which shall either be the fair value of the investment at the transition date or its carrying amount as determined under the previous accounting standards. Furthermore, the amendments to IAS 27 mentioned above also establish that dividends received from a subsidiary, associate or jointly-controlled entity shall be recognized as income in the separate financial statements. This eliminates the rule in the previous version of the standard that had restricted dividend recognition in profit or loss to dividends distributed from post-acquisition earnings (cost method).

(t) "Revised IFRS 3 — Business combinations," issued in January 2008: this introduced important amendments to the acquisition method for the recognition of business combinations. The changes that will take effect prospectively, subject to endorsement, as from January 1, 2010, include:

— the obligation to recognize in profit or loss any changes in the consideration subsequently paid by the acquiring party, as well as the transaction costs of the business combination;

— the possibility of recognizing, after the acquisition of control, additional holdings in the subsidiary at fair value or at the corresponding book value of the assets and liabilities acquired.

(u) "IFRIC 15 — Agreements for the construction of real estate," issued in July 2008. This interpretation sets out the guidelines for recognizing revenues and costs arising from the contracts for the construction of real estate and clarifies when a contract falls within the scope of IAS 11 — Construction contracts and IAS 18 - Revenue. The interpretation also specifies the accounting treatment to be used in respect of revenues from the delivery of additional services relating to real estate under construction. The interpretation comes into effect, subject to endorsement, for financial years beginning on or after January 1, 2009.

(v) "IFRIC 16 — Hedges of a net investment in a foreign operation," issued in July 2008. The interpretation applies to entities that intend to hedge the exchange rate risk associated with a net investment in a foreign operation. The main aspects of the interpretation are:

— the hedge may only cover the exchange rate difference between the functional currency (not the presentation currency) of the foreign operation and the functional currency of the parent (a parent being a controlling entity at any level, whether intermediate or final);

— in the financial statements, a risk may be designated as hedged only once, even if more than one entity in the same group has hedged its exchange-rate exposure to the same foreign operation;

— the hedging instrument may be held by any entity in the group (apart from that being hedged);

— in the event of the disposal of the foreign operation, the value of the translation reserve reclassified to profit or loss in the consolidated financial statements shall be equal to the value of the gain/loss on the hedging instrument determined to be effective.

The interpretation will take effect for financial periods beginning on or after October 1, 2008.

(w) "IFRIC 17 — Distributions of non-cash assets to owner," issued in November 2008. The interpretation clarifies matters relating to the distribution of non-cash dividends to owners. Specifically:

— dividends shall be recognized as soon as they are authorized;

— the company shall recognize dividends at the fair vale of the net assets to be distributed;

— the company shall recognize the difference between the book value of the dividend and its fair value through profit or loss.

The interpretation will take effect, subject to endorsement, for financial periods beginning on or after July 1, 2009.

(x) "Amendment to IAS 39 — Financial instruments: recognition and measurement: eligible hedged items." With this amendment the current IAS 39 standard, the IASB has sought to clarify the conditions under which certain financial/non-financial instruments may be designated as hedged items. The amendment specifies that an entity may also choose to hedge only one kind of change in the cash flow or in the fair value of the hedged item (i.e. that the price of a hedged commodity increases beyond a specified price), which would constitute a one-sided risk. The IASB also specifies that a purchased option designated as a hedge in a one-sided risk hedge relationship is perfectly effective only if the hedged risk refers exclusively to changes in the intrinsic value of the hedging instrument, not to changes in its time value as well. The interpretation will take effect, subject to endorsement, for financial periods beginning on or after July 1, 2009.

Since endorsement is still pending for IFRIC 12 — Service concession arrangements, the relevant rules have not been adopted. The document, published the previous financial year, sets out the concession operator's accounting treatment of the obligations and rights associated with agreements relating to public service concessions. The interpretation will take effect at a date to be decided by the European Commission after it has completed its endorsement process.

3. Risk management

Market risk

As part of its operations, Enel is exposed to different market risks, notably the risk of changes in interest rates, exchange rates and commodity prices.

To contain this exposure within the limits set at the start of the year as part of its risk management policies, Enel enters into derivative contracts using instruments available on the market.

Enel also engages in a marginal amount of proprietary trading in order to maintain a presence in the Group's reference energy commodity markets. These operations consist in taking on limited exposures in energy commodities (oil products, gas, coal and electricity in the main European countries) using financial derivatives and physical contracts traded on regulated and OTC markets, exploiting profit opportunities through arbitrage transactions and on the basis of expected market developments. These operations are conducted within the framework of formal governance rules that establish strict risk limits set at the Group level. Compliance with the limits is verified daily by a unit that is independent of those undertaking the transactions. The risk limits for Enel's proprietary trading are set in terms of Value at Risk over a 1-day time horizon and a confidence level of 95%; the sum of the limits set for 2008 is less than €14 million. Transactions that qualify for hedge accounting are designated as hedging transactions, while those that do not qualify for hedge accounting are classified as trading transactions.

Fair value is determined using the official prices for instruments traded on regulated markets. The fair value of instruments not listed on regulated markets is determined using valuation methods appropriate for each type of financial instrument and market data as of the close of the period (such as interest rates, exchange rates, commodity prices, volatility), discounting expected future cash flows on the basis of the market yield curve at the balance sheet date and translating amounts in currencies other than the euro using year-end exchange rates provided by the European Central Bank. Where possible, contracts relating to commodities are measured using market prices related to the same instruments on both regulated and other markets.

The financial assets and liabilities associated with derivative instruments are classified as:

(y) cash flow hedge derivatives, related to hedging the risk of changes in the interest rates and exchange rates associated with a number of long-term floating-rate loans, to hedging the risk of changes in the prices of coal and oil commodities, to hedging the exchange rate risk associated with provisioning of fuels priced in foreign currencies (mainly US dollars) and to the hedging of revenues from the sale of electricity (two-way contracts for differences and other energy derivatives);

(z) fair value hedge derivatives, related to hedging the exposure to changes in the fair value of an asset, liability or firm commitment attributable to a particular risk;

(aa) trading derivatives, related to hedging interest and exchange rate risk and commodity risk but which do not qualify for recognition under IAS 39 as hedges of specific assets, liabilities, commitments or future transactions as well as proprietary trading activities.

The notional value of a derivative is the contractual amount on the basis of which differences are exchanged. This amount can be expressed as a value or a quantity (for example tons, converted into euro by multiplying the notional amount by the agreed price). Amounts denominated in currencies other than the euro are converted into euro at the exchange rate prevailing at the balance-sheet date.

The notional amounts of derivatives reported here do not represent amounts exchanged between the parties and therefore are not a measure of the Group's credit risk exposure.

Interest rate risk

Interest rate risk management is aimed at balancing the structure of the debt, reducing the amount of debt exposed to interest rate fluctuations and minimizing borrowing costs over time, limiting the volatility of results. To this end, various types of derivatives are used, including interest rate swaps and interest rate options, as shown in the following table:

	Notional value	
	2008	2007
	Millions of euro	
Interest rate swaps	13,999	12,515
Interest rate options	3,897	1,232
Total	**17,896**	**13,747**

Interest rate swaps are used to reduce the amount of debt exposed to changes in interest rates and to reduce the volatility of borrowing costs. In an interest rate swap, Enel enters into an agreement with a counterparty to exchange at specified intervals floating-rate interest flows for fixed-rate interest flows (agreed between the parties), both of which are calculated on the basis of a notional principal amount.

Interest rate options are used to reduce the impact of potential increases in interest rates on its floating-rate debt. Such contracts are normally used when the fixed interest rate that can be obtained in an interest rate swap is considered too high with respect to Enel's expectations for future interest rate developments. In addition, interest rate options are also considered appropriate in periods of uncertainty about future interest rate developments, in order to benefit from any decreases in interest rates. In such cases, Enel normally uses zero-cost collars, which do not require the payment of a premium.

All these contracts are agreed with a notional amount and expiry date lower than or equal to that of the underlying financial liability, so that any change in the fair value and/or expected future cash flows is offset by a corresponding change in the fair value and/or the expected future cash flows of the underlying position.

Accordingly, the fair value of the financial derivatives generally reflects the estimated amount that Enel would have to pay or receive in order to terminate the contracts at the balance-sheet date. The following table reports the notional amount and fair value of interest rate derivatives at December 31, 2008 and December 31, 2007.

	Notional		Fair value		Fair value assets		Fair value liabilities	
	at Dec. 31, 2008	at Dec. 31, 2007	at Dec. 31, 2008	at Dec. 31, 2007	at Dec. 31, 2008	at Dec. 31, 2007	at Dec. 31, 2008	at Dec. 31, 2007
	Millions of euro							
Cash flow hedge derivatives:								
Interest rate swaps	11,131	8,762	(384)	93	11	142	(395)	(49)
Interest rate options	3,846	1,188	(89)	3	2	4	(91)	(1)
Fair value hedge derivatives:								
Interest rate swaps	531	637	(13)	(10)	10	6	(23)	(16)
Trading derivatives:								
Interest rate swaps	2,337	3,116	(88)	(26)	9	12	(97)	(38)
Interest rate options	51	44	—	1	—	1	—	—
Total interest rate swaps	**13,999**	**12,515**	**(485)**	**57**	**30**	**160**	**(515)**	**(103)**
Total interest rate options	**3,897**	**1,232**	**(89)**	**4**	**2**	**5**	**(91)**	**(1)**
TOTAL INTEREST RATE DERIVATIVES	**17,896**	**13,747**	**(574)**	**61**	**32**	**165**	**(606)**	**(104)**

The following table reports the cash flows expected in coming years from the these financial derivatives:

Expected cash flows from interest rate derivatives

	Fair value	Stratification of expected cash flows					
	at Dec. 31, 2008	2009	2010	2011	2012	2013	Beyond
	Millions of euro						
CFH on interest rates							
Positive fair value	13	(5)	(5)	4	2	1	8
Negative fair value	(486)	(104)	(191)	(89)	(48)	(36)	(70)
FVH on interest rates							
Positive fair value	10	5	4	3	2	2	12
Negative fair value	(23)	5	9	—	—	—	1
Trading derivatives on interest rates							
Positive fair value	9	17	2	1	1	1	1
Negative fair value	(97)	(22)	(24)	(13)	(9)	(8)	(44)

The amount of floating-rate debt that is not hedged against interest rate risk is the main risk factor that could impact the income statement in the event of an increase in market interest rates.

At December 31, 2008, 66% of net financial debt was floating rate (67% at December 31, 2007). Taking account of cash flow hedges of interest rates considered effective pursuant to the IFRS — EU, 45% of the debt was exposed to interest rate risk at December 31, 2008 (54% at December 31, 2007). Including interest rate derivatives treated as hedges for management purposes but ineligible for hedge accounting, the residual exposure of net financial debt to interest rate risk would be 42% (53% at December 31, 2007).

An increase of 1 basis point in market interest rates would have a negative impact on the income statement in terms of higher interest expense on the portion of debt not hedged against interest rate risk of about €2 million (€3 million at December 31, 2007). Conversely, an equivalent decline in market interest rates would have a positive impact on the income statement in terms of lower interest expense on the portion of debt not hedged against interest rate risk of about €2 million (€3 million at December 31, 2007).

As regards the potential impact on shareholders' equity of a change in market interest rates, if market interest rates had been 1 basis point higher at December 31, 2008, all other variables being equal, shareholders' equity would have been about €4 million higher as a result of the increase in the fair value of CFH derivatives on interest rates (and therefore of the related equity reserve). If interest rates have been 1 basis point lower at that date, all other variables being equal, shareholders' equity would have been €4 million lower as a result of the decrease in the fair value of CFH derivatives on interest rates.

Exchange rate risk

Exchange rate risk is mainly generated with the following transaction types:

(bb) debt denominated in currencies other than the functional currency of the respective countries entered into by the holding company or the individual subsidiaries;

(cc) cash flows in respect of the purchase or sale of fuel or electricity on international markets;

(dd) cash flows in respect of investments in foreign currency, dividends from unconsolidated foreign associates or the purchase or sale of equity investments.

In order to reduce the exchange rate risk on these exposures, Enel uses foreign exchange forward and option contracts in order to hedge cash flows in currencies other than the functional currencies of the various Group entities. Enel also uses cross currency interest rate swaps (normally at long term) to stabilize cash flows on bonds paying interest in foreign currency. The buy and sell amounts in such contracts are notional values. Foreign exchange options, which are negotiated on unregulated markets, give Enel the right or the obligation to acquire or sell specified amounts of foreign currency at a specified exchange rate at the end of a given period of time, normally not exceeding one year. The maturity of forward contracts does not normally exceed twelve months.

The Group also seeks to balance inward and outward cash flows in respect of assets and liabilities denominated in foreign currency.

At December 31, 2008 Enel had outstanding forwards, options and cross currency interest rate swaps with a notional value totaling €13,468 million (€13,531 million at December 31, 2007).

	Notional value	
	2008	2007
	Millions of euro	
Cross currency interest rate swaps (CCIRSs) hedging foreign currency debt	7,364	7,731
Forward contracts hedging exchange rate risk on commodities	4,933	4,507
Forward contracts hedging future cash flows	629	622
Options hedging exchange rate risk on commodities	72	83
Forward contracts hedging commercial paper	87	588
Other forward contracts	383	—
Total	**13,468**	**13,531**

More specifically, these include:

(ee) CCIRSs with a notional value of €7,364 million to hedge the exchange rate risk on foreign currency debt (€7.731 million at December 31, 2007);

(ff) forward contracts with a notional value of €5,562 million used to hedge the exchange rate risk associated with purchases of fuel, imported electricity and expected cash flows in currencies other than the euro (€5,129 million at December 31, 2007);

(gg) options with a notional value of €72 million used to hedge the exchange rate risk associated with purchases of fuel (€83 million at December 31, 2007);

(hh) forward contracts with a notional value of €87 million used to hedge the exchange rate risk associated with redemptions of commercial paper issued in currencies other than the euro (€588 million at December 31, 2007).

These contracts are also normally agreed with a notional amount and expiry date equal to that of the underlying financial liability or the expected future cash flows, so that any change in the fair value and/or expected future cash flows of these contracts stemming from a potential appreciation or depreciation of the domestic currency against other currencies is fully offset by a corresponding change in the fair value and/or the expected future cash flows of the underlying position.

At the end of 2008, Enel also had positions in other forwards with a notional value of €383 million (€0 million at December 31, 2007) not directly connected to individual exposures to exchange rate risk.

The following table reports the notional amount and fair value of exchange rate derivatives at December 31, 2008 and December 31, 2007.

	Notional		Fair value		Fair value assets		Fair value liabilities	
	at Dec. 31, 2008	at Dec. 31, 2007	at Dec. 31, 2008	at Dec. 31, 2007	at Dec. 31, 2008	at Dec. 31, 2007	at Dec. 31, 2008	at Dec. 31, 2007
	Millions of euro							
Cash flow hedge derivatives:								
- forwards	2,110	88	178	—	186	1	(8)	(1)
- options	72	—	2	—	2	—	—	—
- CCIRSs	6,800	7,127	(213)	(440)	814	98	(1,027)	(538)
Fair value hedge derivatives:								
- CCIRSs	564	603	(41)	(118)	9	—	(50)	(118)
Trading derivatives:								
- forwards	3,922	5,629	74	(53)	135	68	(61)	(121)
- options	—	83	—	(4)	—	—	—	(4)
- CCIRSs	—	1	—	—	—	—	—	—
Total forwards	**6,032**	**5,717**	**252**	**(53)**	**321**	**69**	**(69)**	**(122)**
Total options	**72**	**83**	**2**	**(4)**	**2**	**—**	**—**	**(4)**
Total CCIRSs	**7,364**	**7,731**	**(254)**	**(558)**	**823**	**98**	**(1,077)**	**(656)**
TOTAL EXCHANGE RATE DERIVATIVES	**13,468**	**13,531**	**—**	**(615)**	**1,146**	**167**	**(1,146)**	**(782)**

The following table reports the cash flows expected in coming years from the these financial derivatives.

Expected cash flows from exchange rate derivatives

	Fair value	Stratification of expected cash flows					
	at Dec. 31, 2008	2009	2010	2011	2012	2013	Beyond
	Millions of euro						
CFH on exchange rates							
Positive fair value	1,002	209	64	36	35	27	456
Negative fair value	(1,035)	(66)	(66)	(54)	(152)	(44)	(1,239)
FVH on exchange rates							
Positive fair value	9	1	3	2	2	2	(2)
Negative fair value	(50)	(40)	1	(2)	(9)	(2)	1
Trading derivatives on exchange rates							
Positive fair value	135	128	4	2	1	1	—
Negative fair value	(61)	(50)	(8)	(1)	(1)	(1)	—

An analysis of the Group's financial debt shows that 16% of medium- and long-term debt is denominated in currencies other than the euro. Taking account of exchange rate hedges and the portion of debt denominated in the functional currency of the country in which the Group company holding the debt position operates, the proportion of unhedged debt denominated in currencies other than the euro decreased to about 3%, a proportion that is felt would not have a significant impact on the income statement in the event of an increase in market exchange rates.

As regards the potential impact on shareholders' equity of a change in market exchange rates, at December 31, 2008, assuming a 10% depreciation of the euro against the other currencies, all other variables being equal, shareholders' equity would have been about €891 million higher (€567 million at December 31, 2007) as a result of the increase in the fair value of CFH derivatives on exchange rates (and therefore of the related equity reserve). Conversely, assuming a 10% appreciation of the euro against the other currencies, all other variables being equal, shareholders' equity would have been €732 million lower (€462 million at December 31, 2007) as a result of the decrease in the fair value of CFH derivatives on exchange rates.

Commodity risk

Various types of derivatives are used to reduce the exposure to fluctuations in energy commodity prices and as part of proprietary trading activities.

The exposure to the risk of changes in commodity prices is associated with the purchase of fuel for power plants and the purchase and sale of gas under indexed contracts as well as the purchase and sale of electricity at variable prices (indexed bilateral contracts and sales on Power Exchange).

The exposures on indexed contracts are quantified by breaking down the contracts that generate exposure into the underlying risk factors.

As regards electricity sold on the Italian Power Exchange, Enel uses two-way contracts for differences, under which differences are paid to the counterparty if the Single National Price (SNP) exceeds the strike price and to Enel in the opposite case.

The residual exposure in respect of sales on the Power Exchange not hedged through two-way contracts for differences is quantified and managed on the basis of an estimation of generation costs in Italy. The residual positions thus determined are aggregated on the basis of uniform risk factors that can be hedged in the market.

The following table reports the notional values and fair values of derivative contracts relating to commodities at December 31, 2008 and December 31, 2007.

	Notional		Fair valu		Fair value asset		Fair value liability	
	at Dec. 31, 2008	at Dec. 31, 2007	at Dec. 31, 2008	at Dec. 31, 2007	at Dec. 31, 2008	at Dec. 31, 2007	at Dec. 31, 2008	at Dec. 31, 2007
	Millions of euro							
Cash flow hedge derivatives:								
- two-way contracts for differences	165	668	(3)	(8)	—	—	(3)	(8)
- swaps on oil commodities	—	409	—	5	—	20	—	(15)
- derivatives on coal	1,076	391	(362)	22	—	22	(362)	—
- other derivatives on energy	558	229	2	(14)	2	1	—	(15)
- derivatives on other commodities	4	—	—	—	—	—	—	—
Trading derivatives:								
- two-way contracts for differences	736	8	97	(2)	97	—	—	(2)
- swaps on oil commodities	3,048	1,648	(72)	71	377	185	(449)	(114)
- derivatives on coal	798	—	5	—	44	—	(39)	—
- futures/options on oil commodities	2,280	200	(64)	4	307	5	(371)	(1)
- swaps on gas transmission fees	17	16	(4)	(5)	—	—	(4)	(5)
- other derivatives on energy	11,759	1,469	(10)	(11)	331	94	(341)	(105)
- embedded derivatives	815	971	(532)	(413)	—	8	(532)	(421)
- derivatives on other commodities	124	100	19	19	25	44	(6)	(25)
TOTAL COMMODITY DERIVATIVES	**21,379**	**6,109**	**(924)**	**(332)**	**1,183**	**379**	**(2,107)**	**(711)**

Cash flow hedge derivatives refer to the physical positions in the underlying and, therefore, any negative (positive) change in the cash flows of the derivative instrument corresponds to a positive (negative) change in the cash flows of the underlying physical commodity, so the impact on the income statement is equal to zero. The following table shows the fair value of the derivatives and the consequent impact on shareholders' equity at December 31, 2008 (gross of taxes), that would have resulted, all other conditions being equal, in the event of a 10% increase or decrease in the prices of the commodities underlying the valuation model considered in the scenario at that date.

	at Dec. 31, 2008		
	–10%	Scenario	+10%
	Millions of euro		
Fair value of two-way contracts for differences in cash flow hedges	9	(3)	(15)
Fair value of derivatives on coal in cash flow hedges	(431)	(362)	(293)
Fair value of derivatives on energy in cash flow hedges	(7)	2	16
Fair value of derivatives on other commodities in cash flow hedges	—	—	1

The following table shows the fair value of trading derivatives and the consequent impact on the income statement and shareholders' equity at December 31, 2008 (gross of taxes), that would have resulted, all other conditions being equal, in the event of a 10% increase or decrease in the prices of the commodities (10-year interest rate swaps in the case of a derivative on gas whose fair value depends on that index) underlying the valuation model considered in the scenario at that date.

	at Dec. 31, 2008		
	−10%	Scenario	+10%
	Millions of euro		
Fair value of two-way contracts for differences in trading transactions	134	97	60
Fair value of swaps on energy commodities in trading transactions (dependent on the price of oil commodities)	(331)	(136)	59
Fair value of derivatives on coal in trading transactions	(39)	5	48
Fair value of swaps on energy commodities in trading transactions (dependent on 10-year IRS)	(4)	(4)	(4)
Fair value of derivatives on energy in trading transactions	(2)	(10)	44
Fair value of derivatives on other commodities in trading transactions	24	19	15

Embedded derivatives relate to contracts for the purchase and sale of energy entered into by Slovenské elektrárne in Slovakia. The market value at December 31, 2008 came to a negative €532 million, of which €315 million relating to an embedded derivative on the SKK/USD exchange rate and €217 million relating to an embedded derivative on the price of gas.

The following table shows the fair value at December 31, 2008, as well as the value expected from a 10% increase and a 10% decrease in the underlying risk factors.

	at Dec. 31, 2008		
	−10%	Scenario	+10%
	Millions of euro		
Fair value of embedded derivative depending on SKK/USD exchange rate	(337)	(315)	(292)
Fair value of embedded derivative depending on the price of gas	(214)	(217)	(219)

The following table reports the cash flows expected in coming years from these financial derivatives on commodities.

	Fair value	Stratification of expected cash flows					
	at Dec. 31, 2008	2009	2010	2011	2012	2013	Beyond
	Millions of euro						
Cash flow hedge derivatives:							
- Positive fair value	2	2	—	—	—	—	—
- Negative fair value	(365)	(245)	(117)	(1)	—	—	(1)
Trading derivatives:							
- Positive fair value	1,181	1,017	122	38	6	—	—
- Negative fair value	(1,742)	(1,163)	(218)	(136)	(107)	(118)	—

Credit risk

Enel manages credit risk by operating solely with counterparties considered solvent by the market, i.e. those with high credit standing, and does not have any concentration of credit risk.

The credit risk in respect of the derivatives portfolio is considered negligible since transactions are conducted solely with leading Italian and international banks, diversifying the exposure among different institutions. The Group constantly monitors the credit ratings of these institutions, which must not fall below certain levels specified in the related risk management policies, carefully analyzing the risk for each new counterparty.

As part of activities related to purchasing fuels for thermal generation and the sale and distribution of electricity, the distribution of gas and the sale of gas to eligible customers, Enel grants trade credit to external counterparties. The counterparties selected are carefully monitored through the assessment of the related credit risk and the pledge of suitable guarantees and/or security deposits to ensure adequate protection from default risk.

Enel considers the economic impact in future years of any default by counterparties in its derivatives positions open at the balance-sheet date to be immaterial given the high credit standing of such counterparties, the nature of the instruments (under which only differential flows are exchanged) and the risk diversification achieved by breaking down positions among the various counterparties.

Liquidity risk

Liquidity risk is managed (with the exception of Endesa SA and its subsidiaries) by the Group Treasury unit at Enel SpA, which ensures adequate coverage of cash needs (using lines of credit and issues of bonds and commercial paper) and appropriate management of any excess liquidity. Endesa also has a liquidity policy that envisages the sue of committed lines of credit in amounts sufficient to cover cash needs over a time horizon determined on the basis of an analysis of the situation and expectations in the capital market.

At December 31, 2008, the Enel Group had committed lines of credit amounting to €37.0 billion, of which €25.4 billion had been drawn: the amount includes drawings on the original €35 billion line of credit opened to finance the public tender offer for Endesa, which was subsequently reduced to €18.7 billion and was fully drawn at December 31, 2008. At the same date Enel had uncommitted lines of credit amounting to €1.7 billion, of which €0.8 billion had been drawn.

In addition, Enel Finance International has an outstanding commercial paper program with a maximum amount of €4 billion, of which about €1.6 billion were available at December 31, 2008. Endesa Internacional BV (now Endesa Latinoamérica) also has an outstanding commercial paper program with a maximum amount of €2 billion, of which about €0.8 billion were available at December 31, 2008. Finally, Endesa Capital SA has an outstanding domestic commercial paper program ("pagarès") with a maximum amount of €2 billion, of which €1.1 billion were available at December 31, 2008.

4. Changes in the scope of consolidation

In the two years examined here, the scope of consolidation changed as a result of the following main transactions.

2007

- Acquisition, on February 2, 2007, of the entire capital of the Panamanian company Enel Panama Holding (formerly Enel Fortuna), giving Enel full control of Fortuna, which is fully consolidated;
- acquisition of 40% of the holding company of SeverEnergia and the subsequent acquisition by the latter, on April 4, 2007, of a set of assets in the gas sector. As it is subject to joint control SeverEnergia is consolidated on a proportional basis;
- acquisition, on July 2, 2007, of 90% of Nuove Energie, a company that builds and operates LNG regasification infrastructures;
- acquisition, on October 1, 2007, of 100% of three companies (International Wind Power, Wind Parks of Thrace and International Wind Parks of Thrace) active in generating electricity from wind power in Greece;
- acquisition, on October 5, 2007, following the successful completion of the public tender offer, of 42.08% of Endesa; as from that date, taking account of the previous holding in the company (24.97%), Endesa is consolidated on a proportional basis as it is under joint control;
- acquisition, on October 24, 2007, of 100% of Blue Line, a Romanian company that holds the rights to develop wind power projects in the region of Dobrogea;
- acquisition, on December 6, 2007, of 100% of Inelec, a company active in hydroelectric generation in Mexico.

2008

- acquisition, on March 5, 2008, of 85% of Enel Productie (formerly Global Power Investment), a Romanian company active in the generation of electricity;

- acquisition, on April 25, 2008, of 50% of Electrica Muntenia Sud (now Enel Distributie Muntenia and Enel Energie Muntenia) and the concurrent subscription of a capital increase approved by the company's shareholders. Following the operation, Enel holds 64.4% of the company. As from the conclusion of the changes in the company's governance arrangements needed to define control on June 4, 2008, the company is consolidated on a line-by-line basis, taking account of the shareholding covered by the put option granted to Electrica at the time of the sale, equal to 23.6% at December 31, 2008;

- acquisition, on May 19, 2008, of 100% of International Wind Parks of Crete and Hydro Constructional, which operate in Greece in the generation of electricity from renewables;

- conclusion, on May 28, 2008, of the changes in the governance arrangements of OGK-5, which gave Enel full control as from that date. Enel, acting through the subsidiary Enel Investment Holding, had acquired 59.80% of the Russian company in a series of purchases, of which 22.65% in the public tender completed on March 6, 2008, before selling a minority stake of 4.1% on June 25, 2008. As from May 28, 2008, the company is consolidated on a line-by-line basis;

- disposal, on June 26, 2008, of the assets specified in the agreements signed between Enel and Acciona on March 26, 2007, and between Enel, Acciona and E.On on April 2, 2007 and March 18, 2008, consisting of:

  — the assets and liabilities held directly or indirectly by Endesa in Italy, France, Poland and Turkey, as well as a number of other assets in Spain (hereinafter "Endesa Europa");

  — the assets and liabilities in respect of Enel's equity investments in Enel Viesgo Generación, Enel Viesgo Servicios and Electra de Viesgo Distribución and the equity investments held by them;

- acquisition, on June 30, 2008, of 80% of Marcinelle Energie, which is building a combined-cycle gas turbine plan in Belgium. The company is consolidated taking account of the put option of 20% granted to Duferco at the time of the sale;

- disposal, on July 25, 2008, of 51% of Hydro Dolomiti Enel (HDE), a company established by Enel Produzione on May 12, 2008, for the development, together with other partners, of hydroelectric power in the Autonomous Province of Trento. Taking account of the governance structure provided for by the agreement, Enel will exercise a dominant influence over HDE until approval of the financial statements for the 2010 financial year and will therefore consolidate the company on a line-by-line basis until that time.

For the purpose of accounting for the terms of the agreement of March 26, 2007, between Enel and Acciona, and following achievement of joint control of Endesa, the assets and liabilities in respect of renewable energy operations held by Endesa and due to be transferred to Acciona and sold to E.On were classified as "Assets held for sale" and "Liabilities held for sale" in the consolidated balance sheet at December 31, 2007. Following the disposal to E.On, that item in the consolidated balance sheet at December 31, 2008 includes the assets and liabilities in respect of the renewable energy operations and, following an agreement with Terna for the transfer of the business unit comprising high-voltage electricity distribution lines and in view of the status of the disposal of gas distribution assets, the assets and liabilities involved in those transactions.

In the consolidated income statement, the income or loss, net of the related tax effect, attributable to the assets and liabilities of Endesa Europa is reported under "discontinued operations" until the date of the disposal to E.On, as those assets and liabilities were acquired for the sole purpose of their resale. The same treatment has been adopted for the results of the gas distribution network, which is essentially attributable to Enel Rete Gas, as they represent a major operational segment in Italy.

Final allocation of the purchase price of the net assets of Endesa

As from October 5, 2007, following the acquisition through a public tender of 42.08% of Endesa, the latter was consolidated on a proportional basis, taking account of the previous holding in the company (24.97%). In accordance with IFRS 3, the determination of the fair value of the assets acquired and the liabilities and contingent liabilities assumed at the acquisition date had been performed on a provisional basis, as at the date of the preparation of the financial statements at December 31, 2007, approved on March 12, 2008, certain assessment processes had not yet been completed. The definitive fair value of the assets acquired and the liabilities and contingent liabilities assumed was determined by the time limit established under IFRS 3, with the positive difference between the purchase price and the fair value of the net asset acquired, calculated as equal to €17,288 million, was recognized under goodwill.

The following table reports the definitive calculation of the goodwill related to the Endesa acquisition:

Calculation of goodwill

	Millions of euro
Net assets acquired before allocation[1]	**5,157**
Fair value adjustments:	
- property, plant and equipment	5,147
- intangible assets	8,753
- other assets	3
- net deferred tax liabilities	(4,071)
- net assets held for sale	5,264
- minority interests	(2,965)
Net assets acquired after allocation	**17,288**
Value of the transaction[2]	29,648
Goodwill	**12,360**

(1) Net assets are reported in proportion to Enel's holding at 67.05%.

(2) Including incidental expenses.

The goodwill of €12,360 million, in compliance with IFRS 3, reflects the positive difference between the purchase price and the fair value of the net assets acquired and regards the future economic benefits that that are not capable of being individually identified.

The following table reports the provisional and definitive fair values of the assets acquired and the liabilities and contingent liabilities assumed at the acquisition date of October 5, 2007.

Endesa balance sheet at the acquisition date

	Carrying amount prior to October 1, 2007	Adjustments for fair value measurement	Carrying amount recognized at October 1, 2007
		Millions of euro	
Property, plant and equipment	19,983	5,147	25,130
Intangible assets	335	8,753	9,088
Trade receivables and inventories	2,780	—	2,780
Cash and cash equivalents	544	—	544
Assets held for sale	5,021	5,486	10,507
Other current and non-current assets	6,291	3	6,294
Short-and long-term debt	14,125	—	14,125
Trade payables	2,096	—	2,096
Other current and non-current liabilities	5,106	4,071	9,177
Sundry provisions	2,859	—	2,859
Liabilities held for sale	2,160	222	2,382
Minority interests	3,451	2,965	6,416
Net assets acquired	**5,157**	**12,131**	**17,288**

The main adjustments, summarized above, to the provisional fair values of the assets acquired and the liabilities and contingent liabilities assumed are attributable to the following factors:

- the adjustment of the value of certain items of property, plant and equipment and intangible assets as a result of the completion of the measurement of their fair value;
- the identification and measurement at fair value of certain intangible assets not reflected in the Endesa balance sheet;
- the adjustment to fair value, net of selling costs, of certain items of property, plant and equipment and intangible assets included under assets held for sale;
- the identification of certain intangible assets among assets held for sale not reflected in the Endesa balance sheet, with consequent measurement at fair value net of selling costs;
- the determination, where applicable, of the tax effects of the above adjustments;
- the allocation, where applicable, of the above adjustments to minority interests.

As a result of the definitive calculation of the fair value of the assets acquired and the liabilities and contingent liabilities assumed, the figures reported in the consolidated financial statements closed at December 31, 2007, have been restated, with a consequent reduction in the Group's consolidated shareholders' equity of €78 million, mainly attributable to a reduction in consolidated net income pertaining to shareholders of the Parent Company in the amount of €61 million, the result of differences in the deprecation and amortization of property, plant and equipment and intangible assets for which the fair value was modified or identified and of differences in currency translations calculated on the basis of the different values assigned to the assets acquired and liabilities assumed compared with the provisional values initially assigned.

The following tables report the consolidated balance sheet and income statement at December 31, 2007, that would have been presented if the determination of the fair value of the assets acquired and liabilities assumed had been completed before the date the 2007 consolidated financial statements were approved, with effect as from the acquisition date.

Consolidated balance sheet

	at Dec. 31, 2007	Adjustments	Definitive fair value at Dec. 31, 2007
		Millions of euro	
Non-current assets			
Property, plant and equipment	55,471	5,048	60,519
Intangible assets	28,177	(3,434)	24,743
Other non-current financial and operating assets	9,691	3	9,694
[Total]	**93,339**	**1,617**	**94,956**
Current assets			
Inventories and trade receivables	13,302	—	13,302
Cash and cash equivalents	1,234	—	1,234
Other current financial and operating assets	7,640	—	7,640
[Total]	**22,176**	—	**22,176**
Assets held for sale	**8,233**	**5,486**	**13,719**
TOTAL ASSETS	**123,748**	**7,103**	**130,851**

	at Dec. 31, 2007	Adjustments	Definitive fair value at Dec. 31, 2007
		Millions of euro	
Equity attributable to the shareholders of the Parent Company	19,631	(78)	19,553
Equity attributable to minority interests	4,158	2,922	7,080
TOTAL SHAREHOLDERS' EQUITY	23,789	2,844	26,633
Non-current liabilities			
Long-term loans	52,155	—	52,155
Post-employment and other employee benefits	2,920	—	2,920
Provisions for risks and charges	6,462	—	6,462
Other non-current financial and operating liabilities	9,308	4,017	13,325
[Total]	70,845	4,017	74,862
Current liabilities			
Short-term loans and current portion of long-term loans	8,014	—	8,014
Trade payables	9,622	—	9,622
Other current financial and operating liabilities	7,361	20	7,381
[Total]	24,997	20	25,017
Liabilities held for sale	4,117	222	4,339
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	123,748	7,103	130,851

Consolidated income statement

	2007	Adjustments	Definitive fair value at Dec. 31, 2007
		Millions of euro	
Revenues	43,673	—	43,673
Costs	33,614	—	33,614
Net income/(charges) from commodity risk management	(36)	—	(36)
Depreciation, amortization and impairment losses	3,033	118	3,151
Operating income	6,990	(118)	6,872
Net financial income/(expense)	(914)	—	(914)
Share of income/(expense) from equity investments accounted for using the equity method	12	—	12
Income before taxes	6,088	(118)	5,970
Income taxes	2,002	(36)	1,966
Income from continuing operations	4,086	(82)	4,004
Income from discontinued operations	127	—	127
Net income for the year (shareholders of the Parent Company and minority interests)	4,213	(82)	4,131
Attributable to minority interests	236	(21)	215
Attributable to shareholders of the Parent Company	3,977	(61)	3,916

Definitive allocation of purchase price for the assets acquired and liabilities assumed for other acquisitions

Determination of goodwill for International Wind Power, Wind Parks of Thrace and International Wind Parks of Thrace

	Millions of euro
Net assets acquired before allocation:	**51**
Fair value adjustments:	
- property, plant and equipment	(7)
- intangible assets	36
- net deferred tax liabilities	(8)
- deferred plant grants	3
Net assets acquired after allocation	**75**
Value of the transaction(1)	93
Goodwill	**21**
Badwill	**(3)**

(1) Including incidental expenses.

Balance sheet of International Wind Power, Wind Parks of Thrace and International Wind Parks of Thrace at the acquisition date

	Carrying amount prior to October 1, 2007	Adjustments for fair value measurement	Carrying amount recognized at October 1, 2007
		Millions of euro	
Property, plant and equipment	90	(7)	83
Intangible assets	—	36	36
Inventories, trade receivables and other receivables	2	—	2
Cash and cash equivalents	11	—	11
Other current and non-current assets	5	—	5
Total assets	**108**	**29**	**137**
Shareholders' equity	**51**	**24**	**75**
Short-and long-term debt	20	—	20
Other current and non-current liabilities	36	5	41
Sundry provisions	1	—	1
Total liabilities and shareholders' equity	**108**	**29**	**137**

The definitive allocation of the purchase price to the assets acquired and the liabilities assumed was completed after the preparation of the consolidated financial statements at December 31, 2007. If the purchase price allocation process had been completed at December 31, 2007, the Group's consolidated revenues and net income for 2007 would not have been materially different.

Determination of Inelec goodwill

	Millions of euro
Net assets acquired before allocation:	**19**
Fair value adjustments:	
- property, plant and equipment	21
- net deferred tax liabilities	(6)
Net assets acquired after allocation	**34**
Value of the transaction(1)	119
Goodwill	**85**

(1) Including incidental expenses.

Balance sheet of Inelec at the acquisition date

	Carrying amount prior to December 6, 2007	Adjustments for fair value measurement	Carrying amount recognized at December 6, 2007
		Millions of euro	
Property, plant and equipment	33	21	54
Trade receivables and inventories	3	—	3
Cash and cash equivalents	6	—	6
Other current and non-current assets	5	—	5
Total assets	**47**	**21**	**68**
Shareholders' equity	**19**	**15**	**34**
Short-and long-term debt	26	—	26
Trade payables	1	—	1
Other current and non-current liabilities	1	6	7
Total liabilities and shareholders' equity	**47**	**21**	**68**

The definitive allocation of the purchase price to the assets acquired and the liabilities assumed was completed after the preparation of the consolidated financial statements at December 31, 2007. If the purchase price allocation process had been completed at December 31, 2007, the Group's consolidated revenues and net income for 2007 would not have been materially different.

Business combinations carried out in 2008

As regards the other acquisitions carried out in 2008, the difference between the cost of the investments and the assets acquired net of the liabilities assumed was initially recognized on a provisional basis under "Goodwill" pending completion of the purchase price allocation process. The following tables report the determination of that difference for the acquisition of Electrica Muntenia Sud (now Enel Distributie Muntenia and Enel Energie Muntenia) and OGK-5.

Acquisition of Electrica Muntenia Sud (now Enel Distributie Muntenia and Enel Energie Muntenia)

	Millions of euro
Property, plant and equipment	374
Intangible assets	1
Trade receivables and inventories	75
Cash and cash equivalents	493
Other current and non-current assets	5
Total assets	**948**
Trade payables	59
Long and short-term debt	4
Sundry and minority provisions	102
Other current and non-current liabilities	205
Total liabilities	**371**
Total net assets acquired	**577**
Goodwill	684
Value of the transaction(1)	**1,261**
CASH FLOW IMPACT	**827**

(1) Including incidental expenses.

The contribution of Enel Distributie Muntenia and Enel Energie Muntenia to Group operating income in 2008 was €19 million.

Acquisition of OGK-5

	Millions of euro
Property, plant and equipment	1,842
Intangible assets	2
Trade receivables and inventories	147
Cash and cash equivalents	3
Other current and non-current assets	147
Total assets	**2,141**
Trade payables	31
Long and short-term debt	135
Sundry and minority provisions	739
Other current and non-current liabilities	284
Total liabilities	**1,189**
Total net assets acquired	**952**
Goodwill	1,514
Value of the transaction(1)	**2,466**
CASH FLOW IMPACT 2008	**831**

(1) Including incidental expenses.

The contribution of OGK-5 to Group operating income in 2008 was €41 million.

The following table reports the main aggregates concerning the acquisitions of Enel Productie (formerly Global Power Investments), International Wind Parks of Crete, Hydro Constructional, Marcinelle Energie, Portoscuso Energie, 14 project companies acquired from WKN by Enel Erelis, a number of companies in the Endesa Hellas Group, and stakes increasing existing holdings in Edelnor and Edegel (following the tender offer carried out by Endesa Internacional — now Endesa Latinoamérica — on the Lima stock exchange), Proyectos Eolicos Valencianos and Asin Carbono.

Other acquisitions

	Millions of euro
Property, plant and equipment	34
Intangible assets	1
Cash and cash equivalents	3
Other current and non-current assets	5
Total assets	**43**
Financial debt	8
Trade payables	2
Financial liabilities and other current and non-current liabilities	11
Sundry and minority provisions	(189)
Total liabilities	**(168)**
Total net assets acquired	**211**
Goodwill	192
Value of the transaction(1)	**403**
CASH FLOW IMPACT AT DECEMBER 31, 2008	**344**

(1) Including incidental expenses.

5. Segment information

The results presented in this report reflect the organizational structure launched in September 2008, with saw the establishment of the “Renewable Energy” Division, alongside the existing Divisions in the organization implemented in December 2007 and operational since January 1, 2008, which had involved the establishment of the new “Iberia and Latin America” and “Engineering and Innovation” Divisions alongside the "Sales," "Generation and Energy Management," "Infrastructure and Networks" and "International" and the "Parent Company" and "Services and Other Activities" areas.

Each of these Divisions, together with the "Parent Company" and the "Services and Other Activities" areas, was considered by management in assessing Group performance.

For the purposes of providing comparable figures, the figures for 2007 have been reallocated to these Divisions on the basis of the new organizational structure adopted in September 2008. Accordingly, compared with December 31, 2007, the figures for the Engineering and Innovation Division have been drawn from those for Generation and Energy Management Division and those for the Iberia and Latin America Division have been reallocated from the International Division, while those for the Renewable Energy Division have been taken from:

- the Generation and Energy Management Division for non-schedulable hydroelectric plants, geothermal and solar plants, and wind plants;
- the Iberia and Latin America Division for Enel Latin America, Inelec, Americas Generation Corporation and Enel Unión Fenosa Renovables;
- the International Division for International Wind Parks of Thrace, Wind Parks of Thrace, International Wind Power, International Wind Parks of Crete, Hydro Constructional, Green Power Bulgaria (formerly Enel Maritza East 4), Blue Line, Enel North America, and Enel Erelis;
- the Sales Division for Enel.si.

Segment information for 2008 and 2007

Results for 2008[1]

	Sales	GEM	Eng. & Innov.	Infra. & Networks	Iberia & Latin America	Int'l	Renewable Energy	Parent Company	Services and Other Activities	Eliminations and adjustments	Total
	Millions of euro										
Revenues from third parties	22,447	14,253	167	1,843	15,788	4,487	1,675	405	159	(40)	**61,184**
Revenues from other segments	162	7,890	838	4,694	17	221	177	322	1,010	(15,331)	—
Total revenues	**22,609**	**22,143**	**1,005**	**6,537**	**15,805**	**4,708**	**1,852**	**727**	**1,169**	**(15,371)**	**61,184**
Net income/(charges) from commodity risk management	580	(368)	—	—	(64)	(114)	(44)	(10)	—	—	**(20)**
Gross operating margin	**554**	**3,113**	**14**	**3,719**	**4,647**	**1,044**	**1,188**	**(71)**	**116**	**(6)**	**14,318**
Depreciation, amortization and impairment losses	439	854	3	875	1,799	488	207	23	89	—	**4,777**
Operating income	**115**	**2,259**	**11**	**2,844**	**2,848**	**556**	**981**	**(94)**	**27**	**(6)**	**9,541**
Net financial income/(expense) and income/(expense) from equity investments accounted for using the equity method	—	—	—	—	—	—	—	—	—	—	**(3,162)**
Income taxes	—	—	—	—	—	—	—	—	—	—	**585**
Net income from continuing operations	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**5,794**
Net income from discontinued operations	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**240**
Net income (Group and minority interests)	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**6,034**
Operating assets	**8,105**	**15,357**	**217**	**19,773**[2]	**53,201**[4]	**12,562**	**5,593**	**1,233**	**1,883**	**(5,714)**	**112,210**
Operating liabilities	**6,127**	**4,468**	**474**	**6,023**[3]	**9,255**[5]	**5,098**	**691**	**1,351**	**1,658**	**(5,150)**	**29,995**
Capital expenditure	**72**	**887**	**—**	**1,407**	**2,382**	**681**	**951**	**13**	**109**	**—**	**6,502**

(1) Segment revenues in the above tables include both revenues from third parties and revenue flows between the segments. An analogous approach was taken for other income and costs for the year.

(2) Of which €2,871 million regarding units classified as "Held for sale."

(3) Of which €324 million regarding units classified as "Held for sale."

(4) Of which €2,368 million regarding units classified as "Held for sale."

(5) Of which €36 million regarding units classified as "Held for sale."

Results for 2007[1]

	Sales	GEM	Eng. & Innov.	Infra. & Networks	Iberia & Latin America	Int'l	Renewable Energy	Parent Company	Services and Other Activitie	Eliminations and adjustments	Total
						Millions of euro					
Revenues from third parties	22,096	11,781	—	541	4,510	2,725	1,271	612	190	(38)	**43,688**
Revenues from other segments	83	5,281	930	4,916	7	69	265	338	957	(12,846)	—
Total revenues	**22,179**	**17,062**	**930**	**5,457**	**4,517**	**2,794**	**1,536**	**950**	**1,147**	**(12,884)**	**43,688**
Net income/(charges) from commodity risk management	44	(189)	—	—	22	106	(18)	(1)	—	—	**(36)**
Gross operating margin	**318**	**2,743**	**11**	**3,543**	**1,420**	**766**	**989**	**(59)**	**130**	**(21)**	**9,840**
Depreciation, amortization and impairment losses	214	825	3	801	536	412	171	16	81	—	**3,059**
Operating income	**104**	**1,918**	**8**	**2,742**	**884**	**354**	**818**	**(75)**	**49**	**(21)**	**6,781**
Net financial income/(expense) and income/(expense) from equity investments accounted for using the equity method	—	—	—	—	—	—	—	—	—	—	**(873)**
Income taxes	—	—	—	—	—	—	—	—	—	—	**1,956**
Net income from continuing operations	—	—	—	—	—	—	—	—	—	—	**3,952**
Net income from discontinued operations	—	—	—	—	—	—	—	—	—	—	**179**
Net income (Group and minority interests)	—	—	—	—	—	—	—	—	—	—	**4,131**
Operating assets	**7,530**	**15,606**	**118**	**18,223**	**64,789**[2]	**7,524**	**4,628**	**1,228**	**1,610**	**(3,907)**	**117,349**
Operating liabilities	**5,217**	**4,693**	**312**	**5,123**	**9,824**[3]	**3,627**	**363**	**1,225**	**1,376**	**(3,064)**	**28,696**
Capital expenditure	59	900	—	1,587	1,255	332	663	19	114	—	4,929

(1) Segment revenues in the above tables include both revenues from third parties and revenue flows between the segments. An analogous approach was taken for other income and costs for the year.

(2) Of which €12,579 million regarding units classified as "Held for sale."

(3) Of which €2,147 million regarding units classified as "Held for sale."

The following table reconciles consolidated assets and liabilities and the segment figures.

	at Dec. 31, 2008	at Dec. 31, 2007
	Millions of euro	
Total assets	**133,207**	**130,851**
Financial assets, cash and cash equivalents	13,251	8,234
Tax assets	7,746	5,268
Segment assets	**112,210**	**117,349**
- of which:		
Sales	8,105	7,530
Generation and Energy Management	15,357	15,606
Engineering and Innovation	217	118
Infrastructure and Networks(1)	19,773	18,223
Iberia and Latin America(2)	53,201	64,789
International	12,562	7,524
Renewable Energy	5,593	4,628
Parent Company	1,233	1,228
Services and Other Activities	1,883	1,610
Eliminations and adjustments	(5,714)	(3,907)
Total liabilities	**106,912**	**104,218**
Loans and other financial liabilities	66,079	65,299
Tax liabilities	10,838	10,223
Segment liabilities	**29,995**	**28,696**
- of which:		
Sales	6,127	5,217
Generation and Energy Management	4,468	4,693
Engineering and Innovation	474	312
Infrastructure and Networks(3)	6,023	5,123
Iberia and Latin America(4)	9,255	9,824
International	5,098	3,627
Renewable Energy	691	363
Parent Company	1,351	1,225
Services and Other Activities	1,658	1,376
Eliminations and adjustments	(5,150)	(3,064)

(1) Of which €2,871 million regarding units classified as "Held for sale" (€0 million at December 31, 2007).

(2) Of which €2,368 million regarding units classified as "Held for sale" (€12,579 million at December 31, 2007).

(3) Of which €324 million regarding units classified as "Held for sale" (€0 million at December 31, 2007).

(4) Of which €36 million regarding units classified as "Held for sale" (€2,147 million at December 31, 2007).

Information on the Consolidated Income Statement

Revenues

6.a Revenues from sales and services — *€59,577* million

	2008	2007	2008-2007
	Millions of euro		
Revenues from the sale and transport of electricity and contributions from Electricity Equalization Fund and similar bodies	53,535	39,165	14,370
Revenues from the sale and transport of natural gas to end users	3,307	2,097	1,210
Revenues from fuel sales	442	235	207
Connection fees for the electricity and gas networks	770	669	101
Revenues for contract work in progress	535	16	519
Other sales and services	988	552	436
Total	**59,577**	**42,734**	**16,843**

"Revenues from the sale and transport of electricity and contributions from Electricity Equalization Fund and similar bodies" primarily include €12,934 million in revenues from the transport and sale of electricity on the domestic regulated market (€13,579 million in 2007), €11,934 million in revenues from the sale of electricity on the Power Exchange and to other domestic resellers (€10,324 million in 2007), €7,444 million in revenues from the transport and sale of electricity on the domestic free market (€5,864 million in 2007), and €20,909 million in revenues from the sale and transport of electricity abroad (€9,035 million in 2007).

"Revenues from the sale and transport of natural gas to end users" in Italy came to €3,307 in 2008 and include €2,202 million in revenues from the sale of natural gas (€1,661 million in 2007) and €234 million in revenues from the transport of natural gas (€234 million also in 2007), in addition to sales of natural gas abroad amounting to €871 million (€202 million in 2007).

"Revenues from fuel sales" came to €442 million in 2008, which includes €243 million in sales of natural gas (€217 million in 2007), while the sale of other fuels amounted to €199 million (€18 million in 2007).

"Revenues for contract work in progress" refer to engineering and construction work for third parties and, in 2008, included a contribution of €343 million from Endesa.

The table below gives a breakdown of revenues from sales and services by geographical area:

	2008	2007
	Millions of euro	
Italy	36,202	32,603
Europe	17,355	8,394
Americas	5,983	1,563
Middle East	5	7
Other	32	167
Total	**59,577**	**42,734**

6.b Other revenues — €1,607 million

	2008	2007	2008-2007
	Millions of euro		
Reimbursement of stranded costs for Nigerian gas	149	154	(5)
Grants	167	87	80
Sundry reimbursements	153	95	58
Gains on disposal of assets	328	—	328
Gains on sale of property, plant and equipment and intangible assets	47	60	(13)
Service continuity bonuses	88	184	(96)
Other revenues	675	374	301
Total	**1,607**	**954**	**653**

"Grants" include €164 million (€68 million in 2007) in grant income provided for connections to the electricity and gas networks.

"Sundry reimbursements" include €127 million paid by customers (€72 million in 2007).

"Gains on disposal of assets" in 2008 refers to the sale of 51% of Hydro Dolomiti Enel.

"Service continuity bonuses," which totaled €88 million in 2008 (€184 million in 2007), refer to the bonus due to Enel Distribuzione and Deval for service continuity improvements during the year, and are calculated using the new method of measurement prescribed by the Authority for Electricity and Gas (Resolution no. 333/07).

"Other revenues" in 2008 include rental income amounting to €154 million (€28 million in 2007), revenues from public and artistic lighting amounting to €146 million (€133 million in 2007) and sales of sundry materials totaling €75 million (€11 million in 2007).

Costs

7.a Raw materials and consumables — €35,695 million

	2008	2007	2008-2007
	Millions of euro		
Electricity	24,037	19,139	4,898
Fuel and gas	10,329	5,791	4,538
Materials	1,329	746	583
Total	**35,695**	**25,676**	**10,019**
- of which capitalized	*(597)*	*(575)*	*(22)*

Purchases of electricity comprise those made by the Single Buyer in the amount of €8,469 million (€8,422 million in 2007), purchases by the Electricity Market Operator in the amount of €6,313 million (€4,129 million in 2007) and imports amounting to €356 million (€692 million in 2007).

The purchases of fuel and gas include €5,759 million in natural gas purchases and €4,570 million in the purchase of other fuels.

7.b Services — €6,638 million

	2008	2007	2008-2007
	Millions of euro		
Electricity and gas wheeling	2,723	2,590	133
Maintenance and repairs	805	546	259
Telephone and postal	311	294	17
Communication services	156	110	46
IT services	190	168	22
Leases and rentals	499	368	131
Other	1,954	1,000	954
Total	**6,638**	**5,076**	**1,562**

Service costs for 2008 came to €6,638 million and include the Endesa contribution of €2,066 million (€456 million in 2007).

7.c Personnel — €4,049 million

	2008	2007	2008-2007
	Millions of euro		
Wages and salaries	2,811	2,186	625
Social security contributions	705	635	70
Post-employment benefits	105	118	(13)
Other costs	428	324	104
Total	**4,049**	**3,263**	**786**
- of which capitalized	(653)	(555)	(98)

Personnel costs rose by €786 million in 2008, while the average workforce expanded by 24.6%. The figure largely reflects the change in the scope of consolidation between the two periods under review, as well as the cost associated with the wage adjustments consequent upon the renewal of the collective bargaining agreement for the electricity industry in 2007. In particular, costs in respect of termination benefits recognized in 2008 amounted to €232 million.

The table below shows the average number of employees by category, compared with the previous year, and the actual number of employees at December 31, 2008.

	Average number			Headcount(1) At Dec. 31, 2008(2)
	2008	2007	2008-2007	
Senior managers	1,174	687	487	1,139
Middle managers	7,238	5,139	2,099	7,490
Office staff	42,819	32,955	9,864	43,529
Workers	23,796	21,448	2,348	23,823
Total	**75,027**	**60,229**	**14,798**	**75,981**

(1) For companies consolidated on a proportional basis, the headcount corresponds to Enel percentage share of the total.

(2) Of which 1,413 in units classified as "Assets held for sale."

7.d Depreciation, amortization and impairment losses — €4,777 million

	2008	2007	2008-2007
	Millions of euro		
Depreciation	3,593	2,506	1,087
Amortization	376	221	155
Impairment losses	808	332	476
Total	**4,777**	**3,059**	**1,718**

"Depreciation" totaled €3,593 million for 2008 and include the contribution of €1,353 million from Endesa (€250 million in 2007, net of the impact of the final allocation of the Endesa purchase price), as well as depreciation of assets acquired in 2008 totaling €55 million.

The balance for depreciation and amortization in 2007 includes €118 million in respect of the impact on the value of property, plant and equipment (€86 million) and intangible assets (€32 million) of the definitive allocation of the Endesa purchase price.

"Impairment losses" in 2008 include writedowns of trade receivables for €524 million (€238 million in 2007), of which €409 million consists of receivables for the sale of electricity and gas in Italy.

7.e Other operating expenses — €1,714 million

	2008	2007	2008-2007
	Millions of euro		
Provisions for risks and charges	221	267	(46)
Purchase of green certificates	12	39	(27)
Charges for CO_2 emissions	138	7	131
Taxes and duties	537	188	349
Other	806	426	380
Total	**1,714**	**927**	**787**

"Charges for CO_2 emissions" refer mainly to purchases of allowances made during the year to cover the deficit between the quantity of emissions produced and the allowances granted under the relevant national allocation plans.

"Taxes and duties" include the Endesa contribution of €372 million (€35 million in 2007).

7.f Capitalized costs — €(1,250) million

Capitalized costs consist of €653 million in personnel costs and €597 million in materials costs (compared with €555 million and €575 million in 2007, respectively).

Net income/(charges) from commodity risk management

8. Net income/(charges) from commodity risk management — €(20) million

Net charges from commodity risk management reflect €143 million in net unrealized charges on open positions in commodity derivatives at December 31, 2008, and €123 million in net income realized on positions closed during the year.

	2008	2007	2008-2007
	Millions of euro		
Income			
Unrealized on contracts for differences	98	—	98
Unrealized on other contracts	843	199	644
Total unrealized income	**941**	**199**	**742**
Realized on contracts for differences	—	—	—
Realized on other contracts	903	207	696
Total realized income	**903**	**207**	**696**
Total income	**1,844**	**406**	**1,438**
Charges			
Unrealized on contracts for differences	—	(1)	1
Unrealized on other contracts	(1,084)	(271)	(813)
Total unrealized income	(1,084)	(272)	(812)
Realized on contracts for differences	(94)	(84)	(10)
Realized on other contracts	(686)	(86)	(600)
Total realized income	**(780)**	**(170)**	**(610)**
Total charges	**(1,864)**	**(442)**	**(1,422)**
NET INCOME/(CHARGES) FROM COMMODITY RISK MANAGEMENT	**(20)**	**(36)**	**16**
- of which trading-non-IFRS-IAS hedge derivatives	*74*	*4*	*70*
- of which ineffective portion of CFH	—	—	—

9. Financial income/(expense) — (€3,210) million

	2008	2007	2008-2007
	Millions of euro		
Interest and other income from financial assets (current and non-current):			
- interest income at effective rate on non-current securities and receivables	123	17	106
- financial income on non-current securities at fair value through profit or loss	—	1	(1)
- interest income at effective rate on short-term financial' investments	143	140	3
Total interest and other income from financial assets	**266**	**158**	**108**
Foreign exchange gains	**1,202**	**445**	**757**
Income from derivative instruments:			
- income from cash flow hedge derivatives	324	187	137
- income from derivatives at fair value through profit or loss	291	662	(371)
- income from fair value hedge derivatives	78	14	64
Total income from derivative instruments	**693**	**863**	**(170)**
Income from equity investments:			
- dividends	33	324	(291)
- gains from disposals	11	78	(67)
- other income from equity investments	—	56	(56)
Total income from equity investments	**44**	**458**	**(414)**
Other income:			
- income from fair value hedges (adjustment of hedged item)	19	13	6
- other interest and income	372	191	181
Total other income	**391**	**204**	**187**
TOTAL FINANCIAL INCOME	**2,596**	**2,128**	**468**

Financial income amounted to €2,596 million, up €468 million on the previous year. Financial income from foreign exchange gains rose €757 million, partially offset by a reduction in income from equity investments of €414 million compared with 2007, when the item included €301 million in dividends distributed by Endesa before the first consolidation of the company.

Financial income from derivatives came to €693 million, of which €352 million realized (€462 million in 2007) and €341 million unrealized (€401 million in 2007). The decrease of €170 million reflects the €144 million in gains in 2007 from the exercise of the call option for physical delivery contained in the share swaps carried out to acquire 14.98% of Endesa.

The increase in other interest and income (€187 million) is essentially attributable to the difference in the period for which Endesa was consolidated.

	2008	2007	2008-2007
	Millions of euro		
Interest and other charges on financial debt (current and non-current):			
- interest expense on bank loans	1,229	555	674
- interest expense on bonds	1,793	786	1,007
- interest expense on other loans	252	157	95
- financial expense on securities at fair value through profit or loss	6	—	6
- commission expense on unused credit lines	1	29	(28)
Total interest expense and other charges on financial debt	**3,281**	**1,527**	**1,754**
Foreign exchange losses	**1,035**	**126**	**909**
Expense on derivative instruments:			
- expense on cash flow hedge derivatives	418	540	(122)
- expense on derivatives at fair value through profit or loss	258	357	(99)
- expense on fair value hedge derivatives	6	41	(35)
Total expense on derivative instruments	**682**	**938**	**(256)**
Accretion of post-employment and other employee benefits	**135**	**111**	**24**
Accretion of other provisions	**257**	**133**	**124**
Charges on equity investments	**125**	**15**	**110**
Other charges:			
- charges on fair value hedges (adjustment of hedged item)	74	1	73
- other interest expense and sundry charges	217	162	55
Total other charges	**291**	**163**	**128**
TOTAL FINANCIAL EXPENSE	**5,806**	**3,013**	**2,793**

Financial expense totaled €5,806 million, an increase of €2,793 million on 2007, mainly attributable to the rise in expense on financial debt and foreign exchange losses.

The rise in interest expense and other charges on financial debt, equal to €1,754 million, is essentially the result of the increase in average debt, mainly due to the Endesa acquisition (and the consolidation of its debt).

Financial expense in respect of financial derivatives came to €682 million, of which €325 million in realized charges (€294 million in 2007) and €357 million in unrealized charges (€644 million in 2007).

Charges on equity investments in 2008 rose by €110 million on the previous year, reflecting the effects of the writedown of the investment in Bayan Resources in the amount of €118 million.

10. Share of income/(expense) on investments accounted for using the equity method — €48 million

	2008	2007	2008-2007
	Millions of euro		
Income from associates	64	22	42
Expense on associates	(16)	(10)	(6)
Total	**48**	**12**	**36**

Income from equity investments accounted for using the equity method includes, among others, the positive contribution from OGK-5 (€14 million until the date Enel acquired a controlling interest) and La Geo (€10 million).

11. Income taxes — €585 million

	2008	2007	2008-2007
	Millions of euro		
Current taxes	2,412	1,854	558
Specific tax on gains from realignment	1,521	—	1,521
Adjustments for income taxes related to prior years	(43)	(26)	(17)
Deferred tax liabilities	(1,528)	(265)	(1,263)
Deferred tax assets	(1,777)	393	(2,170)
Total	**585**	**1,956**	**(1,371)**

Taxes came to €585 million, equal to 9.2% of taxable income compared with 33.1% in 2007. The result for 2008 primarily reflects the net effects (€1,858 million) of the adjustment of deferred taxation following the realignment of the differences between the statutory and tax values of property, plant and equipment of a number of Italian companies (Law 244/07) net of the expense in respect of the related specific tax (€1,521 million), as well as the effects (€290 million) on deferred taxation resulting from the application of the IRES surtax for the energy industry to specific Italian companies (Decree Law 112/08). The estimated tax liability of foreign companies is €804 million (€295 million in 2007).

The following table reconciles the theoretical tax rate with the effective rate.

	2008		2007	
	Millions of euro			
Income before taxes	*6,379*		*5,908*	
Theoretical tax	1,754	27.5%	1,950	33.0%
Permanent differences and minor items	77	1.2%	(164)	−2.8%
Adjustment of tax rate	—	—	(169)	−2.9%
Discharge of liability under Law 244/07	(1,858)	−29.1%	—	—
IRES surtax (Decree Law 112/08)	290	4.6%	—	—
Difference on estimated income taxes from prior years	(43)	−0.7%	(26)	−0.5%
IRAP	365	5.7%	365	6.2%
Total	**585**	**9.2%**	**1,956**	**33.1%**

12. Discontinued operations — €240 million

The item consists of the income, net of the related tax effect, attributable to:

(a) the assets and liabilities held directly or indirectly by Endesa in Italy, France, Poland and Turkey, as well as a number of other assets in Spain included in the disposals agreed by Enel and Acciona with E.On, as these assets have been acquired solely for the purpose of their resale;

(b) the assets and liabilities of Enel Rete Gas, given the current status of the disposal, as the assets constitute an important business segment in the Italian market.

	2008	2007	2008-2007
	Millions of euro		
Enel Rete Gas:			
Revenues	308	325	(17)
Costs	(245)	(234)	11
Operating income	**63**	**91**	**(28)**
Net financial expense	(28)	(29)	1
Income taxes	(21)	(10)	(11)
Net income of Enel Rete Gas	**14**	**52**	**(38)**
Net income from assets acquired for resale	**226**	**127**	**99**
NET INCOME FROM DISCONTINUED OPERATIONS	**240**	**179**	**61**

Assets

Non-current assets

13. Property, plant and equipment — *€61,524 million*

Changes in property, plant and equipment for 2007 and 2008 are shown below:

	Land	Buildings	Plant and machinery	Industrial and commercial equipment	Mineral assets	Other assets	Leased assets	Leasehold improvements	Assets under construction and advances	Total
	Millions of euro									
Cost	389	8,021	69,355	404	—	673	292	119	2,886	82,139
Accumulated depreciation	—	3,615	42,737	304	—	493	67	77	—	47,293
Balance at December 31, 2006	**389**	**4,406**	**26,618**	**100**	**—**	**180**	**225**	**42**	**2,886**	**34,846**
Capital expenditure	8	49	1,335	18	—	83	—	15	3,078	4,586
Assets entering service	1	65	1,024	498	—	10	1	9	(1,608)	—
Depreciation	8	(260)	(2,040)	(166)	—	(78)	(35)	(14)	—	(2,585)
Impairment losses	—	(15)	(53)	3	—	—	—	—	(11)	(76)
Change in scope of consolidation	140	232	11,694	10,877	125	209	124	3	2,290	25,694
Exchange rate differences	(2)	26	(126)	(50)	—	(5)	3	—	(17)	(171)
Ordinary disposals and other changes	(37)	(106)	(32)	11	—	(15)	—	3	16	(160)
Reclassification to assets held for sale	—	(18)	(1,170)	—	—	(2)	—	—	(462)	(1,652)
Total changes	**118**	**(27)**	**10,632**	**11,191**	**125**	**202**	**93**	**16**	**3,286**	**25,636**
Cost	507	8,264	80,776	11,705	125	906	420	148	6,172	109,023
Accumulated depreciation	—	(3,885)	(43,526)	(414)	—	(524)	(102)	(90)	—	(48,541)
Balance at December 31, 2007	**507**	**4,379**	**37,250**	**11,291**	**125**	**382**	**318**	**58**	**6,172**	**60,482**
Capital expenditure	8	59	1,590	24	—	127	1	7	4,370	6,186
Assets entering service	3	120	2,262	1,220	—	15	—	20	(3,640)	—
Depreciation	—	(258)	(2,492)	(654)	—	(88)	(45)	(10)	—	(3,547)
Impairment losses	—	(7)	(48)	(2)	—	(5)	—	—	(6)	(68)
Change in scope of consolidation	14	646	1,205	—	—	9	—	—	376	2,250
Exchange rate differences	(31)	(24)	(144)	(491)	(17)	(18)	19	(1)	(120)	(827)
Ordinary disposals and other changes	(147)	1	(292)	42	(3)	(12)	4	(2)	53	(356)
Reclassification to assets held for sale	(16)	(24)	(2,381)	(2)	—	(3)	—	(11)	(159)	(2,596)
Total changes	**(169)**	**513**	**(300)**	**137**	**(20)**	**25**	**(21)**	**3**	**874**	**1,042**
Cost	338	8,989	80,967	12,397	105	944	444	141	7,046	111,370
Accumulated depreciation	—	(4,097)	(44,017)	(969)	—	(537)	(147)	(80)	—	(49,846)
Balance at December 31, 2008	**338**	**4,892**	**36,950**	**11,428**	**105**	**407**	**297**	**61**	**7,046**	**61,524**

"Property, plant and equipment" includes assets to be relinquished with a net carrying amount of €7,068 million, €4,490 million of which related to power generation plants (of which €2,747 million attributable to Endesa) and €2,578 million to Endesa's electricity distribution network.

"Leased assets" include certain assets which the Group is using in Latin America and Slovakia.

The leased assets in Latin America essentially regard combined-cycle and hydroelectric power plants totaling €141 million.

The leased assets in Slovakia essentially regard the sale and lease back agreements for the V1 nuclear power plant at Jaslovske Bohunice and the hydroelectric plant at Gabcikovo. The leasing arrangements were a necessary condition for the start of the privatization of the Slovakian electricity system. The lease for the V1 plant covers the entire remaining useful life of the asset and the period between the end of generation and the start of the decommissioning process, while the lease for the Gabcikovo plant has a 30-year term as from April 2006.

The following table reports the minimum lease payments and the related present value.

	Minimum lease payments at December 31, 2007	Present value
	Millions of euro	
2008	25	17
2009-2013	78	51
After 2013	138	69
Total	**241**	**137**

	Minimum lease payments at December 31, 2008	Present value
	Millions of euro	
2009	16	7
2009-2014	87	57
After 2014	164	98
Total	**267**	**162**

The table below reports the net values as of December 31, 2008, and December 31, 2007, for property, plant and equipment based on the use of the assets.

	at Dec. 31, 2008	at Dec. 31, 2007
	Millions of euro	
Power plants:(1)		
- thermal	11,672	11,245
- hydroelectric	9,158	9,409
- geothermal	402	207
- nuclear	3,922	3,782
- alternative energy resources	1,072	644
Total power plants	**26,226**	**25,287**
Electricity distribution network	23,878	23,117
Gas distribution network	287	1,722
Buildings for primary and secondary transformer stations	917	853
Buildings for office, warehouse and other uses(2)	2,033	1,894
Equipment and other assets	1,032	1,312
Mineral assets	105	125
Total assets in use	**54,478**	**54,310**
Assets under construction and advances	**7,046**	**6,172**
TOTAL	**61,524**	**60,482**

(1) Also includes industrial land and buildings

(2) Includes non-industrial buildings used in operations (e.g. offices, warehouses, garages, etc.), buildings for civil use and non-appurtenant land.

The table below summarizes capital expenditure in 2008 by category. These expenditures, totaling €6,186 million, rose by €1,600 million over 2007 due primarily to the change in scope of consolidation, as well as to the increase in expenditures for renewable energy power plants.

	2008	2007
	Millions of euro	
Power plants:		
- thermal	1,869	1,458
- hydroelectric	249	244
- geothermal	237	110
- nuclear	228	136
- alternative energy resources	684	433
Total power plants	**3,267**	**2,381**
Electricity distribution network	2,461	1,798
Gas distribution network	32	95
Land, buildings and other assets and equipment	426	312
TOTAL	**6,186**	**4,586**

Capital expenditure on power plants totaled €3,267 million, an increase of €886 million year on year due essentially to the different consolidation period for Endesa and the OGK-5 acquisition, as well as the increase in investments for the transformation and conversion of thermal plants, the refurbishing and repowering of hydroelectric plants, and renewable energy projects.

Capital expenditure for the electricity distribution network totaled €2,461 million and increased by €663 million year on year due, primarily, to the differing consolidation period for Endesa and the acquisition of Enel Distributie Muntenia.

"Impairment losses" for 2008 include €45 million for the writedown of the Mercure (CS) power plant as a result of the continuing environmental and authorization difficulties encountered in developing the plant.

The "change in scope of consolidation" for 2008 concerned the following transactions:

(ll) acquisition of OGK-5 (up €1,842 million);

(mm) acquisition of Electrica Muntenia Sud (now Enel Distributie Muntenia and Enel Energie Muntenia, up €374 million);

(nn) acquisition of Hydro Constructional and International Wind Parks of Crete (up €17 million);

(oo) acquisition of companies by the Endesa Hellas Group (up €15 million);

(pp) acquisition of Marcinelle Energie (up €2 million).

"Ordinary disposals and other changes" reflect the adjustments made as part of the final allocation of the purchase price for the acquisitions in 2007, including Inelec (€21 million) and International Wind Power, Wind Parks of Thrace and International Wind Parks of Thrace (down €7 million).

Reclassifications to assets held for sale in 2007 include the property, plant and equipment held by Enel Viesgo Generación, Enel Viesgo Servicios and Electra de Viesgo Distribución (and its subsidiaries) as part of the discontinued operations sold to E.On, while 2008 include the assets of the business units related to the high-voltage electricity distribution lines (following the agreements signed with Terna) and to the gas distribution network (based on the current status of the disposal).

14 Intangible assets — *€25,779 million*

Changes in intangible assets for 2007 and 2008 are shown below:

	Development costs	Industrial patents and intellectual property rights	Concessions, licences, trademarks and similar rights	Mineral assets	Other	Assets under development and advances	Goodwill	Total
	Millions of euro							
Cost	42	482	128	—	759	148	2,271	3,830
Accumulated amortization	7	317	41	—	483	—	—	848
Balance at December 31, 2006	**35**	**165**	**87**	**—**	**276**	**148**	**2,271**	**2,982**
Capital expenditure	—	87	13	—	64	179	—	343
Assets entering service	—	95	—	—	13	(108)	—	—
Exchange rate differences	—	(1)	(52)	—	(26)	—	(28)	(107)
Change in scope of consolidation	3	80	8,861	724	122	87	12,644	22,521
Amortization	(3)	(108)	(48)	—	(74)	—	—	(233)
Impairment losses	—	—	—	—	—	(19)	—	(19)
Other changes	(1)	(3)	62	—	(54)	(1)	(43)	(40)
Reclassification to assets held for sale	—	—	—	—	(13)	(10)	(681)	(704)
Total changes	**(1)**	**150**	**8,836**	**724**	**32**	**128**	**11,892**	**21,761**
Cost	44	740	9,012	724	848	276	14,163	25,807
Accumulated amortization	10	425	89	—	540	—	—	1,064
Balance at December 31, 2007	**34**	**315**	**8,923**	**724**	**308**	**276**	**14,163**	**24,743**
Capital expenditure	1	79	15	—	39	182	—	316
Assets entering service	—	77	2	—	55	(134)	—	—
Exchange rate differences	—	(3)	(686)	(115)	27	—	(432)	(1,209)
Change in scope of consolidation	—	1	2	—	—	—	2,346	2,349
Amortization	(3)	(131)	(138)	—	(104)	—	—	(376)
Impairment losses	—	—	(18)	—	(21)	(9)	—	(48)
Other changes	—	14	46	—	62	(12)	(34)	76
Reclassification to assets held for sale	—	(23)	(33)	—	(7)	(5)	(4)	(72)
Total changes	**(2)**	**14**	**(810)**	**(115)**	**51**	**22**	**1,876**	**1,036**
Cost	45	850	8,314	609	997	298	16,039	27,152
Accumulated amortization	13	521	201	—	638	—	—	1,373
Balance at December 31, 2008	**32**	**329**	**8,113**	**609**	**359**	**298**	**16,039**	**25,779**

"Reclassification to assets held for sale" in 2007 includes the intangible assets held by Enel Viesgo Generación, Enel Viesgo Servicios and Electra de Viesgo Distribución (and its subsidiaries) as part of the discontinued operations sold to E.On, while in 2008 includes the assets of the business units related to the gas distribution network (based on the current status of the disposal).

The individual items making up intangible assets are commented below.

"Industrial patents and intellectual property rights" relate mainly to costs incurred in purchasing software and open-ended software licenses. The most important applications relate to invoicing and customer management, the development of Internet portals and the management of company systems. Amortization is calculated on a straight-line basis over the item's residual useful life (on average between three and five years).

"Concessions, licenses, trademarks and similar rights" include costs incurred by the gas companies and the foreign electricity distribution companies to build up their customer base. Amortization is calculated on a straight-line basis over the average duration of the relationships with the customers acquired or the concessions.

"Mineral assets" refer to the probable and possible reserves of fuel and the exploration potential acquired in 2007 through SeverEnergia in a joint venture with Eni.

Goodwill amounted to €16,039 million, an increase of €1,876 million over the previous year.

	at Dec. 31, 2007	Change in scope of consolidation	Exchange rate gains/(losses)	Reclassification to "Assets held for sale"	Other changes	at Dec. 31, 2008
			Millions of Euro			
Endesa	12,347	54	(285)	—	—	**12,116**
OGK-5	—	1,514	(159)	—	—	**1,355**
Slovenské elektrárne	625	—	72	—	—	**697**
Enel Energia	579	—	—	—	—	**579**
Enel Energie Muntenia & Enel Distributie Muntenia (formerly Electrica Muntenia Sud)	—	684	(70)	—	—	**614**
Inelec	100	—	4	—	(15)	**89**
Enel Unión Fenosa Renovables	85	—	—	—	2	**87**
Enel North America	77	—	5	—	—	**82**
Marcinelle Energie	—	63	—	—	—	**63**
International Wind Power, Wind Parks of Thrace, International Wind Parks of Thrace, Hydro Constructional & International Wind Parks of Crete	42	16	—	—	(21)	**37**
Enel Latin America	59	—	3	—	—	**62**
RusEnergoSbyt	50	—	(6)		—	**44**
Americas Generation Corporation (formerly Enel Panama and Enel Fortuna)	90	—	5	—	—	**95**
SeverEnergia	44	—	(1)	—	—	**43**
Enel Erelis	14	14	—	—	—	**28**
Nuove Energie	26	—	—	—	—	**26**
Enel Maritza East 3	13	—	—	—	—	**13**
Wisco	5	—	—	—	—	**5**
Enel Rete Gas	4	—	—	(4)	—	**—**
Enel Operations Bulgaria	2	—	—	—	—	**2**
Portoscuso Energia	—	1	—	—	—	**1**
Blue Line	1	—	—	—	—	**1**
Total	**14,163**	**2,346**	**(432)**	**(4)**	**(34)**	**16,039**

The change in the scope of consolidation concerns the acquisitions of OGK-5 in the amount of €1,514 million, Enel Energie Muntenia and Enel Distributie Muntenia (formerly Electrica Muntenia Sud) in the amount of €684 million, the power generation and distribution companies acquired by Endesa in Europe and Latin America in the amount of €54 million (€24 million of which related to the tender for Edegel and Edelnor by Endesa Internacional — now Endesa Latinoamérica), Marcinelle Energie in the amount of €63 million, Hydro Constructional and International Wind Parks of Crete in the amount of €16 million, renewable energy companies in France in the amount of €14 million, and Portoscuso Energia in the amount of €1 million.

For all of these acquisitions, the differences between the cost of the investments and the assets acquired less liabilities assumed have been recognized as goodwill on a provisional basis pending more accurate allocation.

The column for "other changes" includes changes due to the finalization in 2008 of the allocation of the cost of the investments in International Wind Power, Wind Parks of Thrace, International Wind Parks of Thrace, and Inelec.

The recoverable value of the goodwill recognized was estimated using discounted cash flow models, which involve estimating future cash flows and applying an appropriate discount rate in order to determine an asset's value in use. More specifically, the cash flows were determined on the basis of the most recent forecasts and the assumptions underlying those forecasts concerning the performance of the Group. To discount the flows, an explicit period was selected in line with those forecasts, i.e. the average useful life of the assets or the duration of the concessions. In cases in which it was not possible to estimate cash flows reliably for the entire useful life of the assets, a residual amount was calculated as a perpetuity or annuity at a growth rate equal to inflation as deemed appropriate for the country involved or in any case no higher than the average long-term growth rate of the reference market. The value in use calculated as described above was found to be greater than the amount recognized on the balance sheet. The sensitivity analysis used in the analysis did not point to significant impacts on the results of the measurements themselves and consequently on the differences found.

The table below reports the balance of goodwill according to the company to which the cash generating unit belongs, along with the discount rates applied and the time horizon over which the expected cash flows have been discounted.

	Amount at Dec. 31, 2008	Tax rate	Growth rate(1)	Discount rateWACC(2)	Explicit period of cash flows	Terminal value(3)
	Millions of euro					
Endesa	12,116	28.8%	1.5%	8.3%	10 years	Perpetuity
Slovenské elektrárne	697	19.0%	1.0%	7.2%	10 years	20
Enel Energia	579	36.9%	1.5%	7.0%	10 years	10
Americas Generation Corporation (formerly Enel Panama and Enel Fortuna)	95	30.0%	2.5%	11.3%	5 years	Perpetuity
Inelec	89	28.0%	2.5%	10.9%	5 years	Perpetuity
Enel Unión Fenosa Renovables	87	30.0%	2.0%	6.7%	5 years	15
Enel North America	82	35.0%	2.0%	6.3%	5 years	25
Enel Latin America	62	27.8%	2.5%	10.9%	5 years	28
RusEnergoSbyt	44	20.0%	no terminal value	14.8%	15 years	—
Severenergia	43	25.5%	no terminal value	11.0%	49 years	—
Nuove Energie	26	36.9%	1.5%	5.6%	10 years	Perpetuity
Wind Parks of Thrace, International Wind Parks of Thrace	21	25.0%	2.0%	7.0%	15 years	Recovery value
Enel Erelis	14	33.3%	2.0%	6.6%	7 years	15
Enel Maritza East(3)	13	10.0%	2.5%	13.8%	10 years	15
Wisco	5	31.4%	—	6.6%	10 years	Multiple
Enel Rete Gas(4)	4	31.6%	2.5%	6.2%	10 years	Perpetuity
Enel Operations Bulgaria	2	10.0%	2.5%	13.8%	10 years	15
Blue Line	1	16.0%	2.5%	16.1%	5 years	15

(1) Perpetual growth rate of cash flows after explicit period.

(2) WACC represents the weighted average capital cost.

(3) The terminal value has been estimated on the basis of a perpetuity or an annuity with a rising yield for the years indicated in the column.

(4) Included in "Assets held for sale."

As regards acquisitions finalized in 2008 for which the allocation of the purchase price to the assets acquired and liabilities assumed has not been completed and thus the related goodwill has been recognized on a provisional basis, the valuations conducted at the balance sheet date essentially confirm the value of the investment as determined on the basis of the valuations made at the time of the acquisition.

15. Deferred tax assets and deferred tax liabilities — *€5,881 million and €6,880 million*

Below is a detail of changes in deferred tax assets and liabilities by type of timing difference and calculated based on the tax rates established by applicable regulations. Where allowed, the amount of deferred tax assets has been offset against deferred tax liabilities.

	at Dec. 31, 2007	Increase/ (Decrease) taken to income statement or loss	Change in scope of consolidation	Other changes	Reclassification to assets held for sale	at Dec. 31, 2008
	Millions of euro					
Deferred tax assets:						
- differences in the value of intangible assets, property, plant and equipment	177	1,162	—	(90)	—	1,249
- accruals to provisions for risks and charges and impairment losses with deferred deductibility	1,970	40	—	64	(5)	2,069
- tax losses carried forward	169	(67)	—	(15)	—	87
- measurement of financial instruments	43	507	—	602	—	1,152
- other items	1,083	189	13	86	(47)	1,324
Total	**3,442**	**1,831**	**13**	**647**	**(52)**	**5,881**
Deferred tax liabilities:						
- differences in non-current and financial assets	3,011	(1,922)	—	(22)	(108)	959
- tax-deferred gains	6	(4)	—	(1)	—	1
- allocation of excess costs to assets	4,669	(185)	242	(298)	(49)	4,379
- measurement of financial instruments	124	550	—	281	—	955
- other items	511	33	—	42	—	586
Total	**8,321**	**(1,528)**	**242**	**2**	**(157)**	**6,880**
Offsettable net deferred tax assets						**2,274**
Non-offsettable deferred tax assets						**1,990**
Non-offsettable deferred tax liabilities						**5,263**

As of December 31, 2008, deferred tax assets totaled €5,881 million, an increase of €2,439 million compared with December 31, 2007.

The recognition in the income statement of taxation for the period (€1,831 million) mainly relates to the differences in the value of intangible assets, property, plant and equipment, as well as taxes related to the measurement of financial instruments. Specifically, the tax effects of the differences in the value of intangible assets, property, plant and equipment is the result of the difference between the consolidated and tax values of certain items of property, plant and equipment of Enel Produzione for which the tax liability has been discharged under the option provided for by Law 244/07.

No deferred tax assets were recorded in relation to prior tax losses in the amount of €973 million, €741 million of which in relation to the holding companies located in the Netherlands and Luxemburg, because the tax laws in force in the countries in question do not treat the expected income (dividends) of the companies as taxable.

Deferred tax liabilities, which totaled €6,880 million at December 31, 2008, include the deferred tax liabilities related primarily to the part of the cost incurred and allocated to assets recognized in respect of acquisitions in the various years and to the differences between depreciation charged for tax purposes, including accelerated depreciation, and depreciation based on the estimated useful lives of assets.

The change for the year in "differences in non-current and financial assets" is essentially attributable to the recognition in the income statement of €1,922 million in deferred taxes resulting from the discharge of tax liabilities by a number of Italian companies under the option provided for by Law 244/07.

16. Equity investments accounted for using the equity method — *€397 million*

Equity investments in associated companies accounted for using the equity method are as follows:

	at Dec. 31, 2007	% holding	Acquisitions	Change in scope of consolidation	Capital increases	Income effect	Other changes	at Dec. 31, 2008	% holding
				Millions of euro					
OGK-5	1,652	37.15%	—	—	—	14	(1,666)	**—**	**—**
LaGeo	67	28.40%	—	—	14	10	—	**91**	**36.2%**
Cesi	8	25.9%				2		**10**	**25.9%**
Idrosicilia	9	40.0%						**9**	**40.0%**
Other	236	—	122	5	25	11	(112)	**287**	**—**
Total	**1,972**		**122**	**5**	**39**	**37**	**(1,778)**	**397**	

The €1,575 million decrease for the year mainly reflects the reclassification following the acquisition of a controlling interest in the Russian company OGK-5 in the amount of €1,666 million, which was partially offset by the recognized income (up €37 million) and increase (up €14 million) in the investment in LaGeo from 28.4% to 36.2% following the acquisition, by way of the contribution of assets and services, of an additional interest in the company, as well as by the new acquisitions concerning a 30% stake in a number of companies developing a series of wind projects in Greece (for a total value of €122 million).

The main income statement and balance sheet data for the principal equity investments in associates are reported in the following table.

	at Dec. 31, 2008			Net income/ (loss)	at Dec. 31, 2007			Net income/ (loss
	Assets	Liabilities	Revenues		Assets	Liabilities	Revenues	
				Millions of euro				
OGK-5	—	—	—	—	1,815	407	824	14
LaGeo	299	47	77	29	262	37	61	20
Cesi	118	80	83	7	123	92	79	4
Idrosicilia	23	1	—	—	23	1	—	—
Other	1,042	776	341	24	1,259	1,050	156	22

17. Non-current financial assets — *€4,324 million*

	at Dec. 31, 2008	at Dec. 31, 2007	2008-2007
		Millions of euro	
Equity investments in other companies	486	531	(45)
Other securities designated at fair value through profit or loss	56	115	(59)
Advances for acquisition of equity investments	76	87	(11)
Other receivables:			
- financial receivables due from other entities	599	312	287
- financial receivables for the Spanish electrical system deficit	1,882	608	1,274
- derivative contracts	863	248	615
- other items	362	311	51
Total other receivables	**3,706**	**1,479**	**2,227**
TOTAL	**4,324**	**2,212**	**2,112**

As regards "Equity investments in other companies," the fair value of listed companies was determined with reference to the market value of their shares at the end of the period, whereas the fair value of unlisted companies was determined on the basis of what is felt to be a reliable valuation of their significant balance sheet items.

	at Dec. 31, 2008	% holding	at Dec. 31, 2007	% holding	2008-2007
			Millions of euro		
Terna	240	5.12%	281	5.12%	(41)
Red Electrica de España	33	7.36%	42	7.36%	(9)
Bayan Resources	21	10.00%	—	—	21
Echelon	18	1.00%	39	1.00%	(21)
Tri Alpha Energy	7	4.96%	7	4.96%	—
Other	167	—	162	—	5
Total	**486**		**531**		**(45)**

At December 31, 2008, "Other securities designated at fair value through profit or loss" are essentially accounted for by investments in bonds and long-term deposits; at December 31, 2007, the item included financial investments in asset management funds.

"Advances for investments" refer to advance payments or deposits made primarily for the acquisition of a number of wind projects in Greece in the amount of €33 million and Electrica Muntenia Sud (now Enel Distributie Muntenia and Enel Energie Muntenia) in the amount of €40 million, the latter of which may be subject to adjustments in the purchase price that cannot be reasonably determined at this time.

"Financial receivables for the Spanish electrical system deficit" refer to the long-term portion of the deficit financed by Endesa. The deficit is created in Spain's regulated market when rate revenues are not sufficient to cover the costs of the system itself. The main operators in the market are required to finance the difference, and the resulting interest-bearing receivable is reimbursed over a period of time established by the Spanish regulator.

The table below reports the carrying amount and the fair value of long-term financial receivables and securities (€3,415 million), including the portion due within twelve months (€524 million included under other short-term financial receivables).

	at Dec. 31, 2008		at Dec. 31, 2007	
	Carrying amount	Fair value	Carrying amount	Fair value
		Millions of euro		
Long-term financial receivables and securities	3,415	3,415	2,741	2,741
Total	**3,415**	**3,415**	**2,741**	**2,741**

The following table shows the notional amounts and the fair value of derivative contracts classified under non-current financial assets.

	Notional value		Fair value		
	at Dec. 31, 2008	at Dec. 31, 2007	at Dec. 31, 2008	at Dec. 31, 2007	2008-2007
	Millions of euro				
Cash flow hedge derivatives:					
- interest rates	2,195	6,897	12	146	(134)
- exchange rates	4,608	1,751	834	96	738
Total	**6,803**	**8,648**	**846**	**242**	**604**
Fair value hedge derivatives:					
- interest rates	145	204	8	6	2
- exchange rates	177	—	9	—	9
Total	**322**	**204**	**17**	**6**	**11**
TOTAL	**7,125**	**8,852**	**863**	**248**	**615**

At December 31, 2008, the notional value of the cash flow hedge derivative contracts, on both interest rates and exchange rates, classified as non-current financial assets came to €6,803 million, with the corresponding fair value at €846 million.

The decrease in the notional value and the related fair value of the interest rate cash flow hedge derivatives is due primarily to the decline in interest rates during the fourth quarter of 2008 — especially in the short- and medium-term sections of the yield curve — which led to the reclassification of a portion of the notional amount reported under non-current financial assets at December 31, 2007, to non-current financial liabilities.

The exchange rate cash flow hedge derivatives are essentially related to transactions hedging the £1.1 billion tranche of the bond issued as part of the Global Medium-Term Notes program on June 13, 2007, as well as to transactions hedging the $3.5 billion tranche of the bond issued under the same program on September 14, 2007. The increase in fair value for the former is due to the decline in the 6-month Libor component within the CCIRSs, while for the latter, the increase is due to the strengthening of the dollar with respect to its level at December 31, 2007.

18. Other non-current assets — *€1,937 million*

	at Dec. 31, 2008	at Dec. 31, 2007	2008-2007
	Millions of euro		
Receivables due from Electricity Equalization Fund and similar bodies	1,360	1,356	4
Receivable from State Decommissioning Fund	439	325	114
Other long-term receivables:			
- tax prepayments on post-employment benefits	—	1	(1)
- net assets of employee benefit programs	95	82	13
- other receivables	43	304	(261)
Total other long-term receivables	**138**	**387**	**(249)**
TOTAL	**1,937**	**2,068**	**(131)**

"Receivables from Electricity Equalization Fund and similar bodies" include the long-term receivable related to reimbursements of increased costs incurred by Endesa for generation in extra-peninsular areas (the Balearic and Canary Islands) in the amount of €1,275 million (€1,110 million at December 31, 2007). The latter are related to the reimbursement of the increased generating costs and remuneration of capital employed to the companies that operate in geographically disadvantaged areas (the extra-peninsular areas). The receivables, which bear interest, are repaid over a period established by the Spanish independent system operator.

"Receivables from the State Decommissioning Fund," in the amount of €439 million, are attributable entirely to Slovenské elektrárne. The receivables regard the contribution that the company, as a nuclear generation operator, paid to the Slovakian national nuclear decommissioning fund in the manner and in accordance with the timetable established under Slovakian law.(1) The resources will be used by the Slovakian government to reimburse to the generating companies that paid into the Fund part of the future costs of decommissioning nuclear plants and managing the related waste, including post-operational costs in the period between the termination of generation activities and the start of decommissioning. If such costs are greater than the amounts paid into the Fund up to the decommissioning date, the rules governing the Fund establish that the difference can be recovered from end users through rate increases. The increase for the period reflects both the positive effect of the change in the euro/koruna exchange rate and the contributions made to the Fund during the year.

"Net assets of employee benefit programs" reports the net assets backing a number of employee benefit plans for Endesa employees, net of actuarial liabilities.

Current assets

19. Inventories — *€2,182 million*

	at Dec. 31, 2008	at Dec. 31, 2007	2008-2007
		Millions of euro	
Raw materials, consumables and supplies:			
- fuel	1,515	1,232	283
- materials, equipment and other inventories	562	387	175
Total	**2,077**	**1,619**	**458**
Buildings available for sale	94	106	(12)
Advances	11	1	10
TOTAL	**2,182**	**1,726**	**456**

Raw materials, consumables and supplies consist of fuel inventories to cover the requirements of the generation companies and trading activities, as well as materials and equipment for plant operation, maintenance and construction. The increase is due primarily to the increase in average fuel prices.

The buildings available for sale are related to remaining units from the Group's real estate portfolio and are primarily civil buildings. The decrease is essentially related to sales made during the period.

20. Trade receivables — *€12,378 million*

	at Dec. 31, 2008	at Dec. 31, 2007	2008-2007
		Millions of euro	
Customers:			
- sale and transport of electricity	10,166	10,102	64
- distribution and sale of natural gas	1,499	1,087	412
- other activities	661	351	310
Total	**12,326**	**11,540**	**786**
Trade receivables due from associates	14	30	(16)
Receivables for contract work in progress	38	6	32
TOTAL	**12,378**	**11,576**	**802**

Trade receivables from customers are recognized net of allowances for doubtful accounts, which totaled €726 million at the end of the year, as compared with an opening balance of €396 million. The table below shows the changes in these allowances.

(1) The fund and its assets are managed entirely by the government.

	Millions of euro
Total at Jan. 1, 2007	**326**
Accruals	238
Utilization	(150)
Other changes	(9)
Reclassification to "Assets held for sale"	(9)
Total at Dec. 31, 2007	**396**
Accruals	524
Utilization	(184)
Other changes	(3)
Reclassification to "Assets held for sale"	(7)
Total at Dec. 31, 2008	**726**

The reclassification to assets held for sale is attributable to the companies of the Viesgo Group for 2007 and, essentially, to Enel Rete Gas for 2008.

21. Tax receivables — *€1,239 million*

Tax receivables at December 31, 2008, totaled €1,239 million and are essentially related to income taxes receivable in the amount of €362 million (€296 million at December 31, 2007), receivables for indirect taxation in the amount of €332 million (€306 million at December 31, 2007), and receivables for other taxes and tax surcharges in the amount of €254 million (€288 million at December 31, 2007).

22. Current financial assets — *€3,269 million*

	at Dec. 31, 2008	at Dec. 31, 2007	2008-2007
		Millions of euro	
Receivables for factoring advances	367	205	162
Derivative contracts	1,498	463	1,035
Other securities	73	101	(28)
Short-term portion of long-term financial receivables	524	1,402	(878)
Other	807	243	564
Total	**3,269**	**2,414**	**855**

The following table reports the notional values and the fair values of the derivative contracts, grouped by hedge type and designation.

	Notional value		Fair value		
	at Dec. 31, 2008	at Dec. 31, 2007	at Dec. 31, 2008	at Dec. 31, 2007	2008-2007
			Millions of euro		
Cash flow hedge derivatives:					
- interest rates	369	153	1	—	1
- exchange rates	1,661	37	168	3	165
- commodities	4	676	2	43	(41)
Total	**2,034**	**866**	**171**	**46**	**125**
Fair value hedge derivatives:					
- interest rates	102	121	2	—	2
Total	**102**	**121**	**2**	**—**	**2**
Trading derivatives:					
- interest rates	632	1,249	9	13	(4)
- exchange rates	2,555	1,974	135	68	67
- commodities	12,832	2,022	1,181	336	845
Total	**16,019**	**5,245**	**1,325**	**417**	**908**
TOTAL	**18,155**	**6,232**	**1,498**	**463**	**1,035**

The increase in the amount of exchange rate derivatives classified as cash flow hedges is attributable mainly to exchange rate hedges connected with commodities prices.

The increase in the fair value of trading derivatives on exchange rates is essentially due to the weakening of the euro against the dollar at December 31, 2008, compared with the exchange rates at which the hedges were carried out during the year.

Commodity derivates include:

(qq) commodity derivatives on fuels, with a fair value of €728 million;

(rr) trading transactions on energy and other commodities, with a fair value of €356 million;

(ss) two-way contracts for differences, with a fair value of €97 million;

(tt) energy derivatives entered into by Endesa with a fair value of €2 million and classified as cash flow hedges.

The "short-term portion of long-term financial receivables" essentially comprises the portion of the financial receivable related to the deficit of the Spanish electrical system financed by Endesa in the amount of €502 million (€436 million at December 31, 2007). The change for the period reflects the receipt in June 2008 of the remaining €962 million in amounts receivable for the sale of the 26.1% stake in Weather.

23. Cash and cash equivalents — *€5,106 million*

Cash and cash equivalents, detailed in the table below, are not restricted by any encumbrances, apart from €264 million (€61 million at December 31, 2007) primarily in respect of deposits pledged to secure transactions.

	at Dec. 31, 2008	at Dec. 31, 2007	2008-2007
		Millions of euro	
Bank and post office deposits	5,096	1,166	3,930
Cash and cash equivalents on hand	10	68	(58)
Total	**5,106**	**1,234**	**3,872**

24. Other current assets — *€3,478 million*

	at Dec. 31, 2008	at Dec. 31, 2007	2008-2007
		Millions of euro	
Receivables due from Electricity Equalization Fund and similar bodies	1,850	2,281	(431)
Receivable due from employees	28	38	(10)
Receivables due from others	1,353	1,646	(293)
Accrued operating income and prepaid expenses	247	115	132
Total	**3,478**	**4,080**	**(602)**

"Receivables from Electricity Equalization Fund and similar bodies" include the receivables related to the Italian system in the amount of €964 million deriving essentially from the application of the equalization mechanisms to the purchase of electricity (€1,742 million at December 31, 2007) and to the Spanish system in the amount of €886 million (€539 million at December 31, 2007), €136 million of which (€115 million at December 31, 2007) related to receivables from similar bodies concerning the reimbursement of the greater costs incurred by Endesa in the generation of electricity in extra-peninsular areas.

Including the portion of receivables classified as long-term (€1,360 million), operating receivables due from the Electricity Equalization Fund and similar bodies at December 31, 2008, amounted to €3,210 million (€3,637 million at December 31, 2007), partially offset by payables of €2,655 million (€1,241 million at December 31, 2007).

25. Assets held for sale — *€5,251 million*

At December 31, 2008, this item included the assets related to the renewable energy operations of Endesa, as well as the assets related to the business units for high-voltage electricity distribution lines and gas distribution.

At December 31, 2007, the item included both the assets related to Endesa's renewable energy operations, as well as the assets held directly or indirectly by Endesa in Italy, France, Poland and Turkey and a number of additional assets in Spain related to discontinued operations sold to E.On ("Endesa Europa"), the assets related to Enel's investments in Enel Viesgo Generación, Enel Viesgo Servicios and Electra de Viesgo Distribución and the equity investments held by these companies within the discontinued operations sold to E.On.

The table below details assets held for sale, with the exception of the part acquired by Enel for the sole purpose of resale ("Endesa Europa"), which totaled €8,914 million at December 31, 2007.

	at Dec. 31, 2008	at Dec. 31, 2007	2008-2007
		Millions of euro	
Property, plant and equipment	4,061	2,850	1,211
Intangible assets	684	633	51
Goodwill	51	681	(630)
Deferred tax assets	63	90	(27)
Other non-current assets	139	168	(29)
Inventories	13	58	(45)
Trade receivables	50	124	(74)
Cash and cash equivalents	32	16	16
Other current assets	158	185	(27)
Total	**5,251**	**4,805**	**446**

Liabilities and shareholders' equity

26. Equity attributable to the shareholders of the Parent Company — *€20,398 million*

During 2008, 2,051,750 options that had been distributed under the stock option plans for 2003 and 2004 were exercised. The exercise of these options generated an increase of €12 million in equity through an increase in share capital of €2 million and in the share premium reserve of €10 million. In addition, with regard to the options exercised, the share premium reserves increased by a further €1 million as a result of the reclassification of the specific stock option reserve.

***Share capital** — €6,186 million*

Share capital at December 31, 2008, consisted of 6,186,419,603 fully subscribed and paid-up ordinary shares with a par value of €1.00 each (6,184,367,853 shares at December 31, 2007).

At the same date, based on the shareholders register and other available information, no shareholders held more than 2% of the total share capital, apart from the Ministry for the Economy and Finance, which holds 21.1%, its subsidiary Cassa Depositi e Prestiti, which holds 10.1%, and Barclays Global Investor UK Holding Ltd, with 2.2%.

***Other reserves** — €3,329 million*

***Share premium reserve** — €662 million*

The change for the year reflects the exercise of stock options by beneficiaries.

***Legal reserve** — €1,453 million*

***Other reserves** — €2,255 million*

These include €2,215 million related to the remaining portion of the value adjustments carried out when Enel was transformed from a public entity to a joint-stock company.

Pursuant to Article 47 of the Uniform Tax Code (*Testo Unico Imposte sul Reddito*), this amount does not constitute taxable income when distributed.

***Foreign currency translation reserve** — €(1,247) million*

The decrease in this aggregate for the year is attributable to the appreciation of the functional currency against the foreign currencies used by subsidiaries.

***Reserve from measurement of financial instruments** — €206 million*

This item includes net gains recognized directly to equity resulting from the measurement of cash flow hedging derivatives, as well as unrealized gains arising in respect of the fair value measurement of financial assets. At December 31, 2007, the balance included €35 million comprising reserves of discontinued operations in respect of unrealized gains related to the measurement of financial assets at fair value in the amount of €31 million and net gains recognized directly in equity from the measurement of hedging derivatives in the amount of €4 million.

The table below shows the changes in gains and losses recognized directly in equity, including minority interests, net of the related tax effects.

	at Dec. 31, 2007	Gains/(Losses) recognized in equity for the year	Released to income statement	Change in scope of consolidation	at Dec. 31, 2008
			Millions of euro		
Reserve for fair value of cash flow hedging, effective portion	272	(470)	162	(4)	(40)
Reserve for fair value of financial investments held for sale	233	(80)	—	(29)	124
Reserve for foreign exchange differences	(147)	(1,869)	—	—	(2,016)
Total gains/(losses) recognized in equity	**358**	**(2,419)**	**162**	**(33)**	**(1,932)**

The change in the scope of consolidation refers to the reserves from the measurement of financial instruments related to the companies of the Viesgo Group in existence as of the date of their disposal.

The net deferred tax items calculated on the balance at December 31, 2008, came to a positive €237 million (compared with a negative €94 million at December 31, 2007). The €331 million change for the period is due to €457 million in positive net deferred tax items related to changes in fair value recognized directly as equity, €140 million in negative net deferred tax items related to the change in reserves released to the income statement for the year, and a positive €14 million in the tax effects related to the measurement reserves related to the change in the scope of consolidation.

In the pursuit of its objectives in managing its capital, the Group seeks to create value for shareholders, safeguard the interests of stakeholders and preserve business continuity, as well as maintaining an adequate level of capitalization that ensures economic access to external sources of financing in order to support the development of Group operations appropriately.

Statement of changes in equity

	Share capital and reserves attributable to the shareholders of the Parent Company										
	Share capital	Share premium reserve	Legal reserve	Other reserves	Retained earnings	Translation of financial statements in currencies other than euro	Reserve from measurement of financial instruments(1)	Net income for the period	Equity attributable to the shareholders of the Parent Company	Equity attributable to minority interests	Total shareholders' equity
	Millions of euro										
at January 1, 2007	6,176	607	1,453	2,245	5,934	81	163	1,801	18,460	565	19,025
Exercise of stock options	8	44	—	(2)	—	—	—	—	50	—	50
Stock option charges	—	—	—	7	—	—	—	—	7	—	7
Change in scope of consolidation	—	—	—	—	—	—	—	—	—	6,531	6,531
Allocation of net income from the previous year	—	—	—	—	1,801	—	—	(1,801)	—	—	—
Dividends	—	—	—	—	(1,793)	—	—	—	(1,793)	(150)	(1,943)
Interim dividend for 2007(2)	—	—	—	—	—	—	—	(1,237)	(1,237)	—	(1,237)
Net income for the year recognized in equity	—	—	—	—	—	(180)	316	—	136	(82)	54
Net income for the year related to assets held for sale and recognized in equity	—	—	—	—	—	—	14	—	14	1	15
Net income for period recognized in income statement	—	—	—	—	—	—	—	3,916	3,916	215	4,131
at December 31, 2007	6,184	651	1,453	2,250	5,942	(99)	493	2,679	19,553	7,080	26,633
Exercise of stock options	2	11	—	(1)	—	—	—	—	12	—	12
Stock option charges	—	—	—	6	—	—	—	—	6	—	6
Capital increases	—	—	—	—	—	—	—	—	—	7	7
Change in scope of consolidation	—	—	—	—	—	—	(33)	—	(33)	(706)	(739)
Allocation of net income from the previous year	—	—	—	—	2,679	—	—	(2,679)	—	—	—
Dividends	—	—	—	—	(1,794)	—	—	—	(1,794)	(370)	(2,164)
Interim dividend for 2008(3)	—	—	—	—	—	—	—	(1,237)	(1,237)	—	(1,237)
Net income for period recognized in equity	—	—	—	—	—	(1,148)	(254)	—	(1,402)	(855)	(2,257)
Net income for period recognized in income statement	—	—	—	—	—	—	—	5,293	5,293	741	6,034
at December 31, 2008	6,186	662	1,453	2,255	6,827	(1,247)	206	4,056	20,398	5,897	26,295

(1) The balance at December 31, 2007 includes €35 million in respect of "assets held for sale."

(2) Authorized by the Board of Directors on September 5, 2007 with the ex dividend date set at November 19, 2007 and payment as from November 22, 2007.

(3) Authorized by the Board of Directors on September 11, 2008 with the ex dividend date set at November 24, 2008 and payment as from November 27, 2008.

Non-current liabilities

27. Long-term loans (including the portion falling due within 12 months) — *€54,155 million*

The aggregate includes long-term payables in respect of bonds, bank loans and other loans in euro and other currencies, including the portion falling due within twelve months.

The following table shows long-term debt and repayment schedules at December 31, 2008, grouped by loan and interest rate type.

	Maturing	Balance	Nominal value	Balance	Current portion	Portion falling due at more than 12 months	Maturing in				
	at Dec. 31, 2008			at Dec. 31, 2007			2010	2011	2012	2013	Beyond
					Millions of euro						
Bonds:											
- listed, fixed rate	2009-2097	13,787	13,889	15,185	1,778	12,009	241	1,258	955	1,498	8,057
- listed, floating rate	2009-2020	3,720	3,730	4,360	254	3,466	174	240	736	—	2,316
- unlisted, fixed rate	2009-2037	2,843	2,812	2,726	1	2,842	—	24	127	715	1,976
- unlisted, floating rate	2009-2032	2,262	2,262	2,127	331	1,931	79	56	58	59	1,679
Total		**22,612**	**22,693**	**24,398**	**2,364**	**20,248**	**494**	**1,578**	**1,876**	**2,272**	**14,028**
Bank loans:											
- fixed rate	2009-2046	470	473	279	78	392	53	31	13	39	256
- floating rate	2009-2028	24,676	24,746	27,491	511	24,165	11,498	662	8,690	404	2,911
- use of revolving credit lines	2009-2012	4,836	4,836	1,034	1	4,835	3,846	77	912	—	—
Total		**29,982**	**30,055**	**28,804**	**590**	**29,392**	**15,397**	**770**	**9,615**	**443**	**3,167**
Preference shares:											
- fixed rate		—	—	—	—	—	—	—	—	—	—
- floating rate	2013 (1)	973	1,006	966	—	973	—	—	—	—	973
Total		**973**	**1,006**	**966**	**—**	**973**	**—**	**—**	**—**	**—**	**973**
Non-bank loans:											
- fixed rate	2009-2029	431	431	576	132	299	85	51	37	91	35
- floating rate	2009-2028	157	157	140	24	133	19	14	3	25	72
Total		**588**	**588**	**716**	**156**	**432**	**104**	**65**	**40**	**116**	**107**
TOTAL		54,155	54,342	54,884	3,110	51,045	15,995	2,413	11,531	2,831	18,275

(1) The preference shares issued by Endesa Capital Finance LLC have a perpetual maturity with an option for early redemption at par beginning in 2013.

The balance for bonds is stated net of €391 million relating to the unlisted floating-rate "Special series of bonds reserved for employees 1994-2019," which the Parent Company holds in portfolio, while Enel.Re holds bonds issued by Enel SpA totaling €30 million.

The table below reports long-term financial debt by currency and interest rate.

Long-term financial debt by currency and interest rate

	at Dec. 31, 2008		at Dec. 31, 2007	at Dec. 31, 2008	
	Balance	Nominal value	Balance	Current average interest rate	Current effective interest rate
			Millions of euro		
Euro	**45,344**	**45,521**	**46,038**	**4.03%**	**4.16%**
US dollar	5,237	5,227	4,855	6.42%	6.61%
Pound sterling	1,480	1,497	1,898	6.01%	6.11%
Japanese yen	158	159	218	3.25%	3.29%
Brazilian real	508	509	758	12.73%	12.73%
Colombian peso	615	615	586	12.28%	12.31%
Russian ruble	121	121	—	7.50%	7.50%
Other currencies	692	693	531		
Total non-euro currencies	**8,811**	**8,821**	**8,846**		
TOTAL	**54,155**	**54,342**	**54,884**		

Change in the nominal value of long-term debt

	at Dec. 31, 2007 Nominal value	Repayments	Change in own bonds	Change in scope of consolidation	New financing	Exchange rate differences	Other changes	at Dec. 31, 2008 Nominal value
	Millions of euro							
Bonds	26,553	(2,286)	65	136	347	(193)	(1,929)	22,693
Bank loans	28,883	(3,238)	—	10	4,438	(47)	9	30,055
Preference shares	1,006	—	—	—	—	—	—	1,006
Other loans	717	(261)	—	—	3	—	129	588
Total financial debt	**57,159**	**(5,785)**	**65**	**146**	**4,788**	**(240)**	**(1,791)**	**54,342**

The nominal value of long-term debt at December 31, 2008, decreased by a total of €2,817 million compared with December 31, 2007. The decline of €1,791 million in respect of other changes is essentially attributable to the redefinition of the notional value of a number of items mainly related to a portion of Endesa's debt (the main effects of which were seen in the value of the zero coupon bonds).

The main repayments and redemptions for the period concerned bonds in the amount of €2,286 million, the repayment of bank loans in the amount of €3,238 million, as well as of non-bank loans in the amount of €261 million.

More specifically, the main bonds maturing in 2008 included:

€1,000 million related to a public fixed-rate bond issued by Enel SpA maturing on October 13, 2008;

$400 million (pertaining to Enel: €168 million as of the redemption date) related to a fixed-rate bond issued by Endesa Chile maturing in July 2008;

€400 million (pertaining to Enel: €268 million as of the redemption date) related to a public floating-rate bond issued by Endesa Capital SA maturing in September 2008;

€250 million (pertaining to Enel: €168 million as of the redemption date) related to a public floating-rate bond issued by Endesa Capital SA maturing in September 2008;

€200 million (pertaining to Enel: €134 million as of the redemption date) related to a public floating-rate bond issued by Endesa Capital SA maturing in September 2008.

Repayments of bank loans made during the year were the following:

€2,063 million related to reduced drawings on the committed lines of credit by Endesa SA (consolidated at €1,384 million);

€257 million related to reduced drawings on the committed lines of credit by Slovenské elektrárne;

€527 million as a result of the mandatory repayment of the syndicated line of credit, with an original amount of €35 billion, following the disposal of the Viesgo Group. Following the transaction, the nominal value of the credit facility is currently €18,694 million (€10,866 million of which related to the 36-month tranche and €7,828 million to the 60-month tranche);

€391 million related to other bank loans of Group companies maturing in 2008.

New issues primarily regarded:

the issue by Enel SpA of two additional tranches of a bond placed privately with leading Italian insurance companies in the amount of €97 million maturing in 2026;

the issue by Endesa Chile of a bond in the amount of CLF 10 million (pertaining to Enel: €162 million as at the issue date) maturing in 2029;

the receipt by Endesa SA of an EIB loan in the amount of €300 million for investments in the Spanish distribution network, which was disbursed in its entirety as of December 31, 2008.

Among the main financing transactions of 2008, the 5-year revolving credit line of €5 billion (which is renewable for a further two years) granted in November 2005 to Enel SpA was drawn in the amount of €3,773 million at December 31, 2008 (an increase of €3,073 million over December 31, 2007).

The most significant financing agreements signed in 2008 include the following:

the renewal on July 18, 2008 of the Global Medium-Term Notes program in the amount of €25 billion, with Enel SpA and Enel Finance International in the role of issuers;

the renewal in June 2008 of the Global Medium-Term Notes program in the amount of €5 billion, with Endesa Capital SA in the role of issuer.

OGK-5 and Electrica Muntenia Sud were consolidated in 2008, including the related long-term debt totaling €140 million.

The following table compares the carrying amount and the fair value of long-term debt, including the portion falling due within twelve months, broken down by category. For debt instruments traded on regulated markets, the fair value is given by official prices. For instruments not traded on a regulated market the fair value is determined using appropriate valuation models for each category of financial instrument and market data and credit spreads for the closing date of the year.

	at Dec. 31, 2008		at Dec. 31, 2007	
	Carrying amount	Fair value	Carrying amount	Fair value
	Millions of euro			
Bonds:				
- fixed rate	16,630	16,537	17,911	18,084
- floating rate	5,982	5,668	6,487	6,463
Total	**22,612**	**22,205**	**24,398**	**24,547**
Bank loans:				
- fixed rate	470	427	279	355
- floating rate	29,512	28,857	28,525	28,536
Total	**29,982**	**29,284**	**28,804**	**28,891**
Preference shares:				
- fixed rate	—	—	—	—
- floating rate	973	1,006	966	1,005
Total	**973**	**1,006**	**966**	**1,005**
Non-bank loans:				
- fixed rate	431	409	576	277
- floating rate	157	149	140	38
Total	**588**	**558**	**716**	**315**
TOTAL	**54,155**	**53,053**	**54,884**	**54,758**

The following tables show the changes in long-term loans for the year, distinguishing current from non-current portions.

Long-term loans (excluding current portion)

	Carrying amount		
	at Dec. 31, 2008	at Dec. 31, 2007	2008-2007
	Millions of euro		
Bonds:			
- fixed rate	14,851	16,608	(1,757)
- floating rate	5,397	5,757	(360)
Total	**20,248**	**22,365**	**(2,117)**
Bank loans:			
- fixed rate	392	225	167
- floating rate	29,000	28,118	882
Total	**29,392**	**28,343**	**1,049**
Preference shares:			
- fixed rate	—	—	—
- floating rate	973	966	7
Total	**973**	**966**	**7**
Non-bank loans:			
- fixed rate	299	398	(99)
- floating rate	133	83	50
Total	**432**	**481**	**(49)**
TOTAL	**51,045**	**52,155**	**(1,110)**

Current portion of long-term loans

	Carrying amount		
	at Dec. 31, 2008	at Dec. 31, 2007	2008-2007
	Millions of euro		
Bonds:			
- fixed rate	1,779	1,303	476
- floating rate	585	730	(145)
Total	**2,364**	**2,033**	**331**
Bank loans:			
- fixed rate	78	54	24
- floating rate	512	407	105
Total	**590**	**461**	**129**
Non-bank loans:			
- fixed rate	132	178	(46)
- floating rate	24	57	(33)
Total	**156**	**235**	**(79)**
TOTAL	**3,110**	**2,729**	**381**

At December 31, 2008, 66% (67% at December 31, 2007) of net financial debt paid floating interest rates. Taking account of cash flow hedges for interest rate risk considered effective under the provisions of the IFRS-EU, exposure to interest rate risk at December 31, 2008 was 45% (54% at December 31, 2007). If account is also taken of interest rate derivatives used as hedges but which do not qualify for hedge accounting, the residual exposure of net financial debt to interest rate risk falls even lower, to 42% (53% at December 31, 2007).

The Group's main long-term financial debts are governed by covenants containing undertakings by the borrowers (Enel SpA, Endesa and the other Group companies) and in some cases Enel SpA as guarantor that are commonly adopted in international business practice. The main covenants governing Enel's debt regard the bond issues carried out within the framework of the Global Medium-Term Notes program, loans granted by the European Investment Bank (EIB), the €5 billion revolving line of credit and the €35 billion syndicated line of credit. To date none of the covenants have been triggered.

The commitments in respect of the bond issues in the Global Medium-Term Notes program can be summarized as follows:

(uu) negative pledge clauses under which the issuer may not establish or maintain (except under statutory requirement) mortgages, liens or other encumbrances on all or part of its assets to secure any listed bond or bond for which listing is planned unless the same guarantee is extended equally or pro rata to the bonds in question;

(vv) pari passu clauses, under which the securities constitute a direct, unconditional and unsecured obligation of the issuer and are issued without preferential rights among them and have at least the same seniority as other present and future bonds of the issuer;

(ww) specification of default events, whose occurrence (e.g. insolvency, failure to pay principle or interest, initiation of liquidation proceedings, etc.) constitutes a default; under cross-default clauses, the occurrence of a default event in respect of any financial liability (above a threshold level) issued by the issuer or "significant" subsidiaries (i.e. consolidated companies whose gross revenues or total assets are at least 10% of gross consolidated revenues or total consolidated assets) constitutes a default in respect of the liability in question, which becomes immediately repayable;

(xx) early redemption clauses in the event of new tax requirements, which permit early redemption at par of all outstanding bonds.

The main covenants governing the loans granted by the EIB can be summarized as follows:

(yy) negative pledge clauses, under which the issuer undertakes not to establish or grant to third parties additional guarantees or privileges with respect to those already established in the individual contracts by the company or subsidiaries of the Enel Group, unless an equivalent guarantee is extended equally or pro rata to the loans in question;

(zz) clauses that require the guarantor (whether Enel SpA or banks acceptable to the EIB) to maintain its rating above a specified grade; in the case of guarantees provided by Enel SpA, the Group's equity may not fall below a specified level;

(aaa) material changes clauses, under which the occurrence of a specified event (mergers, spin-offs, disposal or transfer of business units, changes in company control structure, etc.) gives rise to the consequent adjustment of the contract, without which the loan shall become repayable immediately without payment of any commission;

(bbb) requirements to report periodically to the EIB;

(ccc) requirement for insurance coverage and maintenance of property, possession and use of the works, plant and machinery financed by the loan over the entire term of the agreement;

(ddd) contract termination clauses, under which the occurrence of a specified event (serious inaccuracies in documentation presented in support of the contract, failure to repay at maturity, suspension of payments, insolvency, special administration, disposal of assets to creditors, dissolution, liquidation, total or partial disposal of assets, declaration of bankruptcy or composition with creditors or receivership, substantial decrease in equity, etc.) triggers immediate repayment.

The main covenants for the €35 billion syndicated line of credit and for the €5 billion revolving line of credit are substantially similar and can be summarized as follows:

(eee) negative pledge clauses under which the borrower (and its significant subsidiaries) may not establish or maintain (with the exception of permitted guarantees) mortgages, liens or other encumbrances on all or part of its assets to secure any present or future financial liability;

(fff) pari passu clauses, under which the payment undertakings constitute a direct, unconditional and unsecured obligation of the borrower and bear no preferential rights among them and have at least the same seniority as other present and future loans;

(ggg) change of control clause (which is triggered in the event (i) control of Enel is acquired by one or more parties other than the Italian state or (ii) Enel or any of its subsidiaries transfer a substantial portion of the Group's assets to parties outside the Group such that the financial reliability of the Group is significantly compromised. The occurrence of one of the two circumstances may give rise to (a) the renegotiation of the terms and conditions of the financing or (b) compulsory early repayment of the financing by the borrower);

(hhh) specification of default events, whose occurrence (e.g. failure to make payment, breach of contract, false statements, insolvency or declaration of insolvency by the borrower or its significant subsidiaries, business closure, government intervention or nationalization, administrative proceeding with potential negative impact, illegal conduct, nationalization and government expropriation or compulsory acquisition of the borrower or one of its significant subsidiaries) constitutes a default. Unless remedied within a specified period of time, such default will trigger an obligation to make immediate repayment of the loan under an acceleration clause, under cross-default clauses; the occurrence of a default event in respect of any financial liability (above a threshold level) of the issuer or "significant" subsidiaries (i.e. consolidated companies whose gross revenues or total assets are equal to a specified percentage — 10% for the €35 billion syndicated credit line and 15% for the €5 billion revolving credit line — of gross consolidated revenues or total consolidated assets) constitutes a default in respect of the liability in question, which becomes immediately repayable;

(iii) periodic reporting requirements.

The €35 billion syndicated credit line also provides for the following covenants:

(jjj) mandatory prepayment clauses, under which the occurrence of a specified event (e.g. the issue of instruments on the capital market, new bank loans, stock issues or asset disposals) obliges the borrower to repay the related funds in advance at specific declining percentages based on the extent to which the line of credit has been drawn;

(kkk) a gearing clause, under which, at the end of each measurement period, consolidated net financial debt must not exceed a given multiple of the consolidated EBITDA;

(lll) a "subsidiary financial indebtedness" clause, under which the net aggregate amount of the financial debt of Enel's subsidiaries (with the exception of the debt of "permitted subsidiaries") must not exceed a given percentage of gross consolidated assets.

Endesa's main long-term loans also contain covenants commonly adopted in international business practice.

The main covenants on Endesa's debt regard loans granted by the EIB, bond issues carried out under the Global Medium-Term Notes program, project financing and loans to Enersis and Endesa Chile.

The main covenants governing the loans granted by the EIB can be summarized as follows:

(mmm) clauses that require the rating to be kept above a specified grade;

(nnn) clauses requiring prior authorization by the EIB in the case of the transfer of Endesa assets (where the related gross revenues or total assets are equal to at least 10% of gross revenues or 7% of total consolidated assets).

The undertakings in respect of the bond issues carried out by Endesa Capital SA under the Global Medium-Term Notes program can be summarized as follows:

(ooo) cross-default clauses under which debt repayment would be accelerated in the case of failure to make payment (above a specified amount) on any financial liability of Endesa SA or Endesa Capital SA that is listed or could be listed on a regulated market;

(ppp) negative pledge clauses under which the issuer may not establish mortgages, liens or other encumbrances on all or part of its assets to secure any financial liability that is listed or could be listed on a regulated market (of which at least 50% initially held by foreign parties outside the Kingdom of Spain), unless an equivalent guarantee is extended equally or pro rata to the bonds in question;

(qqq) pari passu clauses, under which the securities and guarantees have at least the same seniority as all other present and future unsecured and unsubordinated securities issued by Endesa Capital or Endesa SA.

Finally, the main loans granted to Endesa, International Endesa BV and Endesa Capital do not contain cross-default clauses regarding the debt of subsidiaries in Latin America and Endesa Italia.

Undertakings in respect of project financing granted to subsidiaries regarding renewables and other subsidiaries in Latin America contain covenants commonly adopted in international business practice. The main commitments regard clauses pledging all the assets assigned to the projects in favor of the creditors.

A significant portion of the debt of Enersis and Endesa Chile (both controlled indirectly by Endesa) is subject to cross-default clauses under which the occurrence of a default event (failure to make payment or breach of other obligations) in respect of any financial liability of a subsidiary of Enersis or Endesa Chile constitutes a default in respect of the liability in question, which becomes immediately repayable.

In general, the cross-default provisions are triggered in the event of defaults exceeding $30 million. In addition, many of these agreements also contain cross-acceleration clauses that are triggered by specific circumstances, certain government actions, insolvency or judicial expropriation of assets.

Pursuant to the Consob instructions of July 28, 2006, the following table reports the net financial position at December 31, 2007 and 2008, reconciled with net financial debt.

	at Dec. 31, 2008	at Dec. 31, 2007	2008-2007
	Millions of euro		
Cash and cash equivalents	10	68	(58)
Bank and post office deposits	5,096	1,166	3,930
Securities	73	101	(28)
Liquidity	**5,179**	**1,335**	**3,844**
Short-term financial receivables	694	97	597
Factoring receivables	367	205	162
Short-term portion of long-term financial receivables	524	1,402	(878)
Current financial receivables	**1,585**	**1,704**	**(119)**
Short-term bank debt	(1,564)	(1,260)	(304)
Commercial paper	(3,792)	(3,893)	101
Short-term portion of long-term bank debt	(590)	(461)	(129)
Drawings on revolving credit lines	(14)	(20)	6
Bonds (short-term portion)	(2,364)	(2,033)	(331)
Other loans (short-term portion)	(156)	(235)	79
Other short-term financial payables	(97)	(112)	15
Total short-term financial debt	**(8,577)**	**(8,014)**	**(563)**
Net short-term financial position	**(1,813)**	**(4,975)**	**3,162**
Debt to banks and financing entities	(29,392)	(28,343)	(1,049)
Bonds	(20,248)	(22,365)	2,117
Preference shares	(973)	(966)	(7)
Other loans	(432)	(481)	49
Net long-term financial position	**(51,045)**	**(52,155)**	**1,110**
NET FINANCIAL POSITION as per Consob communication	**(52,858)**	**(57,130)**	**4,272**
Long-term financial receivables and securities	**2,891**	**1,339**	**1,552**
NET FINANCIAL DEBT	**(49,967)**	**(55,791)**	**5,824**

28. Post-employment and other employee benefits — *€2,910 million*

The Group provides its employees with a variety of benefits, including termination benefits, additional months' pay for having reached age limits or eligibility for old-age pension, loyalty bonuses for achievement of seniority milestones, supplementary pension and healthcare plans, residential electricity discounts and similar benefits.

The item "Post-employment and other employee benefits" regards estimated accruals made to cover benefits due at the time the employment relationship is terminated and other long-term benefits to which employees have a statutory or contractual right as well as post-employment benefits.

The table below reports the change for the year in actuarial liabilities and the fair value of plan assets, as well as a reconciliation of the actuarial liabilities, net of assets, with the carrying amount of liabilities recognized as at December 31, 2008 and December 31, 2007.

	Benefits due upon termination of employment and other long-term benefits		Post-employment benefits under defined-benefit plans	
	2008	2007	2008	2007
	Millions of euro			
Changes in actuarial liabilities:				
Actuarial liabilities at the beginning of the year	1,608	1,723	2,189	1,202
Service cost	21	17	20	10
Interest cost	73	77	114	65
Benefits paid	(128)	(204)	(125)	(82)
Other changes	(9)	28	15	31
Changes in scope of consolidation	46	313	11	984
Actuarial (gains)/losses	18	(54)	(37)	51
Foreign exchange (gains)/losses	(1)	1	(83)	3
Reclassification to "Liabilities held for sale"	(21)	(293)	(2)	(75)
Actuarial liability at the end of the year	1,607	1,608	2,102	2,189
Changes in plan assets:				
Fair value at the beginning of the year	—	295	856	23
Change in scope of consolidation	—	—	—	846
Expected return on plan assets	—	13	52	17
Actuarial gains/(losses)	—	(32)	(107)	(2)
Contributions paid by company	—	6	23	10
Other changes	—	1	(13)	3
Foreign exchange (gains)/losses	—	—	(60)	(3)
Benefits paid	—	(18)	(57)	(14)
Reclassification to "Liabilities held for sale"	—	(265)	—	(24)
Fair value at the end of the year	—	—	694	856
Reconciliation with carrying amount:				
Net actuarial liabilities at the end of the year	1,607	1,608	1,408	1,333
Unrecognized (gains)/losses	(14)	(47)	119	68
Carrying amount of liabilities at the end of the year	**1,621**	**1,655**	**1,289**	**1,265**

Of amount in respect of the change in the scope of consolidation, €16 million refers to the Romanian firms Enel Distributie Muntenia and Enel Energie Muntenia and €41 million to the Russian power generation company OGK-5, while the reclassification to liabilities held for sale refers entirely to the estimated actuarial liabilities for post-employment and other benefits for the gas distribution network.

The employees of the Endesa Group in Spain included in the framework agreement of October 25, 2000 participate in a specific defined-contribution pension plan and, in cases of disability or death of employees in service, a defined-benefit plan which is covered by appropriate insurance policies. In addition, the company has certain obligations to retired ex-workers, mainly concerning the supply of electricity. Outside Spain, defined-benefit pension plans are also in force, especially in Brazil.

The liabilities recognized at the end of the year are reported net of the fair value of the plan assets (where this is not greater than that of the related liabilities), which are attributable entirely to Endesa in the amount of €694 million as at December 31, 2008, and of the net unrecognized actuarial losses in the amount of €105 million. The expected return used in estimating the fair value of the plan assets varies from 3.6% to 12.1% depending on the country involved and the nature of the assets backing the plan.

The following table reports the impact of employee benefits on the income statement.

	Benefits due on termination of employment and other long-term benefits		Post-employment benefits under defined-benefit plans	
	2008	2007	2008	2007
	Millions of euro			
Service cost	21	17	20	10
Interest cost	73	76	114	65
Expected return on plan assets	—	(13)	(52)	(17)
Amortization of actuarial (gains)/losses	(4)	(4)	(1)	3
Amortization of past benefit costs	—	—	3	—
(Gains)/Losses for reduction or cancellation of plans	(15)	(2)	—	—
Total	**75**	**74**	**84**	**61**

Employee benefit expenses recognized in 2008 came to €159 million (€135 million in 2007), of which €135 million in respect of accretion cost recognized under interest cost (€111 million in 2007) and €24 million recognized under personnel costs.

The main actuarial assumptions used to calculate the liabilities in respect of employee benefits are set out in the following table.

	2008		2007	
	Italy	Abroad	Italy	Abroad
Discount rate	4.8%	4.4% - 12.9%	4.6%	4.2% - 12.1%
Rate of wage increases[1]	3.5%	2.3% - 9.5%	3.0%	2.5% - 6.1%
Rate of increase in healthcare costs[1]	3.5%	6.0%	3.0%	2.5%

(1) From 2011 onward, the nominal rate of wage increases and healthcare costs for Italy was assumed to be 3.0% (1% in real terms).

29. Provisions for risks and charges — *€6,922 million*

	at Dec. 31, 2007		Taken to income statement	Changes in scope of consolidation	Utilization and other changes	Reclassification to 'Liabilities held for sale'	at Dec. 31, 2008	
	VI.	Accruals					VII.	VIII. of which short term
	Millions of euro							
Provision for litigation, risks and other charges:								
- nuclear decommissioning	2,468	201	—	—	214	—	2,883	*126*
- non-nuclear plant retirement and site restoration	360	39	—	—	3	—	402	*8*
- litigation	571	191	(20)	—	(85)	(3)	654	*46*
- CO_2 emissions charges	—	10	—	—	—	—	10	*10*
- other	1,547	528	(138)	14	(131)	(2)	1,818	*587*
Total	**4,946**	**969**	**(158)**	**14**	**1**	**(5)**	**5,767**	***777***
Provision for early-retirement incentives	1,516	232	(20)	—	(571)	(2)	1,155	*253*
TOTAL	**6,462**	**1,201**	**(178)**	**14**	**(570)**	**(7)**	**6,922**	***1,030***

Nuclear decommissioning provision

The nuclear decommissioning provision includes the following:

(rrr) €2,696 million (€2,300 million at December 31, 2007) for the V1 and V2 plants at Jasklovske Bohunice and the EMO 1 and 2 plants at Mochovce, and also includes the provision for nuclear waste disposal in the amount of €271 million (€270 million at December 31, 2007), the provision for spent nuclear waste disposal in the amount of €1,547 million (€1,303 million at December 31, 2007), and the provision for nuclear plant disposal in the amount of €878 million (€727 million at December 31, 2007). The estimated timing of the outlays described above takes account of current knowledge of environmental regulations, the amount of time used to estimate the costs, and the difficulties presented by the extremely long time span over which such costs could arise. The charges covered by the provisions are reported at their present value using discount rates of between 4.15% and 4.55%;

€187 million (€169 million at December 31, 2007) for the costs to be incurred at the time of disposal of nuclear plants by Enresa, a Spanish public enterprise responsible for such activities in accordance with Royal Decree 1349/03 and Law 24/05. Quantification of the costs is based on the standard contract between Enresa and the electricity companies approved by the Ministry for the Economy in September 2001, which regulates the retirement and closing of nuclear power plants. The time horizon envisaged, three years, corresponds to the period from the termination of power generation to the transfer of plant management to Enresa (post-operational costs).

Non-nuclear plant retirement and restoration provision

The provision for "non-nuclear plant retirement and site restoration" represents the present value of the estimated cost for the retirement and removal of non-nuclear plants where there is a legal or constructive obligation to do so.

Litigation provision

The "litigation" provision covers contingent liabilities that could arise in respect of pending litigation and other disputes. It includes an estimate of the potential liability relating to disputes that arose during the period, as well as revised estimates of the potential costs associated with disputes initiated in prior periods. The estimates are based on the opinions of internal and external legal counsel.

Other provisions

"Other" provisions refer to various risks and charges, mainly in connection with regulatory disputes and disputes with local authorities regarding various duties and fees.

Provision for early-retirement incentives

The "provision for early-retirement incentives" includes the estimated charges related to binding agreements for the voluntary termination of employment contracts in response to organizational needs.

30. Non-current financial liabilities — *€2,608 million*

At December 31, 2008, this item includes €1,638 million (€667 at December 31, 2007) in respect of the fair value measurement of cash flow and fair value hedge derivatives and €970 million (€1,004 million at December 31, 2007) in respect of the fair value measurement of the put option granted to Acciona in the agreement with Enel signed on March 26, 2007. The value of the option was estimated using the same measurement criteria and model used in previous periods.

The following table reports the notional value and fair value of the cash flow and fair value hedge derivatives.

	Notional		Fair value		
	at Dec. 31, 2008	at Dec. 31, 2007	at Dec. 31, 2008	at Dec. 31, 2007	2008-2007
	Millions of euro				
Cash flow hedge derivatives:					
- interest rates	11,569	2,854	483	50	433
- exchange rates	2,542	5,083	1,027	487	540
- commodities	422	—	118	—	118
Total	**14,533**	**7,937**	**1,628**	**537**	**1,091**
Fair value hedge derivatives:					
- interest rates	14	312	1	16	(15)
- exchange rates	173	570	9	114	(105)
Total	**187**	**882**	**10**	**130**	**(120)**
TOTAL	**14,720**	**8,819**	**1,638**	**667**	**971**

At December 31, 2008, the notional value of the cash flow hedge derivatives on interest rates and exchange rates classified under non-current financial assets came to €14,533 million, with the corresponding fair value at €1,628 million.

Cash flow hedge derivatives on interest rates in effect at December 31, 2008 were essentially composed of interest rate hedges on a number of long-term floating-rate loans. The increase in the amount and related negative fair value of the cash flow hedge derivatives on interest rates is primarily due to the decline in interest rates during the fourth quarter of 2008 — especially in short and medium-term segments of the yield curve (6-month Euribor of 2.97% at the end of 2008, compared with 4.71% at the end of 2007, while the 5-year euro swap rate at the end of 2008 was 3.25%, compared with 4.55% at the end of 2007) — which led to the reclassification of a portion of the transactions that were recognized under non-current financial assets at December 31, 2007 to non-current financial liabilities, as well as to new cash flow hedge derivatives (interest rate swaps and collars) to hedge the interest rate exposure on Enel SpA debt contracted in 2007 in respect of the syndicated line of credit with an original value of €35 billion.

The cash flow hedge derivatives on exchange rates are essentially related to transactions hedging the £1.1 billion tranche of the bond issued as part of the Global Medium-Term Notes program on June 13, 2007. The increase in fair value is due to the weakening of the pound against the euro, particularly in the last two months of 2008.

Commodity derivates are mainly related to:

(sss) cash flow hedge derivatives on coal, with a fair value of €116 million;

(ttt) energy swaps by Endesa with a fair value of €2 million and classified as cash flow hedges.

31. Other non-current liabilities — *€3,431 million*

	at Dec. 31, 2008	at Dec. 31, 2007	2008-2007
	Millions of euro		
Deferred operating liabilities	3,373	3,018	355
Other items	58	315	(257)
Total	**3,431**	**3,333**	**98**

At December 31, 2008, this item essentially consisted of revenues for electricity and gas connections and grants received for specific assets.

Current liabilities

32. Short-term loans — *€5,467 million*

At December 31, 2008, short-term loans totaled €5,467 million, an increase of €182 million over December 31, 2007, as detailed below:

	at Dec. 31, 2008		at Dec. 31, 2007		2008-2007	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
			Millions of euro			
Short-term amounts due to banks	1,578	1,578	1,280	1,280	298	298
Commercial paper	3,792	3,792	3,893	3,893	(101)	(101)
Other short-term financial payables	97	97	112	112	(15)	(15)
Short-term financial debt	**5,467**	**5,467**	**5,285**	**5,285**	**182**	**182**

Short-term amounts due to banks, in the amount of €1,578 million at the end of 2008, include a €1,000 million draw on committed lines of credit obtained by Enel SpA in October 2008. The 12-month tranche of the €35 billion syndicated line of credit expired in April 2008 and was not renewed.

The payables represented by commercial paper relate to issues outstanding at the end of 2008 in the context of the €4,000 million program launched in November 2005 by Enel Finance International and guaranteed by Enel SpA, as well as the €2,000 million program of Endesa International BV (now Endesa Latinoamérica) and €2,000 million program of Endesa Capital SA.

At December 31, 2008, issues under these programs totaled €3,792 million, of which €2,425 million by Enel Finance International, €1,151 million by Endesa International BV (now Endesa Latinoamérica) and consolidated at €772 million, and €887 million by Endesa Capital SA (consolidated at €595 million). The nominal value of the commercial paper is €3,823 million and is denominated in the following currencies: euros (€3,738 million); pounds sterling (the equivalent of €22 million); US dollars (the equivalent of €52 million), and Swiss francs (the equivalent of €11 million). The exchange rate risk in respect of currencies other than the euro is fully hedged by currency swaps.

33. Trade payables — *€10,600 million*

This item totaled €10,600 million, an increase of €978 million compared with December 31, 2007, and includes payables for the supply of electricity, fuel, materials and equipment for tenders and sundry services.

34. Current financial liabilities — *€2,959 million*

	at Dec. 31, 2008	at Dec. 31, 2007	2008-2007
		Millions of euro	
Deferred financial liabilities	705	609	96
Derivative contracts	2,221	930	1,291
Other items	33	22	11
Total	**2,959**	**1,561**	**1,398**

The following table shows the notional value and fair value of the derivative contracts.

	Notional		Fair value		
	at Dec. 31, 2008	at Dec. 31, 2007	at Dec. 31, 2008	at Dec. 31, 2007	2008-2007
	Millions of euro				
Cash flow hedge derivatives:					
- interest rates	844	46	3	—	3
- exchange rates	171	344	8	52	(44)
- commodities	1,377	1,021	247	38	209
Total	**2,392**	**1,411**	**258**	**90**	**168**
Fair value hedge derivatives:					
- interest rates	270	—	22	—	22
- exchange rates	214	33	41	4	37
Total	**484**	**33**	**63**	**4**	**59**
Trading derivatives:					
- interest rates	1,756	1,911	97	38	59
- exchange rates	1,367	3,739	61	125	(64)
- commodities	6,745	2,390	1,742	673	1,069
- other	—	30	—	—	—
Total	**9,868**	**8,070**	**1,900**	**836**	**1,064**
TOTAL	**12,744**	**9,514**	**2,221**	**930**	**1,291**

The increase in cash flow hedge derivatives on interest rates concerns hedging transactions expiring in the next twelve months that have been reclassified from non-current financial liabilities.

Trading derivatives essentially include transactions entered into for hedging purposes, but which do not qualify for hedge accounting as defined by the IFRSs. The decrease in the amount of exchange rate derivatives classified as trading derivatives is due mainly to the expiration of existing transactions during the year and the establishment of new hedges which are eligible for treatment as cash flow hedges, which were classified as current assets at the end of 2008.

Commodity derivates are mainly related to:

(uuu) commodity derivatives on fuels, with a fair value of €863 million;

(vvv) embedded derivatives related to energy sale contracts in Slovakia, with a fair value of €532 million;

(www) trading transactions in energy and other commodities, with a fair value of €347 million;

(xxx) cash flow hedges on coal, with a fair value of €219 million;

(yyy) cash flow hedge derivatives on energy, with a fair value of €25 million;

(zzz) two-way contracts for differences classified as cash flow hedges, with a fair value of €3 million.

35. Other current liabilities — *€7,198 million*

	at Dec. 31, 2008	at Dec. 31, 2007	2008-2007
	Millions of euro		
Payables due to customers	1,539	1,537	2
Payables due to the Electricity Equalization Fund and similar bodies	2,655	1,241	1,414
Payables due to employees	379	571	(192)
Other tax payables	965	490	475
Social security payables	178	177	1
Other	1,482	1,279	203
Total	**7,198**	**5,295**	**1,903**

"Payables due to customers" include €715 in security deposits (€754 million at December 31, 2007) related to amounts received from customers as part of electricity and gas supply contracts. Following the finalization of the contract, deposits for electricity sales, the use of which is not restricted in any way, are classified as current liabilities given that the company does not have an unconditional right to defer repayment beyond twelve months.

"Payables due to Electricity Equalization Fund and similar bodies" include payables related to the application of equalization mechanisms for the purchase of electricity in Italy and Spain. The change in the year reflects, as from 2008, the measures set out in Spain's Decree Law 11/2007 concerning energy trading on the Spanish market. The decree provides for the regulator to recoup the value of CO_2 emissions allowances assigned free of charge under Spain's 2008-2012 national allocation plan from the remuneration of generation activities.

"Other" comprises the estimated liabilities recognized in 2008 in respect of the put options granted to minority shareholders of Electrica Muntenia Sud (now Enel Distributie Muntenia and Enel Energie Muntenia) in the amount of €435 million and of Marcinelle Energie in the amount of €29 million.

36. Liabilities held for sale — *€1,791 million*

At December 31, 2008, this item included the liabilities related to the renewable energy operations held by Endesa, as well as the liabilities related to the business units for high-voltage electricity distribution lines and gas distribution.

At December 31, 2007, the item included the liabilities related to Endesa's renewable energy operations, the liabilities held directly or indirectly by Endesa in Italy, France, Poland and Turkey and a number of additional activities in Spain included in the discontinued operations sold to E.On ("Endesa Europa"), the liabilities related to Enel's investments in Enel Viesgo Generación, Enel Viesgo Servicios and Electra de Viesgo Distribución and the equity investments held by these companies and sold to E.On in June 2008.

The table below details the liabilities held for sale, with the exception of the portion acquired by Enel for the sole purpose of resale ("Endesa Europa"), which totaled €1,853 million at December 31, 2007.

	at Dec. 31, 2008	at Dec. 31, 2007	2008-2007
		Millions of euro	
Long-term loans	334	119	215
Post-employment and other employee benefits	24	39	(15)
Provisions for risks and charges	24	49	(25)
Deferred tax liabilities	448	277	171
Other non-current liabilities	132	229	(97)
Short-term loans	515	1,241	(726)
Trade payables	244	349	(105)
Other current liabilities	70	183	(113)
Total	**1,791**	**2,486**	**(695)**

37. Related parties

As the main operator in the field of generation, transport and distribution of electricity in Italy, Enel provides services to a number of State-controlled companies. In the current regulatory framework, Enel concludes transactions with Terna — Rete Elettrica Nazionale (Terna), the Single Buyer, the Electricity Services Operator, and the Market Operator (each of which is controlled either directly or indirectly by the Ministry for the Economy and Finance).

Fees for the transport of electricity payable to Terna and certain charges paid to the Market Operator are determined by the Authority for Electricity and Gas.

Transactions relating to purchases and sales of electricity concluded with the Market Operator on the Power Exchange and with the Single Buyer are settled at market prices.

Companies of the Sales Division acquire electricity from the Single Buyer and settle the contracts for differences related to the allocation of CIP 6 energy with the Electricity Services Operator, in addition to paying Terna fees for the use of the national transmission network. Companies that are a part of the Generation and

Energy Management Division, in addition to paying fees for the use of the national transmission network to Terna, carry out electricity transactions with the Market Operator on the Power Exchange and with the Single Buyer. The company of the Renewable Energy Division that operates in Italy sells electricity to the Market Operator on the Power Exchange.

Enel also acquires fuel for generation and gas for distribution and sale from Eni, a company controlled by the Ministry for the Economy and Finance.

All transactions with related parties are concluded on normal market terms and conditions.

The following table summarizes the relationships:

	at Dec. 31, 2008		2008	
	Balance sheet		Income statement	
	Receivables	Payables	Costs	Revenues
	Millions of euro			
In respect of continuing operations				
Single Buyer	286	1,547	8,735	761
Market Operator	1,204	1,022	6,588	7,888
Terna	389	557	2,081	2,044
Electricity Services Operator	126	299	13	461
Eni	3	245	1,418	610
Italian Post Office	—	44	169	7
Other	4	24	125	5
In respect of assets held for sale				
Single Buyer	—	—	—	33
Market Operator	—	—	45	162
Terna	—	—	52	146
Electricity Services Operator	—	—	—	2
Eni	—	—	290	—
Total	**2,012**	**3,738**	**19,516**	**12,119**

The following table shows transactions with associated companies outstanding at December 31, 2008 and carried out during the year, respectively.

	at Dec. 31, 2008		2008	
	Balance sheet		Income statement	
	Receivables	Payables	Costs	Revenues
	Millions of euro			
Cesi	1	21	12	1
LaGeo	13	—	6	—
Other companies	19	14	11	13
Total	**33**	**35**	**29**	**14**

In compliance with the Enel Group's rules of corporate governance, which are discussed in a specific section of this report, transactions with related parties are carried out in accordance with criteria of procedural and substantive propriety.

With a view to assuring substantive propriety — in order to ensure fairness in transactions with related parties, and to account for the special nature, value or other characteristics of a given transaction – the Board of Directors may ask independent experts to value the assets involved in the transaction and provide financial, legal or technical advice.

38. Contractual commitments and guarantees

The commitments entered into by the Enel Group and the guarantees given to third parties are shown below.

	at Dec. 31, 2008
	Millions of euro
Guarantees given:	
- sureties and other guarantees granted to third parties	1,769
Commitments to suppliers for:	
- electricity purchases	32,947
- fuel purchases	64,294
- various supplies	3,175
- tenders	1,195
- other	2,032
Total	**103,643**
TOTAL	**105,412**

Guarantees granted to third parties amounted to €1,769 million and include €720 million in commitments relating to the sale of real estate assets, in connection with the regulations that govern the termination of leases and the related payments, for a period of six years and six months from July 2004. The value of such guarantees is reduced annually by a specified amount.

The expected cash flow of the lease contracts, including forecast inflation, is as follows:

(aaaa) 2009: €70 million;

(bbbb) 2010: €60 million;

(cccc) 2011: €50 million;

(dddd) 2012: €51 million;

(eeee) 2013: €52 million.

The expected cash flow of the operating lease contracts of Endesa is as follows:

(ffff) 2009: €30 million;

(gggg) 2010: €27 million;

(hhhh) 2011: €26 million;

(iii) 2012 and beyond: €59 million.

Commitments for electricity amounted to €32,947 million at December 31, 2008, of which €12,499 million refers to the period 2009-2013, €6,963 million to the period 2014-2018, €6,773 million to the period 2019-2023 and the remaining €6,712 million beyond 2023.

Commitments for the purchase of fuels are determined with reference to the parameters and exchange rates applicable at the end of the period (given that fuel supply prices are variable and are mainly set in foreign currencies). The total at December 31, 2008, was €64,294 million, of which €34,471 million refers to the period 2009-2013, €22,649 million to the period 2014-2018, €6,981 million to the period 2019-2023 and the remaining €193 million beyond 2023.

Other commitments include €388 million in respect of those under the cooperation agreement with EdF of November 30, 2007 for the construction of the Flamanville nuclear plant. The amount represents Enel's share of 12.5% of the cost of construction of the plant, which is scheduled to begin in 2012.

39. Contingent liabilities and assets

Litigation on rates

Enel is the target of a series of suits filed by a number of companies that consume large amounts of electricity and who have challenged, in full or in part, the legitimacy of the measures with which first the

Interministerial Price Committee (CIP) and then the Authority for Electricity and Gas determined changes in electricity rates in the past. To date, the courts have generally rejected the complaints lodged and an examination of the rulings would indicate that the chance of unfavorable judgments is remote.

Environmental litigation

Litigation regarding environmental issues primarily concerns the installation and operation of power lines and equipment of Enel Distribuzione, which succeeded Enel SpA in the related relationships.

Enel Distribuzione has been involved in a number of civil and administrative suits relating to requests, often using urgent procedures, for the precautionary transfer or modification of operations on power lines by persons living near them on the basis of their alleged potential to cause harm, despite the fact that they have been installed in compliance with current regulations. In a number of proceedings claims for damages for harm caused by electromagnetic fields have been lodged. The outcome of litigation on these issues is normally favorable to the company. In this regard, in a decision in February 2008, the court ruled that compliance with the statutory limits on exposure to electrical and magnetic fields ensures, as supported by the most authoritative studies in the field and evidence arising at the European level, that health will not be jeopardized. There have been sporadic adverse precautionary rulings, which have all been appealed. At present there are no final adverse rulings, and no damages for physical harm have ever been granted, although a recent ruling (February 2008), which has been appealed, found that harm had been caused by the "stress" associated with living near power lines and the fear of possible health problems.

There have also been a number of proceedings concerning electromagnetic fields generated by medium- and low-voltage transformer substations within buildings, in which the equipment, according to the company's technical staff, has always been in compliance with induction limits set by current regulations. Two recent rulings confirmed that compliance with the applicable regulations is sufficient guarantee of protection from harm.

In August 2008, the Court of Cassation (the supreme court of appeal) issued a ruling concerning a 380 kW power line (Forlì-Fano) no longer owned by Enel that, in conflict with current scientific knowledge in this area, accepted the existence of a causal relationship between the headaches suffered by a number of parties and exposure to electromagnetic fields. The situation concerning litigation has evolved thanks to the clarification of the legislative framework following the entry into force of the framework law on electromagnetic emissions (Law 36 of February 22, 2001) and the related implementing regulations (Prime Minister's Order of July 8, 2003) for power lines. The new regulations seek to harmonize regulation of the field at the national level. The new rules also introduce a ten-year program as from the entry into force of Law 36/2001 for the environmental upgrading of the entire national network to comply with new exposure limits. They also envisage the possibility of recovering, in part or in full, costs incurred by the owners of power lines and substations through electricity rates, in accordance with criteria to be set by the Authority for Electricity and Gas, pursuant to Law 481/95, as they represent costs incurred in the public interest. At present, the Prime Minister has not issued the Order setting the criteria for the upgrading of power lines (Article 4(4) of Law 36/2001), while an Order of the Director General for environmental protection of May 29, 2008, of the Ministry for the Environment approved the procedures for measuring and assessing magnetic induction, pursuant to Article 5(2) of the Order of July 8, 2003, and another Order issued by the same Ministry on May 29, 2008 approved the calculation methods for determining the distance restrictions for power lines, pursuant to Article 4(1h) of Law 36/2001.

A number of urban planning and environmental disputes regarding the construction and operation of certain power plants and transmission and distribution lines are pending. Based on an analysis of individual cases, Enel believes the possibility of adverse rulings is remote. For a limited number of cases, an unfavorable outcome cannot be ruled out completely, however. The consequences of unfavorable judgments could, in addition to the possible payment of damages, also include the costs related to work required to modify electrical equipment and the temporary unavailability of the plant. At present such charges cannot be reliably quantified and are therefore not included in the "Provision for litigation, risks and other charges."

Porto Tolle thermal plant — Air pollution — Criminal proceedings against Enel directors and employees — Damages for environmental harm

The Court of Adria, in a ruling issued March 31, 2006 concluding criminal proceedings begun in 2005, convicted former directors and employees of Enel for a number of incidents of air pollution caused by emissions from the Porto Tolle thermoelectric plant. The decision, provisionally enforceable, held the defendants and Enel (as a civilly liable party) jointly liable for the payment of damages for harm to multiple parties, both natural persons and local authorities. Damages for a number of mainly private parties were set at the amount of €367,000. The calculation of the amount of damages owed to certain public entities (the Regions of Veneto and Emilia Romagna, the Province of Rovigo and various municipalities) has been postponed to a later civil trial, although a "provisional award" of about €2.5 million was immediately due.

An appeal has been lodged against the ruling of the Court of Adria by the Company and its employees and former directors. If the ruling in the criminal case is affirmed, any civil lawsuits brought by interested parties seeking total compensation for losses suffered could expose the Company to the risk of further expenditures that cannot currently be quantified. If the appeal is granted, the Company would be able to recover all or part of the amounts already paid.

Out-of-court disputes and litigation connected with the blackout of September 28, 2003

With regard to the blackout that occurred on September 28, 2003, Enel Distribuzione received numerous letters (most drafted on the basis of standardized forms prepared by consumer associations) containing requests for automatic/lump-sum indemnities under the Electricity Service Charter and resolutions of the Authority for Electricity and Gas (€25.82 each), in addition to further damages to be quantified by customers with a view to possible legal action.

With regard to litigation, at the end of 2008 about 120,000 proceedings were pending against Enel Distribuzione, individually for small amounts (mainly before justices of the peace in the regions of Calabria, Campania and Basilicata). All involved requests for the automatic/lump-sum indemnities. Enel Distribuzione has challenged these requests with the following arguments: first, neither the Authority resolutions nor the Electricity Service Charter (whose reference legislation has been repealed) provide for automatic/lump-sum indemnities in the case of an interruption of supply, as specified by the Authority in a press release. Second, in relation to both the manner and extent of the black-out, the electricity supply interruption of September 28, 2003 was an unexpected and unforeseeable event and, as such, is ascribable to exceptional events beyond the control of the Group companies, for which they cannot therefore be held liable in any way. At the end of 2008 more than 84,000 rulings had been issued by justices of the peace, with a majority finding in favor of the plaintiffs. Charges in respect of such indemnities could be recovered in part under existing insurance policies. The appellate courts have nearly all found in favor of Enel Distribuzione, based upon both the lack of proof of the loss claimed and the recognition that the company was not involved in causing the event. The few adverse rulings against Enel Distribuzione have been appealed to the Court of Cassation (the supreme court of appeal). At the same time, action has been taken to obtain reimbursement from insurance companies for the amounts paid as a result of adverse judgments. In response to complaints from the insurance companies, in May 2008 Enel notified them of a summons to ascertain its right to reimbursement of amounts paid in settlement of unfavorable rulings.

Extension of municipal property tax (ICI)

Article 1 quinquies of Decree Law 44 of March 31, 2005 containing urgent measures concerning local authorities (added during ratification with Law 88 of May 31, 2005) stated that Article 4 of Royal Decree Law 652 of April 13, 1939 (governing the land registry) shall be interpreted with regard to power plants alone in the sense that the buildings and permanent constructions consist of the land and those parts that are structurally attached to it, even temporarily, which may be joined by any means of connection with movable parts for the purpose of creating a single complex asset.

The Regional Tax Commission of Emilia Romagna, in Ordinance no. 16/13/06 (filed on July 13, 2006), referred the case to the Constitutional Court on the issue of the constitutionality of Article 1 quinquies of the Decree Law, finding it relevant and not manifestly unfounded.

On May 20, 2008, the Constitutional Court, in judgment no. 162/08, ruled that the issues raised by the RTC of Emilia Romagna had no foundation and, therefore, confirmed the legitimacy of the new interpretation, whose primary effects on the Group are as follows:

(jjjj) the inclusion of the value of the "turbines" in the land registry valuation of the plants;

(kkkk) the power for local Land Registry Offices to modify, without a time limit, the imputed property incomes proposed by Enel;

(llll) the effectiveness of the modifications only as from their notification;

(mmmm) the consequent and probable limitation of the retroactive effects of Article 1-quinquies to the power plants currently at the center of the dispute.

The ruling also affirmed that "... the principle that the determination of imputed property income shall include all the elements constituting a plant ... even if not physically connected to the land, holds for all of the buildings referred to in Article 10 of Royal Decree Law 652 of 1939" and not only power plants.

We also note that to date no valuation criterion has been introduced for the movable assets considered relevant for the determination of land registry values either with regard to the valuation method or the effective identification of the object of the valuation, and the above ruling does not appear to provide any guidance on this issue.

Accordingly, with regard to pending litigation, Enel Produzione and Enel Green Power shall continue to pursue the case to request a substantial reduction of the values originally assigned by the Land Registry Offices to the removable parts of the plant. They have, however, allocated an adequate amount to the "Provisions for risks and charges" to cover fully the potential charges that would result from an unfavorable outcome, including the information that has emerged from new assessments. At the same time, they do not feel that further provisions are necessary to take into account possible retroactive application of the rule on imputed rent proposals, which to date have not been the subject of comments by the Land Registry Offices and, in any event, primarily concern small plants.

Inquiries by the Milan Public Prosecutor's Office and the State Audit Court

In February 2003, the Milan Public Prosecutor's Office initiated a criminal investigation of former top managers of Enelpower and other individuals for alleged offences to the detriment of Enelpower and payments made by contractors to receive certain contracts. On January 16, 2008, a preliminary hearing was held, following which the magistrate responsible for preliminary inquiries granted the request of Enel SpA, Enelpower SpA and Enel Produzione SpA to be recognized as injured parties. The case is continuing and subsequent hearings have yet to be scheduled.

Implementing the resolutions of the boards of Enel, Enelpower and Enel Produzione, legal action was taken against the suppliers involved, which led to settlements with Siemens and Alstom, and most recently the agent Emirates Holdings.

On the basis of the information that emerged during the criminal proceedings, the State Audit Court sued the former Chief Executive Officer and a former executive of Enelpower, in addition to the former Chairman of Enel Produzione, citing them for possible administrative liability in relation to losses caused to the tax authorities. Enel, Enelpower and Enel Produzione deposited an instrument in support of the request of the Regional Public Prosecutor. In a ruling of February 22, 2006, the State Audit Court, finding that the former directors and managers cited in the suit were liable, awarded Enelpower damages of about €14 million. The ruling was appealed by the State Audit Court — Lombardy Section and the former directors and managers. On December 3, 2008, the Central Jurisdictional Appeals Section of the Rome State Audit Court issued ruling no. 532/2008, which recasts part of the first ruling and fines the former directors and managers a total of about €22 million. The ruling also confirmed the seizure of assets of the appellants ordered by the Regional Public Prosecutor and sentenced them to pay court costs for both proceedings. In February 2009 the ruling was appealed to the Court of Cassation by the former chairman of Enel Produzione. In addition, in parallel with the above proceeding, Enelpower and Enel Produzione initiated a revocatory action against the claimants in respect of the former Enel Produzione CEO and the former Enelpower CEO and manager, obtaining a court ruling of the invalidity in their regard of a number of asset disposals. Finally, following the enforcement proceedings undertaken against the former directors and managers, more than €300,000 have been recovered.

Litigation concerning free bill payment procedures

On March 21, 2007, the Authority for Electricity and Gas published Resolution no. 66/07 which — following an investigation begun on 2006 — imposed a fine of €11.7 million on Enel Distribuzione for alleged violation of the provisions of a previous resolution (no. 55/2000) which required the company to indicate in its invoices the no-additional-cost payment method among the payment methods available to customers. Enel appealed the ruling to the Lombardy Regional Administrative Court requesting that the resolution and the fine imposed be voided, arguing that they are illegal in a number of respects and the amount of the fine imposed is not proportionate. On October 30, 2007, Enel Distribuzione paid the fine, reserving all rights to obtain restitution following the outcome of the appeal pending before the Court and in no way acknowledging any liability. On January 29, 2008, a first hearing of the appeal was held and the Lombardy Regional Administrative Court granted Enel's appeal, ruling that there was no requirement to publish information on free payment options in invoices and validated Enel's conduct. In execution of the ruling, Enel requested restitution of the fine paid. The Authority for Electricity and Gas appealed the ruling to the Council of State; the date of the hearing has not yet been set. In the meantime, however, the number of cases brought by customers before justices of the peace seeking compensation for alleged (minimal) damages has increased (there are currently some 24,000 disputes pending). The majority of rulings issued to date have found in favor of the plaintiffs.

Inepar litigation

The arbitration tribunal called upon to decide on the request advanced by Inepar Energia SA, Inepar Administração Participações SA and Inepar Industria e Costruções SA for damages from Enelpower for losses that the latter is alleged to have caused to the above Brazilian companies for breach of an agreement concerning a number of projects to be pursued in Brazil was convened at the Arbitration Chamber of Paris. The damages requested, originally about $114 million in unspecified losses, were subsequently increased and specified by Inepar Energia and Inepar Industria e Costruções, who asked for Enelpower to pay $427 million (of which $10 million for breach of contract and $417 million in damages). Enelpower, in firmly rejecting the claim, offered its defense and filed a counterclaim for reimbursement of costs already incurred in respect of the agreement and damages for the harm caused to its image. Enelpower's legal counsel considers the claims for damages of the Brazilian companies to be unfounded and unproven and, therefore, views the possibility that they might be accepted to be reasonably remote, whereas the request for breach of contract presents some margin of risk. The arbitration ruling is pending.

BEG litigation

In March 2009, the Court of Tirana issued its ruling of first instance in the suit brought by Albania BEG Ambient seeking damages from Enel and Enelpower for "actions and omissions committed in bad faith" by the defendants and for breach of a collaboration agreement signed by Enelpower and the company's Italian subsidiary in February 2000 concerning the construction of a power station in Albania. As the sentence has not yet been deposited, the arguments behind ruling are currently not known, but the court has awarded Albania BEG Ambient non-contractual damages of about €25 million, in addition to contractual damages to be determined in accordance with the procedure to be set out in the full ruling.

The ruling, which is not provisionally enforceable, will be appealed by the deadline provided for under local law and pending appeal it remains ineffective.

An analogous claim for damages of about €120 million had already been lodged by Albania BEG Ambient, without success, in a proceeding before the Arbitration Chamber of Rome, which denied the claim. The appeal of the arbitration award is pending before the Rome Court of Appeal.

WISCO litigation

Enel.NewHydro Srl has initiated an arbitration proceeding against Trenitalia SpA in relation to the investment in Water & Industrial Services Company W.I.S.C.O. SpA (hereinafter "Wisco") and the corresponding agreement (entered into by Enel.Hydro SpA and succeeded by Enel.NewHydro Srl following a demerger) with Trenitalia SpA of December 23, 2003. Enel.NewHydro has requested verification of the failed implementation of the project to develop Wisco, envisaged in the agreement, with the consequent voidance of the contract and of the acquisition of 51% of Wisco from Trenitalia (for €15 million), as well as the voidance of the put option for the sale (to Enel.NewHydro) of Trenitalia's remaining 49% stake in Wisco. Trenitalia has asked that the claim be rejected and the validity of the agreements binding on Enel.NewHydro, along with the exercise of the put option on May 22, 2007, by Trenitalia, at a price of €17.5 million, to be confirmed. Trenitalia has also requested damages for any substantiated losses. The next hearing has been set for April 6, 2009.

Tax assessment of Enel Rete Gas

Following a partial audit carried out in 2007, the tax authorities have issued an assessment in respect of Enel Rete Gas for the 2004 tax year. The claim regards alleged violations concerning the non-deductibility of capital losses, totaling €156 million, in respect of the disposal of a number of plants and the sale of an equity investment in Enel Distribuzione. More specifically, the claim regarding the latter asserts that the sale was carried out without any sound economic reason for the sole purpose of reducing taxes.

In May 2008 Enel Rete Gas received a request from the Milan Revenue Agency for clarifications under Article 37 bis, paragraph 4, of Presidential Decree 600/73 (mandatory hearing of the taxpayer). The memos containing the clarifications requested were delivered by Enel Rete Gas to the Revenue Agency during 2008.

It is felt that the claims of the tax authorities are without foundation and, accordingly, it is unlikely that the company would be found liable in any dispute.

More specifically, as regards the allegations that the sale of the equity investment was carried out for tax avoidance purposes, it is felt that there are well-founded economic reasons for the structuring of the operation in the manner in which it was effected.

Contingent liabilities of the Endesa Group

In 2002 EdF International submitted a request for arbitration at the International Court of Arbitration of the International Chamber of Commerce against Endesa Internacional (now Endesa Latinoamérica), Repsol and YPF. The request regards payment from Endesa of $256 million (plus interest) and from Repsol-YPF of $69 million (plus interest). The request was contested by Endesa Latinoamérica, Repsol and YPF, which submitted counterclaims for $58 million (Endesa Latinoamérica) and $14 million (YPF). The dispute originated with the sale to the French group of the equity investments held by Endesa Latinoamérica and YPF in the Argentine companies Easa and Edelnor. On October 22, 2007, the court ruled that Endesa Latinoamérica should pay about $100 million (plus interest); both parties have appealed the ruling. In April 2008, Endesa Latinoamérica and YPF obtained a ruling from the ordinary Argentine courts suspending the effects of EdF's claim.

There are three pending legal proceedings under way against Endesa Distribución Eléctrica which are likely to give rise to liabilities (concerning losses from a forest fire in Catalonia and claims arising from the failure to build electrical plant in the Canary islands) totaling €44 million. In addition, the "Generalitat de Catalunya" fined the company €10 million for service interruptions in Barcelona on July 23, 2007. Endesa Distribución Eléctrica has appealed, thereby temporarily suspending the effects of the ruling.

The "Intervención General de la Administración del Estado" has objected to a number of subsidies received by Endesa. If the objections are sustained by the competent authorities, the company could be required to repay €37 million.

Although the Brazilian subsidiary of Endesa, Ampla Energía e Servicios SA (Ampla) was ruled to be exempt from the "social security funding contribution" (Cofins), a tax on revenues from electricity sales, in 1997 the Brazilian government sought to void the previous ruling in order to obtain €155 million (at current exchange rates). In addition, in 2005 the Brazilian tax authorities notified Ampla of an assessment for €207 million following an appeal regarding the non-applicability of the tax exemption for interest received by subscribers of a fixed-rate bond issued by Ampla in 1998. On December 6, 2007, Ampla was successful in the second of the administrative appeals, but the Brazilian authorities may still appeal to the "Consejo Superior de Recursos Fiscales."

In 2006 the Brazilian tax authorities challenged the rate classification and tax regime adopted by Endesa Fortaleza on the import of certain goods. The ruling in the initial trial, in which the authorities are requesting €38 million (at current exchange rates), was in favor of Endesa Fortaleza.

On July 30, 2007, Iberdrola requested an indemnity of about €144 million from Endesa for alleged non-pecuniary damage and loss of prestige following the suspension of the public tender offer initiated by Gas Natural and the agreement between Gas Natural and Iberdrola concerning the division between those companies of the assets acquired by Endesa.

On May 8, 2008, the court issued its ruling in Endesa's appeal against the sentence of the Audiencia Nacional voiding the ordinance of October 29, 2002 governing transition costs to competition for 2001. The court ruled against Endesa, upholding the decision of the Audiencia Nacional. The ruling is not expected to have a significant impact on the company's earnings.

On September 18, 2008, the Ministry of Industry, Tourism and Trade issued a resolution in which it undertakes to initiate a disciplinary proceeding against Endesa Generación for the release of radioactive particles at the Asco I nuclear power plant. The alleged violations (four major, two minor), defined by Law 25/1964, carry total penalties estimated at between €9 million and €23 million.

The National Energy Commission has initiated an infraction proceeding against Endesa Generación for alleged anticompetitive practices regarding the rules governing the electricity generation market, as the company had ceased generation between November 12 and 17, 2008. The maximum fine is €6 million.

As regards the property tax for 2008, tax authorities conducted a new appraisal of real estate with special features (including generation plants and ports owned by Endesa Generación). The appraisals were examined by Endesa Generación, which appealed them to the competent authorities. Payments made so far amount to a total of €33 million, of which €15 million challenged by Endesa.

40. Subsequent events

Acquisition of 20% of the generation assets of Electricity Supply Board (ESB)

On January 8, 2008, following approval from Irish and Community regulators, Endesa completed the acquisition of 20% of the generation assets of the Electricity Supply Board (ESB) for €450 million. The assets acquired have a total capacity of 1,068 MW at four operational plants and 300 MW at two plants still under construction. They account for about 16% of Ireland's total installed capacity.

Agreement with Acegas-Eps and Tei to build interconnection lines between Italy and Slovenia

On February 5, 2009, Acegas-Eps SpA, Enel SpA and Tei signed the memorandum of association of Adria Link, in which the three partners have equal shares. The company will build and operate electricity interconnection infrastructure between Italy and Slovenia, in line with the provisions of the "Scajola Decree," which in transposing Regulation (EC) 1228/2003 aims to stimulate trade in energy with the EU countries, thereby enabling the achievement of efficiencies in the use of power stations at the European level and thereby lowering generation costs and sales prices. In this context, Adria Link intends to develop two interconnection projects that involve the construction of two underground power lines, which will connect, respectively, the Zaule electricity station in the province of Trieste with the Dekani station in Slovenia and the Redipuglia station in the province of Gorizia with the Vrtojba station in Slovenia. The new lines will increase net transfer capacity by about 250 MW. The planned investment will come to about €31 million, part of which devoted to reducing the impact of the infrastructure on the environment and the landscape.

Agreement with Acciona for the acquisition of 25.01% of Endesa

On February 20, 2009, Enel signed an agreement for the acquisition of the 25.01% of Endesa owned directly and indirectly by Acciona. With the additional acquisition Enel's stake in the leading Spanish power company will reach 92.06%. The price was set at €11.1 billion, in line with the provisions of the contract signed between Enel and Acciona on March 26, 2007. The price will be adjusted to take account of the interest that will mature until the closing of the transaction and the dividends that will be paid by Endesa to Acciona. The agreement, which also involved the early exercise, subject to a number of suspensory conditions, of the put option by Acciona (the original exercise date was March 2010), envisages the transfer to Acciona from Endesa of certain operational wind and hydro assets for €2.9 billion.

On the same date, the Board of Directors of Endesa also approved the distribution of a dividend of €6.2 billion. Enel's share (67.05%) will be approximately €4.2 billion, that of Acciona (25.01%) about €1.5 billion and that of minority interests (7.94%) about €0.5 billion. Endesa's Board of Directors concurrently approved the sale to Acciona of certain renewables assets in Spain and Portugal, totaling 2,105 MW, of which 1,423 MW from renewable resources and 682 MW of conventional hydro assets. A syndicated loan of €8 billion agreed with a pool of 12 banks will provide part of the financing for the transaction, of which slightly less than 70% has a maturity of five years (€5.5 billion due in 2014) and the remaining portion has a maturity of seven years (€2.5 billion due in 2016).

On March 3, 2009, the CNMV, Spain's stock exchange regulator, announced that Enel's acquisition, through its Enel Energy Europe subsidiary, of the additional 25.01% of Endesa held by Acciona following the agreement of February 20, 2009, would not give rise to any obligation to carry out a residual tender for the remainder of Endesa shares.

Enel-EdF agreement for the development of nuclear power in Italy

On February 24, 2009, within the framework of the Italy-France Protocol of Understanding for energy cooperation, Enel and EdF signed a Memorandum of Understanding (MoU) that establishes the foundations for the joint development of nuclear energy in Italy by the two companies. When the legislative and technical work for the return of nuclear power in Italy is completed, Enel and EdF have undertaken to develop, build and operate at least four generation units based on European Pressurized Reactor (EPR) technology, the prototype for which is being built at Flamanville in Normandy, a project in which Enel is participating with 12.5% share. The goal is for the first Italian unit to enter commercial service no later than 2020. With the MoU, Enel and EdF have agreed to form a joint venture, each with 50%, that will be responsible for the development of the feasibility studies for the construction of the EPR units. Subsequently, once the studies have been completed and the necessary investment decisions are taken, individual companies will be formed to build, own and operate each of the EPR units. They will feature:

- a majority stake for Enel in ownership of the plants and electricity withdrawal rights;
- Enel leadership in plant operation;
- opening of ownership to third parties, with Enel and EdF retaining majority control.

The Enel-EdF agreement has a term of five years, with the possibility of extension.

On the same date, in a second MoU Enel expressed its interest in participating in an extension of the previous nuclear power accord with EdF for the construction of another five EPR units in France, beginning with the facility that the French Government recently approved for Penly.

Disposal of the gas distribution network

On March 10, 2009, following completion of due diligence work, the Group received offers that are currently being evaluated. The offers did not involve changes in the valuation of the assets and liabilities held for sale in respect of the gas distribution network in Italy.

Capital increase

On March 11, 2009, the Board of Directors voted to ask the Shareholders' Meeting for authorization, pursuant to Article 2433 of the Italian Civil Code, to increase the capital of Enel SpA by December 31, 2009, by a maximum of €8 billion through the issue of new shares to be offered in pre-emption to all shareholders. The capital increase is intended to reduce debt and strengthen the financial structure of the Group.

The Ministry for the Economy and Finance, in its position as shareholder, has already expressed its interest in participating in the capital increase. In addition, a consortium of banks has already been formed to subscribe any amount unsubscribed by shareholders at the end of the offer, up to a maximum of €5.5 billion.

41. Stock incentive plans

On June 11, 2008, the Enel Ordinary Shareholders' Meeting approved the 2008 stock incentive plans, namely the stock option plan for 2008 (the 2008 plan) and the restricted share units plan (the RSU plan), granting the Board of Directors the powers required to implement the plans, to be exercised in accordance with criteria established by the Shareholders' Meeting. The latter, meeting in extraordinary session, authorized the Board of Directors to carry out a capital increase serving the 2008 plan.

Stock option plans

The following table summarizes developments over the course of 2007 and 2008 in the Enel stock option plans still in place at December 31, 2008, detailing the main assumptions used in calculating their fair value.

Developments in stock option plans

Number of options	2003 plan	2004 plan	2006 plan	2007 plan	2008 plan	Total
Options granted at December 31, 2006	47,624,005	38,527,550	31,790,000	—	—	**117,941,555**
Options exercised at December 31, 2006	42,226,504	18,472,553	—	—	—	**60,699,057**
Options lapsed at December 31, 2006	3,348,716	1,959,800	286,000	—	—	**5,594,516**
Options outstanding at December 31, 2006	2,048,785	18,095,197	31,504,000	—	—	**51,647,982**
Options granted in 2007	—	—	—	27,920,000	—	**27,920,000**
Options exercised in 2007	711,212	6,705,062	—	—	—	**7,416,274**
Options lapsed in 2007	—	105,400	619,000	147,000	—	**871,400**
Options outstanding at December 31, 2007	1,337,573	11,284,735	30,885,000	27,773,000	—	**71,280,308**
Options granted in 2008	—	—	—	—	8,019,779	**8,019,779**
Options exercised in 2008	791,550	1,260,200	—	—	—	**2,051,750**
Options lapsed in 2008	546,023	47,600	30,885,000	613,166	—	**32,091,789**
Options outstanding at December 31, 2008	—	9,976,935	—	27,159,834	8,019,779	**45,156,548**
Fair value at grant date (euro)	0.37	0.18	0.23	0.29	0.17	
Volatility	28%	17%	14%	13%	21%	
Option expiry	Dec. 2008	Dec. 2009	Dec. 2012	Dec. 2013	Dec. 2014	

Under the 2008 plan, the top management of the Enel Group (16 managers, including the CEO of Enel is his capacity as General Manager) will receive a number of options that, if the highest level of performance targets is achieved, could increase share capital by a maximum of €9,623,735.

The 2008 plan sets the following two operational performance targets calculated on a consolidated base, for which the degree to which they are achieved will determine the number of options that can actually be exercised: (i) earnings per share (EPS, equal to Group net income divided by the number of Enel shares in circulation) for the 2008–2010 period, determined on the basis of the amounts specified in the budgets for those years and (ii) the return on average capital employed (ROACE, equal to the ratio between operating income and average net capital employed) for the 2008–2010 period, determined on the basis of the amounts specified in the budgets for those years.

The review to verify the satisfaction of the exercise conditions for the 2008 plan is scheduled to take place in March 2011. The strike price has been set at €8.075, i.e. the reference price for Enel shares observed on January 2, 2008.

Restricted share units plans

The RSU plan — which is also linked to the performance of Enel shares — differs from the stock option plans in that it does not involve the issue of new shares and therefore has no diluting effect on share capital. It envisages the payment to the beneficiaries of a sum equal to the product of the number of units exercised and the average value of Enel shares in the month preceding the exercise of the units.

The plan covers the management of the Enel Group (including the managers already participating in the 2008 stock option plan, which includes the Enel CEO in his capacity as General Manager), with the exception of the managers of the Infrastructure and Networks Division. The latter have been excluded as a result of Enel's obligation — under the rules governing the full liberalization of the electricity sector as from July 1, 2007 — to implement administrative and accounting unbundling to separate the activities performed by the Infrastructure and Networks Division from those of the Group's other business areas.

Number of RSU	2008 plan
RSU granted in 2008	1,766,675
RSU exercised in 2008	—
RSU lapsed in 2008	—
RSU outstanding at December 31, 2008	1,766,675
of which vested at December 31, 2008	—
Fair value at the grant date (euro)	3.16
Fair value at December 31, 2008 (euro)	3.28
Expiry of the restricted share units	December 2014

On July 31, 2008 the Enel Board of Directors, in implementation of the mandate received from the shareholders, therefore granted 1,766,675 units to 387 managers of the Enel Group. The review conducted by the Board of Directors to verify satisfaction of the exercise conditions for the RSU plan is scheduled to take place as part of the approval of the draft financial statements for 2009 for 50% of the units and for 2010 for the remaining 50%.

None of the 1,766,675 units granted lapsed during the period between the grant date and the end of 2008.

42. Compensation of directors, members of the Board of Auditors, the General Manager and managers with strategic responsibilities

The compensation paid to directors, members of the Board of Auditors, the General Manager and managers with strategic responsibilities of Enel SpA is summarized in the following table.

The table has been prepared with regard to the period for which the position was held on an accruals basis. The information regarding managers with strategic responsibilities is provided in aggregate form, pursuant to the provisions of Article 78 and annex 3C of Consob Resolution no. 11971/1999 (the "Issuers Regulation").

The directors and managers with strategic responsibilities of Enel SpA have waived all forms of compensation for positions held in subsidiaries.

A description of the overall compensation of the members of the Board of Directors, the members of the Board committees, the Chairman and the Chief Executive Officer/General Manager is provided in the second section of the corporate governance report (under "Board of Directors — Pay").

Compensation of directors, members of the Board of Auditors, the General Manager and managers with strategic responsibilities

Last name	Name	Position	Period for which position was held	End of term	Remuneration	Non-monetary benefits	Bonuses and other incentives	Other compensation	Total
					(euro)	(euro)	(euro)	(euro)	(euro)
Directors — resigned									
Taranto	Francesco	Director	1/2008-6/2008	Approv. fin. stat. 2007	55,416.48				55,416.48
Valsecchi	Francesco	Director	1/2008-6/2008	Approv. fin. stat. 2007	52,680.53				52,680.53
Directors — in service									
Gnudi	Piero	Chairman	1/2008-12/2008	Approv. fin. stat. 2010	700,000.00	13,348.38	210,000.00		923,348.38
Conti	Fulvio	CEO and GM	1/2008-12/2008	Approv. fin. stat. 2010	600,000.00		600,000.00	2,036,308.24	3,236,308.24
Ballio	Giulio	Director	1/2008-12/2008	Approv. fin. stat. 2010	116,416.30				116,416.30
Codogno	Lorenzo	Director	6/2008-12/2008	Approv. fin. stat. 2010	64,472.22				64,472.22
Costi	Renzo	Director	6/2008-12/2008	Approv. fin. stat. 2010	64,471.54				64,471.54
Fantozzi	Augusto	Director	1/2008-12/2008	Approv. fin. stat. 2010	121,068.75				121,068.75
Luciano	Alessandro	Director	1/2008-12/2008	Approv. fin. stat. 2010	116,915.97				116,915.97
Napolitano	Fernando	Director	1/2008-12/2008	Approv. fin. stat. 2010	116,415.97				116,415.97
Tosi	Gianfranco	Director	1/2008-12/2008	Approv. fin. stat. 2010	120,082.97				120,082.97
			Total compensation of directors and GM		**2,127,940.73**	**13,348.38**	**810,000.00**	**2,036,308.24**	**4,987,597.35**
Board of Auditors — in service									
Fontana	Franco	Chair. Board of Auditors	1/2008-12/2008	Approv. fin. stat. 2009	75,000.00				75,000.00
Conte	Carlo	Standing Auditor	1/2008-12/2008	Approv. fin. stat. 2009	65,000.00				65,000.00
Mariconda	Gennaro	Standing Auditor	1/2008-12/2008	Approv. fin. stat. 2009	65,000.00				65,000.00
			Total compensation of Board of Auditors		**205,000.00**	**—**	**—**	**—**	**205,000.00**
		Managers with strategic responsibilities(9)	1/2008-12/2008					**11,352,084.49**	**11,352,084.49**
			TOTAL		**2,332,940.73**	**13,348.38**	**810,000.00**	**13,388,392.73**	**16,544,681.84**

(1) Insurance policy.

(2) Variable portion of compensation for 2007, approved and disbursed in 2008. In 2009, the Board of Directors will determine the variable portion of compensation due to the Chairman for 2008 (in an amount of no more than €560,000.00), once the achievement of the Group targets set for that year has been verified.

(3) The variable portion of compensation for 2007, approved and disbursed in 2008. In 2009, the Board of Directors will determine the variable portion of compensation due to the Chief Executive Officer for 2008 (in an amount of no more than €900,000.00), once the achievement of the Group targets set for that year has been verified.

(4) The amount breaks as follows: i) a fixed portion of compensation of €702,582.28 for the position of General Manager for 2008; ii) a variable portion of compensation of €700,000.00 for 2007, approved and disbursed in 2008; iii) €97,000.00 as a one-off special bonus that — in a differentiated manner on the basis of individual performance targets achieved — was paid to all beneficiaries of the 2005 stock option plan (in consideration of the highly positive results achieved by the Group in the period despite the lapse of the plan). The recipient had participated in the 2005 plan in his capacity as head of the Administration, Finance and Control Department at the time; (iv) €21,530.76 from the exercise of stock options and subsequent sale of the shares, which was subject to taxation as compensation of employees under applicable tax regulations (which applied for all of 2008); and (v) €515,195.20 of the bonus paid in conjunction with the exercise of those stock options. The latter bonus was awarded to all managers who received stock options at the time the options were exercised. The amount of the bonus, which is proportionate to the number of options exercised, is correlated with the portion of dividends distributed by Enel following the grant of the stock options and before the exercise of the options by the beneficiaries, which is linked to the capital gains earned on the disposal of assets.

In 2009, the Board of Directors will determine the variable portion of compensation due to the General Manager for 2008 (in an amount of no more than €1,050,000.00), once the achievement of the Group targets set for that year has been verified.

(5) Compensation paid to the Politecnico di Milano in the amount of €5,615.56 pursuant to Law 662/1996, Art.1(123).

(6) Compensation paid to the Ministry for the Economy and Finance in the amount of €63,222.22 pursuant to the Directive of the Presidency of the Council of Ministers — Department of Public Administration of March 1, 2000.

(7) Compensation paid to the Politecnico di Milano in the amount of €5,615.56 pursuant to Law 662/1996, Art.1(123).

(8) Compensation entirely paid to the Ministry for the Economy and Finance pursuant to the Directive of the Presidency of the Council of Ministers — Department of Public Administration of March 1, 2000.

(9) In 2008, managers with strategic responsibilities included heads of Enel SpA Departments and Division heads, for a total of 17 management positions. The compensation of these managers also includes (i) amounts received following the exercise of stock options and the subsequent resale of the shares, which have been taxed as compensation of employees under applicable tax regulations (which applied for all of 2008); and (ii) bonuses paid in conjunction with the exercise of those stock options. The latter bonuses were awarded to all managers who received stock options at the time the options were exercised. The amount of the bonus, which is proportionate to the number of options exercised, is correlated with the portion of dividends distributed by Enel following the grant of the stock options and before the exercise of the options by the beneficiaries, which is linked to the capital gains earned on the disposal of assets.

CONSOLIDATED FINANCIAL STATEMENTS

AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2007

KPMG S.p.A.
Revisione e organizzazione contabile
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Report of the auditors

To the shareholders
of Enel S.p.A.

1 We have audited the consolidated financial statements of the Enel Group as at and for the year ended 31 December 2007, comprising the balance sheet, income statement, statement of recognised income and expense, cash flow statement and notes thereto. These financial statements are the responsibility of the parent's directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

2 We conducted our audit in accordance with the auditing standards recommended by Consob, the Italian Commission for Listed Companies and the Stock Exchange. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement and are, as a whole, reliable. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by directors. We believe that our audit provides a reasonable basis for our opinion.

Reference should be made to the report dated 9 April 2007 for our opinion on the prior year consolidated financial statements, which included the prior year figures presented for comparative purposes.

4 In our opinion, the consolidated financial statements of the Enel Group as at and for the year ended 31 December 2007 comply with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38 of 28 February 2005. Therefore, they are clearly stated and give a true and fair view of the financial position of the Enel Group as at 31 December 2007, the results of its operations, its recognised income and expense and its cash flows for the year then ended.

KPMG SpA

Rome, 22 April 2008

Consolidated Income Statement

	Notes	2007	2007 of which with related parties	2006	2006 of which with related parties
		Millions of euro			
Revenues					
Revenues from sales and services	6.a	42,695	10,059	37,497	9,795
Other revenues	6.b	978	5	1,016	7
	[Subtotal]	43,673	10,064	38,513	9,802
Income from equity exchange transaction	7	—		263	
Costs					
Raw materials and consumables	8.a	25,694	14,578	23,469	14,620
Services	8.b	4,836	1,591	3,477	1,285
Personnel	8.c	3,326		3,210	
Depreciation, amortization and impairment losses	8.d	3,033		2,463	
Other operating expenses	8.e	936	22	713	45
Capitalized costs	8.f	(1,178)		(989)	
	[Subtotal]	36,647	16,191	32,343	15,950
Net income/(charges) from commodity risk management	9	(36)	(51)	(614)	(519)
Operating income		**6,990**		**5,819**	
Financial income	10	2,101	15	513	14
Financial expense	10	3,015		1,160	
Share of income/(expense) from equity investments accounted for using the equity method	11	12		(4)	
Income before taxes		**6,088**		**5,168**	
Income taxes	12	2,002		2,067	
Income from continuing operations		**4,086**		**3,101**	
Income from discontinued operations	13	**127**	**4**	—	
Net income for the year (shareholders of the Parent Company and minority interests)		**4,213**		**3,101**	
Attributable to minority interests		236		65	
Attributable to shareholders of the Parent Company		3,977		3,036	
Earnings per share (euro)		0.68		0.50	
Diluted earnings per share (euro)(1)		0.67		0.50	
Earnings from continuing operations per share		0.66		0.50	
Diluted earnings from continuing operations per share(1)		0.65		0.50	
Earnings from discontinued operations per share		0.02		—	
Diluted earnings from discontinued operations per share(1)		0.02		—	

(1) Calculated on the basis of the average number of ordinary shares in the year (6,182,314,371 in 2007 and 6,169,511,965 in 2006) adjusted for the diluting effect of outstanding stock options (73 million in 2007 and 65 million in 2006). Earnings and diluted earnings per share, calculated on the basis of options exercised to date, do not change with respect to the figures calculated as above.

Consolidated Balance Sheet

	Notes	at Dec. 31, 2007	of which with related parties	at Dec. 31, 2006	of which with related parties
		Millions of euro			
ASSETS					
Non-current assets					
Property, plant and equipment	14	55,434		34,846	
Investment property		37		—	
Intangible assets	15	28,177		2,982	
Deferred tax assets	16	3,439		1,554	
Equity investments accounted for using the equity method	17	1,972		56	
Non-current financial assets	18	2,212		1,494	
Other non-current assets	19	2,068		568	
	[Total]	**93,339**		**41,500**	
Current assets					
Inventories	20	1,726		1,209	
Trade receivables	21	11,576	2,388	7,958	1,935
Tax receivables	22	1,146		431	
Current financial assets	23	2,414		402	10
Cash and cash equivalents	24	1,234		547	
Other current assets	25	4,080	146	2,453	182
	[Total]	**22,176**		**13,000**	
Assets held for sale	26	**8,233**	**175**	—	
TOTAL ASSETS		**123,748**		**54,500**	
LIABILITIES AND SHAREHOLDERS' EQUITY					
Equity attributable to the shareholders of the Parent Company	27				
Share capital		6,184		6,176	
Other reserves		4,730		4,549	
Valuation reserve in respect of assets held for sale		35		—	
Retained earnings (losses carried forward)		5,942		5,934	
Net income for the period(1)		2,740		1,801	
	[Total]	**19,631**		**18,460**	
Equity attributable to minority interests		4,158		565	
TOTAL SHAREHOLDERS' EQUITY		**23,789**		**19,025**	
Non-current liabilities					
Long-term loans	28	52,155		12,194	
Post-employment and other employee benefits	29	2,920		2,633	
Provisions for risks and charges	30	6,462		4,151	
Deferred tax liabilities	31	4,304		2,504	
Non-current financial liabilities	32	1,671		116	
Other non-current liabilities	33	3,333		1,044	
	[Total]	**70,845**		**22,642**	
Current liabilities					
Short-term loans	34	5,285		1,086	
Current portion of long-term loans	28	2,729		323	
Trade payables	35	9,622	*3,897*	6,188	*3,064*
Income tax payable		525		189	
Current financial liabilities	36	1,561		941	
Other current liabilities	37	5,275	*228*	4,106	*303*
	[Total]	**24,997**		**12,833**	
Liabilities held for sale	**38**	**4,117**	***93***	—	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**123,748**		**54,500**	

(1) Net income is reported net of interim dividend equal to €1,237 million for 2007 and €1,235 million for 2006.

Consolidated Statement of Cash Flows

	Notes	2007	of which with related parties	2006	of which with related parties
		Millions of euro			
Income for the year (shareholders of the Parent Company and minority interests)		**4,213**		**3,101**	
Adjustments for:					
Amortization and impairment losses of intangible assets	15	220		193	
Depreciation and impairment losses of property, plant and equipment	14	2,575		2,160	
Exchange rate gains and losses (including cash and cash equivalents)	10	(319)		(87)	
Provisions		852		820	
Financial (income)/expense		1,384		515	
Income taxes		2,044		2,067	
(Gains)/Losses and other non-monetary items		(417)		(407)	
Cash flows from operating activities before changes in net current assets		10,552		8,362	
Increase/(Decrease) in provisions		(1,146)		(749)	
(Increase)/Decrease in inventories		(44)		(109)	
(Increase)/Decrease in trade receivables		(1,599)	(511)	449	531
(Increase)/Decrease in financial and non-financial assets/liabilities		(728)	(36)	776	118
Increase/(Decrease) in trade payables		1,574	850	(497)	(542)
Interest income and other financial income collected		1,125	15	312	14
Interest expense and other financial expense paid		(1,987)		(847)	
Income taxes paid		(1,677)		(941)	
Cash flows from operating activities (a)		**6,070**		**6,756**	
Investments in property, plant and equipment		(4,882)		(2,759)	
Investments in intangible assets		(348)		(204)	
Investments in entities (or business units) less cash and cash equivalents acquired		(30,390)		(1,082)	
Disposals of entities (or business units) less cash and cash equivalents sold		—		1,518	
(Increase)/Decrease in other investing activities		267		153	
Cash flows from investing/disinvesting activities (b)		**(35,353)**		**(2,374)**	
Financial debt (new long-term borrowing)		30,813		1,524	
Financial debt (repayments and other changes)		2,543	(10)	(1,995)	(7)
Dividends paid	27	(3,180)		(3,959)	
Increase in share capital and reserves due to the exercise of stock options	27	50		108	
Cash flows from financing activities (c)		**30,226**		**(4,322)**	
Impact of exchange rate fluctuations on cash and cash equivalents (d)		**(52)**		**4**	
Increase/(Decrease) in cash and cash equivalents (a+b+c+d)		**891**		**64**	
Cash and cash equivalents at the beginning of the year		572		508	
Cash and cash equivalents at the end of the year		1,463(1)(2)		572	

(1) Of which short-term securities equal to €101 million.

(2) Of which cash and cash equivalents pertaining to assets held for sale in the amount of €128 million.

Statement of Recognized Income and Expenses for the Period

	Notes	2007	of which assets held for sale	2006
		Millions of euro		
Effective portion of change in the fair value of cash flow hedges		287	4	123
Change in the fair value of financial investments available for sale		56	10	45
Exchange rate differences		(235)	1	66
Net income for period recognized in equity	27	**108**	**15**	**234**
Net income for period recognized in income statement		**4,213**	127	**3,101**
Total recognized income and expenses for the period		**4,321**	**142**	**3,335**
Attributable to:				
- shareholders of the Parent Company		4,144	141	3,238
- minority interests		177	1	97

Notes to the financial statements

1. Accounting policies and measurement criteria

Enel SpA, which operates in the energy utility sector, has its registered office in Rome, Italy. The consolidated financial statements of the Company for the year ending December 31, 2007 comprise the financial statements of the Company and its subsidiaries ("the Group") and the Group's holdings in associated companies and joint ventures. A list of the subsidiaries included in the scope of consolidation is reported in the annex.

These financial statements were approved for publication by the Board on March 12, 2008.

Compliance with IFRS/IAS

The consolidated financial statements for the year ended December 31, 2007 have been prepared in accordance with international accounting standards (International Accounting Standards, IAS, or International Financial Reporting Standards, IFRS), the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and the Standing Interpretations Committee (SIC) endorsed by the European Union (hereinafter, "IFRS-EU"), as well as with measures issued in implementation of Article 9, paragraph 3, of Legislative Decree 38 of February 28, 2005.

Basis of presentation

The consolidated financial statements consist of the Consolidated Balance Sheet, the Consolidated Income Statement, the Consolidated Statement of Cash Flows, the Consolidated Statement of Recognized Income and Expenses for the Period and the related notes.

The assets and liabilities reported in the Consolidated Balance Sheet are classified on a "current/non-current basis," with separate reporting of assets and liabilities held for sale. Current assets, which include cash and cash equivalents, are assets that are intended to be realized, sold or consumed during the normal operating cycle of the company or in the twelve months following the balance sheet date; current liabilities are liabilities that are expected to be settled during the normal operating cycle of the company or within the twelve months following the close of the financial year.

The Consolidated Income Statement is classified on the basis of the nature of costs, while the indirect method is used for the Cash Flow Statement.

The consolidated financial statements are presented in euro, the functional currency of the Parent Company Enel SpA. All figures are shown in millions of euro unless stated otherwise.

The financial statements are prepared using the cost method, with the exception of items that are measured at fair value under IFRS-EU, as specified in the measurement policies for the individual items.

Use of estimates

Preparing the consolidated financial statements under IFRS-EU requires the use of estimates and assumptions that impact the carrying amount of assets and liabilities and the related information on the items involved as well as the disclosure required for contingent assets and liabilities at the balance sheet date. The estimates and the related assumptions are based on previous experience and other factors considered reasonable in the circumstances. They are formulated when the carrying amount of assets and liabilities is not easily determined from other sources. The actual results may therefore differ from these estimates. The estimates and assumptions are periodically revised and the effects of any changes are reflected in the income statement if they only involve that period. If the revision involves both the current and future periods, the change is recognized in the period in which the revision is made and in the related future periods.

A number of accounting policies are felt to be especially important for understanding the financial statements. To this end, the following section examines the main items affected by the use of estimates, as well as the main assumptions used by management in measuring these items in compliance with the IFRS-EU. The critical element of such estimates is the use of assumptions and professional judgments concerning issues that are by their very nature uncertain.

Changes in the conditions underlying the assumptions and judgments could have a substantial impact on future results.

Revenue recognition

Revenues from sales to retail and wholesale customers are recognized on an accruals basis. Revenues from sales of electricity and gas to retail customers are recognized at the time the electricity or gas is supplied on the basis of periodic meter readings and also include an estimate of the value of electricity and gas consumption after the date of the last meter reading of the year. Revenues between the date of the meter reading and the end of the year are based on estimates of the daily consumption of individual customers calculated on the basis of their consumption record, adjusted to take account of weather conditions and other factors that may affect estimated consumption.

Pensions and other post-employment benefits

Part of the Group's employees participate in pension plans offering benefits based on their wage history and years of service.

Certain employees are also eligible for other post-employment benefit schemes. The expenses and liabilities of such plans are calculated on the basis of estimates carried out by consulting actuaries, who use a combination of statistical and actuarial elements in their calculations, including statistical data on past years and forecasts of future costs.

Other components of the estimation that are considered include mortality and withdrawal rates as well as assumptions concerning future developments in discount rates, the rate of wage increases and trends in the cost of medical care.

These estimates can differ significantly from actual developments owing to changes in economic and market conditions, increases or decreases in withdrawal rates and the lifespan of participants, as well as changes in the effective cost of medical care.

Such differences can have a substantial impact on the quantification of pension costs and other related expenses.

Recoverability of non-current assets

The carrying amount of non-current assets (including goodwill and other intangibles) and assets held for sale is reviewed periodically and wherever circumstances or events suggest that more frequent review is necessary.

Where the value of a group of non-current assets is considered to be impaired, it is written down to its recoverable value, as estimated on the basis of the use of the assets and their future disposal, in accordance with the company's most recent plans.

The estimates of such recoverable values are considered reasonable. Nevertheless, possible changes in the estimation factors on which the calculation of such values is performed could generate different recoverable values. The analysis of each group of non-current assets is unique and requires management to use estimates and assumptions considered prudent and reasonable in the specific circumstances.

Mineral assets

Estimates are also used in the measurement of the natural gas reserves, employing engineering techniques, which by their very nature present a margin of uncertainty owing to the quality of the technical data available and the assessment of such data by management.

Natural gas and oil reserves are classified as proven when the amounts identified, on the basis of the technical and economic conditions at the time the estimate is made, can be extracted in the future with a reasonable degree of certainty. Proven reserves are initially classified as undeveloped. Following development activities and, normally, at the time of initial extraction, they are reclassified as developed proven reserves.

Nevertheless, the measurement of these assets is often subject to adjustment owing to changes in conditions. Factors such as price increases or a different production schedule from that originally estimated can lead to significant upward or downward revisions in the volume of proven reserves.

Recovery of deferred tax assets

At December 31, 2007, the financial statements report deferred tax assets in respect of tax losses to be reversed in subsequent years and income components whose deductibility is deferred in an amount whose recovery is considered by management to be highly probable.

The recoverability of such assets is subject to the achievement of future profits sufficient to absorb such tax losses and to use the benefits of the other deferred tax assets.

The assessment of recoverability takes account of the estimate of future taxable incomes and is based on prudent tax planning strategies. However, where the Group should become aware that it would be unable to recover all or part of such recognized tax assets in future years, the consequent adjustment would be taken to the income statement in the year in which this circumstance arises.

Litigation

The Enel Group is involved in various legal disputes regarding the generation, transport and distribution of electricity. In view of the nature of such litigation, it is not always objectively possible to predict the outcome of such disputes, which in some cases could be unfavorable.

The Group is also involved in various disputes regarding urban planning and environmental issues (mainly regarding exposure to electromagnetic fields) associated with the construction and operation of a number of generation facilities and power lines.

Provisions have been recognized to cover all significant liabilities for cases in which legal counsel feels an adverse outcome is likely and a reasonable estimate of the amount of the loss can be made.

Provision for doubtful accounts

The provision for doubtful accounts reflects estimates of losses on the Group's receivables portfolio. Provisions have been made against expected losses calculated on the basis of historical experience with receivables with similar credit risk profiles, current and historical arrears, eliminations and collections, as well as the careful monitoring of the quality of the receivables portfolio and current and forecast conditions in the economy and the relevant markets.

Although the provision recognized is considered appropriate, the use of different assumptions or changes in economic conditions could lead to changes in the provision and therefore impact net income.

The estimates and assumptions are reviewed periodically and the effects of any change are taken to the income statement in the year they accrue.

Decommissioning and site restoration

In calculating liabilities in respect of decommissioning and site restoration costs, especially for the decommissioning of nuclear power plants and the storage of waste fuel and other radioactive materials, the estimation of future costs is a critical process in view of the fact that such costs will be incurred over a very long period of time, estimated at up to 100 years.

The obligation, based on financial and engineering assumptions, is calculated by discounting the expected future cash flows that the Company considers it will have to pay for the decommissioning operation.

The discount rate used to determine the present value of the liability is the pre-tax risk-free rate and is based on the economic parameters of the country in which the nuclear plant is located.

That liability is quantified by management on the basis of the technology existing at the measurement date and is reviewed each year, taking account of developments in decommissioning and site restoration technology, as well as the ongoing evolution of the legislative framework and the sensitivity of governments and the general public to the protection of health and the environment.

Subsequently, the value of the obligation is adjusted to reflect the passage of time and any changes in estimates.

In addition to the items listed above, estimates were also used with regard to financial instruments, share-based payment plans and the fair value measurement of assets acquired and liabilities assumed in business combinations. For these items, the estimates and assumptions are discussed in the notes on the accounting policies adopted.

Related parties

Related parties are mainly parties that have the same parent company with Enel SpA, companies that directly or indirectly through one or more intermediaries control, are controlled or are subject to the joint control of Enel SpA and in which the latter has a holding that enables it to exercise a significant influence. Related parties also include the managers with strategic responsibilities, and their close relatives, of Enel SpA and the companies over which it exercises direct, indirect or joint control and over which it exercises a significant influence. Managers with strategic responsibilities are those persons who have the power and direct or indirect responsibility for the planning, management and control of the activities of the company. They include company directors.

Subsidiaries

Subsidiaries comprise those entities for which the Group has the direct or indirect power to determine their financial and operating policies for the purposes of obtaining the benefits of their activities. In assessing the existence of a situation of control, account is also taken of potential voting rights that are effectively exercisable or convertible. The figures of the subsidiaries are consolidated on a full line-by-line basis as from the date control is acquired until such control ceases.

Special purpose entities

The Group consolidates a special purpose entity (SPE) when it exercises de facto control over such entity. Control is achieved if in substance the Group obtains the majority of the benefits produced by the SPE and supports the majority of the remaining risks or risks of ownership of the SPE, even if it does not own an equity interest in such entity.

Associated companies

Associated companies comprise those entities in which the Group has a significant influence. Potential voting rights that are effectively exercisable or convertible are also taken into consideration in determining the existence of significant influence.

These investments are initially recognized at cost and are subsequently measured using the equity method, allocating any difference between the cost of the equity investment and the share in the net fair value of the assets, liabilities and identifiable contingent liabilities of the associated company in an analogous manner to the treatment of business combinations. The Group's share of profit or loss is recognized in the consolidated financial statements from the date on which it acquires the significant influence over the entity until such influence ceases.

Should the Group's share of the loss for the period exceed the carrying amount of the equity investment, the latter is impaired and any excess recognized in a provision if the Group has a commitment to meet legal or constructive obligations of the associate or in any case to cover its losses.

Joint ventures

Interests in joint ventures — enterprises in which the Group exercises joint control with other entities — are consolidated using the proportionate method. The Group recognizes its share of the assets, liabilities, revenues and expenses on a line-by-line basis in proportion to the Group's share in the entity from the date on which joint control is acquired until such control ceases. Potential voting rights that are effectively exercisable or convertible are taken into consideration in determining the existence of joint control.

The following table reports the contribution of joint ventures to the main aggregates in the consolidated financial statements:

	at Dec. 31, 2007			
	Enel Unión Fenosa Renovables(1)	RusEnergoSbyt	Endesa(1)	SeverEnergia (formerly Enineftegaz)
	Millions of euro			
Percentage consolidation	50.0%	49.5%	67.05%	40.0%
Non-current assets	353	28	26,725	906
Current assets	95	22	5,871	29
Assets held for sale	—	—	6,578	—
Non-current liabilities	262	7	17,744	203
Current liabilities	122	16	7,627	118
Liabilities held for sale	—	—	2,382	—
Revenues	66	579	3,447	11
Costs	36	564	2,575	15

(1) Includes amounts for companies over which joint control is exercised with other shareholders.

Consolidation procedures

The financial statements of subsidiaries used to prepare the consolidated financial statements were prepared at December 31, 2007 in accordance with the accounting policies adopted by the Parent Company.

All intragroup balances and transactions, including any unrealized profits or losses on transactions within the Group, are eliminated, net of the theoretical tax effect. Unrealized profits and losses with associates and joint ventures are eliminated for the part attributable to the Group.

In both cases, unrealized losses are eliminated except when relating to impairment.

Translation of foreign currency items

Each subsidiary prepares its financial statements in the functional currency of the economy in which it operates.

Transactions in currencies other than the functional currency are recognized in these financial statements at the exchange rate prevailing on the date of the transaction. Monetary assets and liabilities denominated in a foreign currency other than the functional currency are later adjusted using the balance sheet exchange rate. Any exchange rate differences are recognized in profit or loss.

Non-monetary assets and liabilities in foreign currency stated at historic cost are translated using the exchange rate prevailing on the date of initial recognition of the transaction.

Translation of financial statements denominated in a foreign currency

For the purposes of the consolidated financial statements, all profits/losses, assets and liabilities are stated in euro, which is the functional currency of the Parent Company, Enel SpA.

In order to prepare the consolidated financial statements, the financial statements of consolidated companies in functional currencies other than the euro are translated into euro by applying the relevant period-end exchange rate to the assets and liabilities, including goodwill and consolidation adjustments, and the average exchange rate for the period, which approximates the exchange rates prevailing at the date of the respective transactions, to the income statement items.

Any resulting exchange rate gains or losses are recognized as a separate component of equity in a special reserve. The gains and losses are recognized in the income statement on the disposal of the subsidiary.

Business combinations

All business combinations are recognized using the purchase method, where the purchase cost is equal to the fair value at the date of the exchange of the assets acquired and the liabilities assumed, plus any costs directly attributable to the acquisition. This cost is allocated by recognizing the assets, liabilities and identifiable contingent liabilities of the acquired company at their fair values. Any positive difference between the purchase cost and the fair value of the share of the net assets acquired attributable to the Group is recognized as goodwill. Any negative difference is recognized in profit or loss. If the fair values of the assets, liabilities and contingent liabilities can only be calculated on a provisional basis, the business combination is recognized using such provisional values. Any adjustments resulting from the completion of the measurement process are recognized within twelve months of the date of acquisition.

On first-time adoption of the IFRS-EU, the Group elected to not apply IFRS 3 (Business combinations) retrospectively to acquisitions carried out before January 1, 2004. Accordingly, the goodwill associated with acquisitions carried out prior to the IFRS-EU transition date is still carried at the amount reported in the last consolidated financial statements prepared on the basis of previous accounting standards (December 31, 2003).

Property, plant and equipment

Property, plant and equipment is recognized at historic cost, including directly attributable ancillary costs necessary for the asset to be ready for use. It is increased by the present value of the estimate of the costs of decommissioning and removing the asset where there is a legal or constructive obligation to do so.

The corresponding liability is recognized under provisions for risks and charges. The accounting treatment of changes in the estimate of these costs, the passage of time and the discount rate is discussed under "Provisions for risks and charges." Financial charges in respect of loans granted for the purchase of the assets are recognized in profit or loss as an expense in the period they accrue.

Certain items of property, plant and equipment that were revalued at January 1, 2004 (the transition date) or in previous periods are recognized at their revalued amount, which is considered as their deemed cost at the revaluation date.

Subsequent expenditure relating to an item of property, plant and equipment is recognized as an increase in the carrying amount of the asset when it is probable that future economic benefits deriving from the cost incurred to replace a component of such item will flow to the enterprise and the cost of the item can be reliably determined. All other expenditure is recognized as an expense in the period in which it is incurred.

Where major components of property, plant and equipment have different useful lives, the components are recognized and depreciated separately.

The cost of replacing part or all of an asset is recognized as an increase in the value of the asset and is depreciated over its useful life; the net carrying amount of the replaced unit is eliminated through profit or loss, with the recognition of any capital gain/loss.

Property, plant and equipment is reported net of accumulated depreciation and any impairment losses determined as set out below. Depreciation is calculated on a straight-line basis over the item's estimated useful life, which is reviewed annually, and any changes are reflected on a prospective basis. Depreciation begins when the asset is ready for use.

The estimated useful life of the main items of property, plant and equipment is as follows:

	Useful life
Civil buildings	40-65 years
Hydroelectric power plants[(1)]	35-40 years
Thermal power plants[(1)]	10-40 years
Nuclear power plants	40 years
Geothermal power plants	20 years
Alternative energy power plants	15-35 years
Transport lines	20-40 years
Transformation plant	32-42 years
Medium- and low-voltage distribution networks	20-40 years
Gas distribution networks and meters	25-50 years
Industrial and commercial equipment	4-25 years

(1) Excluding assets to be relinquished free of charge, which are depreciated over the duration of the concession if shorter than useful life.

Land, both unbuilt and on which civil and industrial buildings stand, is not depreciated as it has an indefinite useful life.

The Group is the concession holder in Italy for the distribution and sale of electricity to the enhanced protection and safeguard markets (former non-eligible customers). The concession, granted by the Ministry for Economic Development, was issued free of charge and terminates on December 31, 2030. If the concession is not renewed upon expiry, the grantor is required to pay an indemnity, at current values, for the assets owned by the Group that serve the concession. These assets, which comprise the electricity distribution networks, are recognized under "Property, plant and equipment" and are depreciated over their useful lives.

The Group's plants in Italy include assets to be relinquished free of charge at the end of the concession. These mainly regard major water diversion works and the public lands used for the operation of the thermal power plants. The concessions terminate in 2029, and in 2020 respectively (2010 for plants located in the Autonomous Provinces of Trento and Bolzano). If the concessions are not renewed, at those dates all intake and governing works, penstocks, outflow channels and other assets on public lands will be relinquished free of charge to the State in good operating condition. The Group believes that the existing ordinary maintenance programs ensure that the assets will be in good operating condition at the termination date.

Accordingly, depreciation on assets to be relinquished is calculated over the shorter of the term of the concession and the remaining useful life of the assets.

In accordance with Spanish laws 29/85 and 46/99, the hydroelectric power stations of Endesa in Spanish territory operate under administrative concessions at the end of which the plants will be returned to the government in good operating condition. The concessions will expire in the period between 2011 and 2067.

A number of companies belonging to Endesa that operate in Argentina and Brazil hold administrative concessions with similar conditions to those applied under the Spanish concession system. These concessions will expire in the period between 2013 and 2088.

The Group also operates in the gas distribution sector in Italy under concessions granted by local authorities for terms not exceeding twelve years. Local authorities can use service agreements to regulate the terms and conditions of the distribution service, as well as quality targets to be achieved. The concessions are granted based upon the financial conditions, quality and safety standards, investment plans, and technical and managerial expertise offered. The majority of the gas distribution concessions expire on December 31, 2009. For the majority of the concessions, upon expiry the local authorities will hold new tenders to renew the concession. If the concession is not renewed, the new concession holder is required to pay an indemnity equal to the fair value of the assets that serve the concession. For certain concessions, on the expiry date the distribution networks will be relinquished free of charge to the local authorities in good operating condition. Such assets are carried under "Property, plant and equipment" and are depreciated over their useful life, where the concession agreement provides for an indemnity at the end of the concession period, or on the basis of the shorter of the term of the concession and the remaining useful life of the assets, where the assets are to be relinquished free of charge at the end of the concession.

Property, plant and equipment acquired under finance leases, whereby all risks and rewards incident to ownership are substantially transferred to the Group, are initially recognized as Group assets at the lower of fair value and the present value of the minimum lease payments due, including the payment required to exercise any purchase option. The corresponding liability due to the lessor is recognized under financial payables. The assets are depreciated on the basis of their useful lives. If it is not reasonably certain that the Group will acquire the assets at the end of the lease, they are depreciated over the shorter of the lease term and the useful life of the assets.

Leases where the lessor retains substantially all risks and rewards incident to ownership are classified as operating leases. Operating lease costs are taken to profit or loss on a systematic basis over the term of the lease.

Investment property

Investment property consists of the Group's real estate held to generate rental income or capital gains rather than for use in operations or the delivery of goods and services.

Investment property is initially recognized at cost in the same manner as other property, plant and equipment. Subsequently, it is measured net of depreciation and any impairment losses, as determined on the basis of the following criteria. The fair value of investment property is determined on the basis of the state of the individual assets. The estimated fair value at December 31, 2007 was calculated internally by projecting the valuations for the previous year in relation to the performance of the real estate market and estimated developments in the value of the assets. The fair value of investment property carried at December 31, 2007 was equal to €243 million.

Intangible assets

Intangible assets, all with a definite useful life, are measured at purchase or internal development cost, when it is probable that the use of such assets will generate future economic benefits and the related cost can be reliably determined.

The cost includes any directly attributable incidental expenses necessary to make the assets ready for use. The assets are shown net of accumulated amortization and any impairment losses, determined as set out below.

Amortization is calculated on a straight-line basis over the item's estimated useful life, which is checked at least annually; any changes in amortization policies are reflected on a prospective basis.

Amortization commences when the asset is ready for use.

The estimated useful life of the main intangible assets is reported in the notes to the caption.

Goodwill deriving from the acquisition of subsidiaries, associated companies or joint ventures is allocated to each of the cash-generating units identified. After initial recognition, goodwill is not amortized and is adjusted for any impairment losses, determined using the criteria described in the notes. Goodwill relating to equity investments in associates is included in their carrying amount.

Mineral assets

Costs incurred to purchase mineral rights are recognized on the basis of the value of the various assets acquired and are allocated to the same assets based on the present value of the expected future cash flows. The assets acquired regard exploration potential, probable reserves, possible reserves and proven reserves. The costs for acquiring proven, probable, and possible reserves are recognized as assets. The cost of proven reserves, which is recognized under property, plant and equipment, is depreciated using the unit-of-production (UOP) method, as defined below, taking account of both developed and undeveloped reserves. The acquisition cost for probable and possible reserves, as well as exploration potential (i.e. the purchase costs for research permits or extensions of existing permits), is deferred under intangible assets until the outcome of the exploration activities is known. Where exploration is abandoned or unsuccessful, these costs are expensed; otherwise, they are reclassified to "Property, plant and equipment" and depreciated using the UOP method.

Exploration costs incurred in order to verify the existence of a new field, both before and after the purchase of mineral rights, are expensed directly, with the exception of well-drilling costs, which are deferred under intangible assets until the outcome of exploration is known.

Development costs incurred to verify proven reserves and to build and install the systems needed for drilling, treatment, collection and storage of natural gas are recognized as assets and depreciated primarily using the UOP method, given that their useful life is closely connected with the availability of economically exploitable gas reserves. Under this method, the residual costs at the end of each period are depreciated at a rate based on the ratio of volumes extracted during the period to proven reserves remaining at the end of the period plus the volumes extracted during the period. This method is applied to the smallest aggregate that achieves a direct correlation between the investment and the proven reserves developed.

Costs related to production (extraction, routine well maintenance, transport, etc.) are expensed during the period in which they are incurred.

Impairment losses

Property, plant and equipment (including investment property) and intangible assets with a definite life are reviewed at least once a year to determine whether there is evidence of impairment. If such evidence exists, the recoverable amount of any property, plant and equipment and intangible assets with a definite life is estimated.

The recoverable amount of goodwill and intangible assets with an indefinite useful life, if any, as well as that of intangible assets not yet available for use, is estimated annually.

The recoverable amount is the higher of an asset's fair value less selling costs and its value in use.

Value in use is determined by discounting estimated future cash flows using a pre-tax discount rate that reflects the current market assessment of the time value of money and the specific risks of the asset. The recoverable amount of assets that do not generate independent cash flows is determined based on the cash-generating unit to which the asset belongs.

An impairment loss is recognized in the income statement if an asset's carrying amount or that of the cash-generating unit to which it is allocated is higher than its recoverable amount.

Impairment losses of cash generating units are first charged against the carrying amount of any goodwill attributed to it and then against the value of other assets, in proportion to their carrying amount.

With the exception of those recognized for goodwill, impairment losses are reversed if the impairment has been reduced or is no longer present or there has been a change in the assumptions used to determine the recoverable amount.

Inventories

Inventories are measured at the lower of cost and net estimated realizable value. Average weighted cost is used, which includes related ancillary charges. Net estimated realizable value is the estimated normal selling price net of estimated selling costs or, where applicable, replacement cost.

The consumption of nuclear fuel is recognized on the basis of the energy generated by the nuclear power plants.

Financial instruments

Debt securities

Debt securities that the Company intends and is able to hold until maturity are recognized at the trade date and, upon initial recognition, are measured at fair value including transaction costs; subsequently, they are measured at amortized cost using the effective interest rate method, net of any impairment losses.

For securities measured at fair value through shareholders' equity (available-for-sale securities), when there is objective evidence that such securities have suffered an impairment loss, the cumulative loss recognized in equity is reversed to the income statement.

For securities measured at amortized cost (loans and receivables or held-to-maturity investments), the amount of the loss is equal to the difference between the carrying amount and the present value of future cash flows discounted using the original effective interest rate.

Debt securities held for trading and designated at fair value through profit or loss are initially recognized at fair value and subsequent variations are recognized in profit or loss.

Equity investments in other entities and other financial assets

Equity investments in entities other than subsidiaries, associates and joint ventures as well as other financial assets are recognized at fair value with any gains or losses recognized in equity (if classified as "available for sale") or in profit or loss (if classified as "fair value through profit or loss"). On the sale of available-for-sale assets, any accumulated gains and losses are released to the income statement.

When the fair value cannot be determined reliably, equity investments in other entities are measured at cost adjusted by impairment losses with any gains or losses recognized in profit or loss. Such impairment losses, which are recognized in the income statement and are not subsequently reversed, are measured as the difference between the carrying amount and the present value of future cash flows discounted using the market interest rate for similar financial assets.

Other assets classified under "Loans and receivables" are initially recognized at fair value adjusted for transaction costs and are subsequently measured at amortized cost using the effective interest rate method, net of any impairment losses.

Such cumulative impairment losses for assets measured at fair value through shareholders' equity are equal to the difference between the purchase cost (net of any principal repayments and amortization) and the current fair value, reduced for any loss already recognized through profit or loss, and are reversed from equity to the income statement.

Trade receivables

Trade receivables are recognized at amortized cost, net of any impairment losses. Impairment is determined on the basis of the present value of estimated future cash flows, discounted at the original effective interest rate.

Trade receivables falling due in line with generally accepted trade terms are not discounted.

Cash and cash equivalents

This category is used to record cash and cash equivalents that are available on demand or at very short term, clear successfully and do not incur collection costs.

Cash and cash equivalents are recognized net of bank overdrafts at period-end in the consolidated statement of cash flows.

Trade payables

Trade payables are recognized at amortized cost. Trade payables falling due in line with generally accepted trade terms are not discounted.

Financial liabilities

Financial liabilities other than derivatives are initially recognized at the settlement date at fair value, less directly attributable transaction costs. Financial liabilities are subsequently measured at amortized cost using the effective interest rate method.

Derivative financial instruments

Derivatives are recognized at fair value and are designated as hedging instruments when the relationship between the derivative and the hedged item is formally documented and the effectiveness of the hedge (assessed periodically) is high.

The manner in which the result of measurement at fair value is recognized depends on the type of hedge accounting adopted.

When the derivatives are used to hedge the risk of changes in the fair value of hedged assets or liabilities, any changes in the fair value of the hedging instrument are taken to profit or loss. The adjustments in the fair values of the hedged assets or liabilities are also taken to profit or loss.

When derivatives are used to hedge the risk of changes in the cash flows generated by the hedged items, changes in fair value are initially recognized in equity, in the amount qualifying as effective, and subsequently released to profit or loss in line with the gains and losses on the hedged item.

The ineffective portion of the fair value of the hedging instrument is taken to profit or loss.

Changes in the fair value of derivatives that no longer qualify for hedge accounting under IFRS-EU are recognized in profit or loss.

Derivative financial instruments are recognized at the trade date.

Employee benefits

Liabilities related to employee benefits paid upon leaving or after ceasing employment in connection with defined-benefit plans or other long-term benefits accrued during the employment period, which are recognized net of any plan assets, are determined separately for each plan, using actuarial assumptions to estimate the amount of the future benefits that employees have accrued at the balance sheet date. The liability is recognized on an accruals basis over the vesting period of the related rights. These appraisals are performed by independent actuaries.

The cumulative actuarial gains and losses exceeding 10% of the greater of the present value of the defined benefit obligation and the fair value of the plan assets are recognized in profit or loss over the expected average remaining working lives of the employees participating in the plan. Otherwise, they are not recognized.

Where there is a demonstrable commitment, with a formal plan without realistic possibility of withdrawal, to a termination before retirement eligibility has been reached, the benefits due to employees in respect of the termination are recognized as a cost and measured on the basis of the number of employees that are expected to accept the offer.

Share-based payments

The cost of services rendered by employees and remunerated through stock option plans is determined based on the fair value of the options granted to employees at the grant date.

The calculation method to determine the fair value considers all characteristics of the option (option term, price and exercise conditions, etc.), as well as the Enel share price at the grant date, the volatility of the stock and the yield curve at the grant date consistent with the expected life of the plan. The pricing model used is the Cox-Rubinstein.

This cost is recognized in the income statement over the vesting period considering the best estimate possible of the number of options that will become exercisable.

Provisions for risks and charges

Accruals to the provisions for risks and charges are recognized where there is a legal or constructive obligation as a result of a past event at period-end, the settlement of which is expected to result in an outflow of resources whose amount can be reliably estimated.

Where the impact is significant, the accruals are determined by discounting expected future cash flows using a pre-tax discount rate that reflects the current market assessment of the time value of money and, if applicable, the risks specific to the liability.

If the provision is accreted, the related increase in the provision over time is recognized as a financial expense.

Where the liability relates to decommissioning and/or site restoration in respect of property, plant and equipment, the provision offsets the related asset. The expense is recognized in profit or loss through the depreciation of the item of property, plant and equipment to which it relates.

Where the liability regards the treatment and storage of nuclear waste and other radioactive materials, the provision is recognized against the related operating costs.

Changes in estimates are recognized in the income statement in the period in which the changes occur, with the exception of those in the costs of dismantling, removal and remediation resulting from changes in the timetable and costs necessary to extinguish the obligation or a change in the discount rate, which increase or decrease the value of the related assets and are taken to the income statement through depreciation. Where they increase the value of the assets, it is also determined whether the new carrying amount of the assets may not be fully recoverable. If this is the case, the assets are tested for impairment, estimating the unrecoverable amount and recognizing any loss in respect of the impairment in the income statement.

Where the changes in estimates decrease the value of the assets, the reduction is recognized up to the carrying amount of the assets. Any excess is recognized immediately in the income statement.

As regards the estimation criteria used to determine provisions for decommissioning and/or site restoration, especially those concerning nuclear power plants, please see the section on the use of estimates.

Grants

Grants are recognized at fair value when it is reasonably certain that they will be received or that the conditions for receipt have been met.

Grants received for specific expenditure or specific assets the value of which is recognized as an item of property, plant and equipment or an intangible asset are recognized as other liabilities and credited to the income statement over the period in which the related costs are recognized.

Revenues

Revenues are recognized using the following criteria depending on the type of transaction:

- revenues from the sale of goods are recognized when the significant risks and rewards of ownership are transferred to the buyer and their amount can be reliably determined and collected;
- revenues from the sale and transport of electricity and gas refer to the quantities provided during the period, even if these have not yet been invoiced, and are determined using estimates as well as the fixed meter reading figures. Where applicable, this revenue is based on the rates and related restrictions established by law, the Authority for Electricity and Gas and the corresponding foreign authorities during the applicable period. Specifically, the authorities that regulate the electricity and gas markets can use mechanisms to reduce the impact of timing differences in setting the prices of energy for sale to the regulated market charged to distributors, compared with setting the prices that the latter charge to end users;

- revenues from the rendering of services are recognized in line with the stage of completion of the services. Where it is not possible to reliably determine the value of the revenues, they are recognized in the amount of the costs that it is considered will be recovered;
- connection fees related to the distribution of electricity are independent of any other service connected with the provision of electricity and therefore are recorded in a single amount upon completion of the connection service.

Financial income and expense

Financial income and expense is recognized on an accruals basis. In line with interest accrued on the net carrying amount of the related financial assets and liabilities using the effective interest rate method, it includes the changes in the fair value of financial instruments recognized at fair value through profit or loss and changes in the fair value of derivatives connected with financial transactions.

Dividends

Dividends are recognized when the shareholder's right to receive them is established.

Dividends and interim dividends payable to third parties are recognized as changes in equity at the date they are approved by the Shareholders' Meeting and the Board of Directors, respectively.

Income taxes

Current income taxes for the period are determined using an estimate of taxable income and in conformity with the relevant tax regulations.

Deferred tax liabilities and assets are calculated on the temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and their corresponding values recognized for tax purposes on the basis of tax rates in effect on the date the temporary difference will reverse, which is determined on the basis of tax rates that are in force or substantively in force at the balance sheet date.

Deferred tax assets are recognized when recovery is probable, i.e. when an entity expects to have sufficient future taxable income to recover the asset.

The recoverability of deferred tax assets is reviewed at each period-end. Taxes in respect of components recognized directly in equity are taken directly to equity.

Discontinued operations and non-current assets held for sale

Non-current assets (or disposal group) whose carrying amount will mainly be recovered through sale, rather than through ongoing use, are classified as held for sale and shown separately from the other balance sheet assets and liabilities. Non-current assets (or disposal group) classified as held for sale are first recognized in compliance with the appropriate IFRS/IAS applicable to the specific assets and liabilities and subsequently measured at the lower of the carrying amount and estimated realizable value, net of selling costs. Any subsequent impairment losses are recognized as a direct adjustment to the non-current assets (or disposal group) classified as held for sale and expensed in the income statement. The corresponding values for the previous period are not reclassified.

A discontinued operation is a component of an entity that has been divested or classified as held for sale and:

- represents a major line of business or geographical area of operations;
- is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is an activity acquired exclusively with a view to resale.

Gains or losses on operating assets sold — whether disposed of or classified as held for sale — are shown separately in the income statement, net of the tax effects. The corresponding values for the previous period, where present, are reclassified and reported separately in the income statement, net of tax effects, for comparative purposes.

2. Recently issued accounting standards

Standards not yet adopted

In 2007, the European Commission endorsed and published the following new accounting standards and interpretations to supplement the existing standards approved and published by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC).

- "IFRS 8 — Operating segments": the standard, approved by the European Commission with Regulation (EC) 1358/2007 and takes affect as of the financial statements for periods beginning on or after January 1, 2009, replaces "IAS 14 — Segment reporting." IFRS 8 essentially requires the adoption of the management approach in determining and reporting segment profit or loss, i.e. using the methodologies adopted by management in internal reporting in order to assess performance and allocate resources among segments. The application of this standard will have no impact on Enel.

- "IFRIC 11 — Group and treasury share transactions": the interpretation, which was adopted by the European Commission on June 1, 2007 with Regulation (EC) 611/2007, takes effect retroactively starting as of the financial statements for periods beginning on or after March 1, 2007. The interpretation establishes that:

  - for payments to employees of subsidiaries involving own shares granted by the parent company, the subsidiary must measure the services received by the employees as share-based payments;

  - for payments by subsidiaries to their employees involving shares of the parent company, the subsidiary must account for transactions with its employees as cash-settled transactions, regardless of the manner in which the shares used to settle the payment obligation were acquired. Enel is assessing the impact of this interpretation.

In addition, the IASB and the IFRIC have published the following new accounting standards and interpretations that, at December 31, 2007, had not yet been endorsed by the European Commission.

- "IAS 1 — Presentation of financial statements": the standard introduces a new approach to presenting the financial statements, with a specific impact on the presentation of period performance in terms of "comprehensive income," with separate reporting of profit or loss and income recognized in equity ("other comprehensive income," OCI). The standard will take effect, subject to endorsement, for financial statements for periods beginning on or after January 1, 2009. Enel is assessing the impact of the adoption of this standard.

- "IAS 23 — Borrowing costs": the standard replaces the previous standard issued by the IASB in 1993, which permits the recognition of borrowing costs incurred during the year as an expense. The new standard requires the capitalization of borrowing costs directly attributable to the purchase, construction or production of an assets as part of the cost of the asset. The standard will take effect, subject to endorsement, as of the financial statements for periods beginning on or after January 1, 2009. Enel is assessing the impact of the adoption of this interpretation.

- "IFRIC 12 — Service concession arrangements": the interpretation sets out the concession operator's accounting treatment of the obligations and rights associated with service concession arrangements. The interpretation will take effect, subject to endorsement, as of the financial statements for periods beginning on or after January 1, 2008. Enel is assessing the impact of the adoption of this standard.

- "IFRIC 13 — Customer loyalty programs": the interpretation governs the accounting treatment of the obligation to provide prizes to customers as part of customer loyalty programs. The interpretation will take effect, subject to endorsement, as of the financial statements for periods beginning on or after July 1, 2008. Enel is assessing the impact of the adoption of this interpretation.

- "IFRIC 14, IAS 19 — The limit on a defined benefit asset, minimum funding requirements and their interaction": this interpretation regards the application of the rules established by IAS 19 concerning the asset ceiling. It also defines the effects on the liabilities and/or assets of a defined benefit or other long-term benefits plan of any contractual or statutory minimum funding requirement. The interpretation will take effect, subject to endorsement, as of the financial statements for periods beginning on or after January 1, 2008. Enel is assessing the impact of the adoption of this interpretation.

First-time adoption of applicable standards

- Amendment of "IAS 1 — Presentation of financial statements: disclosures about capital": this document requires the disclosure of greater information on the objectives, policies and processes for managing capital. This standard took effect as of the financial statements for periods beginning on or after January 1, 2007. The application of this standard had no impact on Enel.
- "IFRS 7 — Financial instruments: disclosure": this standard introduces additional disclosure requirements for financial instruments. In particular, it replaces "IAS 30 — Disclosures in the financial statements of banks and similar financial institutions" and significantly amends "IAS 32 — Financial instruments: disclosure and presentation," eliminating the sections on disclosure and renaming it "IAS 32 — Financial instruments: presentation." IFRS 7 requires additional disclosure of the significance of financial instruments for an entity's financial performance and position, as well as a description of management's objectives, policies and processes for managing risks associated with financial instruments. This standard took effect as of the financial statements for periods beginning on or after January 1, 2007. For Enel, the adoption of the standard led to an expansion of disclosures on financial instruments in the financial statements.
- "IFRIC 7 — Applying the restatement approach under IAS 29 Financial reporting in hyperinflationary economies": the interpretation is effective for annual periods beginning on or after March 1, 2006. It establishes that an entity shall apply the provisions of IAS 29 in a reporting period in which it identifies the existence of hyperinflation in the economy of its functional currency as if the economy had always been hyperinflationary. The application of this interpretation had no impact for Enel.
- "IFRIC 8 — Scope of IFRS 2": this interpretation clarifies whether IFRS 2 applies to arrangements where entities cannot specifically identify a portion or the entirety of the goods or services received. The issue addressed in this interpretation provides that, in the case in which the identifiable consideration received is less than the fair value of the equity instruments granted or liability incurred, the unidentifiable goods/services received (or to be received) shall be valued, at the date of granting, at an amount equal to the difference between the fair value of the share-based payment and the fair value of the goods/services received (or to be received). The application of this interpretation, which took effect starting as of the financial statements for periods beginning on or after May 1, 2006, had no impact for Enel.
- "IFRIC 9 — Reassessment of embedded derivatives": this interpretation establishes that the company shall assess whether embedded derivatives are to be recognized separately from the host contract at the time the company becomes party to the contract. Subsequent reassessment of the terms of the contract for separate recognition is prohibited, unless there is a change in the underlying contract that significantly modifies the related cash flows. The application of this interpretation, which took effect starting as of the financial statements for periods beginning on or after June 1, 2006, had no impact for Enel.
- "IFRIC 10 — Interim financial reporting and impairment": the interpretation, which was adopted by the European Commission on June 1, 2007 with Regulation (EC) 610/2007, took effect starting as of the financial statements for periods beginning on or after November 1, 2006. The interpretation supplements the provisions of IAS 34 concerning the requirement to use the same accounting policies for interim financial reports as those used for the annual financial statements, with those of IAS 36 and IAS 39 concerning the recognition of impairment losses on goodwill and certain financial assets. IFRIC 10 prohibits the reversal of an impairment loss recognized in an interim period in respect of

goodwill or an investment in an equity investment classified as available for sale or in a financial asset carried at cost. The application of this interpretation had not impact for Enel.

3. Risk management

Market risk

As part of its operations, Enel is exposed to different market risks, notably the risk of changes in interest rates, exchange rates and commodity prices.

To contain this exposure within the limits set at the start of the year as part of its risk management policies, Enel enters into derivative contracts using instruments available on the market.

Enel also engages in a marginal amount of proprietary trading in order to maintain a presence in the Group's reference energy commodity markets. These operations consist in taking on limited exposures in energy commodities (oil products, gas, coal and electricity in the main European countries) using financial derivatives and physical contracts traded on regulated and OTC markets, exploiting profit opportunities through arbitrage transactions and on the basis of expected market developments. These operations are conducted within the framework of formal governance rules that establish strict risk limits set at the Group level. Compliance with the limits is verified daily by a unit that is independent of those undertaking the transactions. The risk limits for Enel's proprietary trading are set in terms of Value at Risk over a 1-day time horizon and a confidence level of 95%; the sum of the limits set for 2007 is less than €10 million.

Transactions that qualify for hedge accounting are designated as hedging transactions, while those that do not qualify for hedge accounting are classified as trading transactions.

Fair value is determined using the official prices for instruments traded on regulated markets. The fair value of instruments not listed on regulated markets is determined using valuation methods appropriate for each type of financial instrument and market data as of the close of the period (such as interest rates, exchange rates, commodity prices, volatility), discounting expected future cash flows on the basis of the market yield curve at the balance sheet date and translating amounts in currencies other than the euro using year-end exchange rates provided by the European Central Bank. Where possible, contracts relating to commodities are measured using market prices related to the same instruments on both regulated and other markets. With regard to contracts for differences (CFDs), since December 31, 2007, measurement has been carried out using forward prices for electricity. Previously, CFDs were measured using a model based on the forward prices of certain oil commodities, estimating developments in prices in the electricity market. The new approach had no significant impact on the income statement given that the model already gave price estimates that were in line with market trends.

The financial assets and liabilities associated with derivative instruments are classified as:

- cash flow hedge derivatives, related to hedging the risk of changes in the cash flows associated with a number of long-term floating-rate loans, to certain contracts entered into by Enel in order to stabilize revenues from the sale of electricity (two-way contracts for differences and other energy derivatives) and to hedging the risk of changes in the prices of coal and oil commodities;
- fair value hedge derivatives, related to hedging the exposure to changes in the fair value of an asset, liability or firm commitment attributable to a particular risk;
- trading derivatives, related to hedging interest and exchange rate risk and commodity risk but which do not qualify for recognition under IAS 39 as hedges of specific assets, liabilities, commitments or future transactions as well as proprietary trading activities.

The notional value of a derivative is the contractual amount on the basis of which differences are exchanged. This amount can be expressed as a value or a quantity (for example tons, converted into euro by multiplying the notional amount by the agreed price). Amounts denominated in currencies other than the euro are converted into euro at the exchange rate prevailing at the balance sheet date.

The notional amounts of derivatives reported here do not represent amounts exchanged between the parties and therefore are not a measure of the Group's credit risk exposure.

Interest rate risk

Interest rate risk management is aimed at balancing the structure of the debt, reducing the amount of debt exposed to interest rate fluctuations and minimizing borrowing costs over time, limiting the volatility of results. To this end, various types of derivatives are used, including interest rate swaps and interest rate collars, as shown in the following table:

	Notional value	
	2008	2007
	Millions of euro	
Interest rate swaps	12,515	5,132
Interest rate collars	1,232	45
Total	13,747	5,177

Interest rate swaps are used to reduce the amount of debt exposed to changes in interest rates and to reduce the volatility of borrowing costs. In an interest rate swap, Enel enters into an agreement with a counterparty to exchange at specified intervals floating-rate interest flows for fixed-rate interest flows (agreed between the parties), both of which are calculated on the basis of a notional principal amount.

Interest rate collars are used to reduce the impact of potential increases in interest rates on its floating-rate debt. Such contracts are normally used when the fixed interest rate that can be obtained in an interest rate swap is considered too high with respect to Enel's expectations for future interest rate developments. In addition, interest rate collars are also considered appropriate in periods of uncertainty about future interest rate developments, in order to benefit from any decreases in interest rates. In such cases, Enel normally uses zero-cost collars, which do not require the payment of a premium.

All these contracts are agreed with a notional amount and expiry date lower than or equal to that of the underlying financial liability, so that any change in the fair value and/or expected future cash flows is offset by a corresponding change in the fair value and/or the expected future cash flows of the underlying position.

Accordingly, the fair value of the financial derivatives generally reflects the estimated amount that Enel would have to pay or receive in order to terminate the contracts at the balance sheet date. The following table reports the notional amount and fair value of interest rate derivatives at December 31, 2007 and December 31, 2006.

	Notional		Fair value		Fair value assets		Fair value liabilities	
	at Dec. 31, 2007	at Dec. 31, 2006	at Dec. 31, 2007	at Dec. 31, 2006	at Dec. 31, 2007	at Dec. 31, 2006	at Dec. 31, 2007	at Dec. 31, 2006
	Millions of euro							
Cash flow hedge derivatives:								
Interest rate swaps	8,762	4,823	93	(79)	142	37	(49)	(116)
Interest rate collars	1,188	3	3	—	4	—	(1)	—
Fair value hedge derivatives:								
Interest rate swaps	637	—	(10)	—	6	—	(16)	—
Trading derivatives:								
Interest rate swaps	3,116	309	(26)	(26)	12	—	(38)	(26)
Interest rate collars	44	42	1	—	1	—	—	—
Total interest rate swaps	**12,515**	**5,132**	**57**	**(105)**	**160**	**37**	**(103)**	**(142)**
Total interest rate collars	**1,232**	**45**	**4**	**—**	**5**	**—**	**(1)**	**—**
TOTAL INTEREST RATE DERIVATIVES	**13,747**	**5,177**	**61**	**(105)**	**165**	**37**	**(104)**	**(142)**

Notes to the financial statements — (Continued)

The following table reports the cash flows expected in coming years from these financial derivatives.

Expected cash flows from interest rate derivatives

	Fair value at Dec. 31, 2007	Stratification of expected cash flows 2008	2009	2010	2011	2012	Beyond
	Millions of euro						
CFH on interest rates							
Positive fair value	146	41	17	20	26	18	52
Negative fair value	(50)	(8)	(13)	(10)	(8)	(5)	(19)
FVH on interest rates							
Positive fair value	6	(3)	93	3	1	—	1
Negative fair value	(16)	3	9	1	—	—	1
Trading derivatives on interest rates							
Positive fair value	13	7	6	1	1	2	3
Negative fair value	(38)	(10)	—	(7)	(6)	(5)	(9)

The amount of floating-rate debt that is not hedged against interest rate risk is the main risk factor that could impact the income statement in the event of an increase in market interest rates.

At December 31, 2007, 67% of net financial debt was floating rate (57% at December 31, 2006). Taking account of cash flow hedges of interest rates considered effective pursuant to the IFRS-EU, 54% of the debt was exposed to interest rate risk at December 31, 2007 (23% at December 31, 2006). Including interest rate derivatives treated as hedges for management purposes but ineligible for hedge accounting, the residual exposure of net financial debt to interest rate risk would be 53% (20% at December 31, 2006).

An increase of 1 basis point in market interest rates would have a negative impact on the income statement in terms of higher interest expense on the portion of debt not hedged against interest rate risk of about €3 million (€2 million at December 31, 2006). Conversely, an equivalent decline in market interest rates would have a positive impact on the income statement in terms of lower interest expense on the portion of debt not hedged against interest rate risk of about €3 million (€2 million at December 31, 2006).

As regards the potential impact on shareholders' equity of a change in market interest rates, if market interest rates had been 1 basis point higher at December 31, 2007, all other variables being equal, shareholders' equity would have been about €5 million higher as a result of the increase in the fair value of CFH derivatives on interest rates (and therefore of the related equity reserve). If interest rates have been 1 basis point lower at that date, all other variables being equal, shareholders' equity would have been €5 million lower as a result of the decrease in the fair value of CFH derivatives on interest rates.

Exchange rate risk

Exchange rate risk is mainly generated with the following transaction categories:

- debt denominated in currencies other than the functional currency of the respective countries entered into by the holding company or the individual subsidiaries;
- cash flows in respect of the purchase or sale of fuel or electricity on international markets;
- cash flows in respect of investments in foreign currency, dividends from unconsolidated foreign associates or the purchase or sale of equity investments.

In order to reduce the exchange rate risk on these exposures, Enel uses foreign exchange forward and option contracts in order to hedge cash flows in currencies other than the functional currencies of the various Group entities. Enel also uses cross currency swaps (normally at long term) to stabilize cash flows on bonds paying interest in foreign currency. The buy and sell amounts in such contracts are notional values. Foreign exchange options, which are negotiated on unregulated markets, give Enel the right or the obligation to acquire or sell specified amounts of foreign currency at a specified exchange rate at the end of a given period of time, normally not exceeding one year. The maturity of forward contracts does not normally exceed twelve months.

Notes to the financial statements — (Continued)

The Group also seeks to balance inward and outward cash flows in respect of assets and liabilities denominated in foreign currency.

At December 31, 2007 Enel had outstanding forward and option contracts totaling €13,531 million (€1,574 million at December 31, 2006).

	Notional value	
	2007	2006
	Millions of euro	
Forward contracts hedging commodities	4,507	875
Forward contracts hedging commercial paper	588	377
Forward contracts hedging future cash flows	622	192
Cross-currency interest rate swaps (CCIRSs)	7,731	—
Other forward contracts	—	50
Options	83	80
Total	**13,531**	**1,574**

More specifically, these include:

- contracts with a notional value of €5,212 million used to hedge the exchange rate risk associated with purchases of fuel, imported electricity and expected cash flows in currencies other than the euro (€1,067 million at December 31, 2006);
- contracts with a notional value of €588 million used to hedge the exchange rate risk associated with redemptions of commercial paper issued in currencies other than the euro (€377 million at December 31, 2006); and
- contracts with a notional value of €7,731 million used to hedge the exchange rate risk associated with foreign currency debt (€0 million at December 31, 2006).

These contracts are also normally agreed with a notional amount and expiry date equal to that of the underlying financial liability or the expected future cash flows, so that any change in the fair value and/or expected future cash flows of these contracts stemming from a potential appreciation or depreciation of the domestic currency against other currencies is fully offset by a corresponding change in the fair value and/or the expected future cash flows of the underlying position.

At the end of 2007 Enel had no outstanding forward contracts (€50 million at December 31, 2006) or options (€80 million at December 31, 2006) that were not directly associated with individual exposures subject to exchange rate risk.

Notes to the financial statements — (Continued)

The following table reports the notional amount and fair value of exchange rate derivatives at December 31, 2007 and December 31, 2006.

	Notional		Fair value		Fair value assets		Fair value liabilities	
	at Dec. 31, 2007	at Dec. 31, 2006	at Dec. 31, 2007	at Dec. 31, 2006	at Dec. 31, 2007	at Dec. 31, 2006	at Dec. 31, 2007	at Dec. 31, 2006
	Millions of euro							
Cash flow hedge derivatives:								
- forwards	88	26	—	—	1	—	(1)	—
- CCIRSs	7,127	—	(440)	—	98	—	(538)	—
Fair value hedge derivatives:								
- CCIRSs	603	—	(118)	—	—	—	(118)	—
Trading derivatives:								
- forwards	5,629	1,468	(53)	(22)	68	2	(121)	(24)
- options	83	80	(4)	—	—	—	(4)	—
- CCIRSs	1	—	—	—	—	—	—	—
Total forwards	5,717	1,494	(53)	(22)	69	2	(122)	(24)
Total options	83	80	(4)	—	—	—	(4)	—
Total CCIRSs	7,731	—	(558)	—	98	—	(656)	—
TOTAL EXCHANGE RATE DERIVATIVES	13,531	1,574	(615)	(22)	167	2	(782)	(24)

The following table reports the cash flows expected in coming years from the these financial derivatives.

Expected cash flows from exchange rate derivatives

	Fair value	Stratification of expected cash flows					
	at Dec. 31, 2007	2008	2009	2010	2011	2012	Beyond
	Millions of euro						
CFH on exchange rates							
Positive fair value	99	(1)	6	5	4	4	99
Negative fair value	(539)	(61)	(15)	(13)	(12)	(64)	(610)
FVH on exchange rates							
Positive fair value	—	—	—	—	—	—	—
Negative fair value	(118)	(11)	(58)	(3)	(7)	(21)	(30)
Trading derivatives on exchange rates							
Positive fair value	68	63	4	1	—	—	—
Negative fair value	(125)	(119)	(3)	—	—	—	—

An analysis of the Group's financial debt shows that 16% of medium- and long-term debt is denominated in currencies other than the euro. Taking account of exchange rate hedges and the portion of debt denominated in the functional currency of the country in which the Group company holding the debt position operates, the proportion of unhedged debt denominated in currencies other than the euro decreased to about 4%, a proportion that is felt would not have a significant impact on the income statement in the event of an increase in market exchange rates.

As regards the potential impact on shareholders' equity of a change in market exchange rates, at December 31, 2007, assuming a 10% depreciation of the euro against the other currencies, all other variables being equal, shareholders' equity would have been about €567 million higher (€2 million at December 31, 2006) as a result of the increase in the fair value of CFH derivatives on exchange rates (and therefore of the related equity reserve). Conversely, assuming a 10% appreciation of the euro against the other currencies, all other variables being equal, shareholders' equity would have been €462 million lower (€2 million at December 31, 2006) as a result of the decrease in the fair value of CFH derivatives on exchange rates.

Commodity risk

Various types of derivatives, especially swaps and futures, are used to reduce the exposure to fluctuations in energy commodity prices and as part of proprietary trading activities.

The exposure to the risk of changes in commodity prices is associated with the purchase of fuel for power plants and the purchase and sale of gas under indexed contracts as well as the purchase and sale of electricity at variable prices (indexed bilateral contracts and sales on Power Exchange).

The exposures on indexed contracts is quantified by breaking down the contracts that generate exposure into the underlying risk factors.

As regards electricity sold on the Italian Power Exchange, Enel uses two-way contracts for differences, under which differences are paid to the counterparty if the Single National Price (SNP) exceeds the strike price and to Enel in the opposite case.

The residual exposure in respect of sales on the Power Exchange not hedged through two-way contracts for differences is quantified and managed on the basis of an estimation of generation costs in Italy. The residual positions thus determined are aggregated on the basis of uniform risk factors that can be hedged in the market.

The following table reports the notional values and fair values of derivative contracts relating to commodities at December 31, 2007 and December 31, 2006.

	Notional		Fair value		Fair value asset		Fair value liability	
	at Dec. 31, 2007	at Dec. 31, 2006	at Dec. 31, 2007	at Dec. 31, 2006	at Dec. 31, 2007	at Dec. 31, 2006	at Dec. 31, 2007	at Dec. 31, 2006
	Millions of euro							
Cash flow hedge derivatives:								
- two-way contracts for differences	668	1,034	(8)	48	—	48	(8)	—
- swaps on oil-based commodities	409	—	5	—	20	—	(15)	—
- derivatives on coal	391	—	22	—	22	—	—	—
- other derivatives on energy	229	—	(14)	—	1	—	(15)	—
Trading derivatives:								
- one-way contracts for differences	—	3,219	—	(123)	—	—	—	(123)
- two-way contracts for differences	8	—	(2)	—	—	—	(2)	—
- swaps on oil-based commodities	1,648	581	71	(7)	185	9	(114)	(16)
- futures on oil-based commodities	200	252	4	(2)	5	2	(1)	(4)
- swaps on gas transmission fees	16	16	(5)	(8)	—	—	(5)	(8)
- other derivatives on energy	1,469	57	(11)	(6)	94	1	(105)	(7)
- embedded derivatives	971	1,012	(413)	(482)	8	58	(421)	(540)
- derivatives on other commodities	100	—	19	—	44	—	(25)	—
TOTAL COMMODITY DERIVATIVES	**6,109**	**6,171**	**(332)**	**(580)**	**379**	**118**	**(711)**	**(698)**

Cash flow hedge derivatives refer to the physical positions in the underlying and, therefore, any negative (positive) change in the fair value of the derivative instrument corresponds to a positive (negative) change in the fair value of the underlying physical commodity, so the impact on the income statement is equal to zero.

Notes to the financial statements — (Continued)

The following table shows the fair value of the derivatives and the consequent impact on shareholders' equity at December 31, 2007 (gross of taxes), that would have resulted, all other conditions being equal, in the event of a 10% increase or decrease in the prices of the commodities underlying the valuation model considered in the scenario at that date.

	at Dec. 31, 2007		
	−10%	Scenario	+10%
	Millions of euro		
Fair value of two-way CFDs in cash flow hedges	60	(8)	(75)
Fair value of swaps on oil-based commodities in cash flow hedges	(9)	5	20
Fair value of derivatives on coal in cash flow hedges	3	22	41
Fair value of derivatives in energy classified as cash flow hedges	(2)	(14)	(27)

The following table shows the fair value of the derivatives and the consequent impact on the income statement and shareholders' equity at December 31, 2007 (gross of taxes), that would have resulted, all other conditions being equal, in the event of a 10% increase or decrease in the prices of the commodities (10-year interest rate swaps in the case of a derivative on gas whose fair value depends on that index) underlying the valuation model considered in the scenario at that date.

	at Dec. 31, 2007		
	−10%	Scenario	+10%
	Millions of euro		
Fair value of two-way CFDs in trading transactions	(1)	(2)	(3)
Fair value of swaps on energy commodities in trading transactions (dependent on the price of oil commodities)	(18)	75	157
Fair value of swaps on energy commodities in trading transactions (dependent on 10-year IRS)	(5)	(5)	(5)
Fair value of derivatives on energy in trading transactions	(14)	(11)	(6)

Embedded derivatives relate to contracts for the purchase and sale of energy entered into by Slovenské elektrárne in Slovakia. The net fair value at December 31, 2007 came to a negative €413 million, of which:

a) a positive €8 million relating to an embedded derivative whose fair value is based upon inflation in the United States, the price of aluminum on the London Metal Exchange and the Slovak koruna (SKK)/US dollar (USD) exchange rate;

b) a negative €302 million relating to an embedded derivative on the SKK/USD exchange rate;

c) a negative €119 million relating to a derivative on the price of gas.

The following tables show the fair value at December 31, 2007, as well as the value expected from a 10% increase and a 10% decrease in the underlying risk factors.

Fair value of embedded derivative (a)

	US inflation	Aluminum spot price	SKK/USD exchange rate
	Millions of euro		
10% decrease	11	1	7
Scenario at Dec. 31, 2007	8	8	8
10% increase	6	24	9

Fair value of embedded derivative (b)

	SKK/USD exchange rate
	Millions of euro
10% decrease	(326)
Scenario at Dec. 31, 2007	(302)
10% increase	(279)

Fair value of embedded derivative (c)

	Gas price
	Millions of euro
10% decrease	(116)
Scenario at Dec. 31, 2007	(119)
10% increase	(123)

Derivatives on other commodities classified as trading positions entirely regard Endesa. At December 31, 2007, they had a positive fair value of €19 million. The sensitivity analysis of these derivatives does not generate significant differences with a 10% increase or decrease in the price scenario.

Expected cash flows from commodity derivatives

	at Dec. 31, 2007	2008	2009	2010	2011	2012	Beyond
			Millions of euro				
Cash flow hedge derivatives:							
- Positive fair value	43	43	—	—	—	—	—
- Negative fair value	(38)	(38)	—	—	—	—	—
Trading derivatives:							
- Positive fair value	336	329	3	2	2	2	2
- Negative fair value	(673)	(304)	(84)	(73)	(75)	(78)	(81)
Total commodity derivatives	(332)	(30)	(81)	(71)	(73)	(76)	(79)

Credit risk

Enel manages credit risk by operating solely with counterparties considered solvent by the market, i.e. those with high credit standing, and does not have any concentration of credit risk.

The credit risk in respect of the derivatives portfolio is considered negligible since transactions are conducted solely with leading Italian and international banks, diversifying the exposure among different institutions.

As part of activities related to purchasing fuels for thermal generation and the sale and distribution of electricity, the distribution of gas and the sale of gas to eligible customers, Enel grants trade credit to external counterparties. The counterparties selected are carefully monitored through the assessment of the related credit risk and the pledge of suitable guarantees and/or security deposits to ensure adequate protection from default risk.

Enel considers the economic impact in future years of any default by counterparties in its derivatives positions open at the balance sheet date to be immaterial given the high credit standing of such counterparties, the nature of the instruments (under which only differential flows are exchanged) and the risk diversification achieved by breaking down positions among the various counterparties.

Liquidity risk

Liquidity risk is managed (with the exception of Endesa SA and its subsidiaries) by the Group Treasury unit at Enel SpA, which ensures adequate coverage of cash needs (using lines of credit and issues of bonds and commercial paper) and appropriate management of any excess liquidity. Endesa also has a liquidity policy that envisages the sue of committed lines of credit in amounts sufficient to cover cash needs over a time horizon determined on the basis of an analysis of the situation and expectations in the capital market.

At December 31, 2007, the Enel Group had committed lines of credit amounting to €35.7 billion, of which €24.7 billion had been drawn: the amount includes drawings on the original €35 billion line of credit opened to finance the public tender offer for Endesa, which was subsequently reduced to €19.5 billion and was fully drawn at December 31, 2007. At the same date Enel had uncommitted lines of credit amounting to €2.7 billion, of which €0.8 billion had been drawn.

In addition, Enel Finance International has an outstanding commercial paper program with a maximum amount of €4 billion, of which about €1.6 billion were available at December 31, 2007. Endesa Internacional BV also has an outstanding commercial paper program with a maximum amount of €2 billion, of which about €0.9 billion were available at December 31, 2007. Finally, Endesa Capital SA has an outstanding domestic commercial paper program ("pagarès") with a maximum amount of €2 billion, of which €0.8 billion were available at December 31, 2007.

4. Changes in the scope of consolidation

In the two years examined here, the scope of consolidation changed as a result of the following main transactions.

2006

- Acquisition of a 66% interest in Slovenské elektrárne, a company that generates and sells electricity in Slovakia, on April 28, 2006;
- sale of 30% of Enel Unión Fenosa Renovables on May 30, 2006. Following this sale, the interest in the company fell to 50%. The company is consolidated on a proportionate basis as of that date, as Enel exercises joint control over the company together with the other shareholders;
- acquisition of the remaining 40% interest in Enel Maritza East III Power Holding on June 14, 2006. Following this transaction, the Group holds a 73% stake in Enel Maritza East 3, a Bulgarian generation company;
- acquisition, on June 14, 2006, of a 100% interest in Maritza O&M Holding Netherlands, a holding company that owns 73% of Enel Operations Bulgaria, which is responsible for the maintenance of the Enel Maritza East 3 plant;
- acquisition, on June 21, 2006, of a 49.5% interest in Res Holdings, which holds a 100% stake in the Russian firm RusEnergoSbyt (energy trading and sales). Enel now exercises joint control over the company together with the other shareholders; as a result, the company is consolidated on a proportionate basis;
- acquisition, on July 13, 2006, of a 100% stake in Enel Erelis, a company that develops wind plants in France;
- acquisition, on August 1, 2006, of a 100% stake in Enel Panama (formerly Hydro Quebec Latin America), which, together with Globeleq (a private equity fund), exercised joint control over Fortuna, which is consolidated on a proportionate basis;
- acquisition, on October 6, 2006, through Enel Brasil Partecipações, a subsidiary of Enel Latin America, of 100% of 10 companies of the Rede Group that own 20 mini-hydro plants.

2007

- Acquisition, on February 2, 2007, of the entire capital of the Panamanian company Enel Fortuna (formerly Globeleq Holdings Fortuna), giving Enel full control of Fortuna, which is fully consolidated;
- acquisition of 40% of Artic Russia (formerly Eni Russia), the direct parent company of SeverEnergia (formerly Enineftegaz) and the subsequent acquisition by the latter, on April 4, 2007, of a set of assets in the gas sector. As it is subject to joint control, SeverEnergia is consolidated on a proportionate basis;
- acquisition, on July 2, 2007, of 90% of Nuove Energie, a company that builds and operates LNG regasification infrastructures;
- acquisition, on October 5, 2007, following the successful completion of the public tender offer, of 42.08% of Endesa; as from that date, taking account of the previous holding in the company (24.97%), Endesa is consolidated on a proportionate basis as it is under joint control;

- acquisition, on October 1, 2007, of 100% of three companies (International Windpower, Wind Parks of Thrace and International Wind Parks of Thrace) active in generating electricity from wind power in Greece;
- acquisition, on October 24, 2007, of 100% of Blue Line, a Romanian company that holds the rights to develop wind power projects in the region of Dobrogea;
- acquisition, on December 6, 2007, of 100% of Inelec, a company active in hydroelectric generation in Mexico.

Following the establishment of joint control over Endesa, after acquisition of 42.08% of its capital and under the terms of the agreement with Acciona of March 26, 2007, the terms of the contracts signed between Enel, Acciona and E.On concerning the transfer of certain assets held by Enel and Endesa took effect. Accordingly, in order to reflect these agreements in the accounts, the following have been reported in the consolidated balance sheet as "Assets held for sale" and "Liabilities held for sale":

- the assets and liabilities held directly or indirectly by Endesa in Italy, France, Poland and Turkey, as well as a number of other assets in Spain included in the disposals agreed with E.On (hereinafter "Endesa Europa");
- the assets and liabilities in respect of renewable energy operations held by Endesa, which will be transferred to Acciona Energia, in which Endesa will hold a 49% stake following the transfer;
- the assets and liabilities in respect of Enel's equity investments in Enel Viesgo Generación, Enel Viesgo Servicios and Electra de Viesgo Distribución and the equity investments held by them that are included in the disposal agreed with E.On.

In the Consolidated Income Statement, the income or loss, net of the related tax effect, attributable to the assets and liabilities of Endesa Europa is reported under "discontinued operations" as those assets and liabilities are considered to have been acquired for the sole purpose of their resale.

As regards the acquisitions of RusEnergoSbyt, Enel Panama, Enel Fortuna and SeverEnergia (formerly Enineftegaz), the allocation of the equity investments at the fair value of the assets acquired and liabilities assumed was completed in 2007. The residual goodwill recognized can therefore be considered final. The following tables report the calculation of the goodwill and the balance sheet of the companies at the acquisition date.

Calculation of RusEnergoSbyt goodwill

	Millions of euro
Net assets acquired before allocation(1)	4
Fair value adjustments:	
- customer list	36
- net deferred tax liabilities	(9)
Total adjustments	27
Net assets acquired after allocation(1)	**31**
Value of the transaction(2)	83
Goodwill	**52**

(1) Net assets in proportion to Enel's 49.5% interest.

(2) Including incidental expenses.

Notes to the financial statements — (Continued)

Balance sheet of RusEnergoSbyt at the acquisition date

	Book values before June 21, 2006	Fair value adjustments	Book values at June 21, 2006
		Millions of euro	
Intangible assets	—	73	73
Inventories, trade and other receivables	6	—	6
Cash and cash equivalents	4	—	4
Other current and non-current assets	1	—	1
Total assets	**11**	**73**	**84**
Shareholders' equity	**8**	**55**	**63**
Trade and other payables	3	—	3
Financial liabilities and Other current and non-current liabilities	—	18	18
Total shareholders' equity and liabilities	**11**	**73**	**84**

The definitive allocation of the cost of the transaction to the assets acquired and liabilities assumed was carried out after the drafting of the consolidated financial statements at December 31, 2006. If the allocation of the purchase price had been completed at December 31, 2006, the Group's consolidated net income for 2006 would have been €2 million lower, while revenues for the year would have been unaffected.

Calculation of Enel Panama goodwill

	Millions of euro
Net assets acquired before allocation(1)	130
Fair value adjustments:	
- property, plant and equipment	22
- intangible assets	18
- net deferred tax liabilities	(12)
Total adjustments	28
Fortuna minority interests	(87)
Net assets acquired after allocation(1)	**71**
Value of the transaction(2)	119
Goodwill	**48**

(1) Net assets in proportion to Enel's 49.9% interest.

(2) Including incidental expenses.

Balance sheet of Enel Panama at the acquisition date

	Book values before August 1, 2006	Fair value adjustments	Book values at August 1, 2006
	Millions of euro		
Property, plant and equipment	324	45	369
Intangible assets	—	36	36
Inventories, trade and other receivables	18	—	18
Cash and cash equivalents	8	—	8
Other current and non-current assets	48	—	48
Total assets	**398**	**81**	**479**
Shareholders' equity	115	28	143
Minority interests	145	29	174
Total shareholders' equity	**260**	**57**	**317**
Trade and other payables	7	—	7
Financial liabilities and Other current and non-current liabilities	131	24	155
Total shareholders' equity and liabilities	**398**	**81**	**479**

Calculation of Enel Fortuna goodwill

	Millions of euro
Net assets acquired before allocation[1]	122
Fair value adjustments:	
- property, plant and equipment	23
- intangible assets	17
- net deferred tax liabilities	(12)
Total adjustments	28
Fortuna minority interests	(81)
Net assets acquired after allocation[1]	**69**
Value of the transaction[2]	125
Goodwill	**56**

(1) Net assets in proportion to Enel's 50.1% interest.

(2) Including incidental expenses.

Balance sheet of Enel Fortuna at the acquisition date

	Book values before February 2, 2007	Fair value adjustments	Book values at February 2, 2007
	Millions of euro		
Property, plant and equipment	310	46	356
Intangible assets	—	35	35
Inventories, trade and other receivables	17	—	17
Cash and cash equivalents	9	—	9
Other current and non-current assets	29	—	29
Total assets	**365**	**81**	**446**
Shareholders' equity	110	27	137
Minority interests	134	29	163
Total shareholders' equity	**244**	**56**	**300**
Trade and other payables	10	—	10
Financial liabilities and Other current and non-current liabilities	111	25	136
Total shareholders' equity and liabilities	**365**	**81**	**446**

The contribution of the newly acquired Enel Fortuna to Group operating income came to €23 million.

Calculation of Artic Russia (formerly Eni Russia)/SeverEnergia (formerly Enineftegaz) goodwill

	Millions of euro
Net assets acquired before allocation[1]	11
Fair value adjustments:	
- proven mineral reserves	125
- possible mineral reserves	724
- net deferred tax liabilities	(204)
Total adjustments	645
Net assets acquired after allocation	**656**
Value of the transaction[1]	**700**
Goodwill	44

(1) Net assets in proportion to Enel's interest of 40.0%.

(2) Including incidental expenses in respect of the acquisition of 40% of Artic Russia (formerly Eni Russia), which holds 100% of SeverEnergia (formerly Enineftegaz).

Balance sheet of SeverEnergia (formerly Enineftegaz) at the acquisition date

	Book values before April 4, 2007	Fair value adjustments	Book values at April 4, 2007
		Millions of euro	
Property, plant and equipment	170	313	483
Intangible assets	—	1,810	1,810
Inventories, trade and other receivables	18	—	18
Cash and cash equivalents	15	—	15
Other current and non-current assets	60	—	60
Total assets	**263**	**2,123**	**2,386**
Shareholders' equity	**28**	**1,613**	**1,641**
Trade and other payables	55	—	55
Financial liabilities and Other current and non-current liabilities	160	510	670
Sundry provisions	20	—	20
Total shareholders' equity and liabilities	**263**	**2,123**	**2,386**

The contribution of the newly acquired SeverEnergia to Group operating income was a negative €4 million.

During the year, work was also completed on allocating the price of the acquisitions of AMP Resources and the 10 Brazilian companies belonging to the Rede Group, acquired in March 2007 and October 2006, respectively. The allocation process generated residual recognized goodwill of €11 million for the former, compared with an outlay of €92 million, while there is no residual goodwill from the allocation of the price of the Rede Group acquisition.

Notes to the financial statements — (Continued)

As regards the other acquisitions made during 2007, the differences between the cost value of the investments and the assets acquired less liabilities assumed have been recognized on a provisional basis as goodwill pending more accurate allocation. As regards the Endesa acquisition, the following table reports the calculation of the difference, considering net assets acquired in proportion to Enel's stake of 67.05%.

Endesa acquisition

	Millions of euro
Property, plant and equipment	19,983
Intangible assets	335
Trade receivables and inventories	2,780
Cash and cash equivalents	544
Net assets held for sale(1)	5,021
Other current and non-current assets	6,291
Total assets	**34,954**
Trade payables	(2,096)
Short and long-term debt	(14,125)
Sundry and other provisions	(6,310)
Other current and non-current liabilities	(7,266)
Total liabilities	**(29,797)**
Total net assets acquired	**5,157**
Goodwill	24,470
Value of the transaction(2)	**29,627**
CASH FLOW IMPACT	**28,211**

(1) Including cash and cash equivalents of €122 million.

(2) Including incidental expenses.

The contribution of the newly acquired Endesa to Group operating income came to €892 million.

The following table reports the main aggregates concerning the acquisitions of Nuove Energie, International Windpower, Wind Parks of Thrace, International Wind Parks of Thrace, Blue Line and Inelec.

Other acquisitions

	Millions of euro
Property, plant and equipment	124
Intangible assets	1
Trade receivables and inventories	5
Cash and cash equivalents	17
Other current and non-current assets	11
Total assets	**158**
Financial debt	47
Trade payables	1
Financial liabilities and Other current and non-current liabilities	39
Sundry and other provisions	1
Total liabilities	**88**
Total net assets acquired	**70**
Goodwill	168
Value of the transaction(1)	**238**
CASH FLOW IMPACT	**216**

(1) Including incidental expenses.

The overall contribution of the above newly acquired companies to Group operating income came to €3 million.

5. Segment information

The Domestic Sales, Domestic Generation and Energy Management, Domestic Infrastructure and Networks, and International Divisions, together with the Parent Company and Services and Other Activities areas form the organizational structure used by management in assessing Group performance for the two years under examination. Accordingly, in order to ensure continuity with information provided during 2007, account is not taken of the new organizational arrangements introduced in December 2007, which will become operational as from January 1, 2008, and the contribution to 2007 results of the foreign acquisitions during the year are discussed within the framework of the International Division.

Following the transfer of the "large electricity users" unit (customers with annual consumption of more than 100 million kWh) from Enel Trade to Enel Energia, effective as of April 1, 2006, the figures for the unit for the 1st Quarter of 2006 were reallocated from the Domestic Generation and Energy Management Division to the Domestic Sales Division for comparative purposes.

Segment information for 2007 and 2006

Results for 2007[(1)]

	Domestic Sales	Domestic GEM	Dom. Infr. and Net.	Int'l	Parent Company	Services and Other Activities	Eliminations and adjustments	Total
				Millions of euro				
Revenues from third parties	22,214	12,605	847	7,575	609	151	(328)	**43,673**
Revenues from other segments	57	5,602	4,915	79	341	996	(11,990)	—
Total revenues	**22,271**	**18,207**	**5,762**	**7,654**	**950**	**1,147**	**(12,318)**	**43,673**
Net income/(charges) from commodity risk management	44	(206)	—	127	(1)	—	—	**(36)**
Gross operating margin	**325**	**3,541**	**3,726**	**2,380**	**(59)**	**130**	**(20)**	**10,023**
Depreciation, amortization and impairment losses	216	941	893	886	16	81	—	**3,033**
Operating income	**109**	**2,600**	**2,833**	**1,494**	**(75)**	**49**	**(20)**	**6,990**
Net financial income/(expense) and income/(expense) from equity investments accounted for using the equity method	—	—	—	—	—	—	—	**(902)**
Income taxes	—	—	—	—	—	—	—	**2,002**
Net income from continuing operations	—	—	—	—	—	—	—	**4,086**
Net income from discontinued operations	—	—	—	—	—	—	—	**127**
Net income (Group and minority interests)	—	—	—	—	—	—	—	**4,213**
Operating assets	**8,269**	**17,917**	**17,611**	**67,492**[(2)]	**1,228**	**1,609**	**(3,885)**	**110,241**
Operating liabilities	**6,138**	**5,076**	**4,319**	**13,609**[(3)]	**1,221**	**1,354**	**(3,045)**	**28,672**
Capital expenditure	**59**	**1,167**	**1,587**	**1,983**	**19**	**114**	**—**	**4,929**

Notes to the financial statements — (Continued)

Results for 2006[(1)]

	Domestic Sales	Domestic GEM	Dom. Infr. and Net.	Int'l	Parent Company	Services and Other Activities	Eliminations and adjustments	Total
				Millions of euro				
Revenues from third parties	21,237	12,438	906	3,056	891	267	(282)	**38,513**
Revenues from other segments	123	3,219	4,801	12	287	894	(9,336)	—
Total revenues	**21,360**	**15,657**	**5,707**	**3,068**	**1,178**	**1,161**	**(9,618)**	**38,513**
Net income/(charges) from commodity risk management	(4)	(697)	—	91	(4)	—	—	**(614)**
Gross operating margin	167	3,157	3,418	918	177	179	3	**8,019**
Income from equity exchange transaction	—	—	—	—	263	—	—	**263**
Depreciation, amortization and impairment losses	173	952	829	399	17	93	—	**2,463**
Operating income	**(6)**	**2,205**	**2,589**	**519**	**423**	**86**	**3**	**5,819**
Net financial income/(expense) and income/(expense) from equity investments accounted for using the equity method	—	—	—	—	—	—	—	**(651)**
Income taxes	—	—	—	—	—	—	—	**2,067**
Net income (Group and minority interests)	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**3,101**
Operating assets	**6,948**	**16,752**	**16,875**	**10,008**	**1,013**	**1,771**	**(3,352)**	**50,015**
Operating liabilities	**6,272**	**4,019**	**4,042**	**4,037**	**1,275**	**1,128**	**(2,884)**	**17,889**
Capital expenditure	**56**	**897**	**1,459**	**467**	**13**	**71**	**—**	**2,963**

(1) Segment revenues in the above tables include both revenues from third parties and revenue flows between the segments. An analogous approach was taken for other income and costs for the year.

(2) Of which €8,792 million regarding units classified as "Held for sale."

(3) Of which €2,147 million regarding units classified as "Held for sale."

The following table reconciles consolidated assets and liabilities and the segment figures.

	at Dec. 31, 2007	at Dec. 31, 2006
	Millions of euro	
Total assets	**123,748**	**54,500**
Financial assets, cash and cash equivalents	8,234	2,107
Tax assets	5,273	2,378
Segment assets	**110,241**	**50,015**
- of which:		
Domestic Sales	8,269	6,948
Domestic Generation and Energy Management	17,917	16,752
Domestic Infrastructure and Networks	17,611	16,875
International(1)	67,492	10,008
Parent Company	1,228	1,013
Services and Other Activities	1,609	1,771
Eliminations and adjustments	(3,885)	(3,352)
Total liabilities	**99,959**	**35,475**
Loans and other financial liabilities	65,299	14,661
Tax liabilities	5,988	2,925
Segment liabilities	**28,672**	**17,889**
- of which:		
Domestic Sales	6,138	6,272
Domestic Generation and Energy Management	5,076	4,019
Domestic Infrastructure and Networks	4,319	4,042
International(2)	13,609	4,037
Parent Company	1,221	1,275
Services and Other Activities	1,354	1,128
Eliminations and adjustments	(3,045)	(2,884)

(1) Of which €8,792 million regarding units classified as "Held for sale."

(2) Of which €2,147 million regarding units classified as "Held for sale."

Information on the Consolidated Income Statement

Revenues

6.a Revenues from sales and services — €42,695 million

	2007	2006	2007-2006
	Millions of euro		
Revenues from the sale and transport of electricity and contributions from Electricity Equalization Fund and similar bodies	39,164	34,231	4,933
Revenues from the sale and transport of natural gas to end users	2,118	1,695	423
Revenues from fuel sales	235	413	(178)
Connection fees for the electricity and gas networks	655	617	38
Revenues for contract work in progress	16	138	(122)
Other sales and services	507	403	104
Total	**42,695**	**37,497**	**5,198**

"Revenues from the sale and transport of electricity and contributions from Electricity Equalization Fund and similar bodies" primarily include €13,578 million in revenues from the transport and sale of electricity on the domestic regulated market (€15,411 million in 2006), €10,308 million in revenues from the sale of electricity on the Power Exchange and to other domestic resellers (€10,446 million in 2006), €5,880 million in revenues from the transport and sale of electricity on the free market (€3,334 million in 2006), and €9,035 million in revenues from the sale of electricity abroad (€5,016 million in 2006).

"Revenues from the sale and transport of natural gas to end users" came to €2,118 in 2007 and include €1,661 million in revenues from the sale of natural gas in Italy (€1,349 million in 2006) and €255 million in revenues from the transport of natural gas in Italy (€346 million in 2006), in addition to sales of natural gas abroad amounting to €202 million as a result of the consolidation of Endesa and SeverEnergia (formerly Enineftegaz).

"Revenues from fuel sales" came to €235 million in 2007 and include €217 million for the sale of natural gas (€395 million in 2006) and €18 million for the sale of other fuels (€18 million in 2006).

"Revenues for contract work in progress" are related to engineering and construction for third parties.

The table below gives a breakdown of revenues from sales and services by geographical area:

	2007	2006
	Millions of euro	
Italy	32,564	32,389
Europe	8,394	4,525
Americas	1,563	180
Middle East	7	22
Other	167	381
Total	42,695	37,497

6.b Other revenues — €978 million

	2007	2006	2007-2006
	Millions of euro		
Reimbursement of stranded costs for Nigerian gas	154	154	—
Grants	91	52	39
Sundry reimbursements	96	124	(28)
Gains on disposal of assets	—	90	(90)
Gains on sale of property, plant and equipment and intangible assets	70	22	48
Service continuity bonuses	184	194	(10)
Other revenues	383	380	3
Total	**978**	**1,016**	**(38)**

"Grants" includes €68 million (€51 million in 2006) in respect of the grant income pertaining to the year for connections to the electricity and gas networks.

"Sundry reimbursements" include €72 million for sundry reimbursements from customers.

"Gains on disposal of assets" for 2006 included the €85 million gain on the sale of the electricity distribution and sales network in a number of municipalities in the Province of Modena.

"Service continuity bonuses" amounted to €184 million in 2007 and regard the bonus due to Enel Distribuzione and Deval for service continuity improvements during the year.

Income from equity exchange transaction

7. Income from equity exchange transaction — €0 million

In 2006 this item included the gain of €263 million on the sale of Wind through the exchange of a 30.97% stake in Wind with a 20.9% stake in Weather Investments.

Costs

8.a Raw materials and consumables — €25,694 million

	2007	2006	2007-2006
	Millions of euro		
Electricity	19,139	17,082	2,057
Fuel and gas	5,792	5,637	155
Materials	763	750	13
Total	**25,694**	**23,469**	**2,225**
- of which capitalized	(606)	(586)	(20)

Electricity purchases include €8,422 million in purchases from the Single Buyer (€10,758 million in 2006), €4,129 million in purchases from the Electricity Market Operator (€1,504 million in 2006) and imports of €692 million (€717 million in 2006).

The purchases of fuel and gas include €3,535 million in natural gas purchases and €2,216 million in the purchase of other fuels.

8.b Services — €4,836 million

	2007	2006	2007-2006
	Millions of euro		
Electricity and gas wheeling	2,342	1,342	1,000
Maintenance and repairs	557	444	113
Telephone and postal	297	289	8
Communication services	110	62	48
Leases and rentals	385	425	(40)
Other	1,145	915	230
Total	**4,836**	**3,477**	**1,359**

"Electricity and gas wheeling" in 2007 reflects developments in sales of electricity on the domestic free market.

8.c Personnel — €3,326 million

	2007	2006	2007-2006
	Millions of euro		
Wages and salaries	2,230	1,995	235
Social security contributions	650	568	82
Termination benefits	121	64	57
Other costs	325	583	(258)
Total	**3,326**	**3,210**	**116**
- of which capitalized	(572)	(403)	(169)

Personnel costs rose by €116 million in 2007, while the average workforce expanded by 8.8%. The figure reflects lower charges for retirement incentives in 2007 and includes the charge of €77 million in respect of the INPS dispute as well as the cost associated with the renewal of the collective bargaining agreement for the electricity industry, equal to €21 million. The charge in respect of defined-benefit plans amounted to €103 million in 2007 (€42 million the previous year).

The table below shows the average number of employees by category, compared with the previous year, and the actual number of employees at December 31, 2007.

	Average number			Headcount
	2007	2006	2007-2006	at Dec. 31, 2007(1)
Senior managers	701	692	9	1,069
Middle managers	5,199	4,678	521	6,569
Office staff	33,563	29,918	3,645	43,602
Workers	22,106	21,300	806	22,260
Total	**61,569**	**56,588**	**4,981**	**73,500**

(1) Of which 2,614 in units classified as "Assets held for sale."

8.d Depreciation, amortization and impairment losses — €3,033 million

	2007	2006	2007-2006
	Millions of euro		
Depreciation	2,499	2,154	345
Amortization	201	190	11
Impairment losses	333	119	214
Total	**3,033**	**2,463**	**570**

"Depreciation" increased by €345 million and includes depreciation pertaining to the acquisitions carried out during 2007 totaling €255 million.

"Impairment losses" in 2007 include €238 million in writedowns of trade receivables (of which €183 million in respect of trade receivables for the sale of electricity and gas in Italy).

8.e Other operating expenses — €936 million

	2007	2006	2007-2006
	Millions of euro		
Provisions for risks and charges	267	98	169
Purchase of green certificates	39	73	(34)
Charges for CO_2 emissions	7	84	(77)
Taxes and duties	190	159	31
Other	433	299	134
Total	**936**	**713**	**223**

"Provisions for risks and charges" essentially comprise the recognition in 2007 of sundry provisions for Slovenské elektrárne.

"Charges for CO2 emissions" largely regard purchases of allowances made during the year to cover the allowance deficit resulting from emissions produced during the year and allowances granted under the respective national allocation plans.

8.f Capitalized costs — €(1,178) million

This item includes €572 million in personnel costs and €606 million in materials costs (€403 million and €586 million respectively in 2006).

Net income/(charges) from commodity risk management

9. Net income/(charges) from commodity risk management — €(36) million

Net charges from commodity risk management reflect €73 million in net unrealized charges on open positions in commodity derivatives at December 31, 2007, and €37 million in income realized on positions closed during the year.

	2007	2006	2007-2006
	Millions of euro		
Income			
Unrealized on contracts for differences	—	—	—
Unrealized on other contracts	199	16	183
Total unrealized income	**199**	**16**	**183**
Realized on contracts for differences	—	—	—
Realized on other contracts	207	76	131
Total realized income	**207**	**76**	**131**
Total income	**406**	**92**	**314**
Charges			
Unrealized on contracts for differences	—	(103)	103
Unrealized on other contracts	(272)	(42)	(230)
Total unrealized charges	**(272)**	**(145)**	**(127)**
Realized on contracts for differences	(84)	(519)	435
Realized on other contracts	(86)	(42)	(44)
Total realized charges	**(170)**	**(561)**	**391**
Total charges	**(442)**	**(706)**	**264**
NET INCOME/(CHARGES) FROM COMMODITY RISK MANAGEMENT	**(36)**	**(614)**	**578**
- of which trading/non IFRS-IAS hedge derivatives	4	(453)	457
- of which ineffective portion of CFH	—	—	—

Notes to the financial statements — (Continued)

10. Financial income/(expense) — €(914) million

	2007	2006	2007-2006
	Millions of euro		
Interest and other income from financial assets (current and non-current):			
- interest income at effective rate on non-current securities and receivables	16	6	10
- financial income on non-current securities at fair value through profit or loss	1	2	(1)
- interest income at effective rate on short-term financial investments	134	43	91
Total interest and other income from financial assets	**151**	**51**	**100**
Foreign exchange gains	**445**	**165**	**280**
Income from derivative instruments:			
- income from cash flow hedge derivatives	187	7	180
- income from derivatives at fair value through profit or loss	662	78	584
- income from fair value hedge derivatives	14	—	14
Total income from derivative instruments	**863**	**85**	**778**
Income from equity investments:			
- dividends	324	16	308
- gains from disposals	79	6	73
- other income from equity investments	56	—	56
Total income from equity investments	**459**	**22**	**437**
Other income:			
- income from fair value hedges (adjustment of hedged item)	13	—	13
- other interest and income	170	190	(20)
Total other income	**183**	**190**	**(7)**
TOTAL FINANCIAL INCOME	**2,101**	**513**	**1,588**

Financial income amounted to €2,101 million, up €1,588 million on the previous year. Financial income from derivatives came to €863 million (of which €462 million realized and €401 million unrealized), an increase of €778 million on 2006. The latter reflect the gains from interest rate and exchange rate hedging in 2007, the gains from the exercise of the call option for physical delivery contained in the share swaps carried out to acquire a further 14.98% of Endesa (€144 million) and the effect of the fair value measurement of the put option granted by Enel to Acciona (€136 million).

Foreign exchange gains amounted to €445 million, up €280 million thanks to the substantial appreciation of the euro against the other main currencies during the year.

Income from equity investments amounted to €459 million, of which €301 million in dividends approved on June 20, 2007 by Endesa shareholders and distributed before the first consolidation of the company.

	2007	2006	2007-2006
	Millions of euro		
Interest expense and other charges on financial debt (current and non-current):			
- interest expense on bank loans	571	140	431
- interest expense on bonds	792	385	407
- interest expense on other loans	157	61	96
- commission expense on unused credit lines	29	3	26
Total interest expense and other charges on financial debt	**1,549**	**589**	**960**
Foreign exchange losses	**126**	**82**	**44**
Expense on derivative instruments:			
- expense on cash flow hedge derivatives	540	74	466
- expense on derivatives at fair value through profit or loss	357	95	262
- expense on fair value hedge derivatives	41	—	41
Total expense on derivative instruments	**938**	**169**	**769**
Accretion of post-employment and other employee benefits	**112**	**108**	**4**
Accretion of other provisions	**133**	**159**	**(26)**
Charges on equity investments:			
- losses on disposals	15	1	14
- other charges on equity investments	—	6	(6)
Total charges on equity investments	**15**	**7**	**8**
Other charges:			
- charges on fair value hedges (adjustment of hedged item)	1	—	1
- impairment of financial receivables	(3)	—	(3)
- other interest expense and sundry charges	144	46	98
Total other charges	**142**	**46**	**96**
TOTAL FINANCIAL EXPENSE	**3,015**	**1,160**	**1,855**

Financial expense totaled €3,015 million, an increase of €1,855 million on 2006. The rise is essentially attributable to the rise in interest expense and other charges on financial debt, which in 2007 amounted to €1,549 million (€589 million in 2006). Interest expense and other charges on financial debt reflected the substantial increase in average debt in 2007, mainly as a result of the Endesa acquisition (and consolidation of its debt).

Financial expense in respect of derivatives came to €938 million (of which €294 million in realized charges and €644 million in unrealized charges).

11. Share of income/(expense) from equity investments accounted for using the equity method — €12 million

	2007	2006	2007-2006
	Millions of euro		
Income from associates	22	4	18
Expense on associates	(10)	(8)	(2)
Total	**12**	**(4)**	**16**

Income from equity investments accounted for using the equity method reflects, among other things, the positive contribution from OGK-5 and LaGeo, both equal to €6 million.

12. Income taxes — €2,002 million

	2007	2006	2007-2006
	Millions of euro		
Current taxes	1,900	1,657	243
Adjustments for income taxes related to prior years	(27)	(5)	(22)
Deferred tax liabilities	(268)	47	(315)
Deferred tax assets	397	368	29
Total	2,002	2,067	(65)

The tax liability for 2007 amounted to €2,002 million, equal to 32.9% of taxable income, compared with 40.0% in 2006. Income taxes of the foreign companies came to an estimated €295 million (€99 million in 2006).

The table below reconciles the theoretical tax rate with the effective rate.

	2007		2006	
	Millions of euro			
Income before taxes	6,088		5,168	
Theoretical tax due calculated as 33% of pre-tax income	2,009	33.0%	1,705	33.0%
Permanent differences and minor items	(163)	−2.7%	13	0.3%
Adjustment of tax rate	(191)	−3.1%	—	—
Difference on estimated income taxes from prior years	(27)	−0.4%	(5)	−0.1%
IRAP	374	6.1%	354	6.8%
Total	**2,002**	**32.9%**	**2,067**	**40.0%**

13. Discontinued operations — €127 million

The item comprises the income, net of the related tax effect, attributable to the assets and liabilities held directly or indirectly by Endesa in Italy, France, Poland and Turkey, as well as a number of other assets in Spain included in the disposals agreed by Enel and Acciona with E.On, as these assets have been acquired solely for the purpose of their resale.

Information on the Consolidated Balance Sheet

Assets

Non-current assets

14. Property, plant and equipment — €55,434 million

Changes in property, plant and equipment between 2006 and 2007 are shown below:

	Land	Buildings	Plants and machinery	Industrial and commercial equipment	Mineral assets	Other assets	Leased assets	Leasehold improvements	Assets under construction and advances	Total
	Millions of euro									
Cost	391	6,435	64,698	358	—	664	—	65	2,040	**74,651**
Accumulated depreciation	—	(3,082)	(40,552)	(278)	—	(513)	—	(38)	—	**(44,463)**
Balance at Dec. 31, 2005	**391**	**3,353**	**24,146**	**80**	**—**	**151**	**—**	**27**	**2,040**	**30,188**
Capital expenditure	1	56	1,415	17	—	71	—	11	1,188	**2,759**
Assets entering service	1	58	612	—	—	31	—	17	(719)	**—**
Depreciation	—	(247)	(1,790)	(16)	—	(67)	(21)	(13)	—	**(2,154)**
Impairment losses	—	—	(6)	—	—	—	—	—	—	**(6)**
Change in scope of consolidation	12	1,106	2,257	19	—	1	225	—	357	**3,977**
Exchange rate differences	—	94	147	3	—	—	18	—	33	**295**
Ordinary disposals and other changes	(16)	(14)	(163)	(3)	—	(7)	3	—	(13)	**(213)**
Total changes	**(2)**	**1,053**	**2,472**	**20**	**—**	**29**	**225**	**15**	**846**	**4,658**
Cost	389	8,021	69,355	404	—	673	292	119	2,886	**82,139**
Accumulated depreciation	—	(3,615)	(42,737)	(304)	—	(493)	(67)	(77)	—	**(47,293)**
Balance at Dec. 31, 2006	**389**	**4,406**	**26,618**	**100**	**—**	**180**	**225**	**42**	**2,886**	**34,846**
Capital expenditure	8	49	1,335	18	—	83	—	15	3,078	**4,586**
Assets entering service	1	65	1,024	498	—	10	1	9	(1,608)	**—**
Depreciation	8	(260)	(1,988)	(132)	—	(78)	(35)	(14)	—	**(2,499)**
Impairment losses	—	(15)	(53)	3	—	—	—	—	(11)	**(76)**
Change in scope of consolidation	140	232	9,076	8,351	125	209	121	3	2,290	**20,547**
Exchange rate differences	(2)	26	(116)	(47)	—	(5)	3	—	(17)	**(158)**
Ordinary disposals and other changes	(37)	(106)	(32)	11	—	(15)	—	3	16	**(160)**
Reclassification to "Assets held for sale"	—	(18)	(1,170)	—	—	(2)	—	—	(462)	**(1,652)**
Total changes	**118**	**(27)**	**8,076**	**8,702**	**125**	**202**	**90**	**16**	**3,286**	**20,588**
Cost	507	8,264	78,168	9,182	125	906	417	148	6,172	**103,889**
Accumulated depreciation	—	(3,885)	(43,474)	(380)	—	(524)	(102)	(90)	—	**(48,455)**
Balance at Dec. 31, 2007	**507**	**4,379**	**34,694**	**8,802**	**125**	**382**	**315**	**58**	**6,172**	**55,434**

"Mineral assets" include the value of proven fuel reserves acquired following the acquisition of former Yukos assets through SeverEnergia (formerly Enineftegaz).

"Leased assets" include assets that the Group uses in Latin America and Slovakia.

The leased assets in Latin America are largely accounted for by combined cycle power plants (€66 million) and hydroelectric plants (€26 million). Leased assets in Slovakia mainly regard the sale and lease-back agreement for the V1 nuclear power plant at Jaslovske Bohunice and the hydroelectric plant at Gabcikovo. The leasing arrangements were a necessary condition for the start of the privatization of the Slovakian electricity system. The lease for the V1 plant covers the entire remaining useful life of the asset and the period between the end of generation and the start of the decommissioning process, while the lease for the Gabcikovo plant has a 30-year term as from April 2006.

Notes to the financial statements — (Continued)

The following table reports the minimum lease payments and the related present value.

	at Dec. 31, 2006	
	Minimum lease payments	Present value
	Millions of euro	
2007	14	11
2008-2012	31	14
After 2012	99	64
Total	**144**	**89**

	at Dec. 31, 2007	
	Minimum lease payments	Present value
	Millions of euro	
2008	25	17
2009-2013	78	51
After 2013	138	69
Total	**241**	**137**

The following table reports the net values at December 31, 2007 and December 31, 2006 for property, plant and equipment based on the use of the assets.

	2007	2006
	Millions of euro	
Power plants:(1)		
- thermal	9,979	7,124
- hydroelectric	8,081	4,601
- geothermal	207	313
- nuclear	3,817	1,831
- alternative energy resources	644	323
Total power plants	**22,728**	**14,192**
Electricity distribution network	20,629	12,827
Gas distribution network	1,721	1,585
Buildings for primary and secondary transformer stations	853	691
Buildings for office, warehouse and other uses(2)	1,894	1,895
Equipment and other assets	1,312	770
Mineral assets	125	—
Total assets in use	**49,262**	**31,960**
Assets under construction and advances	**6,172**	**2,886**
TOTAL	**55,434**	**34,846**

(1) The values also include industrial land and buildings.

(2) The values include non-industrial buildings (offices, warehouses, parking facilities, etc.), buildings for civil use and non-appurtenant land.

Notes to the financial statements — (Continued)

The table below summarizes capital expenditure in 2007 by category. The total of €4,586 million increased by €1,827 million from 2006, mainly as a result of the change in the scope of consolidation and increased expenditure in Italy on generation plants.

	at Dec. 31, 2007	at Dec. 31, 2006
	Millions of euro	
Power plants:		
- thermal	1,457	766
- hydroelectric	246	157
- geothermal	110	79
- nuclear	136	57
- alternative energy resources	432	115
Total power plants	**2,381**	**1,174**
Electricity distribution network	1,797	1,324
Gas distribution network	95	88
Lands and buildings, equipment and other assets	313	173
TOTAL	4,586	2,759

Capitall expenditure on power plants totaled €2,381 million, an increase of €1,207 million over the prior year. Apart from the effects of Endesa's inclusion in the scope of consolidation, expenditure was mainly concentrated on projects for transforming thermal plants and on refurbishing and repowering projects for security and environmental purposes (upgrading of hydraulic plant, environmental improvements, etc.).

Investments in the electricity distribution network amounted to €1,797 million, an increase of €473 million on the previous year, mainly attributable to the change in the scope of consolidation.

"Impairment losses" in 2007 essentially regarded a number of Endesa plants in Chile whose future profitability is not sufficient to recover their full carrying amount.

The "Change in the scope of consolidation" in 2007 included the following transactions:

- > the acquisition of Endesa (up €19,982 million);
- > the acquisition of the assets formerly owned by Yukos through the joint venture with SeverEnergia (formerly Enineftegaz) (up €193 million);
- > the acquisition of Enel Fortuna (up €179 million);
- > the acquisition of International Windpower, Wind Parks of Thrace and International Wind Parks of Thrace (up €90 million);
- > the acquisition of AMP Resources (up €47 million);
- > the acquisition of Inelec (up €31 million);
- > the acquisition of companies in Spain in the area of renewable energy sources (up €27 million).
- > the acquisition of Nuove Energie (up €1 million).

"Ordinary disposals and other changes" reflect the adjustments made during the definitive allocation of the purchase price for the acquisitions made in 2006 of Enel Panama (€22 million) and a number of Brazilian companies belonging to the Rede Group (€20 million).

The "Reclassification to assets held for sale" includes property, plant and equipment held by Enel Viesgo Generación, Enel Viesgo Servicios and Electra de Viesgo Distribución (as well as their subsidiaries) earmarked for disposal according to the terms of the agreement with E.On.

15. Intangible assets — €28,177 million

Changes in intangible assets between 2006 and 2007 are set out in the table below:

	Development costs	Industrial patents and intellectual property rights	Concessions, licences, trademarks and similar rights	Mineral assets	Other assets	Assets under development and advances	Goodwill	Total
	Millions of euro							
Balance at Dec. 31, 2005	**—**	**133**	**77**	**—**	**265**	**132**	**1,575**	**2,182**
Capital expenditure	5	51	15	—	35	98	—	**204**
Assets entering service	—	69	—	—	10	(79)	—	**—**
Exchange rate differences	—	1	—	—	(11)	1	29	**20**
Change in scope of consolidation	—	8	12	—	77	9	670	**776**
Amortization	(2)	(94)	(15)	—	(79)	—	—	**(190)**
Impairment losses	—	—	—	—	—	—	(3)	**(3)**
Other changes	32	(3)	(2)	—	(21)	(13)	—	**(7)**
Total changes	**35**	**32**	**10**	**—**	**11**	**16**	**696**	**800**
Cost	42	482	128	—	759	148	2,271	**3,830**
Accumulated depreciation	7	317	41	—	483	—	—	**848**
Balance at Dec. 31, 2006	**35**	**165**	**87**	**—**	**276**	**148**	**2,271**	**2,982**
Capital expenditure	—	87	13	—	64	179	—	**343**
Assets entering service	—	95	—	—	13	(108)	—	**—**
Exchange rate differences	—	(1)	(8)	—	(27)	—	(27)	**(63)**
Change in scope of consolidation	3	80	193	724	38	87	24,754	**25,879**
Amortization	(3)	(108)	(17)	—	(73)	—	—	**(201)**
Impairment losses	—	—	—	—	—	(19)	—	**(19)**
Other changes	(1)	(3)	62	—	(55)	(1)	(43)	**(40)**
Reclassification to "Assets held for sale"	—	—	—	—	(13)	(10)	(681)	**(704)**
Total changes	**(1)**	**150**	**243**	**724**	**(53)**	**128**	**24,003**	**25,195**
Cost	44	740	388	724	762	276	26,274	**29,209**
Accumulated depreciation	10	425	58	—	539	—	—	**1,032**
Balance at Dec. 31, 2007	**34**	**315**	**330**	**724**	**223**	**276**	**26,274**	**28,177**

"Reclassification to assets held for sale" includes intangible assets held by Enel Viesgo Generación, Enel Viesgo Servicios and Electra de Viesgo Distribución (as well as their subsidiaries) earmarked for disposal according to the terms of the agreement with E.On.

The individual items making up intangible assets are commented below.

"Industrial patents and intellectual property rights" relate mainly to costs incurred in purchasing software and open-ended software licenses. The most important applications relate to invoicing and customer management, the development of internet portals and the management of company systems. Amortization is calculated on a straight-line basis over the item's residual useful life (on average between three and five years).

"Concessions, licenses, trademarks and similar rights" include expenses incurred by the gas companies and the foreign electricity distribution companies to build up their customer base. Amortization is calculated on a straight-line basis over the average duration of the relationships with the customers acquired or the concessions.

"Mineral assets" refer to the probable and possible reserves of fuel and the exploration potential acquired through SeverEnergia (formerly Enineftegaz) in a joint venture with Eni.

"Goodwill" amounted to €26,274 million, an increase of €24,003 million.

	at Dec. 31, 2006	Change in scope of consolidation	Exchange rate gains/(losses)	Reclassification to "Assets held for sale"	Other changes	at Dec. 31, 2007
Endesa	—	24,470	(12)	—		**24,458**
Slovenské elektrárne	609	—	16	—	—	**625**
Enel Energia	579	—	—	—	—	**579**
Inelec	—	101	(1)	—	—	**100**
Enel Unión Fenosa Renovables	82	3	—	—	—	**85**
Enel North America	75	11	(9)	—	—	**77**
Enel Latin America	66	—	(7)	—	—	**59**
RusEnergoSbyt	79	—	(2)	—	(27)	**50**
Enel Fortuna	—	56	(7)	—	—	**49**
SeverEnergia (formerly Enineftegaz)	—	44	—	—	—	**44**
International Windpower, Wind Parks of Thrace and International Wind Parks of Thrace	—	42	—	—	—	**42**
Enel Panama	60	—	(5)	—	(14)	**41**
Nuove Energie	—	26	—	—	—	**26**
Enel Erelis	14	—	—	—	—	**14**
Enel Maritza East 3	15	—	—	—	(2)	**13**
Wisco	5	—	—	—	—	**5**
Enel Rete Gas	4	—	—	—	—	**4**
Enel Operation Bulgaria	2	—	—	—	—	**2**
Blue Line	—	1	—	—	—	**1**
Enel Viesgo Generación	657	—	—	(657)	—	**—**
Electra de Viesgo Distribución	24	—	—	(24)	—	**—**
Total	**2,271**	**24,754**	**(27)**	**(681)**	**(43)**	**26,274**

The change in the scope of consolidation refers to the acquisition of 67.05% of Endesa (€24,470 million), 100% of Inelec (€101 million), 100% of Enel Fortuna (€56 million), 40% of Artic Russia (formerly Eni Russia), which controls 100% of SeverEnergia (formerly Enineftegaz, €44 million), 100% of International Windpower, Wind Parks of Thrace and International Wind Parks of Thrace (€42 million), 90% of Nuove Energie (€26 million), 100% of AMP Resources (€11 million), companies in Spain operating in the renewable energy sector (€3 million), and 100% of Blue Line (€1 million).

The allocation of the cost of the equity investments in Enel Fortuna, SeverEnergia (formerly Enineftegaz) and AMP Resources to the current value of the assets acquired and liabilities assumed was completed in the course of 2007. The goodwill recognized can therefore be considered definitive and may undergo impairment tests, as described below. As regards other acquisitions made during 2007, the differences between the cost of the investments and the value of the assets acquired net of the liabilities assumed have been provisionally recognized under goodwill, pending more accurate allocation.

The "Other changes" column reports changes due to the finalization in 2007 of the allocation of the cost of the equity investments in RusEnergoSbyt and Enel Panama.

The recoverable value of the goodwill recognized was estimated using discounted cash flow and dividend discount models, which involve estimating future cash flows and applying an appropriate discount rate in order to determine an asset's value in use. More specifically, the cash flows concern an explicit period selected in line with the average useful life of the assets or the duration of the concessions. In cases in which it was not possible to estimate cash flows reliably for the entire useful life of the assets, a residual amount was calculated as a perpetuity at a growth rate of zero or equal to inflation as deemed appropriate for the country involved or in any case no higher than the average long-term growth rate of the reference market. The value in use calculated as described above was found to be greater than the amount recognized on the balance sheet. The sensitivity analysis used in the analysis did not point to significant impacts on the results of the measurements themselves and consequently on the differences found.

The table below reports the balance of goodwill according to the company to which the cash generating unit belongs, along with the discount rates applied and the time horizon over which the expected cash flows have been discounted.

	at Dec. 31, 2007			Discount rate		Explicit period
	Amount	Tax rate	Growth rate(1)	WACC(2)	Ke(3)	of cash flows
			Millions of euro			
Slovenské elektrárne	625	19%	no terminal value	8.9%	—	33 years
Enel Energia	579	31.4%	1.0%	7.1%	—	5 years
Enel Unión Fenosa Renovables	85	30%	1.0%	6.5%	—	10 years
Enel North America	77	40.4%	2.0%	6.5%	—	10 years
Enel Latin America	59	26.8%	2.0%	9.8%	—	10 years
RusEnergoSbyt	50	24%	no terminal value	10.6%	—	8 years
Enel Fortuna	49	30%	2.2%	—	11.6%	30 years
Enel Panama	41	30%	2.2%	—	11.6%	30 years
Erelis	14	34.3%	no terminal value	—	6.9%	30 years
Enel Maritza East 3	13	10%	no terminal value	8.8%	—	17 years
Wisco	5	31.4%	0%	8.0%	—	10 years
Enel Rete Gas	4	31.4%	0%	6.0%	—	3 years
Enel Operation Bulgaria	2	10%	no terminal value	8.8%	—	17 years
Enel Viesgo Generación(4)	657	30%	no terminal value	6.4%	—	30 years
Electra de Viesgo Distribución(4)	24	30%	1.3%	5.8%	—	10 years

(1) Perpetual growth rate of cash flows after explicit period.

(2) WACC represents the weighted average capital cost.

(3) Ke is the opportunity cost to the shareholder for the investment in risk capital.

(4) Included in "Assets held for sale."

As regards the acquisition of 67.05% of Endesa, the valuations carried out at the balance sheet date essentially confirmed the value of the investment resulting from the valuations carried out during the acquisition, which is greater than the amount recognized. Accordingly, the Group considers it possible to recover the value provisionally recognized at December 31, 2007, under "Goodwill."

Notes to the financial statements — (Continued)

16. Deferred tax assets — €3,439 million

Below is a detail of changes in "Deferred tax assets" by type of timing difference and calculated based on the tax rates established by applicable regulations.

	at Dec. 31, 2006	Increase/ (Decrease) taken to income statement	Changes in scope of consolidation	Other changes	Reclassification to "Assets held for sale"	at Dec. 31, 2007
	Millions of euro					
Nature of the temporary difference:						
- impairment of property, plant and equipment and intangible assets	57	(16)	81	55	—	177
- accruals to provisions for risks and charges and impairment losses with deferred deductibility	566	(167)	952	652	(33)	1,970
- tax losses carried forward	65	(46)	199	(49)	—	169
- measurement of financial instruments	43	—	1	(1)	—	43
- other items	823	(168)	296	176	(47)	1,080
Total	**1,554**	**(397)**	**1,529**	**833**	**(80)**	**3,439**

Deferred tax assets at December 31, 2007 amounted to €3,439 million, an increase of €1,885 million compared with December 31, 2006.

The change is attributable largely to the consolidation of Endesa, which contributed €1,519 million as at the acquisition date.

The recognition in the income statement of the tax for the year (€397 million) refers mainly to the provisions for risks and charges and prior impairments of equity investments on which tax deductibility is deferred over more than one year. The lowering of the rate of income tax for Italian companies accounts for €171 million of the change in income statement.

It should also be noted that no deferred tax assets were recorded in relation to the prior tax losses in the amount of €835 million, mainly attributable to the holding companies located in the Netherlands and Luxembourg (€742 million), because the tax laws in force in the countries in question do not treat the expected income (dividends) of the companies as taxable.

17. Equity investments accounted for using the equity method — €1,972 million

Equity investments in associated companies accounted for using the equity method are as follows:

	at Dec. 31, 2006	% holding	Acquisitions	Change in scope of consolidation	Capital increases	Income effect	Other changes	at Dec. 31, 2007	% holding
	Millions of euro								
OGK-5	—	—	1,652	—	—	6	(6)	1,652	37.15%
LaGeo	—	—	—	—	37	5	25	67	28.40%
Other	56	—	—	187	4	1	5	253	—
Total	**56**		**1,652**	**187**	**41**	**12**	**24**	**1,972**	

Changes reflect the acquisition during the year of a 37.15% stake in the Russian power generation company OGK-5 (€1,652 million), as well as the increase of the investment in LaGeo from 12.50% to 28.40% following the acquisition, by way of the contribution of assets and services, of an additional stake, which led to the company being reclassified as an associate.

Notes to the financial statements — (Continued)

The change in the scope of consolidation essentially refers to the companies acquired through the controlling interest in Endesa.

The main income statement and balance sheet data for the principal equity investments in associates are reported in the following table.

	at Dec. 31, 2007				at Dec. 31, 2006			
	Assets	Liabilities	Revenues	Net income/ (loss)	Assets	Liabilities	Revenues	Net income/ (loss)
	Millions of euro							
OGK-5	1,815	407	824	14	—	—	—	—
LaGeo	262	37	61	20	—	—	—	—
Idrosicilia	123	92	79	4	128	101	80	1
Cesi	23	1	—	—	23	1	—	1
Other companies	1,259	1,050	156	22	275	178	61	5

18. Non-current financial assets — €2,212 million

	at Dec. 31, 2007	at Dec. 31, 2006	2007-2006
	Millions of euro		
Equity investments in other companies	531	367	164
Other securities designated at fair value through profit or loss	115	114	1
Advances for acquisition of equity investments	87	—	87
Other receivables:			
- financial receivables due from other entities	920	14	906
- derivative contracts	248	37	211
- other items	311	962	(651)
Total other receivables	**1,479**	**1,013**	**466**
TOTAL	**2,212**	**1,494**	**718**

As regards "Equity investments in other companies," the fair value of listed companies was determined with reference to the market value of their shares at the end of the year, whereas the fair value of unlisted companies was calculated with reference to a reliable valuation of their significant balance sheet items.

	at Dec. 31, 2007	% holding	at Dec. 31, 2006	% holding	2007-2006
	Millions of euro				
Terna	281	5.12%	262	5.12%	19
Echelon	42	7.36%	18	7.67%	24
Red Electrica de España	39	1.00%	44	1.00%	(5)
Tri Alpha Energy	7	4.96%	7	6.18%	—
LaGeo	—	—	25	12.50%	(25)
Other	162	—	11		151
Total	**531**		**367**		**164**

"Other securities designated at fair value through profit or loss" are financial investments in asset management funds.

"Advances for acquisition of equity investments" refer to advance payments or deposits made for the acquisition of several wind projects in Greece (€47 million) and for Electrica Muntenia Sud (€40 million).

"Financial receivables due from other entities" include a receivable of €608 million in respect of the reimbursement of the portion of the deficit of the Spanish electricity system financed by Endesa. The deficit is created in Spain's regulated market when rate revenues are not sufficient to cover the costs of the system itself. The main operators in the market are required to finance the difference, and the resulting interest-bearing receivable is reimbursed over fifteen years as provided for by Royal Decree 5/2006.

The decrease in "Other items" is essentially related to the reclassification to current financial assets of a receivable of €962 million for the sale of the 26.1% stake in Weather Investments, partially offset by the effect of the consolidation of Endesa.

The table below reports the carrying amount and the fair value of long-term financial receivables and securities (€1,339 million), including the portion due within twelve months (€1,402 million included under other short-term financial receivables).

	at Dec. 31, 2007		at Dec. 31, 2006	
	Carrying amount	Fair value	Carrying amount	Fair value
	Millions of euro			
Long-term financial receivables and securities	2,741	2,741	1,120	1,120
Total	**2,741**	**2,741**	**1,120**	**1,120**

The increase of €1,621 million is essentially due to the consolidation of the financial receivables of Endesa.

The following table shows the notional amounts and the fair value of derivative contracts classified under non-current financial assets.

	Notional value		Fair value		
	at Dec. 31, 2007	at Dec. 31, 2006	at Dec. 31, 2007	at Dec. 31, 2006	2007-2006
	Millions of euro				
Cash flow hedge derivatives:					
- interest rates	6,897	2,586	146	37	109
- exchange rates	1,751	—	96	—	96
Total	**8,648**	**2,586**	**242**	**37**	**205**
Fair value hedge derivatives:					
- interest rates	204	—	6	—	6
Total	**204**	**—**	**6**	**—**	**6**
TOTAL	**8,852**	**2,586**	**248**	**37**	**211**

The increase in both the notional and the fair value of derivatives on interest and exchange rates is mostly the result of the consolidation of positions held by Endesa. Another factor in the increase in the fair value of interest rate derivatives was the rise in interest rates themselves in 2007, especially in the short- and medium-term sections of the yield curve (six-month Euribor at the end of 2007 was 4.71%, compared with 3.85% a year previously, while the 5-year euro swap rate was 4.55% at the end of 2007, as against 4.13% at the end of 2006).

19. Other non-current assets — €2,068 million

	at Dec. 31, 2007	at Dec. 31, 2006	2007-2006
	Millions of euro		
Receivables from Electricity Equalization Fund and similar bodies	1,356	209	1,147
Receivable from State Decommissioning Fund	325	269	56
Other long-term receivables:			
- tax prepayments on post-employment benefits	1	5	(4)
- loans to employees	73	45	28
- net assets of personnel programs	82	—	82
- other receivables	231	40	191
Total other long-term receivables	**387**	**90**	**297**
Total	**2,068**	**568**	**1,500**

"Receivables from Electricity Equalization Fund and similar bodies" include the long-term receivable of €1,110 million in respect of the reimbursement of increased costs incurred by Endesa for generation in extra-peninsular areas (the Balearic and Canary Islands). The latter are related to the reimbursement of the increased generating costs and remuneration of capital employed to the companies that operate in geographically disadvantaged areas (the extra-peninsular areas). The receivables, which bear interest, are repaid over fifteen years.

"Receivables from State Decommissioning Fund" in the amount of €325 million are entirely related to Slovenské elektrárne. The receivables regard the contribution that the company, as a nuclear generation operator, paid to the Slovakian national nuclear decommissioning fund in the manner and in accordance with the timetable established under Slovakian law. (The fund and its assets are managed entirely by the government.) The resources will be used by the Slovakian government to reimburse to the generating companies that paid into the Fund part of the future costs of decommissioning nuclear plants and managing the related waste, including post-operational costs in the period between the termination of generation activities and the start of decommissioning. If such costs are greater than the amounts paid into the Fund up to the decommissioning date, the rules governing the Fund establish that the difference can be recovered from end users through rate increases.

"Net assets of personnel programs" reports assets backing a number of employee benefit plans net of liabilities.

Current assets

20. Inventories — €1,726 million

	at Dec. 31, 2007	at Dec. 31, 2006	2007-2006
		Millions of euro	
Raw materials, consumables and supplies:			
- fuel	1,232	853	379
- materials, equipment and other inventories	387	207	180
Total	**1,619**	**1,060**	**559**
Buildings available for sale	106	148	(42)
Advances	1	1	—
TOTAL	**1,726**	**1,209**	**517**

(1) the funds and its assets are managed entirely by the government.

Raw materials, consumables and supplies consist of fuel inventories to cover the requirements of the generation companies and trading activities, as well as materials and equipment for plant operation, maintenance and construction. The increase is mainly the result of the inclusion of Endesa in the scope of consolidation.

The buildings available for sale are related to remaining units from the Group's real estate portfolio and are primarily civil buildings. The decrease reflects sales made during the period.

21. Trade receivables — €11,576 million

	at Dec. 31, 2007	at Dec. 31, 2006	2007-2006
		Millions of euro	
Customers:			
- sale and transport of electricity	10,102	6,809	3,293
- distribution and sale of natural gas	1,087	712	375
- other activities	351	387	(36)
Total	**11,540**	**7,908**	**3,632**
Trade receivables due from associates	30	7	23
Receivables for contract work in progress	6	43	(37)
TOTAL	**11,576**	**7,958**	**3,618**

The increase in "Trade receivables" is largely the result of the change in the scope of consolidation (€2,323 million, essentially referring to Endesa), which more than offset the effect of the reclassification to

"Assets held for sale" of €156 million of trade receivables of Enel Viesgo Generación, Enel Viesgo Servicios and Electra de Viesgo Distribución (and their subsidiaries), which are due to be divested under the terms of the agreement with E.On.

Trade receivables from customers are recognized net of allowances for doubtful accounts, which at the end of the year came to €396 million, compared with an opening balance of €326 million. The table below shows the changes in these allowances during the year.

	Millions of euro
Balance at Jan. 1, 2006	**347**
Accruals	110
Utilization	(129)
Other changes	(2)
Total at Dec. 31, 2006	**326**
Accruals	238
Utilization	(150)
Other changes	(9)
Reclassification to "Assets held for sale"	(9)
Total at Dec. 31, 2007	**396**

22. Tax receivables — €1,146 million

Tax receivables at December 31, 2007 amounted to €1,146 million and are mainly made up of indirect tax credits of €306 million, income tax credit of €296 million and credits of €288 million for other taxes and tax surcharges.

23. Current financial assets — €2,414 million

	at Dec. 31, 2007	at Dec. 31, 2006	2007-2006
	Millions of euro		
Receivables for factoring advances	205	211	(6)
Derivative contracts	463	120	343
Other securities	101	25	76
Short-term portion of long-term financial receivables	1,402	30	1,372
Other	243	16	227
Total	**2,414**	**402**	**2,012**

The following table reports the notional values and the fair values of the derivative contracts, grouped by hedge type and designation.

	Notional value		Fair value		
	at Dec. 31, 2007	at Dec. 31, 2006	at Dec. 31, 2007	at Dec. 31, 2006	2007-2006
	Millions of euro				
Cash flow hedge derivatives:					
- interest rates	153	—	—	—	—
- exchange rates	37	25	3	—	3
- commodities	676	1,034	43	48	(5)
Total	**866**	**1,059**	**46**	**48**	**(2)**
Fair value hedge derivatives:					
- interest rates	121	—	—	—	—
Total	**121**	**—**	**—**	**—**	**—**
Trading derivatives:					
- interest rates	1,249	42	13	—	13
- exchange rates	1,974	208	68	2	66
- commodities	2,022	407	336	70	266
Total	**5,244**	**657**	**417**	**72**	**345**
TOTAL	**6,231**	**1,716**	**463**	**120**	**343**

Commodity derivatives include:

> commodity derivatives on fuels with a fair value of €43 million;

> trading in oil, energy and other commodities with a fair value of €328 million;

> embedded derivatives related to an energy sale contract in Slovakia with a fair value of €8 million.

The "Short-term portion of long-term financial receivables" essentially reflects the effects of the reclassification of the residual receivable of €962 million arising from the sale of 26.1% of Weather Investments, as well as the portion of the financial receivable relating to the deficit of the Spanish electricity system that Endesa had financed in the amount of €436 million.

24. Cash and cash equivalents — €1,234 million

Cash and cash equivalents, detailed in the table below, are not restricted by any encumbrances, apart from €61 million primarily in respect of deposits pledged to secure transactions undertaken in America.

	at Dec. 31, 2007	at Dec. 31, 2006	2007-2006
		Millions of euro	
Bank and post office deposits	1,166	541	625
Cash and cash equivalents on hand	68	6	62
Total	**1,234**	**547**	**687**

25. Other current assets — €4,080 million

	at Dec. 31, 2007	at Dec. 31, 2006	2007-2006
		Millions of euro	
Receivables due from Electricity Equalization Fund and similar bodies	2,281	1,355	926
Receivables due from employees	38	14	24
Receivables due from others	1,646	975	671
Accrued operating income and prepaid expenses	115	109	6
Total	**4,080**	**2,453**	**1,627**

"Receivables due from Electricity Equalization Fund and similar bodies" show an increase of €926 million that is largely due to the additional receivables arising from the application of equalization mechanisms to the purchase of electricity in Italy, and to the receivables from similar bodies originating with the consolidation of Endesa, of which €115 million in respect of the reimbursement of the higher costs sustained by the company in the generation of electricity in extra-peninsular areas.

Including the portion of receivables classified as long-term (€1,356 million), receivables from the Electricity Equalization Fund and similar bodies at December 31, 2007, totaled €3,637 million, while total payables amounted to €1,241 million.

26. Assets held for sale — €8,233 million

This item comprises the assets held directly or indirectly by Endesa in Italy, France, Poland and Turkey, as well as a number of other operations in Spain included in the disposals agreed with E.On ("Endesa Europa"). It also includes the assets in respect of renewable energy operations held by Endesa, which will be transferred to Acciona Energia, in which Endesa will hold a 49% stake following the transfer. Also reflected are the effects of the reclassification of the assets in respect of Enel's equity investments in Enel Viesgo Generación, Enel Viesgo Servicios and Electra de Viesgo Distribución and the equity investments held by them that are included in the disposal agreed with E.On.

The following table details assets held for sale, with the exception of the part acquired by Enel for the sole purpose of resale ("Endesa Europa"), which has an overall value of €4,168 million.

	at Dec. 31, 2007	at Dec. 31, 2006	2007-2006
		Millions of euro	
Property, plant and equipment	2,656	—	2,656
Intangible assets	87	—	87
Goodwill	681	—	681
Deferred tax assets	90	—	90
Other non-current assets	168	—	168
Inventories	58	—	58
Trade receivables	124	—	124
Cash and cash equivalents	16	—	16
Other current assets	185	—	185
Total	**4,065**	—	**4,065**

Liabilities and shareholders' equity

27. Equity attributable to the shareholders of the Parent Company — €19,631 million

In 2007, shareholders exercised 8,171,574 options assigned under the stock option plans of 2002, 2003 and 2004. The exercise of the options generated an increase of €50 million in shareholders' equity through an increase in capital of €8 million and in the share premium reserve of €42 million. In addition, as regards the exercised options, the share premium reserve increased by a further €2 million as a result of the reclassification from the specific stock option reserve.

Share capital — €6,184 million

Share capital at December 31, 2007, consisted of 6,184,367,853 ordinary shares with a par value of €1.00 each (6,176,196,279 shares at December 31, 2006).

On the basis of the shareholders' register and other available information, no shareholders held more than 2% of the total share capital, apart from the Ministry for the Economy and Finance, which holds 21.1%, its subsidiary Cassa Depositi e Prestiti, which holds 10.1%, and Barclays Global Investors UK Holdings Ltd, which holds 2.2%.

Other reserves — €4,730 million

Share premium reserve — €651 million

The change for the period reflects the exercise of stock options by beneficiaries.

Legal reserve — €1,453 million

Other reserves — €2,250 million

These include €2,215 million related to the remaining portion of the value adjustments carried out when Enel was transformed from a public entity to a joint-stock company.

Pursuant to Article 47 of the Uniform Tax Code (Testo Unico Imposte sul Reddito), this shall not be considered taxable income if distributed.

Foreign currency translation reserve — €(82) million

The decrease in this aggregate for the period is attributable to the net appreciation of the functional currency against the foreign currencies used by subsidiaries.

Reserves from measurement of financial instruments — €458 million

The reserve encompasses net gains derived from cash flow hedges recognized directly in equity as well as unrealized gains from the fair value measurement of financial assets.

Reserves from measurement of assets held for sale — €35 million

The reserves include unrealized gains from the fair value measurement of financial assets in the amount of €31 million and net gains recognized directly in equity from the measurement of hedging derivatives in the amount of €4 million.

The table below shows the changes in gains and losses recognized directly in equity, including minority interests, net of the related tax effects.

	at Dec. 31, 2006	Gains/(Losses) recognized in equity for the year	of which held for sale	Released to income statement	at Dec. 31, 2007	of which held for sale
			Millions of euro			
Reserve for fair value measurement of cash flow hedging, effective portion	(15)	274	*4*	13	272	*4*
Reserve for fair value measurement of financial investments held for sale	177	56	*10*	—	233	*31*
Reserve for foreign exchange differences	126	(235)	1	—	(108)	1
Total gains/(losses) recognized in equity	**288**	**95**	***15***	**13**	**397**	***36***

Net deferred tax liabilities calculated on the balance at December 31, 2007 are negative in the amount of €94 million (compared with a net negative balance of €7 million at December 31, 2006). The €87-million increase for the period is the result of €71 million in net deferred tax liabilities related to changes in fair value recognized directly in equity and €16 million in net deferred tax liabilities related to changes in reserves released to the income statement for the financial year.

Notes to the financial statements — (Continued)

Statement of changes in equity

	Share capital and reserves attributable to the shareholders of the Parent Company										
	Share capital	Share premium reserve	Legal reserve	Other reserves	Retained earnings	Translation of financial statements in currencies other than euro	Reserve from measurement of financial instruments(1)	Net income for the year	Equity attributable to the shareholders of the Parent Company	Equity attributable to minority interests	Total shareholders' equity
	Millions of euro										
at January 1, 2006	6,157	511	1,453	2,245	5,923	40	2	2,726	19,057	359	19,416
Exercise of stock options	19	96	—	(7)	—	—	—	—	108	—	108
Stock option charges	—	—	—	7	—	—	—	—	7	—	7
Change in scope of consolidation	—	—	—	—	—	—	—	—	—	118	118
Allocation of net income from the previous year	—	—	—	—	2,726	—	—	(2,726)	—	—	—
Dividends	—	—	—	—	(2,715)	—	—	—	(2,715)	(9)	(2,724)
Interim dividend for 2006(2)	—	—	—	—	—	—	—	(1,235)	(1,235)	—	(1,235)
Net income for the year recognized in equity	—	—	—	—	—	41	161	—	202	32	234
Net income for the year recognized on income statement	—	—	—	—	—	—	—	3,036	3,036	65	3,101
at Dec. 31, 2006	6,176	607	1,453	2,245	5,934	81	163	1,801	18,460	565	19,025
Exercise of stock options	8	44	—	(2)	—	—	—	—	50	—	50
Stock option charges	—	—	—	7	—	—	—	—	7	—	7
Change in scope of consolidation	—	—	—	—	—	—	—	—	—	3,566	3,566
Allocation of net income from the previous year	—	—	—	—	1,801	—	—	(1,801)	—	—	—
Dividends	—	—	—	—	(1,793)	—	—	—	(1,793)	(150)	(1,943)
Interim dividend for 2007(3)	—	—	—	—	—	—	—	(1,237)	(1,237)	—	(1,237)
Net income for the year recognized in equity	—	—	—	—	—	(163)	316	—	153	(60)	93
Net income for the year of assets held for sale recognized in equity	—	—	—	—	—	—	14	—	14	1	15
Net income for the year recognized in income statement	—	—	—	—	—	—	—	3,977	3,977	236	4,213
at Dec. 31, 2007	6,184	651	1,453	2,250	5,942	(82)	493	2,740	19,631	4,158	23,789

(1) The balance at December 31, 2007 includes €35 million in respect of "Assets held for sale."

(2) Authorized by the Board of Directors on September 6, 2006 with the ex dividend date set at November 20, 2006 and payment as from November 23, 2006.

(3) Authorized by the Board of Directors on September 5, 2007 with the ex dividend date set at November 19, 2007 and payment as from November 22, 2007.

Non-current liabilities

28. Long-term loans (including the portion falling due within 12 months) — €54,884 million

This aggregate includes long-term payables related to bonds, bank loans, and other loans in euro and other currencies, including the portion falling due within twelve months.

The following table shows long-term debt and repayment schedules at December 31, 2007, grouped by loan and interest rate type.

	Maturing	Balance	Nominal value	Balance	Portion falling due at more than 12 months	Current portion	Maturing in				
		Dec. 31, 2007	Dec. 31, 2007	Dec. 31, 2006		2008	2009	2010	2011	2012	Beyond
					Millions of euro						
Bonds:											
- listed, fixed rate	2008 - 2097	15,185	17,209	5,680	13,972	1,213	1,507	224	1,122	1,018	10,101
- listed, floating rate	2008 - 2020	4,360	4,473	633	3,653	707	202	100	241	732	2,378
- unlisted, fixed rate	2008 - 2037	2,726	2,743	91	2,636	90	1	—	21	105	2,509
- unlisted, floating rate	2008 -2032	2,127	2,128	2,030	2,104	23	332	80	56	58	1,578
Total		**24,398**	**26,553**	**8,434**	**22,365**	**2,033**	**2,042**	**404**	**1,440**	**1,913**	**16,566**
Bank loans:											
- fixed rate	2008 - 2046	279	279	130	225	54	75	37	9	31	73
- floating rate	2008 - 2028	27,491	27,570	3,215	27,084	407	625	12,014	693	11,036	2,716
- use of revolving credit lines	2010 - 2011	1,034	1,034	565	1,034	—	—	700	334	—	—
Total		**28,804**	**28,883**	**3,910**	**28,343**	**461**	**700**	**12,751**	**1,036**	**11,067**	**2,789**
Preference shares:											
- fixed rate		—	—	—	—	—	—	—	—	—	—
- floating rate	2013	966	1,006	—	966	—	—	—	—	—	966
Total		**966**	**1,006**	**—**	**966**	**—**	**—**	**—**	**—**	**—**	**966**
Non-bank loans:											
- fixed rate	2008 - 2029	576	578	132	398	178	115	77	59	43	104
- floating rate	2008 - 2028	140	139	41	83	57	22	19	11	1	30
Total	2008 - 2097	716	717	173	481	235	137	96	70	44	134
TOTAL		**54,884**	**57,159**	**12,517**	**52,155**	**2,729**	**2,879**	**13,251**	**2,546**	**13,024**	**20,455**

The balance for bonds is stated net of €456 million relating to the unlisted floating-rate "Special series of bonds reserved for employees 1994-2019," which the Parent Company holds in portfolio.

The table below reports long-term financial debt by currency and interest rate.

Long-term financial debt by currency and interest rate

	at Dec. 31, 2007		at Dec. 31, 2006	at Dec. 31, 2007	
	Balance	Nominal value	Balance	Current average interest rate	Current effective interest rate
			Millions of euro		
Euro	**46,038**	**48,259**	**11,869**	**4.83%**	**5.02%**
US dollar	4,855	4,872	222	6.86%	6.91%
Pound sterling	1,898	1,920	62	4.85%	4.93%
Swiss franc	4	4	13	5.35%	5.35%
Japanese yen	218	218	59	2.37%	2.39%
Slovakian koruna	29	29	235	4.50%	4.50%
Brazilian real	758	758	—	12.32%	12.32%
Colombian peso	586	601	—	10.92%	10.92%
Other currencies	498	498	57	9.44%	10.22%
Total non-euro currencies	**8,846**	**8,900**	**648**		
Total	**54,884**	**57,159**	**12,517**		

Change in the nominal value of long-term debt

	at Dec. 31, 2006 Nominal value	Repayments	Change in own bonds	Changes in scope of consolidation	New financing	Exchange rate differences	at Dec. 31, 2007 Nominal value
				Millions of euro			
Bonds	8,478	(118)	18	8,400	9,872	(97)	**26,553**
Bank loans	3,932	(713)	—	4,822	20,887	(45)	**28,883**
Preference shares	—	—	—	1,006	—	—	**1,006**
Non-bank loans	176	(133)	—	643	48	(17)	**717**
Total financial debt	**12,586**	**(964)**	**18**	**14,871**	**30,807**	**(159)**	**57,159**

Compared with the end of the previous year, the nominal value of long-term debt at December 31, 2007, increased by a total of €44,573 million, which is the net effect of €964 million in repayments and redemptions, €30,807 million in new financing, €14,871 million arising from changes in the scope of consolidation, €18 million due to changes in own bonds held, and €159 million in exchange rate gains.

The main repayments and redemptions for the year concerned bonds in the amount of €118 million, the repayment of maturing bank loans in the amount of €713 million, as well as non-bank loans in the amount of €133 million.

The main financing transactions in 2007 included the following:

- the launch by Enel SpA on June 13, 2007 of a public multi-tranche bond issue under the Global Medium-Term Notes program for institutional investors in the euro market for a total value of about €4.98 billion. The issue was structured in the following five tranches:
  - €1 billion seven-year floating-rate note;
  - €1.5 billion 5.25% ten-year fixed-rate note;
  - €850 million 5.625% twenty-year fixed-rate note;
  - £550 million 6.25% twelve-year fixed-rate note;
  - £550 million 5.75% thirty-year fixed-rate note.

The sterling tranches were fully swapped into euro at the time of issue.

- the launch by Enel Finance International on September 14, 2007, of a multi-tranche bond issue under the Global Medium-Term Notes program for institutional investors in the US market with a total value of $3.5 billion, fully swapped into euro at the time of issue, structured as follows:
  - $1 billion 5.70% five-year fixed-rate note;
  - $1.5 billion 6.25% ten-year fixed-rate note;
  - $1 billion 6.80% thirty-year fixed-rate note.
- the launch by Enel Finance International on October 3, 2007, of a private placement in yen under the Global Medium-Term Notes program with a value of about €121 million maturing in 2037;
- the drawing, in October 2007, by Enel SpA and Enel Finance International of €19,221 million on the 36- and 60-month tranches of the syndicated credit line with an original amount of €35 billion, subsequently reduced to €19.5 billion;
- the issue by Enel SpA on December 12, 2007, of a multi-tranche bond issue for Italian retail investors with a value of €2.3 billion, structured as follows:

  €1.3 billion seven-year floating-rate note;

  €1.0 billion 5.25% seven-year fixed-rate note.
- the issue (in May and November) by Enel SpA of two new tranches of a bond placed privately with leading Italian insurance companies with a value of €97 million maturing in 2025.

Finally, the revolving 5-year credit line of €5 billion (which is renewable for a further two years) granted in November 2005 to Enel SpA was drawn in the amount of €700 million at December 31, 2007.

The main financing contracts entered into in 2007 include:

- a multi-tranche syndicated line of credit with an original amount of €35 billion and a maximum maturity of 5 years granted to Enel SpA and Enel Finance International on April 10, 2007. The line of credit was divided into three tranches as follows:
  - €10 billion maturing at 12 months, with an option to extend the maturity for a further 18 months;
  - €15 billion maturing at 36 months;
  - €10 billion maturing at 60 months.

The credit line was negotiated for the sole purpose of financing the purchase of the stake in Endesa and enabling the subsequent restructuring of the resulting debt.

Following the various issues during the year, the credit line was reduced in a series of steps:

  - on June 20, 2007, following the bond issue by Enel SpA, the syndicated credit line was reduced to €30 billion;
  - on September 24, 2007, following the issue of a multi-tranche bond totaling $3.5 billion by Enel Finance International, the credit line was reduced to €28 billion;
  - on October 10, 2007, following the outcome of the public tender offer for Endesa, the credit line was cut to €23 billion;
  - on November 28, 2007, the credit line was reduced by €1.5 billion to €21.5 billion;
  - on December 17, 2007, following the issue of a retail bond by Enel SpA, the credit line was decreased to its current level of €19.5 billion.
- > the agreement by Slovenské elektrárne of a revolving 7-year credit line of €800 million, equal to about SKK 27.3 billion;
- > the renewal, increasing the amount from €10 to €25 billion, of the Global Medium-Term Notes program with Enel SpA and Enel Finance International as issuers, in May 2007.

The change in the scope of consolidation in 2007 of €14,871 million, essentially regards Endesa (€14,770 million), Enel Fortuna (€46 million), International Windpower, Wind Parks of Thrace and International Wind Parks of Thrace (for a total of €23 million) and Inelec (€23 million).

The long-term financial debt at December 31, 2007 includes preference shares in the amount of €1,006 million issued in 2003 by Endesa Capital Finance LLC with a guarantee from Endesa SA.

The main characteristics of the transaction are as follows:

- > original amount: €1,500 million;
- > maturity: perpetual, with early redemption option at par as from the tenth year;
- > dividend: variable, linked to 3-month Euribor within a range between 4% and 7% in the first 10 years and to 3-month Euribor plus a spread of 3.75% from the eleventh year onward.

The following table compares the carrying amount and the fair value of long-term debt, including the portion falling due within twelve months, broken down by category. The fair value of financial debt represents the market valuation of how much Enel would have to pay to extinguish the contracts at the balance sheet date. For instruments traded on regulated markets, the fair value is given by official prices. For instruments not traded on a regulated market the fair value is determined using appropriate valuation models for each category of financial instrument and market data for the closing date of the financial year.

	at Dec. 31, 2007		at Dec. 31, 2006	
	Carrying amount	Fair value	Carrying amount	Fair value
	Millions of euro			
Bonds:				
- fixed rate	17,911	18,084	5,771	5,938
- floating rate	6,487	6,463	2,663	2,699
Total	**24,398**	**24,547**	**8,434**	**8,637**
Bank loans:				
- fixed rate	279	355	130	133
- floating rate	28,525	28,536	3,780	3,785
Total	**28,804**	**28,891**	**3,910**	**3,918**
Preference shares:				
- fixed rate	—	—	—	—
- floating rate	966	1,005	—	—
Total	**966**	**1,005**	—	—
Non-bank loans:				
- fixed rate	576	277	132	135
- floating rate	140	38	41	41
Total	**716**	**315**	**173**	**176**
TOTAL	**54,884**	**54,758**	**12,517**	**12,731**

The following tables show changes in the long-term loans for the period, distinguishing current from non-current portions.

Long-term loans (excluding current portion)

	Carrying amount at Dec. 31, 2007	Carrying amount at Dec. 31, 2006	2007-2006
		Millions of euro	
Bonds:			
- fixed rate	16,608	5,735	10,873
- floating rate	5,757	2,640	3,117
Total	**22,365**	**8,375**	**13,990**
Bank loans:			
- fixed rate	225	91	134
- floating rate	28,118	3,586	24,532
Total	**28,343**	**3,677**	**24,666**
Preference shares:			
- fixed rate	—	—	—
- floating rate	966	—	966
Total	**966**	**—**	**966**
Non-bank loans:			
- fixed rate	398	104	294
- floating rate	83	38	45
Total	**481**	**142**	**339**
TOTAL	**52,155**	**12,194**	**39,961**

Current portion of long-term loans

	Carrying amount at Dec. 31, 2007	Carrying amount at Dec. 31, 2006	2007-2006
		Millions of euro	
Bonds:			
- fixed rate	1,303	36	1,267
- floating rate	730	23	707
Total	**2,033**	**59**	**1,974**
Bank loans:			
- fixed rate	54	39	15
- floating rate	407	194	213
Total	**461**	**233**	**228**
Non-bank loans:			
- fixed rate	178	28	150
- floating rate	57	3	54
Total	**235**	**31**	**204**
TOTAL	**2,729**	**323**	**2,406**

At December 31, 2007, 67% (57% at December 31, 2006) of net financial debt paid floating interest rates. Taking account of cash flow hedges for interest rate risk considered effective under the provisions of the IFRS-EU, exposure to interest rate risk at December 31, 2007 was 54% (23% at December 31, 2006). If account is also taken of interest rate derivatives used as hedges but which do not qualify for hedge accounting, the residual exposure of net financial debt to interest rate risk falls even lower, to 53% (20% at December 31, 2006).

The Group's main long-term financial debts are governed by covenants containing undertakings by the borrowers (Enel SpA, Endesa and the other Group companies) and in some cases Enel SpA as guarantor that are commonly adopted in international business practice. The main covenants governing Enel's debt regard the bond issues carried out within the framework of the Global Medium-Term Notes program, loans granted by the European Investment Bank (EIB), the €5 billion revolving line of credit and the €35 billion syndicated line of credit. To date none of the covenants have been triggered.

The commitments in respect of the bond issues in the Global Medium-Term Notes program can be summarized as follows:

- negative pledge clauses under which the issuer may not establish or maintain (except under statutory requirement) mortgages, liens or other encumbrances on all or part of its assets to secure any listed bond or bond for which listing is planned unless the same guarantee is extended equally or pro rata to the bonds in question;

- pari passu clauses, under which the securities constitute a direct, unconditional and unsecured obligation of the issuer and are issued without preferential rights among them and have at least the same seniority as other present and future bonds of the issuer;

- specification of default events, whose occurrence (e.g. insolvency, failure to pay principle or interest, initiation of liquidation proceedings, etc.) constitutes a default; under cross-default clauses, the occurrence of a default event in respect of any financial liability (above a threshold level) issued by the issuer or "significant" subsidiaries (i.e. consolidated companies whose gross revenues or total assets are at least 10% of gross consolidated revenues or total consolidated assets) constitutes a default in respect of the liability in question, which becomes immediately repayable;

- early redemption clauses in the event of new tax requirements, which permit early redemption at par of all outstanding bonds.

The main covenants governing the loans granted by the EIB can be summarized as follows:

- negative pledge clauses, under which the issuer undertakes not to establish or grant to third parties additional guarantees or privileges with respect to those already established in the individual contracts by the company or subsidiaries of the Enel Group, unless an equivalent guarantee is extended equally or pro rata to the loans in question;

- clauses that require the guarantor (whether Enel SpA or banks acceptable to the EIB) to maintain its rating above a specified grade;

- in the case of guarantees provided by Enel SpA, the Group's equity may not fall below a specified level;

- material changes clauses, under which the occurrence of a specified event (mergers, spin-offs, disposal or transfer of business units, changes in company control structure, etc.) gives rise to the consequent adjustment of the contract, without which the loan shall become repayable immediately without payment of any commission;

- requirements to report periodically to the EIB;

- requirement for insurance coverage and maintenance of property, possession and use of the works, plant and machinery financed by the loan over the entire term of the agreement;

- contract termination clauses, under which the occurrence of a specified event (serious inaccuracies in documentation presented in support of the contract, failure to repay at maturity, suspension of payments, insolvency, special administration, disposal of assets to creditors, dissolution, liquidation, total or partial disposal of assets, declaration of bankruptcy or composition with creditors or receivership, substantial decrease in equity, etc.) triggers immediate repayment.

The main covenants for the €35 billion syndicated line of credit and the €5 billion revolving line of credit are substantially similar and can be summarized as follows:

- negative pledge clauses under which the borrower (and its significant subsidiaries) may not establish or maintain (with the exception of permitted guarantees) mortgages, liens or other encumbrances on all or part of its assets to secure any present or future financial liability;
- pari passu clauses, under which the payment undertakings constitute a direct, unconditional and unsecured obligation of the borrower and bear no preferential rights among them and have at least the same seniority as other present and future loans;
- change of control clause (which is triggered in the event (i) control of Enel is acquired by one or more parties other than the Italian state or (ii) Enel or any of its subsidiaries transfer a substantial portion of the Group's assets to parties outside the Group such that the financial reliability of the Group is significantly compromised. The occurrence of one of the two circumstances may give rise to (a) the renegotiation of the terms and conditions of the financing or (b) compulsory early repayment of the financing by the borrower;
- specification of default events, whose occurrence (e.g. failure to make payment, breach of contract, false statements, insolvency or declaration of insolvency by the borrower or its significant subsidiaries, business closure, government intervention or nationalization, administrative proceeding with potential negative impact, illegal conduct, nationalization and government expropriation or compulsory acquisition of the borrower or one of its significant subsidiaries) constitutes a default. Unless remedied within a specified period of time, such default will trigger an obligation to make immediate repayment of the loan under an acceleration clause; under cross-default clauses, the occurrence of a default event in respect of any financial liability (above a threshold level) of the issuer or "significant" subsidiaries (i.e. consolidated companies whose gross revenues or total assets are equal to a specified percentage — 10% for the €35 billion syndicated credit line and 15% for the €5 billion revolving credit line — of gross consolidated revenues or total consolidated assets) constitutes a default in respect of the liability in question, which becomes immediately repayable;
- periodic reporting requirements.

The €35 billion syndicated credit line also provides for the following covenants:

- mandatory prepayment clauses, under which the occurrence of a specified event (e.g. the issue of instruments on the capital market, new bank loans, stock issues or asset disposals) obliges the borrower to repay the related funds in advance at specific declining percentages based on the extent to which the line of credit has been drawn;
- a gearing clause, under which, at the end of each measurement period, consolidated net financial debt must not exceed a given multiple of the consolidated EBITDA;
- a "subsidiary financial indebtedness" clause, under which the net aggregate amount of the financial debt of Enel's subsidiaries (with the exception of the debt of "permitted subsidiaries") must not exceed a given percentage of total consolidated assets.

Endesa's main long-term loans also contain covenants commonly adopted in international business practice.

The main covenants on Endesa's debt regard loans granted by the EIB, bond issues carried out under the Global Medium-Term Notes program, project financing and loans to Enersis and Endesa Chile.

The main covenants governing the loans granted by the EIB can be summarized as follows:

- clauses that require the rating to be kept above a specified grade;
- clauses requiring prior authorization by the EIB in the case of the transfer of Endesa assets (where the related gross revenues or total assets are equal to at least 10% of gross revenues or 7% of total consolidated assets).

The undertakings in respect of the bond issues carried out by Endesa Capital SA under the Global Medium-Term Notes can be summarized as follows:

- cross-default clauses under which debt repayment would be accelerated in the case of failure to make payment (above a specified amount) on any financial liability of Endesa SA or Endesa Capital SA that is listed or could be listed on a regulated market;
- negative pledge clauses under which the issuer may not establish mortgages, liens or other encumbrances on all or part of its assets to secure any financial liability that is listed or could be listed on a regulated market (of which at least 50% initially held by foreign parties outside the Kingdom of Spain), unless an equivalent guarantee is extended equally or pro rata to the bonds in question;
- pari passu clauses, under which the securities and guarantees have at least the same seniority as all other present and future unsecured and unsubordinated securities issued by Endesa Capital or Endesa SA.

Finally, the main loans granted to Endesa, International Endesa BV and Endesa Capital do not contain cross-default clauses regarding the debt of subsidiaries in Latin America and Endesa Italia.

Undertakings in respect of project financing granted to subsidiaries regarding renewables and other subsidiaries in Latin America contain covenants commonly adopted in international business practice. The main commitments regard clauses pledging all the assets assigned to the projects in favor of the creditors.

A significant portion of the debt of Enersis and Endesa Chile (both controlled indirectly by Endesa) is subject to cross-default clauses under which the occurrence of a default event (failure to make payment or breach of other obligations) in respect of any financial liability of a subsidiary of Enersis or Endesa Chile constitutes a default in respect of the liability in question, which becomes immediately repayable.

In general, the cross-default provisions are triggered in the event of defaults exceeding $30 million. In addition, many of these agreements also contain cross-acceleration clauses that are triggered in specific circumstances, such as certain government actions, insolvency or judicial expropriation of assets.

Notes to the financial statements — (Continued)

The following table reports the net financial position at December 31, 2007, and December 31, 2006, respectively, pursuant to the Consob instructions of July 28, 2006, reconciled to the net financial debt.

	at Dec. 31, 2007	at Dec. 31, 2006	2007-2006
		Millions of euro	
Cash and cash equivalents on hand	68	6	62
Bank and post office deposits	1,166	541	625
Securities	101	25	76
Liquidity	**1,335**	**572**	**763**
Short-term financial receivables	97	10	87
Factoring receivables	205	211	(6)
Short-term portion of long-term financial receivables	1,402	30	1,372
Current financial receivables	**1,704**	**251**	**1,453**
Short-term bank debt	(1,260)	(542)	(718)
Commercial paper	(3,893)	(531)	(3,362)
Short-term portion of long-term bank debt	(461)	(233)	(228)
Drawings on revolving credit lines	(20)	—	(20)
Bonds (short-term portion)	(2,033)	(59)	(1,974)
Other loans (short-term portion)	(235)	(31)	(204)
Other short-term financial payables	(112)	(13)	(99)
Total short-term financial debt	**(8,014)**	**(1,409)**	**(6,605)**
Net short-term financial position	**(4,975)**	**(586)**	**(4,389)**
Debt to banks and financing entities	(28,343)	(3,677)	(24,666)
Bonds	(22,365)	(8,375)	(13,990)
Preference shares	(966)	—	(966)
Other loans	(481)	(142)	(339)
Total long-term financial debt	**(52,155)**	**(12,194)**	**(39,961)**
NET FINANCIAL POSITION	**(57,130)**	**(12,780)**	**(44,350)**
Long-term financial receivables and securities	**1,339**	**1,090**	**249**
NET FINANCIAL DEBT	**(55,791)**	**(11,690)**	**(44,101)**

29. Post-employment and other employee benefits — €2,920 million

The Group provides its employees with a variety of benefits, including termination benefits, additional months' pay for having reached age limits or eligibility for old-age pension, loyalty bonuses for achievement of seniority milestones, supplementary pension and healthcare plans, domestic electricity discounts and similar benefits.

The item "Post-employment and other employee benefits" regards accruals made to cover benefits due at the time the employment relationship is terminated and other long-term benefits to which employees have a statutory or contractual right as well as post-employment benefits.

Notes to the financial statements — (Continued)

The following table reports the change during the year in actuarial liabilities and the fair value of plan assets, as well as a reconciliation of net actuarial liabilities with liabilities recognized in the balance sheet at December 31, 2007 and December 31, 2006.

	Benefits due on termination of employment and other long-term benefits		Post-employment benefits under defined-benefit plans	
	at Dec. 31, 2007	at Dec. 31, 2006	at Dec. 31, 2007	at Dec. 31, 2006
	Millions of euro			
Changes in actuarial liabilities:				
Actuarial liabilities at the beginning of the year	1,723	1,783	1,202	1,199
Service cost	17	83	10	9
Interest cost	77	74	65	48
Benefits paid	(204)	(162)	(82)	(58)
Other changes	28	(64)	31	(6)
Changes in scope of consolidation	313	37	984	6
Actuarial (gains)/losses	(54)	(31)	51	3
Foreign exchange (gains)/losses	1	3	3	1
Reclassification to "Liabilities held for sale"	(293)	—	(75)	—
Actuarial liability at the end of the year	1,608	1,723	2,189	1,202
Changes in plan assets:				
Fair value at the beginning of the year	295	281	23	23
Change in scope of consolidation	—	—	846	—
Expected return on plan assets	13	14	17	—
Actuarial gains/(losses)	(32)	(2)	(2)	—
Contributions paid by company	6	26	10	1
Other changes	1	—	—	—
Benefits paid	(18)	(24)	(14)	(1)
Reclassification to "Liabilities held for sale"	(265)	—	(24)	—
Fair value at the end of the year	—	295	856	23
Reconciliation with carrying amount:				
Net actuarial liabilities at the end of the year	1,608	1,428	1,333	1,179
Unrecognized (gains)/losses	(47)	(29)	68	3
Carrying amount of liabilities at the end of the year	**1,655**	**1,457**	**1,265**	**1,176**

The change in the scope of consolidation essentially refers to the consolidation of Endesa. The employees of the Endesa Group in Spain included in the framework agreement of October 25, 2000 participate in a specific defined-contribution pension plan and, in cases of disability or death of employees in service, a defined-benefit plan which is covered by appropriate insurance policies. In addition, the company has certain obligations to retired ex-workers, mainly concerning the supply of electricity. Outside Spain, defined-benefit pension plans are in force especially in Brazil.

The liabilities recognized at the end of the year are reported net of the fair value of the plan assets (where this is not greater than that of the related liabilities), equal at December 31, 2007, to €856 million, with net unrecognized actuarial losses of €21 million. The expected return used in estimating the fair value of the plan assets varies from 4.5% to 13.7% depending on the country involved and the nature of the assets backing the plan.

Notes to the financial statements — (Continued)

The following table reports the impact of employee benefits on the income statement.

	Benefits due on termination of employment and other long-term benefits		Post-employment benefits under defined-benefit plans	
	2007	2006	2007	2006
Service cost	17	83	10	9
Interest cost	77	74	65	48
Expected return on plan assets	(13)	(14)	(17)	—
Amortization of actuarial (gains)/losses	(4)	(14)	3	1
(Gains)/Losses for reduction or cancellation of plans	(3)	(50)	—	—
Total	**74**	**79**	**61**	**58**

The cost of employee benefits in 2007 came to €135 million (€137 million in 2006), of which €112 million in respect of accretion cost recognized under interest cost (€108 million in 2006) and €23 million recognized under personnel costs. The cost for termination benefit in 2007 amounted to €155 million, of which €103 million in respect of defined-contribution plans and €52 million for defined-benefit plans (of which €34 million in respect of accretion cost).

The main actuarial assumptions used to calculate the liabilities in respect of employee benefits are set out in the following table.

	2007		2006	
	Italy	Abroad	Italy	Abroad
Discount rate	4.60%	4.20% - 12.10%	4.25%	4.30% - 7.25%
Rate of increase in wages	3.00%	2.50% - 6.10%	3.00%	2.00% - 5.50%
Rate of increase in healthcare costs	3.00%	2.50%	3.00%	—

30. Provisions for risks and charges — €6,462 million

	at Dec. 31, 2006	Accruals	Taken to income statement	Changes in scope of consolidation	Utilization and other changes	Reclassification to "Liabilities held for sale"	at Dec. 31, 2007
	Millions of euro						
Provision for litigation, risks and other charges:							
- nuclear decommissioning	2,189	112	—	166	1	—	2,468
- non-nuclear plant retirement and site restoration	223	25	—	114	(2)	—	360
- litigation	348	83	(32)	240	(57)	(11)	571
- CO_2 emissions charges	9	—	(9)	—	—	—	—
- other	960	429	(205)	593	(206)	(24)	1,547
Total	**3,729**	**649**	**(246)**	**1,113**	**(264)**	**(35)**	**4,946**
Provision for early-retirement incentives	422	205	(1)	1,301	(411)	—	1,516
TOTAL	**4,151**	**854**	**(247)**	**2,414**	**(675)**	**(35)**	**6,462**

Provision for nuclear decommissioning

In addition to the facilities relating to the consolidation of Endesa, the provision for "nuclear decommissioning" regards the V1 and V2 plants at Jasklovske Bohunice and the EMO 1 and 2 plants at Mochovce. The aggregate comprises a provision for the disposal of nuclear waste amounting to €270 million (€288 million at December 31, 2006), a provision for the disposal of spent nuclear fuel in the amount

€1,303 million (€1,222 million at December 31, 2006) and a provision for retiring nuclear power plants in the amount of €727 million (€679 million at December 31, 2006).

The provision for nuclear decommissioning relating to Endesa, amounting to €169 million at December 31, 2007, comprises charges that will be incurred at the moment of decommissioning by Enresa, a public company charged with the task with Royal Decree 1349/03 and Law 24/05. The quantification of the future costs is based on the standard contract between Enresa and the electricity companies approved by the Ministry for the Economy in September 2001, which regulates the retirement and closing of nuclear power plants. The time horizon envisaged, three years, corresponds to the period from the termination of power generation to the transfer of plant management to Enresa (post-operational costs).

The estimated timing of the cash outlays in respect of the costs takes account of current knowledge of environmental regulations, the amount of time used to estimate the costs and the difficulties presented by the extremely long time span over which such costs could arise. The charges covered by the provisions are reported at their present value using discount rates of between 4.2% and 4.5%.

Non-nuclear plant retirement and site restoration

The provision for "non-nuclear plant retirement and site restoration" represents the present value of the estimated cost for the retirement and removal of non-nuclear plants where there is a legal or constructive obligation to do so. The increase of €137 million recorded in 2007 was mainly due to the consolidation of Endesa, whose provisions cover future incidental charges relating to the substitution of meters and the closure of a number of mining and electricity facilities that will not be replaced when they reach the end of their useful life.

Litigation

The "litigation" provision covers contingent liabilities that could arise in respect of pending litigation and other disputes. It includes an estimate of the potential liability relating to disputes that arose during the period, as well as revised estimates of the potential costs associated with disputes initiated in prior periods. The estimates are based on the opinions of internal and external legal counsel.

Other provisions

"Other" provisions refer to various risks and charges, mainly in connection with regulatory disputes and disputes with local authorities regarding various duties and fees.

Provision for early-retirement incentives

The "provision for early-retirement incentives" includes the estimated charges related to binding agreements for the voluntary termination of employment contracts in response to restructuring needs. The change in the year of €1,094 million relates largely to the consolidation of Endesa (€1,301 million at the date of acquisition), which more than offset utilizations in the year. Endesa's provisions for early-retirement incentives regard collective or individual agreements that the company has signed with its employees to provide the latter with supplementary coverage beyond the support provided by the public system in the period between the early voluntary termination of employment and actual retirement.

Notes to the financial statements — (Continued)

31. Deferred tax liabilities — €4,304 million

The table reports changes in "Deferred tax liabilities" by type of temporary difference, determined on the basis of the tax rates established by applicable regulations.

	at Dec. 31, 2006	Increase/ (Decrease) taken to income statement	Change in scope of consolidation	Other changes	Reclassification to "Liabilities held for sale"	at Dec. 31, 2007
		Millions of euro				
Nature of the temporary difference:						
- differences on non-current and financial assets	2,013	(194)	676	521	(5)	3,011
- income subject to deferred taxation	20	(9)	—	(5)	—	6
- allocation of goodwill to assets	100	(38)	233	357	—	652
- measurement of financial instruments	50	—	23	64	(13)	124
- other items	321	(28)	266	(48)	—	511
Total	**2,504**	**(269)**	**1,198**	**889**	**(18)**	**4,304**

This item, which totaled €4,304 million at December 31, 2007, includes the deferred tax liabilities related primarily to differences between depreciation charged for tax purposes, including accelerated depreciation, and depreciation based on the estimated useful lives of assets. The impact on the income statement reflects, among other factors, the effect of reduction of the rate of income tax for Italian companies, equal to €396 million.

32. Non-current financial liabilities — €1,671 million

These consist of €1,004 million in respect of the fair value measurement of the put option granted to Acciona in the agreement with Enel of March 26, 2007, and €667 million from the fair value measurement of cash flow and fair value hedge derivatives.

The put option granted to Acciona regards all of the shares it holds directly or indirectly in Endesa (25.01% of share capital) and may be exercised only once, on the terms established in the agreement, at any time between the start of the fourth and the end of the tenth year of the signature of the agreement.

The option can be exercised at the greater of the Endesa tender price and the per-share value of Endesa determined using company valuation techniques, incorporating a financial component. The initial value of the option is incorporated in the price of the equity investment in Endesa, while all subsequent variations are taken to the income statement under financial income and expense.

The following table reports the notional amount and fair value of the cash flow and fair value hedge derivatives:

	Notional value		Fair value		
	at Dec. 31, 2007	at Dec. 31, 2006	at Dec. 31, 2007	at Dec. 31, 2006	2007-2006
	Millions of euro				
Cash flow hedge derivatives:					
- interest rates	2,854	2,238	50	116	(66)
- exchange rates	5,083	—	487	—	487
Total	**7,937**	**2,238**	**537**	**116**	**421**
Fair value hedge derivatives:					
- interest rates	312	—	16	—	16
- exchange rates	570	—	114	—	114
Total	**882**	**—**	**130**	**—**	**130**
TOTAL	**8,819**	**—**	**667**	**116**	**551**

Derivatives at December 31, 2007 were essentially composed of interest rate hedges on a number of long-term floating-rate loans. In addition to the consolidation of Endesa's positions, the increase in the fair value of these positions was attributable to the rise in market interest rates during the year. Exchange rate derivatives were mainly composed of exchange rate hedges on a number of long-term loans in foreign currencies using cross currency interest rate swaps.

33. Other non-current liabilities — €3,333 million

	at Dec. 31, 2007	at Dec. 31, 2006	2007-2006
	Millions of euro		
Deferred operating liabilities	3,018	1,014	2,004
Other items	315	30	285
Total	**3,333**	**1,044**	**2,289**

The item at December 31, 2007, including Endesa's deferred operating liabilities of €1,923 million, essentially consists of revenues from fees for connection to the electricity and gas networks and grants received for specific assets.

Current liabilities

34. Short-term loans — €5,285 million

At December 31, 2007, short-term loans amounted to €5,285 million, an increase of €4,199 million on December 31, 2006, as detailed below.

	at Dec. 31, 2007		at Dec. 31, 2006		2007-2006	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Short-term amounts due to banks	1,280	1,280	542	542	738	738
Commercial paper	3,893	3,893	531	531	3,362	3,362
Other short-term financial payables	112	112	13	13	99	99
Short-term financial debt	**5,285**	**5,285**	**1,086**	**1,086**	**4,199**	**4,199**

The payables represented by commercial paper relate to issues outstanding at period-end in the context of the €4,000 million program launched in November 2005 by Enel Finance International and guaranteed by Enel SpA, as well as the Endesa International BV program amounting to €2,000 million and the Endesa Capital SA program totaling €2,000 million.

At December 31, 2007, issues under these programs amounted to €3,893 million, of which €2,350 million for Enel Finance International, €744 million for Endesa International BV and €799 million for Endesa Capital SA. The nominal value of the commercial paper is €3,923 million and is denominated in euro (€3,347 million), pounds sterling (the equivalent of €34 million), US dollars (the equivalent of €450 million), Swiss francs (the equivalent of €30 million) and yen (the equivalent of €62 million). The exchange rate risk in respect of currencies other than the euro is fully hedged by currency swaps.

Note that short-term amounts due to banks includes the drawings by Enel SpA and Enel Finance International of €279 million on the 12-month tranche of the €35 billion syndicated credit line discussed earlier.

35. Trade payables — €9,622 million

This item, which totaled €9,622 million, includes payables for the supply of electricity, fuel, materials and equipment for tenders and sundry services. It shows an increase of €3,434 million compared with December 31, 2006, largely in connection with the consolidation of Endesa (€2,096 million at the acquisition date).

36. Current financial liabilities — €1,561 million

	at Dec. 31, 2007	at Dec. 31, 2006	2007-2006
	Millions of euro		
Deferred financial liabilities	609	177	432
Derivative contracts	930	753	177
Other items	22	11	11
Total	**1,561**	**941**	**620**

The following table shows the notional value and fair value of the derivative contracts.

	Notional value		Fair value		
	at Dec. 31, 2007	at Dec. 31, 2006	at Dec. 31, 2007	at Dec. 31, 2006	2007-2006
	Millions of euro				
Cash flow hedge derivatives:					
- interest rates	46	2	—	—	—
- exchange rates	344	1	52	—	52
- commodities	1,021	—	38	—	38
Total	**1,411**	**3**	**90**	**—**	**90**
Fair value hedge derivatives:					
- exchange rates	33	—	4	—	4
Total	**33**	**—**	**4**	**—**	**4**
Trading derivatives:					
- interest rates	1,911	309	38	26	12
- exchange rates	3,739	1,340	125	24	101
- commodities	2,390	4,730	673	698	(25)
- other	30	—	—	5	(5)
Total	**8,070**	**6,379**	**836**	**753**	**83**
TOTAL	**9,514**	**6,382**	**930**	**753**	**177**

Trading derivatives on interest and exchange rates essentially include transactions entered into for hedging purposes, but which do not qualify for hedge accounting as defined by applicable accounting standards.

Derivatives on commodities essentially refer to:

- two-way contracts for differences with a fair value of €8 million;
- derivatives on oil and electricity commodities with a fair value of €30 million;
- trading in oil, electricity and other commodities with a fair value of €247 million;

- embedded derivatives related to energy sale and purchase contracts in Slovakia with a fair value of €421 million.

37. Other current liabilities — €5,275 million

	at Dec. 31, 2007	at Dec. 31, 2006	2007-2006
		Millions of euro	
Payables due to customers	1,537	1,572	(35)
Payables due to Electricity Equalization Fund and similar bodies	1,241	948	293
Payables due to employees	571	341	230
Other tax payables	490	221	269
Social security contributions payable	177	147	30
Other	1,259	877	382
Total	**5,275**	**4,106**	**1,169**

"Payables due to customers" include €754 million in security deposits related to amounts received from customers as part of electricity and gas supply contracts. Following the finalization of the contract, deposits for electricity sales, the use of which is not restricted in any way, are classified as current liabilities given that the company does not have an unconditional right to defer repayment beyond twelve months.

"Payables due to Electricity Equalization Fund and similar bodies" increased mainly because of the consolidation of Endesa (€304 million at the date of acquisition).

38. Liabilities held for sale — €4,117 million

This item comprises the liabilities held directly or indirectly by Endesa in Italy, France, Poland and Turkey, as well as a number of other operations in Spain included in the disposals agreed with E.On ("Endesa Europa"). It also includes the liabilities in respect of renewable energy operations held by Endesa, which will be transferred to Acciona Energia, in which Endesa will hold a 49% stake following the transfer. Also reflected are the effects of the reclassification of the liabilities in respect of Enel's equity investments in Enel Viesgo Generación, Enel Viesgo Servicios and Electra de Viesgo Distribución and the equity investments held by them that are included in the disposal agreed with E.On.

The following table details liabilities held for sale, with the exception of the part acquired by Enel for the sole purpose of resale ("Endesa Europa"), which was equal to €1,856 million.

	at Dec. 31, 2007	at Dec. 31, 2006	2007-2006
		Millions of euro	
Long-term loans	119	—	119
Post-employment and other employee benefits	39	—	39
Provisions for risks and charges	49	—	49
Deferred tax liabilities	52	—	52
Other non-current liabilities	229	—	229
Short-term loans	1,241	—	1,241
Trade payables	349	—	349
Other current liabilities	183	—	183
Total	**2,261**	**—**	**2,261**

39. Related parties

As the main operator in the field of generation, transport and distribution of electricity in Italy, Enel provides services to a number of State-controlled companies. In the current regulatory framework, Enel concludes transactions with Terna — Rete Elettrica Nazionale (Terna), the Single Buyer, the Electricity Services Operator, and the Market Operator (each of which is controlled either directly or indirectly by the Ministry for the Economy and Finance).

Notes to the financial statements — (Continued)

Fees for the transport of electricity payable to Terna and certain charges paid to the Market Operator are determined by the Authority for Electricity and Gas.

Transactions relating to purchases and sales of electricity concluded with the Market Operator on the Power Exchange and with the Single Buyer are settled at market prices.

Companies of the Domestic Sales Division acquire electricity from the Single Buyer and settle the contracts for differences related to the allocation of CIP 6 energy with the Electricity Services Operator, in addition to paying Terna fees for the use of the national transmission network. Companies that are a part of the Domestic Generation and Energy Management Division, in addition to paying fees for the use of the national transmission network to Terna, carry out electricity transactions with the Market Operator and on the Power Exchange.

Enel also acquires fuel for generation and gas for distribution and sale from Eni, a company controlled by the Ministry for the Economy and Finance.

All transactions with related parties are concluded on normal market terms and conditions.

The following table summarizes the relationships:

	at Dec. 31, 2007		2007	
	Balance sheet		Income statement	
	Receivables	Payables	Costs	Revenues
	Millions of euro			
In respect of continuing operations				
Single Buyer	375	1,597	8,476	342
Market Operator	1,537	1,140	4,261	6,963
Terna	440	569	2,148	2,158
Electricity Services Operator	136	332	—	359
Eni	2	419	1,169	241
Italian Post Office	—	38	174	16
Other	1	1	5	2
In respect of assets held for sale				
Single Buyer	14	17	—	1
Market Operator	98	12	5	120
Terna	49	14	7	5
Electricity Services Operator	14	—	—	37
Eni	—	50	155	—
Total	**2,666**	**4,189**	**16,400**	**10,244**

The following table shows transactions with associated companies outstanding at December 31, 2007 and carried out during the year, respectively.

	at Dec. 31, 2007		2007	
	Balance sheet		Income statement	
	Receivables	Payables	Costs	Revenues
	Millions of euro			
Cesi	1	24	14	—
LaGeo	29	—	—	4
Other companies	13	5	2	—
Total	**43**	**29**	**16**	**4**

In compliance with the Enel Group's rules of corporate governance, which are discussed in detail in the special section attached to these financial statements, transactions with related parties are carried out in accordance with criteria of procedural and substantive propriety.

With a view to assuring substantive propriety — in order to ensure fairness in transactions with related parties, and to account for the special nature, value or other characteristics of a given transaction — the Board of Directors may ask independent experts to value the assets involved in the transaction and provide financial, legal or technical advice.

40. Contractual commitments and guarantees

The commitments entered into by the Enel Group and the guarantees given to third parties are shown below.

	at Dec. 31, 2007
	Millions of euro
Guarantees given:	
- sureties and other guarantees granted to third parties	1,485
Commitments to suppliers for:	
- electricity purchases	24,599
- fuel purchases	47,168
- various supplies	4,290
- tenders	1,176
- other	829
Total	**78,062**
TOTAL	**79,547**

Guarantees granted to third parties amounted to €1,485 million and include €738 million in commitments relating to the sale of real estate assets in connection with the regulations that, for a period of six years and six months from July 2004, govern the termination of leases and the related payments. The value of such guarantees is reduced annually by a specified amount.

The expected cash flow of the lease contracts, including forecast inflation, is as follows:

- 2008: €71 million;
- 2009: €70 million;
- 2010: €60 million;
- 2011: €51 million;
- 2012: €51 million.

The expected cash flow of the operating lease contracts of Endesa is as follows:

- 2008: €39 million;
- 2009: €38 million;
- 2010: €32 million;
- 2011 and beyond: €78 million.

Commitments for electricity amounted to €24,599 million at December 31, 2007, of which €11,454 million refers to the period 2008-2012, €5,137 million to the period 2013-2017, €4,937 million to the period 2018-2022 and the remaining €3,071 million beyond 2022.

Commitments for the purchase of fuels are determined with reference to the parameters and exchange rates applicable at the end of the period (given that fuel prices vary and are mainly set in foreign currencies). The total at December 31, 2007, was €47,168 million, of which €20,989 million refers to the period 2008-2012, €16,718 million to the period 2013-2017, €7,710 million to the period 2018-2022, and the remaining €1,751 million beyond 2022.

Other commitments include €572 million in respect of those under the cooperation agreement with EDF of November 30, 2007 for the construction of the Flamanville nuclear plant. The amount represents Enel's share of 12.5% of the cost of construction of the plant, which is scheduled to begin in 2012.

41. Contingent liabilities and assets

Litigation on rates

Enel is the target of a series of suits filed by a number of companies that consume large amounts of electricity and who have challenged, in full or in part, the legitimacy of the measures with which first the Interministerial Price Committee (CIP) and then the Authority for Electricity and Gas determined changes in electricity rates in the past. To date, the courts have generally rejected the complaints lodged and an examination of the rulings would indicate that the chance of unfavorable judgments is remote.

Environmental litigation

Litigation regarding environmental issues primarily concerns the installation and operation of power lines and equipment of Enel Distribuzione, which succeeded Enel SpA in the related relationships.

Enel Distribuzione has been involved in a number of civil and administrative suits relating to requests, often using urgent procedures, for the precautionary transfer or modification of operations on power lines by persons living near them on the basis of their alleged potential to cause harm, despite the fact that they have been installed in compliance with current regulations. In a number of proceedings claims for damages for harm caused by electromagnetic fields have been lodged. The outcome of litigation on these issues is normally favorable to the company. In this regard, in a decision in February 2008, the court ruled that compliance with the statutory limits on exposure to electrical and magnetic fields ensure, as supported by the most authoritative studies in the field and evidence arising at the European level, that health will not be jeopardized. There have been sporadic adverse precautionary rulings, which have all been appealed. At present there are no final adverse rulings, and no damages for physical harm have ever been granted, although a recent ruling (February 2008) found that harm had been caused by the "stress" associated with living near power lines and the fear of possible health problems.

There have also been a number of proceedings concerning electromagnetic fields generated by medium- and low-voltage transformer substations within buildings, in which the equipment, according to the company's technical staff, has always been in compliance with induction limits set by current regulations. Two recent rulings confirmed that compliance with the applicable regulations is sufficient guarantee of protection from harm.

The situation concerning litigation has evolved thanks to the clarification of the legislative framework following the entry into force of the framework law on electromagnetic emissions (Law 36 of February 22, 2001) and the related implementing regulations (Prime Minister's Order of July 8, 2003). The new regulations seek to harmonize regulation of the field at the national level. The new rules also introduce a ten-year program as from the entry into force of Law 36/01 for the environmental upgrading of the entire national network to comply with new exposure limits. They also envisage the possibility of recovering, in part or in full, costs incurred by the owners of power lines and substations through electricity rates, in accordance with criteria to be set by the Authority for Electricity and Gas, pursuant to Law 481/95, as they represent costs incurred in the public interest. At present, the Prime Minister has not issued the Order setting the criteria for the upgrading of power lines (Article 4(4) of Law 36/01), nor have the criteria for measuring of the parameters and calculating tolerance limits been established, as provided for in the Order of July 8, 2003.

A number of urban planning and environmental disputes regarding the construction and operation of certain power plants and transmission and distribution lines are pending. Based on an analysis of individual cases, Enel believes the possibility of adverse rulings is remote. For a limited number of cases, an unfavorable outcome cannot be ruled out completely, however. The consequences of unfavorable judgments could, in addition to the possible payment of damages, also include the costs related to work required to modify electrical equipment and the temporary unavailability of the plant. At present such charges cannot be reliably quantified and are therefore not included in the "Provision for litigation, risks and other charges."

Porto Tolle thermal plant — Air pollution — Criminal proceedings against Enel directors and employees — Damages for environmental harm

The Court of Adria, in a ruling issued on March 31, 2006 concluding criminal proceedings begun in 2005, convicted former directors and employees of Enel for a number of incidents of air pollution caused by emissions from the Porto Tolle thermoelectric plant. The decision, provisionally enforceable, held the defendants and Enel (as a civilly liable party) jointly liable for the payment of damages for harm to multiple parties, both natural persons and local authorities. Damages for a number of mainly private parties were set at the amount of €367,000. The calculation of the amount of damages owed to certain public entities (the Regions of Veneto and Emilia Romagna, the Province of Rovigo and various municipalities) has been postponed to a later civil trial, although a "provisional award" of about €2.5 million was immediately due. An appeal has been lodged against the ruling of the Court of Adria by the Company and its employees and former directors. If the ruling in the criminal case is affirmed, any civil lawsuits brought by interested parties seeking total compensation for losses suffered could expose the Company to the risk of further expenditures that cannot currently be quantified. If the appeal is granted, the Company would be able to recover all or part of the amounts already paid.

Out-of-court disputes and litigation connected with the blackout of September 28, 2003

With regard to the blackout that occurred on September 28, 2003, Enel Distribuzione received numerous letters (most drafted on the basis of standardized forms prepared by consumer associations) containing requests for automatic/lump-sum indemnities under the Electricity Service Charter and resolutions of the Authority for Electricity and Gas (€25.82 each), in addition to further damages to be quantified by customers with a view to possible legal action.

With regard to litigation, at the end of 2007 about 110,000 proceedings were pending against Enel Distribuzione, individually for small amounts (mainly before justices of the peace in the regions of Calabria, Campania and Basilicata). All involved requests for the automatic/lump-sum indemnities. Enel Distribuzione has challenged these requests with the following arguments: first, neither the Authority resolutions nor the Electricity Service Charter (whose reference legislation has been repealed) provide for automatic/lump-sum indemnities in the case of an interruption of supply, as specified by the Authority in a press release. Second, in relation to both the manner and extent of the black-out, the electricity supply interruption of September 28, 2003 was an unexpected and unforeseeable event and, as such, is ascribable to exceptional events beyond the control of the Group companies, for which they cannot therefore be held liable in any way. At the end of 2007 more than 50,000 rulings had been issued by justices of the peace, with a majority finding in favor of the plaintiffs. Charges in respect of such indemnities could be recovered in part under existing insurance policies. The appellate courts have nearly all found in favor of Enel Distribuzione, based upon both the lack of proof of the loss claimed and the recognition that the company was not involved in causing the event. The few adverse rulings against Enel Distribuzione have been appealed to the Court of Cassation (the supreme court of appeal). At the same time, action has been taken to obtain reimbursement from insurance companies for the amounts paid as a result of adverse judgments.

Extension of municipal property tax (ICI)

Article 1 quinquies of Decree Law 44 of March 31, 2005 containing urgent measures concerning local authorities (added during ratification with Law 88 of March 31, 2005) stated that Article 4 of Royal Decree Law 652 of April 13, 1939 (governing the land registry) shall be interpreted with regard to power plants alone in the sense that the buildings and permanent constructions consist of the land and those parts that are structurally attached to it, even temporarily, which may be joined by any means of connection with movable parts for the purpose of creating a single complex asset. In addition, the Court of Cassation has issued numerous recent rulings that, contrary to Enel's position, have reaffirmed the interpretive nature of the above law. The Court's decisions, however, have established nothing with regard to the criteria to be used in calculating the value to be attributed to these components of imputed rent and in most cases have referred the question to the Regional Tax Commission with territorial jurisdiction. The Regional Tax Commission of Emilia Romagna, in Ordinance no. 16/13/06 (filed on July 13, 2006), referred the case to the Constitutional Court on the issue of the constitutionality of Article 1 quinquies of the Decree Law, finding it relevant and not clearly unfounded.

Therefore, with regard to pending litigation, Enel Produzione SpA shall continue to pursue its case to request a substantial reduction of the values originally assigned by the Land Registry Offices to the removable parts of the plant. Enel has, however, allocated an adequate amount to the "Provisions for risks and charges" to cover fully the potential charges that would result from an unfavorable outcome. At the same time, Enel does not feel that further provisions are necessary to take into account possible retroactive application of the rule on imputed rent proposals, which to date have not been the subject of comments by the Land Registry Offices and, in any event, primarily concern small plants.

Inquiries by the Milan Public Prosecutor's Office and the State Audit Court

In February 2003, the Milan Public Prosecutor's Office initiated a criminal investigation of former top managers of Enelpower and other individuals for alleged offences to the detriment of Enelpower and payments made by contractors to receive certain contracts. On January 16, 2008, a preliminary hearing was held, following which the magistrate responsible for preliminary inquiries granted the request of Enel SpA, Enelpower SpA and Enel Produzione SpA to be recognized as injured parties. The case is continuing and subsequent hearings have yet to be scheduled.

Implementing the resolutions of the boards of Enel, Enelpower and Enel Produzione, legal action was taken against the suppliers involved, which led to settlements with Siemens and Alstom, and most recently the agent Emirates Holdings.

On the basis of the information that emerged during the criminal proceedings, the State Audit Court sued the former Chief Executive Officer and a former executive of Enelpower, in addition to the former Chairman of Enel Produzione, citing them for possible administrative liability in relation to losses caused to the tax authorities. Enel, Enelpower and Enel Produzione deposited an instrument in support of the request of the Regional Public Prosecutor. In a ruling of February 22, 2006, the State Audit Court, finding that the former directors and managers cited in the suit were liable, awarded Enelpower damages of about €14 million. The ruling was appealed by the State Audit Court — Lombardy Section and the former directors and managers before the Central Jurisdictional Appeals Section of the Rome State Audit Court, where it is still pending. In conjunction with the appeal, the former managers sought to obtain early settlement of the administrative-accounting proceeding but their petitions were denied. The first hearing to examine the appeal was held on February 19, 2008.

In parallel with the above ruling, Enelpower and Enel Produzione initiated a revocatory action against the claimants in respect of the former Enel Produzione CEO and the former Enelpower CEO and manager, obtaining a court ruling of the invalidity in their regard of a number of asset disposals. Finally, following the enforcement proceedings undertaken against the former directors and managers, more than €300,000 have been recovered.

Litigation concerning free bill payment procedures

On March 21, 2007, the Authority for Electricity and Gas published Resolution no. 66/07 which — following an investigation begun on 2006 — imposed a fine of €11.7 million on Enel Distribuzione for alleged violation of the provisions of a previous resolution (no. 55/00) which required the company to indicate in its invoices the no-additional-cost payment method among the payment methods available to customers. Enel appealed the ruling to the Lombardy Regional Administrative Court requesting that the resolution and the fine imposed be voided, arguing that they are illegal in a number of respects and the amount of the fine imposed is not proportionate. On October 30, 2007, Enel Distribuzione paid the fine, reserving all rights to obtain restitution following the outcome of the appeal pending before the Court and in no way acknowledging any liability. On January 29, 2008, a first hearing of the appeal was held and the Lombardy Regional Administrative Court granted Enel's appeal, ruling that there was no requirement to publish information on free payment options in invoices and validated Enel's conduct. In the meantime, however, the number of cases brought by customers before justices of the peace seeking compensation for alleged (minimal) damages has increased (there are currently 4,000 disputes pending).

Inepar litigation

The arbitration tribunal called upon to decide on the request advanced by Inepar Energia SA, Inepar Administração Participações SA and Inepar Industria e Costruções SA for damages from Enelpower for losses that the latter is alleged to have caused to the above Brazilian companies for breach of an agreement concerning a number of projects to be pursued in Brazil was convened at the Arbitration Chamber of Paris. The damages requested, originally about $114 million in unspecified losses, were subsequently increased and specified by Inepar Energia and Inepar Industria e Costrucoes, who asked for Enelpower to pay $427 million (of which $10 million for breach of contract and $417 million in damages). Enelpower, in firmly rejecting the claim, offered its defense and filed a counterclaim for reimbursement of costs already incurred in respect of the agreement and damages for the harm caused to its image. Enel considers the claims of the Brazilian companies to be unfounded and the possibility that they might be accepted to be remote.

BEG litigation

The Court of Tirana is hearing a suit brought by Albania BEG Ambient seeking damages from Enelpower for breach of a collaboration agreement between the latter and the company's Italian subsidiary from February 2000 concerning the construction of a power station in Albania. The amount of the damages has not been quantified.

Enel feels the possibility of an adverse ruling is remote as an analogous suit for damages of about €120 million had already been lodged by BEG, without success, in a proceeding before the Arbitration Chamber of Rome, which denied the claim. The appeal of the arbitration award is pending before the Rome Court of Appeal.

Wisco litigation

Enel.NewHydro Srl has initiated an arbitration proceeding against Trenitalia SpA in relation to the investment in Water & Industrial Services Company W.I.S.C.O. SpA (hereinafter "Wisco") and the corresponding agreement (entered into by Enel.Hydro SpA and succeeded by Enel.NewHydro Srl following a demerger) with Trenitalia SpA of December 23, 2003. Enel.NewHydro has requested verification of the failed implementation of the project to develop Wisco, envisaged in the agreement, with the consequent voidance of the contract and of the acquisition of 51% of Wisco from Trenitalia (for €15 million), as well as the voidance of the put option for the sale (to Enel.NewHydro) of Trenitalia's remaining 49% stake in Wisco. Trenitalia has asked that the claim be rejected and the validity of the agreements binding on Enel.NewHydro, along with the exercise of the put option on May 22, 2007, by Trenitalia, at a price of €17.5 million, to be confirmed. Trenitalia has also requested damages for any substantiated losses.

Contingent liabilities of the Endesa Group

- In 2002 EDF International submitted a request for arbitration at the International Court of Arbitration of the International Chamber of Commerce against Endesa Internacional, Repsol and YPF. The request regards payment from Endesa of $256 million (plus interest) and from Repsol-YPF of $69 million (plus interest). The request was contested by Endesa Internacional, Repsol and YPF, which submitted counterclaims for $58 million (Endesa Internacional) and $14 million (YPF). The dispute originated with the sale to the French group of the equity investments held by Endesa Internacional and YPF in the Argentine companies Easa and Edenor. On October 22, 2007, the court ruled that Endesa Internacional should pay about $101 million (plus interest); both parties have appealed the ruling.
- There are five pending legal proceedings with a value of more than €2 million against Endesa Distribución Eléctrica which are likely to give rise to liabilities (concerning losses from a forest fire in Catalonia and claims arising from the failure to build electrical plant in the Canary islands) totaling €47 million. In addition, the company is also the target of an investigation by the "Generalitat de Catalunya" concerning service interruptions in Barcelona on July 23, 2007. It is not currently possible to assess the potential liability.
- The "Intervención General de la Administración del Estado" has objected to a number of subsidies received by Endesa. If the objections are sustained by the competent authorities, the company could be required to repay €37 million.

- Until December 31, 1996, Endesa and its subsidiaries participated in the consolidated tax mechanism of SEPI (the state industrial holding company) for the purpose of income tax. The applicable regulations establish that companies who withdraw from a consolidated taxation mechanism are entitled to apply deductions in the future to the extent to which they contributed to their formation. Consequently, the "Inspección Financiera y Tributaria" recognized the right of Endesa and Unelco to apply the deductions for investments made between 1992 and 1996 in 1997 and subsequent years. However, the "Inspección Financiera y Tributaria" subsequently granted SEPI the same deductions that had previously been assigned to Endesa and Unelco. Following a petition by the parties, the Supreme Court, in its ruling of November 20, 2007, confirmed an earlier ruling of Audiencia Nacional, granting Endesa and Unelco the right to apply those deductions. Nevertheless, the "Inspección Financiera y Tributaria" again denied the deductibility of the amounts, while the "Tribunal Económico — Administrativo Central" affirmed it, with the exception of the proceeding regarding 2006, which is pending.
- Although the Brazilian subsidiary of Endesa, Ampla Energía e Servicios SA (Ampla) was ruled to be exempted from the "social security funding contribution" (Cofins), a tax on revenues from electricity sales, in 1997 the Brazilian government sought to void the previous ruling in order to obtain €176 million. In addition, in 2005 the Brazilian tax authorities notified Ampla of an assessment for €207 million following an appeal regarding the non-applicability of the tax exemption for interest received by subscribers of a fixed-rate bond issued by Ampla in 1998. On December 6, 2007, Ampla was successful in the second of the administrative appeals, but the Brazilian authorities may still appeal to the "Consejo Superior de Recursos Fiscales."
- In 2006 the Brazilian tax authorities challenged the rate classification and tax regime adopted by Endesa Fortaleza on the import of certain goods. The initial trial, in which the authorities are requesting €46 million, is still being argued.
- On July 30, 2007, Iberdrola requested an indemnity of about €145 million from Endesa for alleged non-pecuniary damage and loss of prestige following the suspension of the public tender offer initiated by Gas Natural and the agreement between Gas Natural and Iberdrola concerning the division between those companies of the assets acquired by Endesa.

42. Subsequent events

Public tender offer for OGK-5

On March 6, 2008, the number of shares (as verified by the competent bodies) tendered to Enel, acting through its subsidiary Enel Investment Holding (EIH), amounted to 8,012,088,702, equal to 22.65% of the share capital of OGK-5. These shares, together with the 37.15% of OGK-5 already held by EIH before the public tender offer, therefore give EIH a total holding of 59.80% in the company as of that date.

The price offered in the bid was 4.4275 rubles per share (equal to about €0.12 at current exchange rates), for a total of about €993 million.

On March 12, 2008, the Enel Board of Directors acknowledged the advanced state of negotiations between EIH and two international financial organizations (the European Bank for Reconstruction and Development and the International Finance Corporation) for the sale to these organizations of a maximum of about 7% of the share capital of OGK-5 held by EIH, at a price equal to that paid in the public tender offer for OGK-5 carried out by EIH. Should an agreement be reached, EIH's stake in OGK-5 would decrease to a minimum of 52.70% (sufficient to ensure effective control of the company and the power to appoint a majority of the members of its board of directors), receiving up to €305 million in payment.

The main balance-sheet figures for OGK-5 at December 31, 2007, are summarized in note 17 to these financial statements.

Valuation provided for Endesa and Enel assets to be sold to E.On

On March 27, 2008 the valuation of the Endesa Group and Enel Group assets to be sold to E.On, as determined by the advisers to Enel, Acciona and E.On, was disclosed in accordance with the agreement signed by the parties on April 2, 2007. The total value of the assets to be sold to E.On, including minority stakes and net financial debt, is €13.5 billion, as determined by the advisers. The above valuations do not include the disposal of drawing rights for electricity of nuclear origin (for 450 MW for 10 years), foreseen by the agreement of April 2, 2007, as the process for their valuation has been extended and is still underway. The sale of the Endesa Group assets is subject to approval by the Shareholders' Meeting of Endesa as well as the necessary administrative authorisations. For Enel, the completion of the transaction should reduce consolidated net financial debt by about €8.4 billion, taking account of the deconsolidation of the debt pertaining to the assets involved in the disposal.

43. Stock option plans

The following table summarizes developments over the year in the Enel stock option plans still in place at December 31, 2007, detailing the main assumptions used in calculating their fair value.

Developments in stock option plans

Number of options	2002 plan	2003 plan	2004 plan	2006 plan	2007 plan	Total
Options granted at December 31, 2005	41,748,500	47,624,005	38,527,550	—	—	**127,900,055**
Options exercised at December 31, 2005	34,801,650	30,500,492	12,392,982	—	—	**77,695,124**
Options lapsed at December 31, 2005	4,872,500	3,288,426	1,625,500	—	—	**9,786,426**
Options outstanding at December 31, 2005	2,074,350	13,835,087	24,509,068	—	—	**40,418,505**
Options granted in 2006	—	—	—	31,790,000	—	**31,790,000**
Options exercised in 2006	1,319,050	11,726,012	6,079,571	—	—	**19,124,633**
Options lapsed in 2006	—	60,290	334,300	286,000	—	**680,590**
Options outstanding at December 31, 2006	755,300	2,048,785	18,095,197	31,504,000	—	**52,403,282**
Options granted in 2007	—	—	—	—	27,920,000	**27,920,000**
Options exercised in 2007	755,300	711,212	6,705,062		—	**8,171,574**
Options lapsed in 2007	—	—	105,400	619,000	147,000	**871,400**
Options outstanding at December 31, 2007	—	1,337,573	11,284,735	30,885,000	27,773,000	**71,280,308**
- of which vested at December 31, 2007	—	*1,337,573*	*3,216,314*	—	—	***4,553,887***
Fair value at grant date (euro)	0.17	0.37	0.18	0.23	0.29	
Volatility	28%	28%	17%	14%	13%	
Option expiry	Dec. 2007	Dec. 2008	Dec. 2009	Dec. 2012	Dec. 2013	

On May 25, 2007, the Enel Ordinary Shareholders' Meeting approved the 2007 stock option plan, granting the Board of Directors the powers required to carry out the plan, to be exercised in accordance with criteria established by the Shareholders' Meeting. The characteristics of the plan are analogous to those authorized in May 2001, May 2003, May 2004 and May 2006. On June 26, 2007, the Board of Directors of Enel SpA, exercising the authority given to it by the Shareholders' Meeting, authorized the granting of 27,920,000 options to 379 Enel Group executives. The review to be carried out by the Board of Directors to verify the satisfaction of the exercise conditions for the 2007 plan is scheduled to take place as part of the approval of the draft financial statements for 2008 (for 25% of the options granted) and 2009 (for 75% of the options granted).

As established by the Board of Directors, executives were divided into different brackets, with each bracket receiving a different number of options. The right to subscribe the shares is subordinated to the executives concerned remaining employed within the Group, with a number of exceptions (for example, termination of employment because of retirement or permanent invalidity, exit from the Group of the company at which the executive is employed, and succession) specifically governed by the Regulations.

The decrease in the number of beneficiaries (as well as the number of options granted) compared with previous plans is attributable to the exclusion of executives in the Infrastructure and Networks Division (who have received other incentives linked to specific objectives regarding the Division's business area). The exclusion was motivated by the obligation for Enel — connected with the full liberalization of the electricity sector as from July 1, 2007 — to implement administrative and accounting unbundling so as to separate the activities included in the Infrastructure and Networks Division from those of the Group's other business areas.

The options may be exercised subject to a number of specific suspensory conditions. These include exceeding the Group target for EBITDA and the performance of Enel shares with respect to the benchmark index indicated in the regulations for each plan.

Because of early termination of the employment of the related grantees, of the 27,920,000 options that were granted, 147,000 lapsed in the period between the date on which the options were granted (June 2007) and the end of 2007.

44. Compensation of directors, members of the Board of Auditors, the General Manager and managers with strategic responsibilities

The compensation paid to directors, members of the Board of Auditors, the General Manager and managers with strategic responsibilities of Enel SpA is summarized in the following table.

The table has been prepared with regard to the period for which the position was held on an accruals basis. The information regarding managers with strategic responsibilities is provided in aggregate form, pursuant to the provisions of Article 78 and annex 3C of Consob Resolution no. 11971/1999 (the "Issuers Regulation").

The directors and managers with strategic responsibilities of Enel SpA have waived all forms of compensation for positions held in subsidiaries.

A description of the overall compensation of the members of the Board of Directors, the members of the Board committees, the Chairman and the Chief Executive Officer/General Manager is provided in the second section of the corporate governance report (under "Board of Directors — Pay").

Compensation of directors, members of the Board of Auditors, the General Manager and managers with strategic responsibilities

Last name	Name	Position	Period for which position was held	End of term	Remuneration	Non-monetary benefits	Bonuses and other incentives	Other compensation	Total
					(euro)	(euro)	(euro)	(euro)	(euro)
Directors and General Manager									
Gnudi	Piero	Chairman	1/2007-12/2007	Approv. fin. stat. 2007	700,000.00	12,543.78	410,000.00(2)		**1,122,543.78**
Conti	Fulvio	CEO and GM	1/2007-12/2007	Approv. fin. stat. 2007	600,000.00		600,000.00(3)	1,902,582.30	**3,102,582.30**
Ballio.	Giulio	Director	1/2007-12/2007	Approv. fin. stat. 2007	116,250.00				**116,250.00**
Fantozzi	Augusto	Director	1/2007-12/2007	Approv. fin. stat. 2007	122,000.00				**122,000.00**
Luciano	Alessandro	Director	1/2007-12/2007	Approv. fin. stat. 2007	117,000.00				**117,000.00**
Napolitano	Fernando	Director	1/2007-12/2007	Approv. fin. stat. 2007	116,500.00				**116,500.00**
Taranto	Francesco	Director	1/2007-12/2007	Approv. fin. stat. 2007	121,500.00				**121,500.00**
Tosi	Gianfranco	Director	1/2007-12/2007	Approv. fin. stat. 2007	116,500.00				**116,500.00**
Valsecchi	Francesco	Director	1/2007-12/2007	Approv. fin. stat. 2007	117,000.00				**117,000.00**
			Total compensation of directors and GM		**2,126,750.00**	**12,543.78**	**1,010,000.00**	**1,902,582.30**	**5,051,876.08**
Board of Auditors — resigned									
Pinto	Eugenio	Chair Board of Auditors	1/2007-5/2007	Approv. fin. stat. 2006	38,180.55				**38,180.55**
Board of Auditors — in service									
Fontana	Franco	Chair Board of Auditors	5/2007-12/2007	Approv. fin. stat. 2009	44,791.73				**44,791.73**
Fontana	Franco	Acting Auditor	1/2007-5/2007	Approv. fin. stat. 2006	32,152.70				**32,152.70**
Conte	Carlo	Acting Auditor	1/2007-12/2007	Approv. fin. stat. 2009	71,972.21				**71,972.21**
Mariconda	Gennaro	Acting Auditor	5/2007-12/2007	Approv. fin. stat. 2009	38,819.44				**38,819.44**
			Total compensation of Board of Auditors		**225,916.63**	**—**	**—**	**—**	**225,916.63**
		Managers with strategic responsibilities(6)	1/2007-12/2007					11,786,847.63	**11,786,847.63**
			TOTAL		**2,352,666.63**	**12,543.78**	**1,010,000.00**	**13,689,429.93**	**17,064,640.34**

(1) Insurance policy.

(2) The amount breaks as follows: i) a variable portion of €210,000.00 of compensation for 2006, approved and disbursed in 2007; and ii) €200,000.00 as a bonus paid for the acquisition of 66% Slovenské elektrárne AS. In 2008, the Board of Directors will determine the variable portion of compensation due to the Chairman for 2007 (in an amount of no more than €210,000.00), once the achievement of the Group targets set for that year has been verified.

Notes to the financial statements — (Continued)

(3) The variable portion of compensation for 2006, approved and disbursed in 2007. In 2008, the Board of Directors will determine the variable portion of compensation due to the Chief Executive Officer for 2007 (in an amount of no more than €600,000.00), once the achievement of the Group targets set for that year has been verified.

(4) The amount breaks as follows: i) a fixed portion of compensation of €702,582.30 for the position of General Manager for 2007; ii) a variable portion of compensation of €700,000.00 for 2006, approved and disbursed in 2007 and iii) €500,000.00 as a bonus paid for the acquisition of 66% Slovenské elektrárne AS. In 2008, the Board of Directors will determine the variable portion of compensation due to the General Manager for 2007 (in an amount of no more than €700,000.00), once the achievement of the Group targets set for that year has been verified.

(5) Compensation paid to the Ministry for the Economy and Finance in the amount of €60,972.21 pursuant to the Directive of the Presidency of the Council of Ministers — Department of Public Administration of March 1, 2000.

(6) In 2007, managers with strategic responsibilities included heads of Enel SpA Departments and Division heads, for a total of 15 management positions. The compensation of these managers also includes (i) amounts received following the exercise of stock options and the subsequent resale of the shares, which have been taxed as compensation of employees under applicable tax regulations (which applied for all of 2007); and (ii) bonuses paid in conjunction with the exercise of the stock options. The bonuses were awarded to all managers who received stock options at the time the options were exercised. The amount of the bonus, which is proportionate to the number of options exercised, is correlated with the portion of dividends distributed by Enel following the grant of the stock options and before the exercise of the options by the beneficiaries, which is linked with the disposal of assets. In the corresponding table in the financial statements for 2006, account was not taken of the amounts and bonuses referred to in points (i) and (ii) pertaining to managers with strategic responsibilities. Calculating those items would have increased the compensation paid to such managers in 2006 by €2,191,612.47.

CONSOLIDATED FINANCIAL STATEMENTS

AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2006

KPMG S.p.A.
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Report of the auditors

To the shareholders
of ENEL S.p.A.

1 We have audited the consolidated financial statements of the ENEL Group as at and for the year ended 31 December 2006, comprising the consolidated balance sheet, consolidated income statement, statement of income and charges recognised for the period, consolidated statement of cash flows, and notes thereto. These financial statements are the responsibility of the ENEL S.p.A. directors. Our responsibility is to express an opinion on these financial statements based on our audit.

2 We conducted our audit in accordance with the auditing standards recommended by Consob, the Italian Commission for Listed Companies and the Stock Exchange. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement and are, as a whole, reliable. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by directors. We believe that our audit provides a reasonable basis for our opinion.

Reference should be made to the report dated 21 April 2006 for our opinion on the prior year consolidated financial statements, which included the prior year figures presented for comparative purposes.

3 In our opinion, the consolidated financial statements of the ENEL Group as at and for the year ended 31 December 2006 comply with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38 of 28 February 2005. Therefore, they are clearly stated and give a true and fair view of the financial position of the ENEL Group as at 31 December 2006, the results of its operations, changes in its equity and its cash flows for the year then ended.

KPMG SpA

Rome, 9 April 2007

CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2006

Consolidated Income Statement

	Notes	2006	of which with related parties	2005	of which with related parties
		Millions of euro			
Revenues					
Revenues from sales and services	6.a	37,497	*9,795*	32,370	*9,364*
Other revenues	6.b	1,016	*7*	1,417	*1*
	[Subtotal]	*38,513*	*9,802*	*33,787*	*9,365*
Income from equity exchange transaction	7	263		—	
Costs					
Raw materials and consumables	8.a	23,469	*14,620*	20,633	*13,762*
Services	8.b	3,477	*1,285*	3,057	*1,338*
Personnel	8.c	3,210		2,762	
Depreciation, amortization and impairment losses	8.d	2,463		2,207	
Other operating expenses	8.e	713	*45*	911	*27*
Capitalized costs	8.f	(989)		(1,049)	
	[Subtotal]	*32,343*	*15,950*	*28,521*	*15,127*
Net income/(charges) from commodity risk management	9	(614)	*(519)*	272	*289*
Operating income		**5,819**		**5,538**	
Financial income	10	513	*14*	230	*6*
Financial expense	10	1,160		944	
Share of income/(expense) from equity investments accounted for using the equity method	11	(4)		(30)	
Income before taxes		**5,168**		**4,794**	
Income taxes	12	2,067		1,934	
Income from continuing operations		**3,101**		**2,860**	
Income from discontinued operations	13			**1,272**	***693***
Net income for the period (shareholders of the Parent Company and minority interests)		**3,101**		**4,132**	
Attributable to minority interests		65		237	
Attributable to shareholders of the Parent Company		3,036		3,895	
Earnings per share (euro)		*0.50*		*0.67*	
Diluted earnings per share (euro)[(1)]		*0.50*		*0.67*	
Earnings from continuing operations per share		*0.50*		*0.46*	
Diluted earnings from continuing operations per share[(1)]		*0.50*		*0.46*	
Earnings from discontinued operations per share		—		*0.21*	
Diluted earnings from discontinued operations per share[(1)]		—		*0.21*	

(1) Calculated on the basis of the average number of ordinary shares in the year (6,169,511,965 in 2006 and 6,142,108,113 in 2005) adjusted for the diluting effect of outstanding stock options (65 million in 2006, 29 million in 2005).

Earnings and diluted earnings per share, calculated on the basis of options exercised to date, do not change with respect to the figures calculated as above.

Consolidated Balance Sheet

	Notes	at Dec. 31, 2006	of which with related parties	at Dec. 31, 2005	of which with related parties
		Millions of euro			
ASSETS					
Non-current assets					
Property, plant and equipment	14	34,846		30,188	
Intangible assets	15	2,982		2,182	
Deferred tax assets	16	1,554		1,778	
Equity investments accounted for using the equity method	17	56		1,797	
Non-current financial assets	18	1,494		836	
Other non-current assets	19	568		975	
	[Total]	**41,500**		**37,756**	
Current assets					
Inventories	20	1,209		884	
Trade receivables	21	7,958	*1,935*	8,316	*2,756*
Tax receivables	22	431		789	
Current financial assets	23	402	*10*	569	*3*
Cash and cash equivalents	24	547		476	
Other current assets	25	2,453	*182*	1,712	
	[Total]	**13,000**		**12,746**	
TOTAL ASSETS		**54,500**		**50,502**	
LIABILITIES AND SHAREHOLDERS' EQUITY					
Equity attributable to the shareholders of the Parent Company	26				
Share capital		6,176		6,157	
Other reserves		4,549		4,251	
Retained earnings (losses carried forward)		5,934		5,923	
Net income for the period(1)		1,801		2,726	
	[Total]	**18,460**		**19,057**	
Equity attributable to minority interests		565		359	
TOTAL SHAREHOLDERS' EQUITY		**19,025**		**19,416**	
Non-current liabilities					
Long-term loans	27	12,194		10,967	
Post-employment and other employee benefits	28	2,633		2,662	
Provisions for risks and charges	29	4,151		1,267	
Deferred tax liabilities	30	2,504		2,464	
Non-current financial liabilities	31	116		262	
Other non-current liabilities	32	1,044		846	
	[Total]	**22,642**		**18,468**	
Current liabilities					
Short-term loans	33	1,086		1,361	
Current portion of long-term loans	27	323		935	
Trade payables	34	6,188	*3,064*	6,610	*3,799*
Income tax payable		189		28	
Current financial liabilities	35	941		294	
Other current liabilities	36	4,106	*303*	3,390	
	[Total]	**12,833**		**12,618**	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**54,500**		**50,502**	

(1) Net income is reported net of interim dividend equal to €1,235 million for 2006 and €1,169 million for 2005.

Consolidated Statement of Cash Flows

	Notes	2006	of which with related parties	2005	of which with related parties
		Millions of euro			
Income for the period (shareholders of the Parent Company and minority interests)		**3,101**		**4,132**	
Adjustments for:					
Amortization and impairment losses of intangible assets	15	193		308	
Depreciation and impairment losses of property, plant and equipment	14	2,160		2,561	
Exchange rate gains and losses (including cash and cash equivalents)		(87)		22	
Provisions		820		781	
Financial (income)/expense		515		808	
Income taxes	12	2,067		2,147	
(Gains)/losses and other non-monetary items		(407)		(1,295)	
Cash flow from operating activities before changes in net current assets		*8,362*		*9,464*	
Increase/(decrease) in provisions		(749)		(814)	
(Increase)/decrease in inventories		(109)		125	*1*
(Increase)/decrease in trade receivables		449	*531*	(1,919)	*(1,365)*
(Increase)/decrease in financial and non-financial assets/liabilities		776	*118*	250	*(8)*
Increase/(decrease) in trade payables		(497)	*(542)*	1,265	*1,182*
Interest income and other financial income collected		312	*14*	202	*6*
Interest expense and other financial expense paid		(847)		(1,065)	
Income taxes paid		(941)		(1,815)	
Cash flows from operating activities (a)		**6,756**		**5,693**	
- of which: discontinued operations				*730*	
Investments in property, plant and equipment	14	(2,759)		(3,037)	
Investments in intangible assets	15	(204)		(220)	
Investments in entities (or business units) less cash and cash equivalents acquired		(1,082)		(524)	
Disposals of entities (or business units) less cash and cash equivalents sold		1,518		4,652	
(Increase)/decrease in other investing activities		153		221	
Cash flows from investing/disinvesting activities (b)		**(2,374)**		**1,092**	
- of which: discontinued operations				*(439)*	
Financial debt (new borrowing)	27	1,524		1,759	
Financial debt (repayments and other changes)		(1,995)	*(7)*	(5,283)	*12*
Dividends paid	26	(3,959)		(3,472)	
Increase in share capital and reserves due to the exercise of stock options	26	108		339	
Capital contributed by minority shareholders		—		3	
Cash flows from financing activities (c)		**(4,322)**		**(6,654)**	
- of which: discontinued operations				*(11)*	
Impact of exchange rate fluctuations on cash and cash equivalents (d)		**4**		**14**	
Increase/(decrease) in cash and cash equivalents (a+b+c+d)		**64**		**145**	
- of which: discontinued operations				*280*	
Cash and cash equivalents at beginning of the year		508		363	
- of which: discontinued operations				*133*	
Cash and cash equivalents at the end of the year		572(1)		508	
- of which: discontinued operations(2)				—	

(1) Of which short-term securities equal to €25 million at December 31, 2006.

(2) Cash and cash equivalents in respect of discontinued operations at the time of their disposal, equal to €413 million, were deducted from the gain on disposal included in the cash flow from disinvesting activities.

Statement of Income and Charges Recognized for the Period

	Notes	2006	2005
		Millions of euro	
Effective portion of change in the fair value of cash flow hedges		123	102
Change in the fair value of financial investments available for sale		45	132
Exchange rate differences		66	32
Net income for period recognized in equity	26	**234**	**266**
Net income for period recognized in income statement		**3,101**	**4,132**
Total profits and losses recognized for the period		**3,335**	**4,398**
Attributable to:			
- shareholders of the Parent Company		3,238	4,164
- minority interests		97	234

Notes to the financial statements

1. Accounting policies and measurement criteria

Enel SpA, which operates in the energy utility sector, has its registered office in Rome, Italy. The consolidated financial statements of the Company for the year ending December 31, 2006 comprise the financial statements of the Company and its subsidiaries ("the Group") and the Group's holdings in associated companies and joint ventures. A list of the subsidiaries included in the scope of consolidation is reported in the annex.

These financial statements were approved for publication by the Board on March 27, 2007.

Compliance with IFRS/IAS

The consolidated financial statements for the year ended December 31, 2006 have been prepared in compliance with international accounting standards (International Accounting Standards (IAS) or International Financial Reporting Standards (IFRS), the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and the Standing Interpretations Committee (SIC) endorsed by the European Union (hereinafter, "IFRS-EU"), as well as with pronouncements issued in implementation of Article 9, paragraph 3, of Legislative Decree 38 of February 28, 2005.

Basis of presentation

The consolidated financial statements consist of the consolidated balance sheet, the consolidated income statement, the consolidated statement of cash flows, the consolidated statement of income and charges recognized for the period and the related notes.

The assets and liabilities reported in the consolidated balance sheet are classified on a "current/non-current basis", with separate reporting of assets and liabilities held for sale. Current assets, which include cash and cash equivalents, are assets that are intended to be realized, sold or consumed during the normal operating cycle of the company or in the twelve months following the balance-sheet date; current liabilities are liabilities that are expected to be settled during the normal operating cycle of the company or within the twelve months following the close of the financial year.

The consolidated income statement is classified on the basis of the nature of costs, while the indirect method is used for the cash flow statement.

The consolidated financial statements are presented in euro, the functional currency of the Parent Company Enel SpA. All figures are shown in millions of euro unless stated otherwise.

The financial statements are prepared using the cost method, with the exception of items that are measured at fair value under IFRS-EU, as specified in the measurement policies for the individual items.

Use of estimates

Preparing the consolidated financial statements under IFRS-EU requires the use of estimates and assumptions that impact the carrying amount of assets and liabilities and the related information on the items involved as well as the disclosure required for contingent assets and liabilities at the balance sheet date. The estimates and the related assumptions are based on previous experience and other factors considered reasonable in the circumstances. They are formulated when the carrying amount of assets and liabilities is not easily determined from other sources. The actual results may therefore differ from these estimates. The estimates and assumptions are periodically revised and the effects of any changes are reflected in the income statement if they only involve that period. If the revision involves both the current and future periods, the change is recognized in the period in which the revision is made and in the related future periods.

A number of accounting policies are felt to be especially important for understanding the financial statements. To this end, the following section examines the main items affected by the use of estimates, as well as the main assumptions used by management in measuring these items in compliance with the IFRS-EU. The critical element of such estimates is the use of assumptions and professional judgments concerning issues that are by their very nature uncertain.

Changes in the conditions underlying the assumptions and judgments could have a substantial impact on future results.

Revenue recognition

Revenues from sales to retail and wholesale customers are recognized on an accruals basis. Revenues from sales of electricity and gas to retail customers are recognized at the time the electricity or gas is supplied on the basis of periodic meter readings and also include an estimate of the value of electricity and gas consumption between the date of the last meter reading of the year. Revenues between the date of the meter reading and the end of the year are based on estimates of the daily consumption of individual customers calculated on the basis of their consumption record, adjusted to take account of weather conditions and other factors that may affect consumption.

Pensions and other post-employment benefits

Part of the Group's employees participate in pension plans offering benefits based on their wage history and years of service.

Certain employees are also eligible for other post-employment benefit schemes. The expenses and liabilities of such plans are calculated on the basis of estimates carried out by consulting actuaries, who use a combination of statistical and actuarial elements in their calculations, including statistical data on past years and forecasts of future costs.

Other components of the estimation that are considered include mortality and withdrawal rates as well as assumptions concerning future developments in discount rates, the rate of wage increases and trends in the cost of medical care.

These estimates can differ significantly from actual developments owing to changes in economic and market conditions, increases or decreases in withdrawal rates and the lifespan of participants, as well as changes in the effective cost of medical care.

Such differences can have a substantial impact on the quantification of pension costs and other related expenses.

Recoverability of non-current assets

The carrying amount of non-current assets held and used (including goodwill and other intangibles) and assets held for sale is reviewed periodically and wherever circumstances or events suggest that more frequent review is necessary.

Where the value of a group of non-current assets is considered to be impaired, the carrying amount of the group of assets is written down to its recoverable value, as estimated on the basis of the use of the assets and their future disposal, in accordance with the company's most recent plans.

The estimates of such recoverable values are considered reasonable. Nevertheless, possible changes in the estimation factors on which the calculation of such values is performed could generate different recoverable values. The analysis of each group of non-current assets is unique and requires management to use estimates and assumptions considered prudent and reasonable in the specific circumstances.

Recovery of deferred tax assets

At December 31, 2006, the financial statements report deferred tax assets in respect of tax losses to be reversed in subsequent years in an amount whose recovery is considered by management to be highly probable.

The recoverability of such assets associated with losses carried forward is subject to the achievement of future profits sufficient to absorb such losses.

The assessment takes account of the estimate of future taxable incomes and is based on prudent tax planning strategies. However, where the Group should become aware that it would be unable to recover all or part of such tax assets in future years, the consequent adjustment of the assets would be taken to the income statement in the year in which this circumstance arises.

Litigation

The Enel Group is involved in various legal disputes regarding the generation, transport and distribution of electricity. In view of the nature of such litigation, it is not possible to predict the outcome of such disputes, which in some cases could be unfavorable.

Nevertheless, provisions have been recognized to cover all significant liabilities for cases in which legal counsel feels an adverse outcome is likely and a reasonable estimate of the amount of the loss can be made.

The Group is also involved in various disputes regarding urban planning and environmental issues (mainly regarding exposure to electromagnetic fields) associated with the construction and operation of a number of generation facilities and power lines.

Provision for doubtful accounts

The provision for doubtful accounts reflects estimates of losses on the Group's receivables. Provisions have been made against expected losses calculated on the basis of historical experience with receivables with similar credit risk profiles, current and historical arrears, eliminations and collections, as well as the careful monitoring of the quality of the receivables portfolio and current and forecast conditions in the economy and the relevant markets.

Although the provision recognized is considered appropriate, the use of different assumptions or changes in economic conditions could lead to changes in the provision and therefore impact net income.

The estimates and assumptions are reviewed periodically and the effects of any change are taken to the income statement should they regard only that year.

Where changes should involve the current and future years, the variation is recognized in the year in which the review is conducted and in the related future years.

Decommissioning and site restoration

In calculating liabilities in respect of decommissioning and site restoration costs, especially for the decommissioning of nuclear power plants and the storage of waste fuel and other radioactive materials, the estimation of future costs is a critical process in view of the fact that such costs will be incurred over a very long period of time, estimated at up to 100 years.

The obligation, based on financial and engineering assumptions, is calculated by discounting the expected future cash flows that the Company considers it will have to pay for the decommissioning operation.

The discount rate used to determine the present value of the liability is the pre-tax risk-free rate and is based on the economic parameters of the country in which the nuclear plant is located.

That liability, which requires management to make professional judgments in calculating its amount, is quantified on the basis of the technology existing at the measurement date and is reviewed each year, taking account of developments in decommissioning and site restoration technology, as well as the ongoing evolution of the legislative framework and the sensitivity of governments and the general public to the protection of health and the environment.

Subsequently, the obligation is increased to reflect the passage of time and any changes in estimates.

In addition to the items listed above, estimates were also used with regard to financial instruments, share-based payment plans and the fair value measurement of assets and liabilities acquired in business combinations. For these items, the estimates and assumptions are discussed in the notes on the accounting policies adopted.

Related parties

Related parties are mainly parties that have the same parent company with Enel SpA, companies that directly or indirectly through one or more intermediaries control, are controlled or are subject to the joint control of Enel SpA and in which the latter has a holding that enables it to exercise a significant influence. Related parties also include the managers with strategic responsibilities, and their close relatives, of Enel SpA and the companies over which it exercises direct, indirect or joint control and over which it exercises a significant influence. Managers with strategic responsibilities are those persons who have the power and direct or indirect responsibility for the planning, management and control of the activities of the company. They include company directors.

Subsidiaries

Subsidiaries comprise those entities for which the Group has the direct or indirect power to determine their financial and operating policies for the purposes of obtaining the benefits of their activities. In assessing the existence of a situation of control, account is also taken of potential voting rights that are effectively exercisable or convertible. The figures of the subsidiaries are consolidated on a full line-by-line basis as from the date control is acquired until such control ceases.

Special purpose entities

The Group consolidates a special purpose entity (SPE) when it exercises de facto control over such entity. Control is achieved if in substance the Group obtains the majority of the benefits produced by the SPE and supports the majority of the remaining risks or risks of ownership of the SPE, even if it does not own an equity interest in such entity.

Associated companies

Associated companies comprise those entities in which the Group has a significant influence. Potential voting rights that are effectively exercisable or convertible are also taken into consideration in determining the existence of significant influence. These companies are initially recognized at cost and are subsequently measured using the equity method, allocating the purchase costs of the assets, liabilities and identifiable contingent liabilities of the acquired company at their fair values in an analogous manner to the treatment of business combinations. The Group's share of profit or loss is recognized in the consolidated financial statements from the date on which it acquires the significant influence over the entity until such influence ceases.

Should the Group's share of the loss for the period exceed the carrying amount of the equity investment, the latter is impaired and any excess recognized in a provision if the Group had a legal or constructive obligation to cover the associate's loss.

Joint ventures

Interests in joint ventures — enterprises in which the Group exercises joint control with other entities — are consolidated using the proportionate method. The Group recognizes its share of the assets, liabilities, revenues and expenses on a line-by-line basis in proportion to the Group's share in the entity from the date on which joint control is acquired until such control ceases. Potential voting rights that are effectively exercisable or convertible are taken into consideration in determining the existence of joint control.

The following table reports the contribution of joint ventures to the main aggregates in the consolidated financial statements:

	at Dec. 31, 2006		
	Fortuna	Enel Unión Fenosa Renovables[1]	RusEnergoSbyt
	Millions of euro		
Percentage consolidation	49.9%	50.0%	49.5%
Current assets	26	52	17
Non-current assets	154	234	—
Current liabilities	14	44	10
Non-current liabilities	47	182	—
Revenues	18	53	202
Costs	15	31	196

(1) Includes amounts for companies over which Enel Unión Fenosa Renovables exercises joint control.

Consolidation procedure

The financial statements of subsidiaries used to prepare the consolidated financial statements were prepared at December 31, 2006 in accordance with the accounting policies adopted by the Parent Company.

All intragroup balances and transactions, including any unrealized profits or losses on transactions within the Group, are eliminated, net of the theoretical tax effect. Unrealized profits and losses with associates and joint ventures are eliminated for the part attributable to the Group.

In both cases, unrealized losses are eliminated except when relating to impairment.

Translation of foreign currency items

Each subsidiary prepares its financial statements in the functional currency of the economy in which it operates.

Transactions in currencies other than the functional currency are recognized in these financial statements at the exchange rate prevailing on the date of the transaction. Monetary assets and liabilities denominated in a foreign currency other than the functional currency are later adjusted using the balance sheet exchange rate. Any exchange rate differences are recognized in profit or loss.

Non-monetary assets and liabilities in foreign currency stated at historic cost are translated using the exchange rate prevailing on the date of initial recognition of the transaction. Non-monetary assets and liabilities in foreign currency carried at fair value are translated using the exchange rate prevailing on the date the related carrying amount is determined.

Translation of financial statements denominated in a foreign currency

For the purposes of the consolidated financial statements, all profits/losses, assets and liabilities are stated in euro, which is the functional currency of the Parent Company, Enel SpA.

In order to prepare the consolidated financial statements, the financial statements of consolidated companies in functional currencies other than the euro are translated into euro by applying the relevant period-end exchange rate to the assets and liabilities, including goodwill and consolidation adjustments, and the average exchange rate for the period, which approximates the exchange rates prevailing at the date of the respective transactions, to the income statement items.

Any resulting exchange rate gains or losses are recognized as a separate component of equity in a special reserve. The gains and losses are recognized in the income statement on the disposal of the subsidiary.

Business combinations

All business combinations are recognized using the purchase method, where the purchase cost is equal to the fair value at the date of the exchange of the assets acquired and the liabilities assumed, plus any costs directly attributable to the acquisition. This cost is allocated by recognizing the assets, liabilities and identifiable contingent liabilities of the acquired company at their fair values. Any positive difference between the purchase cost and the fair value of the share of the net assets acquired attributable to the Group is recognized as goodwill. Any negative difference is recognized in profit or loss. If the fair values of the assets, liabilities and contingent liabilities can only be calculated on a provisional basis, the business combination is recognized using such provisional values. Any adjustments resulting from the completion of the measurement process are recognized within twelve months of the date of acquisition.

On first-time adoption of the IFRS-EU, the Group elected to not apply IFRS 3 (Business combinations) retrospectively to acquisitions carried out before January 1, 2004. Accordingly, the goodwill associated with acquisitions carried out prior to the IFRS-EU transition date is still carried at the amount reported in the last consolidated financial statements prepared on the basis of previous accounting standards (December 31, 2003).

Property, plant and equipment

Property, plant and equipment is recognized at historic cost, including directly attributable ancillary costs necessary for the asset to be ready for use. It is increased by the present value of the estimate of the costs of decommissioning and removing the asset where there is a legal or constructive obligation to do so.

The corresponding liability is recognized under provisions for risks and charges. Financial charges in respect of loans granted for the purchase of the assets are recognized in profit or loss as an expense in the period they accrue.

Certain items of property, plant and equipment that were revalued at January 1, 2004 (the transition date) or in previous periods are recognized at their revalued amount, which is considered as their deemed cost at the revaluation date.

The accounting treatment of changes in the estimate of these costs, the passage of time and the discount rate is discussed under "Provisions for risks and charges".

Subsequent expenditure relating to an item of property, plant and equipment is recognized as an increase in the carrying amount of the asset when it is probable that future economic benefits deriving from the cost incurred to replace a component of such item will flow to the enterprise and the cost of the item can be reliably determined. All other expenditure is recognized as an expense in the period in which it is incurred.

Where major components of property, plant and equipment have different useful lives, the components are recognized and depreciated separately.

The cost of replacing part or all of an asset is recognized as an increase in the value of the asset and is depreciated over its useful life; the net carrying amount of the replaced unit is eliminated through profit or loss, with the recognition of any capital gain/loss.

Property, plant and equipment is reported net of accumulated depreciation and any impairment losses determined as set out below. Depreciation is calculated on a straight-line basis over the item's estimated useful life, which is reviewed annually, and any changes are reflected on a prospective basis. Depreciation begins when the asset is ready for use.

The estimated useful life of the main items of property, plant and equipment is as follows:

	Useful life
Civil buildings	40 years
Hydroelectric power plants(1)	40 years
Thermal power plants(1)	40 years
Nuclear power plants	40 years
Geothermal power plants	20 years
Alternative energy power plants	20 years
Transport lines	40 years
Transformation plant	32-42 years
Medium- and low-voltage distribution networks	30-40 years
Gas distribution networks and meters	25-50 years
Telecommunications systems and networks	5.5-20 years
Industrial and commercial equipment	4 years

(1) Excluding assets to be relinquished at end of concession, which are depreciated over the duration of the concession if shorter than useful life.

Land, both unbuilt and on which civil and industrial buildings stand, is not depreciated as it has an indefinite useful life.

The Group is the concession holder for the distribution and sale of electricity to the regulated market (non-eligible customers). The concession, granted by the Ministry for Economic Development, was issued free of charge and terminates on December 31, 2030. If the concession is not renewed upon expiry, the grantor is required to pay Enel an indemnity, at current values, for the assets owned by the Group that serve the concession. These assets, which comprise the electricity distribution networks, are recognized under "Property, plant and equipment" and are depreciated over their useful lives.

The Group's plants include assets to be relinquished free of charge at the end of the concession. These mainly regard major water diversion works and the public lands used for the operation of the thermal power plants. The concessions terminate in 2029, and in 2020 respectively (2010 for plants located in the Autonomous Provinces of Trento and Bolzano). If the concessions are not renewed, at those dates all intake and governing works, penstocks, outflow channels and other assets on public lands will be relinquished free of charge to the State in good operating condition. The Group believes that the existing ordinary maintenance programs ensure that the assets will be in good operating condition at the termination date.

Accordingly, depreciation on assets to be relinquished is calculated over the shorter of the term of the concession and the remaining useful life of the assets.

The Group also operates in the gas distribution sector under concessions granted by local authorities for terms not exceeding twelve years. Local authorities can use service agreements to regulate the terms and conditions of the distribution service, as well as quality targets to be achieved. The concessions are granted based upon the financial conditions, quality and safety standards, investment plans, and technical and managerial expertise offered. The majority of the gas distribution concessions held by Enel expire on December 31, 2009. For the majority of the concessions, upon expiry the local authorities will hold new tenders to renew the concession. If the concession is not renewed, the new concession holder is required to pay to the Group an indemnity equal to the fair value of the assets that serve the concession. For certain concessions, on the expiry date the distribution networks will be relinquished free of charge to the local authorities in good operating condition. Such assets are carried under "Property, plant and equipment" and are depreciated over their useful life, where the concession agreement provides for an indemnity at the end of the concession period, or on the basis of the shorter of the term of the concession and the remaining useful life of the assets, where the assets are to be relinquished free of charge at the end of the concession.

Property, plant and equipment acquired under finance leases, whereby all risks and rewards incident to ownership are substantially transferred to the Group, are initially recognized as Group assets at the lower of fair value and the present value of the minimum lease payments due, including the payment required to exercise any purchase option. The corresponding liability due to the lessor is recognized under financial payables. The assets are depreciated on the basis of their useful lives. If it is not reasonably certain that the Group will acquire the assets at the end of the lease, they are depreciated over the shorter of the lease term and the useful life of the assets. Leases where the lessor retains substantially all risks and rewards incident to ownership are classified as operating leases. Operating lease costs are taken to profit or loss on a systematic basis over the term of the lease.

Intangible assets

Intangible assets, all with a definite useful life, are measured at purchase or internal development cost, when it is probable that the use of such assets will generate future economic benefits and the related cost can be reliably determined.

The cost includes any directly attributable incidental expenses necessary to make the assets ready for use. The assets are shown net of accumulated amortization and any impairment losses, determined as set out below.

Amortization is calculated on a straight-line basis over the item's estimated useful life, which is checked annually; any changes in amortization policies are reflected on a prospective basis.

Amortization commences when the asset is ready for use.

The estimated useful life of the main intangible assets is reported in the notes to the caption.

Goodwill deriving from the acquisition of subsidiaries, associated companies or joint ventures is allocated to each of the cash-generating units identified. After initial recognition, goodwill is not amortized and is adjusted for any impairment losses, determined using the criteria described in the notes. Goodwill relating to equity investments in associates is included in their carrying amount.

Impairment losses

Property, plant and equipment and intangible assets with a definite life are reviewed at least once a year to determine whether there is evidence of impairment. If such evidence exists, the recoverable amount of any property, plant and equipment and intangible assets with a definite life is estimated.

The recoverable amount of goodwill and intangible assets with an indefinite useful life, if any, as well as that of intangible assets not yet available for use, is estimated annually.

The recoverable amount is the higher of an asset's fair value less selling costs and its value in use.

Value in use is determined by discounting estimated future cash flows using a pre-tax discount rate that reflects the current market assessment of the time value of money and the specific risks of the asset. The recoverable amount of assets that do not generate independent cash flows is determined based on the cash-generating unit to which the asset belongs.

An impairment loss is recognized in the income statement if an asset's carrying amount or that of the cash-generating unit to which it is allocated is higher than its recoverable amount.

Impairment losses of cash generating units are first charged against the carrying amount of any goodwill attributed to it and then against the value of other assets, in proportion to their carrying amount.

With the exception of those recognized for goodwill, impairment losses are reversed if the impairment has been reduced or is no longer present or there has been a change in the assumptions used to determine the recoverable amount.

Inventories

Inventories are measured at the lower of cost and net estimated realizable value. Average weighted cost is used, which includes related ancillary charges. Net estimated realizable value is the estimated normal selling price net of estimated selling costs.

The consumption of nuclear fuel is recognized on the basis of the energy generated by the nuclear power plants.

Financial instruments

Debt securities

Debt securities that the Company intends and is able to hold until maturity are recognized at the trade date and, upon initial recognition, are measured at fair value including transaction costs; subsequently, they are measured at amortized cost using the effective interest rate method, net of any impairment losses.

For securities measured at fair value through shareholders' equity (available-for-sale securities), when a reduction in fair value has been recognized directly in equity and there is objective evidence that such securities have suffered an impairment loss, the cumulative loss recognized in equity is reversed to the income statement.

For securities measured at amortized cost (loans and receivables or held-to-maturity investments), the amount of the loss is equal to the difference between the carrying amount and the present value of future cash flows discounted using the original effective interest rate.

Debt securities held for trading and designated at fair value through profit or loss are initially recognized at fair value and subsequent variations are recognized in profit or loss.

Equity investments in other entities and other financial assets

Equity investments in entities other than subsidiaries, associates and joint ventures as well as other financial assets are recognized at fair value with any gains or losses recognized in equity (if classified as "available for sale") or in profit or loss (if classified as "fair value through profit or loss"). On the sale of available-for-sale assets, any accumulated gains and losses are released to the income statement.

When the fair value cannot be determined reliably, equity investments in other entities are measured at cost adjusted by impairment losses with any gains or losses recognized in profit or loss. Such impairment losses are measured as the difference between the carrying amount and the present value of future cash flows discounted using the market interest rate for similar financial assets. The losses are not reversed.

Other assets classified under "loans and receivables" are initially recognized at fair value adjusted for transaction costs and are subsequently measured at amortized cost using the effective interest rate method, net of any impairment losses.

Such cumulative impairment losses for assets measured at fair value through shareholders' equity are equal to the difference between the purchase cost (net of any principal repayments and amortization) and the current fair value, reduced for any loss already recognized through profit or loss, and are reversed from equity to the income statement.

Trade receivables

Trade receivables are recognized at amortized cost, net of any impairment losses. Impairment is determined on the basis of the present value of estimated future cash flows, discounted at the original effective interest rate.

Trade receivables falling due in line with generally accepted trade terms are not discounted.

Cash and cash equivalents

This category is used to record cash and cash equivalents that are available on demand or at very short term, clear successfully and do not incur collection costs.

Cash and cash equivalents are recognized net of bank overdrafts at period-end in the consolidated statement of cash flows.

Trade payables

Trade payables are recognized at amortized cost. Trade payables falling due in line with generally accepted trade terms are not discounted.

Financial liabilities

Financial liabilities other than derivatives are initially recognized at the settlement date at fair value, less directly attributable transaction costs. Financial liabilities are subsequently measured at amortized cost using the effective interest rate method.

Derivative financial instruments

Derivatives are recognized at the trade date at fair value and are designated as hedging instruments when the relationship between the derivative and the hedged item is formally documented and the effectiveness of the hedge (assessed periodically) is high.

The manner in which the result of measurement at fair value is recognized depends on the type of hedge accounting adopted.

When the derivatives are used to hedge the risk of changes in the fair value of hedged assets or liabilities, any changes in the fair value of the hedging instrument are taken to profit or loss. The adjustments in the fair values of the hedged assets or liabilities are also taken to profit or loss.

When derivatives are used to hedge the risk of changes in the cash flows generated by the hedged items, changes in fair value are initially recognized in equity, in the amount qualifying as effective, and subsequently released to profit or loss in line with the gains and losses on the hedged item.

The ineffective portion of the fair value of the hedging instrument is taken to profit or loss.

Changes in the fair value of derivatives that no longer qualify for hedge accounting under IFRS-EU are recognized in profit or loss.

Derivative financial instruments are recognized at the trade date.

Employee benefits

Liabilities related to employee benefits paid upon leaving or after ceasing employment in connection with defined benefit plans or other long-term benefits accrued during the employment period, which are recognized net of any plan assets, are determined separately for each plan, using actuarial assumptions to estimate the amount of the future benefits that employees have accrued at the balance sheet date. The liability is recognized on an accruals basis over the vesting period of the related rights. These appraisals are performed by independent actuaries.

The cumulative actuarial gains and losses exceeding 10% of the greater of the present value of the defined benefit obligation and the fair value of the plan assets are recognized in profit or loss over the expected average remaining working lives of the employees participating in the plan. Otherwise, they are not recognized.

Where there is a demonstrable commitment, with a formal plan without realistic possibility of withdrawal, to a termination before retirement eligibility has been reached, the benefits due to employees in respect of the termination are recognized as a cost and measured on the basis of the number of employees that are expected to accept the offer.

Share-based payments

The cost of services rendered by employees and remunerated through stock option plans is determined based on the fair value of the options granted to employees at the grant date.

The calculation method to determine the fair value considers all characteristics of the option (option term, price and exercise conditions, etc.), as well as the Enel share price at the grant date, the volatility of the stock and the yield curve at the grant date consistent with the expected life of the plan. The pricing model used is the Cox-Rubinstein.

This cost is recognized in the income statement over the vesting period considering the best estimate possible of the number of options that will become exercisable.

Provisions for risks and charges

Accruals to the provisions for risks and charges are recognized where there is a legal or constructive obligation as a result of a past event at period-end, the settlement of which is expected to result in an outflow of resources whose amount can be reliably estimated.

Where the impact is significant, the accruals are determined by discounting expected future cash flows using a pre-tax discount rate that reflects the current market assessment of the time value of money and, if applicable, the risks specific to the liability.

If the amount is discounted, the increase in the provision over time is recognized as a financial expense.

Where the liability relates to decommissioning and/or site restoration in respect of property, plant and equipment, the provision offsets the related asset. The expense is recognized in profit or loss through the depreciation of the item of property, plant and equipment to which it relates.

Where the liability regards the treatment and storage of nuclear waste and other radioactive materials, the provision is recognized against the related operating costs.

Changes in estimates are recognized in the income statement in the period in which the changes occur, with the exception of those in the costs of dismantling, removal and remediation resulting from changes in the timetable and costs necessary to extinguish the obligation or a change in the discount rate, which increase or decrease the value of the related assets and are taken to the income statement through depreciation. Where they increase the value of the assets, it is also determined whether the new carrying amount of the assets may not be fully recoverable. If this is the case, the assets are tested for impairment, estimating the unrecoverable amount and recognizing any loss in respect of the impairment.

Where the changes in estimates decrease the value of the assets, the reduction is recognized up to the carrying amount of the assets. Any excess is recognized immediately in the income statement.

As regards the estimation criteria used to determine provisions for decommissioning and/or site restoration, especially those concerning nuclear power plants, please see the section on the use of estimates.

Grants

Grants are recognized at fair value when it is reasonably certain that they will be received or that the conditions for receipt have been met.

Grants received for specific expenditure or specific assets the value of which is recognized as an item of property, plant and equipment or an intangible asset are recognized as other liabilities and credited to the income statement over the period in which the related costs are recognized.

Revenues

Revenues are recognized using the following criteria depending on the type of transaction:

- revenues from the sale of goods are recognized when the significant risks and rewards of ownership are transferred to the buyer and their amount can be reliably determined and collected;
- revenues from the sale and transport of electricity and gas refer to the quantities provided during the period, even if these have not yet been invoiced, and are determined using estimates as well as the fixed meter reading figures. Where applicable, this revenue is based on the rates and related restrictions established by law, the Authority for Electricity and Gas and the corresponding foreign authorities during the applicable period. Specifically, in 2004 the Authority introduced an equalization mechanism in order to reduce the impact of timing differences in setting the prices of energy for sale to the regulated market charged by the Single Buyer to distributors on a monthly basis, compared with setting the prices that distributors charge end-users on a quarterly basis;
- revenues from the rendering of services are recognized in line with the stage of completion of the services. Where it is not possible to reliably determine the value of the revenues, they are recognized in the amount of the costs that it is considered will be recovered;

- connection fees related to the distribution of electricity are treated independently of any other service connected with the provision of electricity and therefore are recorded in a single amount upon completion of the connection service.

Financial income and expense

Financial income and expense is recognized on an accruals basis in line with interest accrued on the net carrying amount of the related financial assets and liabilities using the effective interest rate method.

Dividends

Dividends are recognized when the shareholder's right to receive them is established.

Dividends and interim dividends payable to third parties are recognized as changes in equity at the date they are approved by the Shareholders' Meeting and the Board of Directors, respectively.

Income taxes

Current income taxes for the period are determined using an estimate of taxable income and in conformity with the relevant tax regulations.

Deferred tax liabilities and assets are calculated on the temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and their corresponding values recognized for tax purposes on the basis of tax rates in effect on the date the temporary difference will reverse, which is determined on the basis of tax rates that are in force or substantively in force at the balance sheet date.

Deferred tax assets are recognized when recovery is probable, i.e. when an entity expects to have sufficient future taxable income to recover the asset.

The recoverability of deferred tax assets is reviewed at each period-end. Taxes in respect of components recognized directly in equity are taken directly to equity.

Discontinued operations and non-current assets held for sale

The assets or groups of assets and liabilities whose carrying amount will mainly be recovered through sale, rather than through ongoing use, are shown separately from the other balance sheet assets and liabilities. Assets classified as available-for-sale are measured at the lower of the carrying amount and estimated realizable value, net of selling costs. Any losses are expensed directly in the income statement. The corresponding values for the previous period are not reclassified.

Gains or losses on operating assets sold (or being sold) are shown separately in the income statement, net of the tax effects. The corresponding values for the previous period are reclassified and reported separately in the income statement, net of tax effects, for comparative purposes.

2. Recently issued accounting standards

Standards not yet adopted or not applicable

In 2006, the European Commission endorsed and published the following new accounting principles, amendments and interpretations to supplement the existing standards approved and published by the International Accounting Standards Board (IASB) and the International Financial Reporting Committee (IFRIC).

- Amendment to IAS 1 "Presentation of financial statements: disclosures about capital": this document requires the disclosure of greater information on the objectives, policies and processes for managing capital. This standard has already been adopted by the European Commission and takes effect as of the financial statements for periods beginning on or after January 1, 2007. The application of this standard will have no impact on Enel.
- "IFRS 7 — Financial instruments: disclosure": this standard supplements the standards for the recognition, measurement and presentation in the financial statements of financial assets and

liabilities dealt with under IAS 32 "Financial instruments: disclosure and presentation" and under IAS 39 "Financial instruments: recognition and measurement" and supersedes IAS 30 "Disclosures in the financial statements of banks and similar financial institutions". IFRS 7 requires additional disclosure of the significance of financial instruments for a company's financial performance and position, as well as a description of management's objectives, policies and processes for managing risks associated with financial instruments. This standard has already been adopted by the European Commission and takes effect starting as of the financial statements for periods beginning on or after January 1, 2007. Enel is assessing the impact this new standard may have in terms of disclosure.

- "IFRIC 7 — Applying the restatement approach under IAS 29 Financial reporting in hyperinflationary economies"; the interpretation, adopted by the European Commission, is effective for annual periods beginning on or after March 1, 2006. It establishes that an entity shall apply the provisions of IAS 29 in a reporting period in which it identifies the existence of hyperinflation in the economy of its functional currency as if the economy had always been hyperinflationary. The application of this interpretation will have no significant impact.

- "IFRIC 8 — Scope of IFRS 2": this interpretation clarifies whether IFRS 2 applies to arrangements where entities cannot specifically identify a portion or the entirety of the goods or services received. The issue addressed in this interpretation provides that, in the case in which the identifiable consideration received is less than the fair value of the equity instruments granted or liability incurred, the unidentifiable good/services received (or to be received) shall be valued, at the date of granting, at an amount equal to the difference between the fair value of the share-based payment and the fair value of the goods/services received (or to be received). Enel believes that the application of this interpretation, which has already been adopted by the European Commission and takes effect starting as of the financial statements for periods beginning on or after May 1, 2006, will not have a material impact on its financial statements.

- "IFRIC 9 — Reassessment of embedded derivatives": this interpretation establishes that the company shall assess whether embedded derivatives are to be recognized separately from the host contract at the time the company becomes party to the contract. Subsequent reassessment of the terms of the contract for separate recognition is prohibited, unless there is a change in the underlying contract that significantly modifies the related cash flows. Enel believes that the application of this interpretation, which has already been adopted by the European Commission and takes effect starting as of the financial statements for periods beginning on or after June 1, 2006, will not have a material impact on its financial statements.

First-time adoption of applicable standards

- Amendment of IAS 19 "Employee benefits": the primary changes concern the option for the alternative treatment of actuarial gains and losses. Enel, which currently applies the corridor approach, has elected to not adopt the option introduced by this amendment. The amendment is effective as of January 1, 2006.

- Amendment of certain paragraphs of IAS 21 "The effects of changes in foreign exchange rates", effective for annual periods beginning on or after January 1, 2006, which modifies the recognition of exchange rate differences associated with monetary items of a foreign operation and supplements the definition of net investment in a foreign operation. The application of this standard has no impact on Enel.

- Amendments to IAS 39 and to IFRS 4 that provide for changes in the accounting treatment of guarantees issued. These changes relate primarily to the recognition of "financial guarantee contracts" other than contracts identified as "insurance contracts". These amendments are effective as of January 1, 2006 and their adoption had no material impact on Enel's shareholders' equity and its results for the year.

- Amendment to IAS 39 "Financial instruments: recognition and measurement" permits the designation of forecast intragroup transactions. Specifically, the change allows, in certain circumstances, the company to designate, as an item hedged in the consolidated financial statements, a forecast intragroup transaction in a foreign currency. This amendment also establishes that if the hedge of a forecast intragroup transaction qualifies for hedge accounting, the gains or losses recognized directly in equity in accordance with IAS 39 shall be reclassified into profit or loss in the same year in which the foreign exchange risk of the hedged transaction affects consolidated profit or loss. The application of this standard had no impact on Enel.

- Amendment to IAS 39 "Financial instruments: recognition and measurement" restricts the use of the fair value option. The changes regard the definitions of financial instruments recognized at fair value through profit and loss, limiting the designation to specific financial instruments with specified characteristics. This amendment is effective as of January 1, 2006 and its adoption had no significant impact on Enel's shareholders' equity and its results for the year.
- "IFRIC 4 — Determining whether an arrangement contains a lease": the interpretation establishes the guidelines for identifying whether, in substance, a contract constitutes a lease as defined by IAS 17. The amendment is effective as of January 1, 2006. Specifically, in determining whether a contract is, or contains, a lease, the company must look to the substance of the arrangement and verify whether the contract: (a) explicitly or implicitly provides for the use of a specific asset or assets without which one of the parties to the contract would not be able to fulfill its contractual obligations; (b) transfers the right to use such assets. The application of this standard had no significant impact on Enel.
- "IFRIC 5 — Rights to interests arising from decommissioning, restoration and environmental funds", effective as of January 1, 2006. This interpretation establishes the criteria for recognizing and measuring contributions to funds established to decommission assets that have the following characteristics: (a) the fund assets are owned and managed by a legal entity that is distinct from the company; (b) the company contributing to the fund has a limited right of access to fund assets. The contributor separately recognizes its obligation to pay the decommissioning costs and its interest in the fund. The interest shall be measured at the lower of: (a) the amount of the decommission obligation recognized; and (b) the contributor's share of the fair value of the net assets of the fund attributable to contributors. Changes in the carrying amount of this right to receive a reimbursement other than contributions to, and payments from, the fund shall be recognized in the income statement of the period in which the changes occur. In the case in which the interest in the fund is such as to allow the company to exercise control, considerable influence or joint control of the fund, the interest in the fund is recognized, respectively, as an interest in a subsidiary, associate or joint venture. The application of this standard had no effect on Enel.
- "IFRS 6 — Exploration for and evaluation of mineral resources", effective for annual periods beginning on or after January 1, 2006. The standard establishes the accounting treatment of exploration and evaluation assets. Such assets shall be classified as tangible or intangible according to the nature of the assets acquired and the classification shall be applied consistently. The application of this standard had no effect on Enel.

3. Risk management

Market risk

As part of its operations, Enel is exposed to different market risks, notably the risk of changes in interest rates, exchange rates and commodity prices.

To contain this exposure within the limits set at the start of the year as part of its risk management policies, Enel enters into derivative contracts using instruments available on the market.

Transactions that qualify for hedge accounting are designated as hedging transactions, while those that do not qualify for hedge accounting are classified as trading transactions.

The total ineffective amount recognized in the income statement in 2006 and 2005 came to €1.1 million and €0.9 million respectively.

The fair value is determined using the official prices for instruments traded on regulated markets. The fair value of instruments not listed on regulated markets is determined using valuation methods appropriate for each type of financial instrument and market data as of the close of the financial year (such as interest rates, exchange rates, commodity prices, volatility), discounting expected future cash flows on the basis of the market yield curve at the balance sheet date and translating amounts in currencies other than the euro using year-end exchange rates provided by the European Central Bank. Where possible, contracts relating to commodities are measured using market prices related to the same instruments on both regulated and other markets. Contracts for differences are measured using a model based on the forward prices at the valuation date for the energy commodity analyzed, estimating developments in the electricity market in the reference period.

The financial assets and liabilities associated with derivative instruments are classified as:

- cash flow hedges, mainly related to hedging the risk of changes in the cash flows associated with a number of long-term floating-rate loans and certain contracts entered into by Enel in order to stabilize revenues from the sale of electricity on the Italian Power Exchange (two-way contracts for differences);
- trading derivatives, related to hedging interest and exchange rate risk and commodity risk but which do not qualify for recognition under IAS 39 as hedges of specific assets, liabilities, commitments or future transactions.

The measurement techniques used for the open derivatives positions at the end of the year are the same as those adopted the previous year. Accordingly, the impact on profit or loss and shareholders' equity of such measurement is essentially attributable to normal market developments.

The notional value of a derivative is the contractual amount on the basis of which differences are exchanged. This amount can be expressed as a value or a quantity (for example tons, converted into euro by multiplying the notional amount by the agreed price). Amounts denominated in currencies other than the euro are translated into euro at the exchange rate prevailing at the balance-sheet date.

The notional amounts of derivatives reported here do not represent amounts exchanged between the parties and therefore are not a measure of the Company's credit risk exposure.

Interest rate risk

Various types of derivatives are used to reduce the amount of debt exposed to interest rate fluctuations and to reduce borrowing costs. These include interest rate swaps, interest rate collars and swaptions, as detailed in the following table:

	Notional value	
	2006	2005
	Millions of euro	
Interest rate swaps	5,132	4,866
Interest rate collars	45	62
Swaptions	—	69
Total	**5,177**	**4,997**

Interest rate derivatives, specifically interest rate swaps, are used in order to reduce the amount of debt exposed to changes in interest rates and to reduce the volatility of borrowing costs. In an interest rate swap, Enel enters into an agreement with a counterparty to exchange at specified intervals floating-rate interest flows for fixed-rate interest flows (agreed between the parties), both of which are calculated on the basis of a notional principal amount.

Interest rate collars are used to reduce the impact of potential increases in interest rates on its floating-rate debt. Such contracts are normally used when the fixed interest rate that can be obtained in an interest rate swap is considered too high with respect to Enel's expectations for future interest rate developments. In addition, interest rate collars are also considered appropriate in periods of uncertainty about future interest rate developments, in order to benefit from any decreases in interest rates. In such cases, Enel normally uses zero-cost collars, which do not require the payment of a premium.

Notes to the financial statements — (Continued)

A swaption gives the holder the right to enter into an interest rate swap with specified characteristics at an agreed future date. Enel normally acquires the right to pay a fixed rate or sells the right to receive a fixed rate in the case of the exercise of the option in order to obtain, where the option is exercised, a swap paying a fixed rate lower than the current market rate.

All these contracts are agreed with a notional amount and expiry date lower than or equal to that of the underlying financial liability or the expected future cash flows, so that any change in the fair value and/or expected future cash flows is offset by a corresponding change in the fair value and/or the expected future cash flows of the underlying position.

Accordingly, the fair value of the financial derivatives generally reflects the estimated amount that Enel would have to pay or receive in order to terminate the contracts at the balance-sheet date. The following table reports the notional amount and fair value of interest rate derivatives at December 31, 2006 and December 31, 2005.

	Notional		Fair value		Fair value assets		Fair value liabilities	
	Dec. 31, 2006	Dec. 31, 2005	Dec. 31, 2006	Dec. 31, 2005	Dec. 31, 2006	Dec. 31, 2005	Dec. 31, 2006	Dec. 31, 2005
	Millions of euro							
Cash flow hedge derivatives:								
Interest rate swaps	4,823	4,196	(79)	(261)	37	11	(116)	(272)
Interest rate collars	3	62	—	—	—	—	—	—
Swaptions	—	69	—	—	—	—	—	—
Trading derivatives:								
Interest rate swaps	309	670	(26)	(54)	—	1	(26)	(55)
Interest rate collars	42	—	—	—	—	—	—	—
Total interest rate swaps	5,132	4,866	(105)	(315)	37	12	(142)	(327)
Total interest rate collars	45	62	—	—	—	—	—	—
Total swaptions	—	69	—	—	—	—	—	—
TOTAL INTEREST RATE DERIVATIVES	**5,177**	**4,997**	**(105)**	**(315)**	**37**	**12**	**(142)**	**(327)**

The following table reports the expected net financial income/(expense) in respect of these derivatives in the coming years, as well as the related amount resulting from a 10% increase or decrease in market interest rates. Actual changes in market interest rates may differ from the hypothetical changes.

Expected net financial income/(expense) in respect of interest rate derivatives in cash flow hedges

	2007	2008	2009	2010	2011	Beyond
	Millions of euro					
Current rates decreased by 10%	(28)	(49)	(17)	(16)	(15)	(66)
Current rates at Dec. 31, 2006	(18)	(35)	(5)	(5)	(5)	(28)
Current rates increased by 10%	(8)	(20)	7	6	5	11

The market value of interest rate derivatives classified in the trading book at December 31, 2006 was a negative €26 million (compared with a negative €54 million at December 31, 2005).

The following table reports the expected net financial expense in respect of these derivatives in the coming years, as well as the expected changes in such expense resulting from a 10% increase or decrease in market interest rates:

Expected net financial income/(expense) in respect of interest rate derivatives in the trading book

	2007	2008	2009	2010	2011	Beyond
			Millions of euro			
Current rates decreased by 10%	(7)	(6)	(6)	(3)	(3)	(10)
Current rates at Dec. 31, 2006	(6)	(5)	(5)	(3)	(2)	(9)
Current rates increased by 10%	(5)	(4)	(4)	(2)	(2)	(7)

Exchange rate risk

In order to reduce the exchange rate risk on foreign currency assets, liabilities and expected future cash flows, Enel uses foreign exchange forward and option contracts in order to hedge cash flows in currencies other than the euro. Payments in foreign currency are mainly denominated in dollars and Swiss francs. The buy and sell amounts in such contracts are notional values. Foreign exchange options, which are negotiated on unregulated markets, give Enel the right or the obligation to acquire or sell specified amounts of foreign currency at a specified exchange rate at the end of a given period of time, normally not exceeding one year. The maturity of forward contracts does not normally exceed twelve months.

At December 31, 2006 Enel had outstanding forward and option contracts totaling €1,574 million (€1,871 million at December 31, 2005).

	Notional value	
	2006	2005
	Millions of euro	
Forward contracts hedging commodities	875	1,357
Forward contracts hedging commercial paper	377	35
Forward contracts hedging future cash flows	192	212
Other forward contracts	50	194
Options	80	73
Total	**1,574**	**1,871**

More specifically, these include:

- contracts with a notional value of €1,067 million used to hedge the exchange rate risk associated with purchases of fuel, imported electricity and expected cash flows in currencies other than the euro (€1,569 million at December 31, 2005); and
- contracts with a notional value of €377 million used to hedge the exchange rate risk associated with redemptions of commercial paper issued in currencies other than the euro (€35 million at December 31, 2005).

These contracts are also normally agreed with a notional amount and expiry date equal to that of the underlying financial liability or the expected future cash flows, so that any change in the fair value and/or expected future cash flows of these contracts stemming from a potential appreciation or depreciation of the euro against other currencies is fully offset by a corresponding change in the fair value and/or the expected future cash flows of the underlying position.

At the end of 2006 Enel also had €50 million in outstanding forward contracts (€194 million at December 31, 2005) and €80 million in options (€73 million at December 31, 2005) that were not directly associated with individual exposures subject to exchange rate risk.

The following table reports the notional amount and fair value of exchange rate derivatives at December 31, 2006 and December 31, 2005.

	Notional		Fair value		Fair value assets		Fair value liabilities	
	Dec. 31, 2006	Dec. 31, 2005	Dec. 31, 2006	Dec. 31, 2005	Dec. 31, 2006	Dec. 31, 2005	Dec. 31, 2006	Dec. 31, 2005
	Millions of euro							
Cash flow hedge derivatives:								
- forwards	26	21	—	—	—	—	—	—
Trading derivatives:								
- forwards	1,468	1,777	(22)	(6)	2	9	(24)	(15)
- options	80	73	—	—	—	—	—	—
Total forwards	1,494	1,798	(22)	(6)	2	9	(24)	(15)
Total options	80	73	—	—	—	—	—	—
TOTAL EXCHANGE RATE DERIVATIVES	1,574	1,871	(22)	(6)	2	9	(24)	(15)

The market value of exchange rate derivatives classified in the trading book at December 31, 2006 was a negative €22 million (compared with a negative €6 million at December 31, 2005).

The following table reports the expected net financial income/(expense) in respect of these derivatives in the coming years, as well as the expected amount of such expense resulting from a 10% appreciation or depreciation of the euro against other significant currencies:

Expected net financial income/(expense) in respect of exchange rate derivatives in the trading book

	2007	2008	2009	2010	2011	Beyond
	Millions of euro					
10% depreciation of the euro	110	—	—	—	—	—
Current exchange rates at December 31, 2006	(23)	—	—	—	—	—
10% appreciation of the euro	(130)	—	—	—	—	—

Commodity risk

Various types of derivatives are used to reduce the exposure to fluctuations in energy commodity prices, especially swaps and futures.

The exposure to the risk of changes in commodity prices is associated with the purchase of fuel for power plants and the purchase and sale of gas under indexed contracts as well as the purchase and sale of electricity at variable prices (indexed bilateral contracts and sales on Power Exchange).

The exposures on indexed contracts is quantified by breaking down the contracts that generate exposure into the underlying risk factors.

As regards electricity sold on the Italian Power Exchange, Enel uses two-way contracts for differences, under which differences are paid to the counterparty if the Single National Price (SNP) exceeds the strike price and to Enel in the opposite case. No fixed premium is envisaged for these contracts.

The residual exposure in respect of sales on the Power Exchange not hedged through two-way contracts for differences is quantified and managed on the basis of an estimation of generation costs in Italy. The residual positions thus determined are aggregated on the basis of uniform risk factors that can be hedged in the market.

Enel had already also entered into one-way contracts for differences with the Single Buyer at the end of 2004. Under these contracts, if the Single National Price (SNP) exceeds the strike price, Enel pays the difference. The Single Buyer pays Enel a fixed premium equal to the amount set by the auction for the relevant product.

Notes to the financial statements — (Continued)

The following table reports the notional values and fair values of derivative contracts relating to commodities at December 31, 2006 and December 31, 2005.

	Notional		Fair value		Fair value asset		Fair value liability	
	Dec. 31, 2006	Dec. 31, 2005	Dec. 31, 2006	Dec. 31, 2005	Dec. 31, 2006	Dec. 31, 2005	Dec. 31, 2006	Dec. 31, 2005
	Millions of euro							
Cash flow hedge derivatives:								
- Two-way contracts for differences	1,034	1,372	48	57	48	57	—	—
Trading derivatives:								
- One-way contracts for differences	3,219	6,266	(123)	43	—	43	(123)	—
- swaps on oil-based commodities	581	613	(7)	(13)	9	11	(16)	(24)
- futures on oil-based commodities	252	291	(2)	16	2	17	(4)	(1)
- swaps on gas transmission fees	16	18	(8)	(12)	—	—	(8)	(12)
- other derivatives on energy	57	107	(6)	(1)	1	397	(7)	(398)
- embedded derivatives	1,012	—	(482)	—	58	—	(540)	—
- options on other commodities	—	9	—	2	—	2	—	—
TOTAL COMMODITY DERIVATIVES	**6,171**	**8,676**	**(580)**	**92**	**118**	**527**	**(698)**	**(435)**

"Two-way contracts for differences" classified as cash flow hedges had a positive fair value at December 31, 2006 of €48 million (positive €57 million at December 31, 2005).

The following table shows the fair value these two-way contracts for differences would have in the event of a 10% increase or decrease in the prices of the energy commodities underlying the model for measuring energy prices on the Italian market. Two-way contracts for differences refer to the physical positions in the underlying energy and, therefore, any negative (positive) change in the fair value of the derivative instrument corresponds to a positive (negative) change in the fair value of the underlying energy, so the impact on the income statement is equal to zero.

Fair value of two-way contracts for differences in cash flow hedges

	2007
	Millions of euro
10% decrease	111
Scenario at Dec. 31, 2006	48
10% increase	(14)

Derivatives on energy commodities classified as trading derivatives had a net negative fair value of €17 million (a positive €11 million and a negative €28 million). At December 31, 2005 the total fair value was a negative €9 million.

The table below shows the fair value that these derivatives would have in the event of a 10% increase and a 10% decrease in the prices of the underlying risk factors.

Specifically, the column "Commodity" shows the change relating to derivatives whose fair value depends on the price of energy commodities, while the "10-year swap rate" column indicates the change relating to a gas derivative whose fair value is based on the 10-year interest rate swap (IRS).

Notes to the financial statements — (Continued)

Fair value of trading derivatives on energy commodities

	Commodity	10-year swap rate	Total for 2007
		Millions of euro	
10% decrease	(19)	(8)	**(27)**
Scenario at Dec. 31, 2006	(9)	(8)	**(17)**
10% increase	1	(8)	**(7)**

"One-way contracts for differences" had a net negative fair value at December 31, 2006 of €123 million (positive €43 million at December 31, 2005).

The following table shows the fair value of such one-way contracts for differences, as well as the value that they would have as a result of a 10% increase and a 10% decrease in the prices of the energy commodities underlying the model for measuring energy prices on the Italian market.

Fair value of one-way contracts for differences in trading book

	2007
	Millions of euro
10% decrease	(80)
Scenario at Dec. 31, 2006	(123)
10% increase	(167)

Energy derivatives classified as trading derivatives had a net negative fair value at December 31, 2006 of €6 million (negative €1 million at December 31, 2005).

The following table shows the fair value at December 31, 2006, as well as the changes in such value as a result of a 10% increase and a 10% decrease in the price scenario.

Specifically, for Italian energy derivatives, the changes are calculated (as with the approach for the contracts for differences described above) with reference to the energy commodity prices underlying the model for measuring energy prices on the Power Exchange.

For energy derivatives on foreign markets, for which forward rates are available, the changes are calculated based on the price of energy itself.

Fair value of energy trading derivatives

	Italy	Foreign	Total for 2007
		Millions of euro	
10% decrease	(7)	(3)	**(10)**
Scenario at Dec. 31, 2006	(3)	(3)	**(6)**
10% increase	—	(4)	**(4)**

Embedded derivatives relate to contracts for the purchase and sale of energy entered into by Slovenské elektrárne in Slovakia. The net fair value at December 31, 2006 came to a negative €482 million, of which:

a) a positive €58 million relating to an embedded derivative whose fair value is based upon inflation in the United States, the price of aluminum on the London Metal Exchange and the Slovak koruna (SKK)/US dollar (USD) exchange rate;

b) a negative €304 million relating to an embedded derivative on the SKK/USD exchange rate;

c) a negative €236 million relating to a derivative on the price of gas.

Notes to the financial statements — (Continued)

The following tables show the fair value at December 31, 2006, as well as the value expected from a 10% increase and a 10% decrease in the underlying risk factors.

Fair value of embedded derivative a)

	US inflation	Aluminum spot price	SKK/USD exchange rate
		Millions of euro	
10% decrease	52	32	53
Scenario at Dec. 31, 2006	58	58	58
10% increase	57	82	64

Fair value of embedded derivative b)

	SKK/USD exchange rate
	Millions of euro
10% decrease	(333)
Scenario at Dec. 31, 2006	(304)
10% increase	(275)

Fair value of embedded derivative c)

	Gas price
	Millions of euro
10% decrease	(233)
Scenario at Dec. 31, 2006	(236)
10% increase	(240)

Credit risk

Enel manages credit risk by operating solely with counterparties considered solvent by the market, i.e. those with high credit standing, and does not have any concentration of credit risk.

The credit risk in respect of the derivatives portfolio is considered negligible since transactions are conducted solely with leading Italian and international banks, diversifying the exposure among different institutions.

As part of activities related to purchasing fuels for thermal generation and the sale and distribution of electricity, the distribution of gas and the sale of gas to eligible customers, Enel grants trade credit to external counterparties. The counterparties selected are carefully monitored through the assessment of the related credit risk and the pledge of suitable guarantees and/or security deposits to ensure adequate protection from default risk.

Enel considers the economic impact in future years of any default by counterparties in its derivatives positions open at the balance-sheet date to be immaterial given the high credit standing of such counterparties, the nature of the instruments (under which only differential flows are exchanged) and the risk diversification achieved by breaking down positions among the various counterparties.

Liquidity risk

Liquidity risk is managed by the Group Treasury unit at Enel SpA, which ensures adequate coverage of cash needs (using lines of credit and issues of bonds and commercial paper) and appropriate management of any excess liquidity.

At December 31, 2006 Enel had committed lines of credit amounting to €5.6 billion, of which €0.6 billion had been drawn, and uncommitted lines of credit totaling €3.8 billion, of which €0.5 billion had been drawn.

In addition, Enel Finance International has an outstanding commercial paper program with a maximum amount of €4 billion, of which about €3.5 billion were available at December 31, 2006.

Notes to the financial statements — (Continued)

4. Changes in the scope of consolidation

The scope of consolidation for 2006 changed with respect to 2005 as a result of the following main transactions:

- the acquisition of controlling investments in Electrica Banat and Electrica Dobrogea (now Enel Electrica Banat ed Enel Electrica Dobrogea), companies that operate in electricity distribution and sales in Romania, on April 28, 2005. Accordingly, the income statement figures for 2005 reflect the consolidation of these companies for eight months only;
- sale of 100% of Wind, 62.75% of which was sold on August 11, 2005, and 6.28% on February 8, 2006, with the remaining 30.97% being transferred to Weather Investments, again on February 8, 2006, in exchange for 20.9% of the latter;
- sale of 43.85% of Terna, which took place in two transactions (13.86% on April 5, 2005 and 29.99% on September 15, 2005), and its deconsolidation on September 15, 2005;
- sale of 30% of Enel Unión Fenosa Renovables on May 30, 2006. Following this sale, the interest in the company fell to 50%, with the Group exercising joint control over the company together with the other shareholders. As a result, the company is being consolidated on a proportionate basis as of that date;
- acquisition of a 66% interest in Slovenské elektrárne, a company that generates and sells electricity in Slovakia, on April 28, 2006;
- acquisition of the remaining 40% interest in Maritza East III Power Holding on June 14, 2006. Following this transaction, the Group now holds a 73% stake in Enel Maritza East 3 (formerly Maritza East III Power Company), a Bulgarian generation company;
- acquisition, on June 14, 2006, of a 100% interest in Maritza O&M Holding Netherlands, a holding company that owns 73% of Enel Operations Bulgaria (formerly Maritza East 3 Operating Company), which is responsible for the maintenance of the Maritza East III power station;
- acquisition, on June 21, 2006, of a 49.5% interest in Res Holdings, which holds a 100% stake in the Russian firm RusEnergoSbyt (energy trading and sales). Enel now exercises joint control over the company together with the other shareholders; as a result, the company is consolidated on a proportionate basis;
- acquisition, on July 13, 2006 of 100% of Erelis, which operates in the development of wind plants in France;
- acquisition, on August 1, 2006, of 100% of Hydro Quebec Latin America (now Enel Panama), which together with our partner Globeleq (a private equity fund) exercises de facto control over Fortuna, a Panamanian hydro generation company. As a result, Fortuna is consolidated on a proportionate basis;
- acquisition, on October 6, 2006, through the Brazilian subsidiary of Enel Latin America, Enel Brasil Partecipações, of 100% of 10 companies in the Rede Group that own 20 mini-hydro plants.

Excluding the sales of Wind and Terna (whose results and capital gain were recognized as discontinued operations in 2005), the balance sheet effects of the other changes in the scope of consolidation do not affect the comparability of the figures for the two years considered. The main effects are shown in the notes to the accounts.

It should also be noted that the changes made to the classification of certain transactions recognized in the income statement in 2006, which are essentially related to the management of commodity risk, resulted in related reclassifications of the comparative figures for 2005.

As regards the acquisition of Slovenské elektrárne on April 28, 2006, the allocation of the cost of the equity investment to the value of the assets and liabilities acquired was completed in 2006. The residual goodwill recognized can therefore be considered final. The following tables report the calculation of the goodwill and the balance sheet of the company at the acquisition date.

Calculation of Slovenské elektrárne goodwill

	Millions of euro
Net assets acquired before allocation	(1,196)
Fair value adjustments:	
Property, plant and equipment	1,943
Net deferred tax liabilities	(373)
Financial liabilities	29
Sundry provisions	(22)
Other	48
Total adjustments	1,625
Net assets acquired after allocation	**429**
Enel % holding (66%)	283
Value of the transaction [(1)]	844
of which non-current financial assets 2005	*(168)*
Goodwill	**561**

(1) Including incidental expenses.

Balance sheet of Slovenské elektrárne at the acquisition date

	Book values before April 28, 2006	Fair value adjustments	Book values at April 28, 2006
		Millions of euro	
Property, plant and equipment	1,928	1,943	3,871
Intangible assets	15		15
Inventories, trade and other receivables	330	(5)	325
Cash and cash equivalents	23		23
Other current and non-current assets	911	(397)	514
Total assets	**3,207**	**1,541**	**4,748**
Shareholders' equity	(789)	1,072	283
Minority interests	(407)	553	146
Total shareholders' equity	**(1,196)**	**1,625**	**429**
Trade and other payables	258		258
Financial liabilities and Other current and non-current liabilities	1,600	(106)	1,494
Sundry provisions	2,545	22	2,567
Total shareholders' equity and liabilities	**3,207**	**1,541**	**4,748**

The contribution of the newly acquired Slovenské elektrárne to Group operating income came to €198 million.

As regards the other acquisitions made during 2006, the differences between the cost value of the investments and the assets acquired less liabilities assumed have been recognized on a provisional basis as goodwill pending more accurate allocation.

The following reports the calculation of the difference, with the cash flow impact at December 31, 2006.

Other acquisitions

	Millions of euro
Property, plant and equipment	279
Intangible assets	98
Trade receivables and inventories	28
Cash and cash equivalents	47
Other current and non-current assets	16
Total assets	**468**
Trade payables	(19)
Financial liabilities and Other current and non-current liabilities	(104)
Sundry and other provisions	(13)
Total liabilities	**(136)**
Total net assets acquired	**332**
Goodwill	158
Negative goodwill	(30)
Value of the transaction(1)	**460**
CASH FLOW IMPACT AT DECEMBER 31, 2006	**460**

(1) Including incidental expenses.

The negative goodwill of €30 million is essentially related to the acquisition of an additional 40% of Maritza East III Power Holding for €26 million.

5. Segment information

The results presented in these notes reflect the new organizational structure implemented at the end of 2005 and operational since January 1, 2006, which, in addition to the Domestic Sales Division, the Domestic Generation and Energy Management Division, the Domestic Infrastructure and Networks Division, saw the creation of an International Division that includes all the Group's resources devoted to generation and distribution activities in the electricity and gas sectors abroad.

For the purposes of providing comparable figures, the data for 2005 have been reallocated to the Divisions on the basis of the new organizational arrangements. The figures for Transmission Networks and Telecommunications following the deconsolidation of Wind and Terna in the 2nd Half of 2005 are reported in the reference year as discontinued operations.

Following the transfer of the "large electricity users" unit (customers with annual consumption of more than 100 million kWh) from Enel Trade to Enel Energia, the 2005 figures for the unit were reallocated from the Domestic Generation and Energy Management Division to the Domestic Sales Division for comparative purposes.

Notes to the financial statements — (Continued)

Segment information for 2006 and 2005

Results for 2006 [(1)]

	Continuing operations								
	Domestic Sales	Domestic Generat. and Energy Manag.	Domestic Infrastruc. and Networks	Internat.	Parent Company	Services and Other Activities	Eliminations and adjustments	Total	TOTAL
	Millions of euro								
Revenues from third parties	20,981	12,694	906	3,056	891	267	(282)	**38,513**	**38,513**
Revenues from other segments	127	2,967	4,801	12	287	894	(9,088)	—	—
Total revenues	**21,108**	**15,661**	**5,707**	**3,068**	**1,178**	**1,161**	**(9,370)**	38,513	38,513
Net income/(charges) from commodity risk management	4	(705)	—	91	(4)	—	—	**(614)**	**(614)**
Gross operating margin	**175**	**3,149**	**3,418**	**918**	**177**	**179**	**3**	8,019	8,019
Income from equity exchange transaction	—	—	—	—	263	—	—	**263**	**263**
Depreciation and amortization	44	980	826	387	17	90	—	**2,344**	**2,344**
Impairment losses	129	(28)	3	12	—	3	—	**119**	**119**
Operating income	**2**	**2,197**	**2,589**	**519**	**423**	**86**	**3**	5,819	5,819
Net financial income/(expense) and income/(expense) from equity investments accounted for using the equity method	—	—	—	—	—	—	—	**(651)**	**(651)**
Income taxes	—	—	—	—	—	—	—	**2,067**	**2,067**
Net income (Group and minority interests)	—	—	—	—	—	—	—	3,101	3,101
Operating assets	**6,948**	**16,752**	**16,875**	**10,008**	**1,013**	**1,771**	**(3,352)**	50,015	50,015
Operating liabilities	**6,272**	**4,019**	**4,042**	**4,037**	**1,275**	**1,128**	**(2,884)**	17,889	17,889
Capital expenditure	**56**	**897**	**1,459**	**467**	**13**	**71**	**—**	2,963	2,963

(1) Segment revenues include both revenues from third parties and revenue flows between the segments. An analogous approach was taken for other income and costs for the year.

Notes to the financial statements — (Continued)

Results for 2005 [(1)]

	Continuing operations								Discontinued operations				
	Domestic Sales	Domestic Generat. and Energy Manag.	Domestic Infrastruc. and Networks	Internat.	Parent Company	Services and Other Activities	Eliminations and adjustments	Total	Transm. Networks	TLC.	Eliminations and adjustments	Total	TOTAL
	Millions of euro												
Revenues from third parties	19,155	10,648	837	1,856	886	440	(35)	**33,787**	711	2,604	(62)	**3,253**	**37,040**
Revenues from other segments	332	2,347	4,695	2	232	1,301	(8,909)	—	29	144	(173)	—	—
Total revenues	**19,487**	**12,995**	**5,532**	**1,858**	**1,118**	**1,741**	**(8,944)**	33,787	**740**	**2,748**	**(235)**	3,253	37,040
Net income/(charges) from commodity risk management	(26)	326	—	(14)	(14)	—	—	**272**	—	—	—	—	**272**
Gross operating margin	**152**	**3,407**	**3,398**	**485**	**67**	**315**	**(79)**	7,745	**524**	**903**	**(1)**	1,426	9,171
Depreciation and amortization	25	982	769	173	14	93	—	**2,056**	118	695	—	**813**	**2,869**
Impairment losses	115	27	1	5	—	3	—	**151**	—	41	—	**41**	**192**
Operating income	**12**	**2,398**	**2,628**	**307**	**53**	**219**	**(79)**	5,538	**406**	**167**	**(1)**	572	6,110
Net financial income/(expense) and income/(expense) from equity investments accounted for using the equity method	—	—	—	—	—	—	—	**(744)**	—	—	—	**(240)**	**(984)**
Income taxes	—	—	—	—	—	—	—	**1,934**	—	—	—	**213**	**2,147**
Gains on disposal of assets												**1,153**	**1,153**
Net income (Group and minority interests)	—	—	—	—	—	—	—	2,860	—	—	—	1,272	4,132
Operating assets	**6,465**	**16,468**	**15,708**	**4,282**	**1,263**	**2,945**	**(3,280)**	43,851	—	—	—	—	43,851
Operating liabilities	**5,289**	**3,841**	**3,567**	**813**	**1,604**	**2,392**	**(3,137)**	14,369	—	—	—	—	14,369
Capital expenditure	**53**	**798**	**1,570**	**299**	**11**	**98**	—	2,829	**142**	**286**	—	428	3,257

(1) Segment revenues include both revenues from third parties and revenue flows between the segments. An analogous approach was taken for other income and costs for the year.

Notes to the financial statements — (Continued)

The following table reconciles segment assets and liabilities and the consolidated figures.

	at Dec. 31, 2006	at Dec. 31, 2005
	Millions of euro	
Total assets	**54,500**	**50,502**
Financial assets and cash and cash equivalents	2,107	3,203
Tax assets	2,378	3,448
Segment assets	**50,015**	**43,851**
- of which:		
Domestic Sales	6,948	6,465
Domestic Generation and Energy Management	16,752	16,468
Domestic Infrastructure and Networks	16,875	15,708
International	10,008	4,282
Parent Company	1,013	1,263
Services and Other Activities	1,771	2,945
Eliminations and adjustments	(3,352)	(3,280)
Total liabilities	**35,475**	**31,086**
Financial liabilities and loans	14,661	13,819
Tax liabilities	2,925	2,898
Segment liabilities	**17,889**	**14,369**
- of which:		
Domestic Sales	6,272	5,289
Domestic Generation and Energy Management	4,019	3,841
Domestic Infrastructure and Networks	4,042	3,567
International	4,037	813
Parent Company	1,275	1,604
Services and Other Activities	1,128	2,392
Eliminations and adjustments	(2,884)	(3,137)

Information on the Consolidated Income Statement

Revenues

6.a Revenues from sales and services — €37,497 million

	2006	2005	2006-2005
	Millions of euro		
Revenues from the sale and transport of electricity and contributions from Electricity Equalization Fund	34,231	29,008	5,223
Revenues from the sale and transport of natural gas to end-users	1,695	1,556	139
Revenues from fuel sales	413	446	(33)
Connection fees for the electricity and gas networks	617	656	(39)
Revenues for contract work in progress	138	290	(152)
Other sales and services	403	414	(11)
Total	**37,497**	**32,370**	**5,127**

The change in "Revenues from the sale and transport of electricity and contributions from Electricity Equalization Fund" for 2006 with respect to 2005 is mainly attributable to a rise of €1,924 million in revenues from the transport and sale of electricity on the free and regulated markets. The increase is essentially due to higher unit prices and sales volumes on the free market as well as an increase in rate revenues for the regulated market, essentially related to the share allocated to cover higher generation costs. The figures for the period also reflect a €719 million increase in revenues from sales to resellers and revenues of €396 million for the remuneration of ancillary services. The increase in sales and transport is also linked to the rise in revenues posted by the Group abroad (€2,345 million), mainly attributable to €1,022 million in energy trading and to generation and distribution by foreign companies (of which €1,153 million related to the consolidation of

Slovenské elektrárne, RusEnergoSbyt and Enel Panama). These increases were partially offset by lower contributions from the Electricity Equalization Fund related to the recognition in 2005 of €100 million in revenues connected with the recovery of charges for green certificates incurred in 2002 and 2003.

The increase in "Revenues from the sale and transport of natural gas to end-users" is essentially a reflection of the increase in the raw material component of gas rates.

"Revenues from fuel sales" decreased by €33 million due to a decrease in the sale of fuels other than natural gas, which was partially offset by greater sales of natural gas.

"Revenues for contract work in progress" fell by €152 million as a result of reduced engineering and construction activities carried out for external parties.

The table below gives a breakdown of revenues by geographical area:

	2006	2005
	Millions of euro	
Italy	32,389	30,563
Europe	4,525	1,656
Americas	180	117
Middle East	22	27
Other	381	7
Total	**37,497**	**32,370**

6.b Other revenues — €1,016 million

	2006	2005	2006-2005
	Millions of euro		
Prior-year regulatory items	—	338	(338)
Reimbursement of stranded costs for Nigerian gas	154	158	(4)
Gains on sale of equity investments	90	131	(41)
Gains on sale of property, plant and equipment and intangible assets	22	45	(23)
Bonus for service continuity	194	115	79
Other	556	630	(74)
Total	**1,016**	**1,417**	**(401)**

"Prior-year regulatory items" for 2005 include reimbursements for reserve services provided to the ISO (GRTN, now the Electricity Services Operator) for the period from 2002 through March 31, 2004.

"Gains on sale of equity investments" realized in 2006 include €85 million from the sale of the distribution and sales networks of a number of municipalities in the Province of Modena.

The "Bonus for service continuity" for 2006, totaling €194 million, regards the bonus payable to Enel Distribuzione and Deval for improvements in service continuity recognized during the period, as well as the supplement to the amount recognized during the previous year for continuity improvements achieved in 2005. The corresponding income recognized in the previous year totaled €115 million.

7. Income from equity exchange transaction — €263 million

The item regards the gain generated by the sale of Wind, in which 30.97% of the shares of Wind were exchanged for 20.9% of the share capital of Weather.

Notes to the financial statements — (Continued)

Costs

8.a Raw materials and consumables — €23,469 million

	2006	2005	2006-2005
	Millions of euro		
Electricity purchases	17,082	14,321	2,761
Fuel and gas	5,637	5,514	123
Materials	750	798	(48)
Total	**23,469**	**20,633**	**2,836**
- of which capitalized	*(586)*	*(665)*	*79*

The increase in costs for electricity purchases reflects the change in the scope of consolidation of foreign firms, as well as the increase in average electricity costs. These factors were only partially offset by a reduction in quantities purchased in Italy, essentially related to a decrease in the volume of energy sales on the regulated market.

The higher costs of fuel and gas are mainly attributable to the increase in the average purchase price.

8.b Services — €3,477 million

	2006	2005	2006-2005
	Millions of euro		
Electricity and gas wheeling	1,342	1,048	294
Maintenance and repairs	444	395	49
Telephone and postal	289	260	29
Communication services	62	62	—
Leases and rentals	425	387	38
Other	915	905	10
Total	**3,477**	**3,057**	**420**

Costs for services rose by €420 million, mainly as a result of the increase in electricity and gas wheeling costs, largely in respect of activity on the free market.

8.c Personnel — €3,210 million

	2006	2005	2006-2005
	Millions of euro		
Wages and salaries	1,995	1,957	38
Social security contributions	568	529	39
Termination benefits	64	111	(47)
Other costs	583	165	418
Total	**3,210**	**2,762**	**448**
- of which capitalized	*(403)*	*(384)*	*(19)*

Personnel costs for 2006 rose by €448 million, which reflects the charge for the year for early retirement incentives (€487 million). Excluding this component and the increase arising from the change in the scope of consolidation, personnel costs, taking account of the charge in respect of the renewal of the national collective bargaining agreement for the electricity and gas industry, declined by €73 million, while the average number of employees for the period, after adjusting for the changes in the scope of consolidation, fell from 53,362 for 2005 to 50,804 for 2006.

The figure includes the charge recognized for 2006 related to defined-contribution plans, equal to €42 million (€49 million in 2005).

Notes to the financial statements — (Continued)

The table below shows the average number of employees by category, compared with the previous year, and the actual number of employees at December 31, 2006.

	Average number			Headcount
	2006	2005	2006-2005	at Dec. 31, 2006
Senior managers	692	618	74	691
Middle managers	4,678	4,144	534	4,900
Office staff	29,918	29,231	687	30,540
Workers	21,300	19,369	1,931	22,417
Total continuing operations	**56,588**	**53,362**	**3,226**	**58,548**
Discontinued operations	—	6,722	(6,722)	—
TOTAL	**56,588**	**60,084**	**(3,496)**	**58,548**

8.d Depreciation, amortization and impairment losses — €2,463 million

	2006	2005	2006-2005
	Millions of euro		
Depreciation	2,154	1,918	236
Amortization	190	138	52
Impairment losses	119	151	(32)
Total	**2,463**	**2,207**	**256**

The rise of €256 million is essentially attributable to the increase in the depreciation of property, plant and equipment, mainly due to the inclusion of Slovenské elektrárne and Enel Panama in the scope of consolidation (€189 million).

8.e Other operating expenses — €713 million

	2006	2005	2006-2005
	Millions of euro		
Provisions for risks and charges	98	212	(114)
Purchase of green certificates	73	119	(46)
Charges for CO_2 emissions	84	228	(144)
Taxes and duties	159	144	15
Other	299	208	91
Total	**713**	**911**	**(198)**

The decrease in "Other operating expenses" essentially reflects the decline in charges for emissions of €144 million. The decrease is associated with the effect of the alignment in 2006 of the value of the allowance deficit for 2005 (10.7 million metric tons) with the prices of the allowances acquired in 2006, which were significantly lower than the market prices used for measurement at December 31, 2005. This positive effect was partially offset by the cost incurred to acquire part of the allowances to cover the deficit for the year and the measurement at year-end prices of the deficit not yet covered (1.3 million metric tons).

8.f Capitalized costs — €(989) million

"Capitalized costs" include €403 million in personnel costs and €586 million in materials costs (compared with €384 million and €665 million, respectively, for 2005). The decrease in the period relates to the decline in in-house plant construction by the Domestic Infrastructure and Networks Division.

9. Net income/(charges) from commodity risk management — €(614) million

Net charges from commodity risk management include €622 million from contracts for differences and derive essentially from a change in developments in prices for the purchase of electricity on the pool market and the prices of the products used as benchmarks in the contracts for differences.

	2006	2005	2006-2005
	Millions of euro		
Income			
Unrealized on contracts for differences	—	43	(43)
Unrealized on other contracts	16	9	7
Total unrealized income	*16*	*52*	*(36)*
Realized on contracts for differences	—	289	(289)
Realized on other contracts	76	98	(22)
Total realized income	*76*	*387*	*(311)*
Total income	**92**	**439**	**(347)**
Charges			
Unrealized on contracts for differences	(103)	—	(103)
Unrealized on other contracts	(42)	(13)	(29)
Total unrealized charges	*(145)*	*(13)*	*(132)*
Realized on contracts for differences	(519)	—	(519)
Realized on other contracts	(42)	(154)	112
Total realized charges	*(561)*	*(154)*	*(407)*
Total charges	**(706)**	**(167)**	**(539)**
NET INCOME/(CHARGES) FROM COMMODITY RISK MANAGEMENT	**(614)**	**272**	**(886)**

10. Financial income/(expense) — €(647) million

	2006	2005	2006-2005
	Millions of euro		
Financial income:			
- interest and other income from non-current financial assets	8	29	(21)
- foreign exchange gains	165	23	142
- income from derivative instruments	85	68	17
- other income	233	99	134
Total income	**491**	**219**	**272**
Financial expense:			
- interest and other charges on financial debt	(635)	(686)	51
- foreign exchange losses	(82)	(52)	(30)
- expense on derivative instruments	(169)	(94)	(75)
- accretion of post-employment and other employee benefits	(108)	(112)	4
- accretion of other provisions	(159)	—	(159)
Total financial expense	**(1,153)**	**(944)**	**(209)**
Total financial income/(expense)	**(662)**	**(725)**	**63**
Income/(expense) from equity investments:			
- income from equity investments	22	11	11
- expense on equity investments	(7)	—	(7)
Total income/(expense) from equity investments	**15**	**11**	**4**
TOTAL	**(647)**	**(714)**	**67**

Net financial expense excluding net income from equity investments amounted to €662 million, down €63 million on the previous year. This reflected the benefit of Enel's financial strategy, which in a context of sharply rising market interest rates, especially short-term rates, was focused on extending the average maturity of its debt and reducing the floating rate component.

These developments, associated with a significant reduction in outstanding debt, contributed to the decline in the financial expense on the debt.

Notes to the financial statements — (Continued)

The decline also reflected the recognition in 2006 of the right to reimbursement of registration fees paid on bonds issued between 1976 and 1984.

These effects were partially offset by an increase in net financial expense due to the consolidation of Slovenské elektrárne, to which the increase of €159 million in the accretion of provisions for risks and charges is also largely attributable.

11. Share of income/(expense) from investments accounted for using the equity method — €(4) million

	2006	2005	2006-2005
	Millions of euro		
Income from associates	4	7	(3)
Expense on associates	(8)	(37)	29
Total	**(4)**	**(30)**	**26**

Expense in respect of investments accounted for using the equity method came to €8 million in 2006. They essentially reflect the measurement of the 26.1% stake held in Weather Investments until the sale date. The expense for 2005, totaling €37 million, concerned the measurement using the equity method of the investment in Wind Telecomunicazioni (37.25%), taking account of the gain that emerged from the fair value measurement of call option envisaged in the disposal agreement, which was exercised in February 2006.

12. Income taxes — €2,067 million

	2006	2005	2006-2005
	Millions of euro		
Current taxes	1,657	1,398	259
Income tax adjustments relating to prior years	(5)	14	(19)
Deferred tax liabilities	47	277	(230)
Deferred tax assets	368	245	123
Total	**2,067**	**1,934**	**133**

The tax charge for 2006 amounts to an estimated €2,067 million, equal to 40.0% of taxable income, compared with 40.3% in 2005. Foreign taxes in the year totaled €99 million (€27 million in 2005).

The table below reconciles the theoretical tax rate with the effective rate.

	2006		2005	
	Millions of euro			
Income before taxes	*5,168*		*4,794*	
Theoretical tax due calculated as 33% of pre-tax income	1,705	33.0%	1,582	33.0%
Permanent differences and minor items	13	0.3%	(12)	−0.3%
Difference on estimated income taxes from prior years	(5)	−0.1%	14	0.3%
IRAP	354	6.8%	350	7.3%
Total	**2,067**	**40.0%**	**1,934**	**40.3%**

13. Discontinued operations — €0 million

Following the disposal of equity investments in Wind and Terna, which took place on August 11 and September 15, 2005, respectively, these entities were deconsolidated as from those dates and the financial performance achieved up to the disposal date is reported under discontinued operations.

Similarly, the capital gain achieved in the 2nd Quarter of 2005 from the sale of 13.86% of Terna was recognized under discontinued operations.

Notes to the financial statements — (Continued)

The income components contributing to the total of discontinued operations are shown in the following table.

	2006	2005
	Millions of euro	
Operating income	—	572
Net financial expense	—	(240)
Income taxes	—	(213)
Net income before capital gains	**—**	**119**
Gains on disposal of assets	—	1,153
NET INCOME ON DISCONTINUED OPERATIONS	**—**	**1,272**

Information on the Consolidated Balance Sheet

Assets

Non-current assets

14. Property, plant and equipment — €34,846 million

Changes in property, plant and equipment for 2005 and 2006 are shown below:

	Land	Buildings	Plant and machinery	Industrial and commercial equipment	Other assets	Leased assets	Leasehold improvements	Assets under construction and advances	Total
					Millions of euro				
Cost	351	6,684	75,753	494	1,117	—	279	2,073	**86,751**
Accumulated depreciation	—	(3,041)	(45,630)	(393)	(794)	—	(191)	—	**(50,049)**
Balance at Dec. 31, 2004	**351**	**3,643**	**30,123**	**101**	**323**	**—**	**88**	**2,073**	**36,702**
Investments	1	64	1,743	16	56	—	13	1,144	**3,037**
Assets entering service	2	48	766	1	15	—	10	(842)	**—**
Depreciation[(1)]	—	(210)	(2,191)	(24)	(101)	—	(35)	—	**(2,561)**
Impairment losses	—	—	—	—	—	—	—	—	**—**
Change in scope of consolidation	(16)	(325)	(6,329)	(10)	(119)	—	(59)	(600)	**(7,458)**
Exchange rate gains/ (losses)	1	—	245	—	—	—	—	1	**247**
Ordinary disposals and other changes	52	133	(211)	(4)	(23)	—	10	264	**221**
Total changes	**40**	**(290)**	**(5,977)**	**(21)**	**(172)**	**—**	**(61)**	**(33)**	**(6,514)**
Cost	391	6,435	64,698	358	664	—	65	2,040	**74,651**
Accumulated depreciation	—	(3,082)	(40,552)	(278)	(513)	—	(38)	—	**(44,463)**
Balance at Dec. 31, 2005	**391**	**3,353**	**24,146**	**80**	**151**	**—**	**27**	**2,040**	**30,188**
Investments	1	56	1,415	17	71	—	11	1,188	**2,759**
Assets entering service	1	58	612	—	31	—	17	(719)	**—**
Depreciation	—	(247)	(1,790)	(16)	(67)	(21)	(13)	—	**(2,154)**
Impairment losses	—	—	(6)	—	—	—	—	—	**(6)**
Change in scope of consolidation	12	1,106	2,257	19	1	225	—	357	**3,977**
Exchange rate gains/ (losses)	—	94	147	3	—	18	—	33	**295**
Ordinary disposals and other changes	(16)	(14)	(163)	(3)	(7)	3	—	(13)	**(213)**
Total changes	**(2)**	**1,053**	**2,472**	**20**	**29**	**225**	**15**	**846**	**4,658**
Cost	389	8,021	69,355	404	673	292	119	2,886	**82,139**
Accumulated depreciation	—	(3,615)	(42,737)	(304)	(493)	(67)	(77)	—	**(47,293)**
Balance at Dec. 31, 2006	**389**	**4,406**	**26,618**	**100**	**180**	**225**	**42**	**2,886**	**34,846**

(1) Includes €643 million in respect of Telecommunication and Transmission Networks Divisions until date of deconsolidation.

"Plant and equipment" includes assets to be relinquished with a net book value of €2,214 million, mainly hydroelectric power plants (€2,171 million, of which €353 million refers to the plant of the Spanish companies).

"Leased assets" mainly regard the sale and lease back agreement for the V1 nuclear power plant at Jaslovske Bohunice and the hydroelectric plant at Gabcikovo, the signing of which was a necessary condition for the start of the privatization of the Slovakian electricity system. In particular, the lease contract for the V1 plant covers the entire remaining useful life of the asset and the period between the end of generation and the start of the decommissioning process, while that for the Gabcikovo plant has a 30-year term as from April 2006.

Notes to the financial statements — (Continued)

The following table reports the minimum lease payments and the related present value.

	Minimum lease payments	Present value
	Millions of euro	
2007	14	11
2008-2012	31	14
After 2012	99	64
Total	**144**	**89**

Changes in the scope of consolidation in 2006 relate to the following transactions:

- the acquisition of Slovenské elektrárne (up €3,871 million);
- the acquisition of Enel Panama (up €159 million);
- the acquisition of the Brazilian companies of the Rede Group (up €79 million);
- the acquisition of companies in the Gas area (up €41 million);
- the partial deconsolidation of Enel Unión Fenosa Renovables (down €156 million);
- the sale of Carbones Colombianos del Cerrejón (down €17 million).

In 2005 the item mainly regarded the deconsolidation of the Telecommunications and Transmission Networks Divisions.

Depreciation for 2005 included amounts related to Telecommunications and Transmission Networks Divisions until deconsolidation in the amount of €643 million. Excluding this effect, this item increased by €236 million due essentially to the acquisition of Slovenské elektrárne and Enel Panama for a total of €189 million.

The variation in ordinary disposals and other changes was affected by the reclassification in 2005 of materials to be used in the construction and maintenance of the distribution networks, which was previously classified as inventory, as well as the transfer of land and buildings to Dalmazia Trieste following the spin-off of the Immobiliare Foro Bonaparte real estate firm in 2005.

The following tables report the net values at December 31, 2006 and December 31, 2005 for property, plant and equipment based on the use of the assets.

	2006	2005
	Millions of euro	
Power plants:[1]		
- thermal	7,124	6,521
- hydro	4,601	4,422
- geothermal	313	633
- nuclear	1,831	—
- alternative energy resources	323	566
Total power plants	**14,192**	**12,142**
Electricity distribution networks	12,827	12,282
Gas distribution networks	1,585	1,626
Buildings for primary and secondary transformer stations	691	674
Buildings for office, warehouse and other uses[2]	1,895	872
Equipment and other assets	770	552
Total assets in use	**31,960**	**28,148**
Assets under construction and advances	**2,886**	**2,040**
TOTAL	**34,846**	**30,188**

(1) The values also include industrial land and buildings.

(2) The values include non-industrial buildings (offices, warehouses, parking facilities, etc.), buildings for civil use and non-appurtenant land.

The table below summarizes capital expenditure in 2006 by category. The total of €2,759 million declined by €278 million from 2005, mainly as a result of the removal of Wind and Terna from the scope of consolidation.

	2006	2005
	Millions of euro	
Power plants:		
- thermal	766	570
- hydro	157	206
- geothermal	79	84
- nuclear	57	—
- alternative energy resources	115	130
Total power plants	**1,174**	**990**
Transport lines and transformer stations	—	133
Electricity distribution networks	1,324	1,381
Gas distribution networks	88	70
Telecommunication networks	—	251
Land, buildings and other assets and equipment	173	212
TOTAL	**2,759**	**3,037**

Investments in power plants totaled €1,174 million, an increase of €184 million over the previous year. The expenditure primarily concerned works for the transformation of thermal plants and plant upgrading and repowering to enhance safety and environmental performance (upgrading of hydraulic plant, environmental impact work, etc.), as well as the effect of the consolidation of Slovenské elektrárne.

Investments in the electricity distribution network totaled €1,324 million, down €57 million from the previous year, due primarily to investments related to the digital metering project, which will soon be completed. In the year, about 2.9 million traditional meters were replaced (some 6.2 million in 2005). Since the program began a total of 30 million meters have been replaced.

In the absence of indications concerning events that might have reduced the value of the assets, no impairment test was conducted.

15. Intangible assets — €2,982 million

Changes in intangible assets for 2005 and 2006 are shown below:

	Development costs	Industrial patents and intellectual property rights	Concessions, licenses, trademarks and similar rights	Other	Assets under development and advances	Goodwill	Total
			Millions of euro				
Balance at Dec. 31, 2004	**6**	**411**	**2,526**	**245**	**174**	**6,709**	**10,071**
Investments	—	72	36	12	97	3	**220**
Assets entering service	—	59	—	9	(68)	—	**—**
Exchange rate differences	—	—	1	9	—	23	**33**
Changes in scope of consolidation	—	(245)	(2,410)	26	(70)	(5,120)	**(7,819)**
Amortization(1)	—	(149)	(96)	(63)	—	—	**(308)**
Impairment losses	—	—	—	—	—	—	**—**
Other changes	(6)	(15)	20	27	(1)	(40)	**(15)**
Total changes	**(6)**	**(278)**	**(2,449)**	**20**	**(42)**	**(5,134)**	**(7,889)**

Notes to the financial statements — (Continued)

	Development costs	Industrial patents and intellectual property rights	Concessions, licenses, trademarks and similar rights	Other	Assets under development and advances	Goodwill	Total
			Millions of euro				
Balance at Dec. 31, 2005	—	133	77	265	132	1,575	2,182
Investments	5	51	15	35	98	—	**204**
Assets entering service	—	69	—	10	(79)	—	**—**
Exchange rate differences	—	1	—	(11)	1	29	**20**
Changes in scope of consolidation	—	8	12	77	9	670	**776**
Amortization	(2)	(94)	(15)	(79)	—	—	**(190)**
Impairment losses	—	—	—	—	—	(3)	**(3)**
Other changes	32	(3)	(2)	(21)	(13)	—	**(7)**
Total changes	**35**	**32**	**10**	**11**	**16**	**696**	**800**
Cost	42	482	128	759	148	2,271	**3,830**
Accumulated amortization	7	317	41	483	—	—	**848**
Balance at Dec. 31, 2006	**35**	**165**	**87**	**276**	**148**	**2,271**	**2,982**

(1) Includes €170 million in respect of Telecommunications and Transmission Networks Divisions until date of deconsolidation.

The individual items making up intangible assets are commented on below.

"Industrial patents and intellectual property rights" relate mainly to costs incurred in purchasing software and open-ended software licenses. The most important applications relate to invoicing and customer management, the development of Internet portals and the management of company systems. Amortization is calculated on a straight-line basis over the item's residual useful life (on average between three and five years).

"Concessions, licenses, trademarks and similar rights" include expenses incurred by the gas companies and the foreign electricity distribution companies to build up their customer base. Amortization is calculated on a straight-line basis over the term of the average period of the relationship with customers or of the concessions.

"Goodwill" amounted to €2,271 million, an increase of €696 million over the previous year.

Notes to the financial statements — (Continued)

	at Dec. 31, 2005	Changes in scope of consolidation	Exchange rate differences	Impairment losses	at Dec. 31, 2006
			Millions of euro		
Enel Viesgo Generación	657	—	—	—	657
Enel Rete Gas	4				4
Enel Energia (formerly Enel Gas)	579	—	—	—	579
Enel Unión Fenosa Renovables	131	(49)	—	—	82
Enel North America	85	—	(9)	(1)	75
Enel Latin America	73	—	(7)	—	66
Electra de Viesgo Distribución	24	—	—	—	24
Enel Maritza East 3 (formerly Maritza East III Power Company)	15	—	—	—	15
Wisco	7	—	—	(2)	5
Slovenské elektrárne	—	561	48	—	609
RusEnergoSbyt	—	80	(1)	—	79
Enel Panama	—	62	(2)	—	60
Erelis	—	14	—	—	14
Enel Operations Bulgaria (formerly Maritza East 3 Operating Company)	—	2	—	—	2
Total	**1,575**	**670**	**29**	**(3)**	**2,271**

The change in the scope of consolidation concerns the acquisition of 66% of Slovenské elektrárne (€561 million), 100% of the Russian company RusEnergoSbyt (€80 million) through the acquisition of 49.5% of its direct parent Res Holdings, 100% of Enel Panama (€62 million), 100% of Erelis (€14 million), and 73% of Enel Operations Bulgaria (formerly Maritza East 3 Operating Company, €2 million), net of the sale of a 30% stake in Enel Unión Fenosa Renovables (down €49 million).

The allocation of the cost of the investment in Slovenské elektrárne to the current value of the assets and liabilities acquired was completed at the end of 2006. Accordingly, the goodwill recognized can be considered final and subject to impairment tests, as described below. As regards the other acquisitions made during 2006, the differences between the cost value of the investments and the assets acquired less liabilities assumed have been recognized on a provisional basis as goodwill pending more accurate allocation.

The recoverable value of the goodwill recognized was estimated using discounted cash flow and dividend discount models, which involve estimating future cash flows and applying an appropriate discount rate in order to determine an asset's value in use. More specifically, the cash flows concern an explicit period selected in line with the average useful life of the assets or the duration of the concessions. In cases in which it was not possible to estimate cash flows reliably for the entire useful life of the assets, a residual amount was calculated as a perpetuity at a growth rate of zero or equal to inflation as deemed appropriate for the country involved. The value in use calculated as described above was found to be greater than the amount recognized on the balance sheet. The sensitivity analysis used in the analysis did not point to significant impacts on the results of the measurements themselves and consequently on the differences found.

The table below reports the balance of goodwill according to the company to which the cash generating unit belongs, along with the discount rates applied and the time horizon over which the expected cash flows have been discounted.

	Amount at Dec. 31, 2006	Tax rate	Growth rate(1)	Discount rate WACC(2)	Discount rate Ke(3)	Explicit period of cash flows
			Millions of euro			
Enel Viesgo Generación	657	30%	no terminal value	6.9%		26 years
Electra de Viesgo Distribución	24	30%	1.0%	6.0%		11 years
Enel Rete Gas	4	42%	0%	6.0%		3 years
Enel Energia (formerly Enel Gas)	579	38%	0%	7.1%		5 years
Enel North America	75	40.4%	2.0%	6.5%		10 years
Enel Latin America	66	28.2%	2.0%	9.9%		10 years
Enel Unión Fenosa Renovables	82	30%	no terminal value		8.8%	20 years
Enel Maritza East 3 (formerly Maritza East III Power Company)	15	10%	no terminal value		11.4%	18 years
Wisco	5	40%	0%	8.0%		11 years
Slovenské elektrárne	609	19%	no terminal value	8.5%		34 years

(1) Perpetual growth rate of cash flows after explicit period.
(2) WACC represents the weighted average capital cost.
(3) Ke is the opportunity cost for the shareholder for the investment in risk capital.

16. Deferred tax assets — €1,554 million

Changes in "Deferred tax assets", grouped by type of temporary difference and determined using current tax rates, are shown below.

	at Dec. 31, 2005	Increase/ (Decrease) taken to income statement	Other changes	Changes in scope of consolidation	at Dec. 31, 2006
			Millions of euro		
Nature of the temporary differences:					
- impairment of property, plant and equipment and intangible assets	68	(9)	(2)	—	57
- accruals to provisions for risks and charges and impairment losses with deferred deductibility	567	(192)	—	191	566
- tax losses carried forward	125	(60)	—	—	65
- measurement of financial assets	149	(61)	(45)	—	43
- other items	869	(46)	—	—	823
Total	**1,778**	**(368)**	**(47)**	**191**	**1,554**

At December 31, 2006, deferred tax assets totaled €1,554 million, a decrease of €224 million compared with December 31, 2005.

The change is essentially ascribable to the recognition in the income statement of amounts deductible for the period (€368 million), mainly referring to the item provisions for risks and charges and prior impairments of equity investments on which tax deductibility is deferred over more than one year.

The change in the scope of consolidation is related primarily to Slovenské elektrárne.

No deferred tax assets were recorded in relation to prior tax losses of €764 million, mainly regarding two holding companies located in the Netherlands and Luxembourg (€649 million), because the tax laws in force in the countries in question do not treat the expected income (dividends) of the companies as taxable.

17. Equity investments accounted for using the equity method — €56 million

Equity investments in associated companies accounted for using the equity method are as follows:

	at Dec. 31, 2005	% holding	Capital increases	Sales	Income effect	Other changes	at Dec. 31, 2006	% holding
	Millions of euro							
Wind Telecomunicazioni	1,728	37.2%	—	(328)	263	(1,663)	—	—
Weather Investments	—	—	—	(1,962)	(6)	1,968	—	—
Gesam	14	40.0%	—	(18)	4	—	—	—
Idrosicilia	9	40.0%	—	—	—	—	9	40.0%
Cesi	7	25.9%	—	—	—	—	7	25.9%
Compagnia Porto di Civitavecchia	9	25.0%	2	—	—	(4)	7	25.0%
Aes Distribuidores Salvadoreños	7	20.0%	—	—	—	(2)	5	20.0%
Other	23	—	—	(2)	4	3	28	—
Total	**1,797**		**2**	**(2,310)**	**265**	**302**	**56**	

The changes for the year in the equity investments in Wind and Weather Investments are the result of the completion of the sale of Wind. Specifically, Enel transferred 6.28% of Wind's share capital to a subsidiary of Weather after Weather exercised a call option envisaged in the May 2005 agreement between the parties. Enel also transferred its remaining 30.97% of Wind shares to Weather in exchange for 20.9% of the share capital of Weather. The exchange generated a gain of €263 million. Including the 5.2% of Weather acquired in August 2005 during the first phase of the transaction and classified at December 31, 2005 under non-current financial assets, Enel's total holding in the company amounted to 26.1%. On December 21, 2006, Enel sold the holding for a total of €1,962 million, of which €1,000 million were paid on that date, with the remainder deferred on an interest-bearing basis for 18 months and classified under other non-current financial assets.

The main income statement and balance sheet data for the principal equity investments in associates are reported in the following table.

	at Dec. 31, 2006			Net income/ (loss)	at Dec. 31, 2005			Net income/ (loss)
	Assets	Liabilities	Revenues		Assets	Liabilities	Revenues	
				Millions of euro				
Idrosicilia	23	1	—	1	23	1	—	1
Cesi	128	101	80	1	159	129	125	1
Compagnia Porto di Civitavecchia	23	7	—	(2)	2	4	—	(3)
Aes Distribuidores Salvadoreños	85	57	5	—	104	67	9	5
Other companies	166	114	52	6	119	103	14	4

18. Non-current financial assets — €1,494 million

	at Dec. 31, 2006	at Dec. 31, 2005	2006-2005
		Millions of euro	
Equity investments in other companies	367	594	(227)
Advance paid on the acquisition of Slovenské elektrárne	—	168	(168)
Receivables due from associates and other equity investments	—	34	(34)
Other securities designated at fair value through profit or loss	114	—	114
Other receivables:			
- financial receivables due from financing entities	14	27	(13)
- derivative contracts	37	11	26
- other items	962	2	960
Total other receivables	**1,013**	**40**	**973**
TOTAL	**1,494**	**836**	**658**

As regards "Equity investments in other companies", the fair value of publicly listed companies was determined with reference to the market value of their shares at the end of the period, whereas the fair value of unlisted companies was determined on the basis of what is felt to be a reliable valuation of their significant balance sheet items.

	at Dec. 31, 2006	% holding	at Dec. 31, 2005	% holding	2006-2005
			Millions of euro		
Weather Investments	—	—	286	5.20%	(286)
Terna	262	5.12%	213	5.12%	49
Red Electrica de España	44	1.00%	35	1.00%	9
LaGeo	25	12.50%	25	12.50%	0
Echelon	18	7.67%	20	7.54%	(2)
Tri Alpha Energy	7	6.18%	7	6.74%	0
Other	11		8		3
Total	**367**		**594**		**(227)**

The change in 2006 is connected with the Enel-Weather transaction described in the section concerning equity investments accounted for using the equity method.

Non-current financial assets at December 31, 2005, included the advance paid for the purchase of 66% of the share capital of Slovenské elektrárne. This acquisition was finalized in the 2nd Quarter of 2006.

"Other securities designated at fair value through profit or loss" are financial investments in asset management funds.

The increase in "Other items" essentially regards the remaining receivable of €962 million in respect of the sale of the 26.1% stake in Weather.

The table below reports the carrying amount and the fair value of long-term financial receivables (€1,090 million), including the portion due within twelve months (€30 million included under other short-term financial receivables).

	Carrying amount	Fair value	Carrying amount	Fair value
	at Dec. 31, 2006		at Dec. 31, 2005	
		Millions of euro		
Long-term financial receivables	1,120	1,120	66	66
Total	**1,120**	**1,120**	**66**	**66**

Notes to the financial statements — (Continued)

The following table shows the notional amounts and the fair value of derivative contracts classified under non-current financial assets:

	Notional value		Fair value		
	at Dec. 31, 2006	at Dec. 31, 2005	at Dec. 31, 2006	at Dec. 31, 2005	2006-2005
	Millions of euro				
Cash flow hedge derivatives:					
- interest rates	2,586	327	37	11	26
Total	**2,586**	**327**	**37**	**11**	**26**

The increase in the fair values of the interest-rate derivatives is primarily due to the increase in interest rates during 2006, particularly at short and medium term (with 6-month Euribor going from 2.64% at the end of 2005 to 3.85% at the end of 2006).

19. Other non-current assets — €568 million

	at Dec. 31, 2006	at Dec. 31, 2005	2006-2005
	Millions of euro		
Receivables from Electricity Equalization Fund	209	847	(638)
Receivables from State Decommissioning Fund	269	—	269
Other long-term receivables:			
- tax paid on account on termination benefits	5	19	(14)
- loans to employees	45	44	1
- other receivables	40	65	(25)
Total other long-term receivables	**90**	**128**	**(38)**
TOTAL	**568**	**975**	**(407)**

The decrease of €638 million in "Receivables from the Electricity Equalization Fund" is mainly due to the reimbursement of stranded costs, pursuant to Resolution no. 132/06 of June 28, 2006, of the Authority for Electricity and Gas.

The "Receivables from the State Decommissioning Fund" in the amount of €269 million are entirely related to the consolidation of Slovenské elektrárne. The receivables regard the contribution that the company, as a nuclear generation operator, paid to the Slovakian national nuclear decommissioning fund in the manner and in accordance with the timetable established under Slovakian law.(1) The resources will be used by the Slovakian government to reimburse to the generating companies that paid into the Fund part of the future costs of decommissioning nuclear plants and managing the related waste, including post-operational costs in the period between the termination of generation activities and the start of decommissioning. If such costs are greater than the amounts paid into the Fund up to the decommissioning date, the rules governing the Fund establish that the difference can be recovered from end users through rate increases.

(1) The fund and its assets are managed entirely by the Government.

Current assets

20. Inventories — €1,209 million

	at Dec. 31, 2006	at Dec. 31, 2005	2006-2005
		Millions of euro	
Raw materials, consumables and supplies:			
- fuel	853	585	268
- materials, equipment and other inventories	207	115	92
Total	1,060	700	360
Buildings available for sale	148	166	(18)
Advances	1	18	(17)
TOTAL	1,209	884	325

Raw materials, consumables and supplies consist of fuel inventories to cover the company's requirements for generation and trading activities, as well as materials and equipment for plant operation, maintenance and construction. The increase is primarily related to the consolidation of Slovenské elektrárne, as well as to the measurement of fuel-oil inventories at higher weighted-average prices.

The buildings available for sale are remaining units from the Group's real estate portfolio and are primarily civil buildings. The decrease is related to sales made during the period.

21. Trade receivables — €7,958 million

	at Dec. 31, 2006	at Dec. 31, 2005	2006-2005
		Millions of euro	
Customers:			
- sale and transport of electricity	6,809	6,850	(41)
- distribution and sale of natural gas	712	611	101
- other activities	387	506	(119)
Total	7,908	7,967	(59)
Trade receivables due from associates	7	290	(283)
Receivables for contract work in progress	43	59	(16)
TOTAL	7,958	8,316	(358)

The decline in "Trade receivables due from associates" primarily refers to transactions with Wind, which, following the equity exchange transaction, were classified, for the uncollected amount, at December 31, 2006 under trade receivables from third-party customers.

Part of the trade receivables (€4,549 million) regard amounts determined as accrued at the end of the period and therefore have not yet been invoiced.

Trade receivables from customers are recognized net of the related provision for doubtful accounts, which totaled €482 million at the end of the year, compared with an opening balance of €347 million. The table below sets out the changes in the provision, which reflect the change in the scope of consolidation related primarily to Slovenské elektrárne (€155 million).

	Millions of euro
Balance at Jan 1, 2005	**486**
Accruals	188
Utilization	(29)
Changes in scope of consolidation	(305)
Other changes	7
Balance at Dec. 31, 2005	**347**
Accruals	110
Utilization	(129)
Changes in scope of consolidation	156
Other changes	(2)
Balance at Dec. 31, 2005	**482**

22. Tax receivables — €431 million

Tax receivables at December 31, 2006 totaled €431 million and are essentially related to taxes and tax surcharges in the amount of €132 million and receivables for indirect taxation in the amount of €91 million. They also include €121 million in respect of recognition of the right to obtain reimbursement of prior-year items recognized in 2006 from the tax authorities.

23. Current financial assets — €402 million

	at Dec. 31, 2006	at Dec. 31, 2005	2006-2005
	Millions of euro		
Receivables for factoring advances	211	374	(163)
Derivative contracts	120	115	5
Other securities	25	28	(3)
Equity investments	—	43	(43)
Other	46	9	37
Total	**402**	**569**	**(167)**

The €163 million decrease in "Receivables for factoring advances" is mainly due to a reduction in the amounts discounted by suppliers, essentially attributable to the termination of factoring relationships with Wind suppliers.

The following table reports the notional values and the fair value of derivative contracts, grouped by hedge type and designation:

	Notional value		Fair value		
	at Dec. 31, 2006	at Dec. 31, 2005	at Dec. 31, 2006	at Dec. 31, 2005	2006-2005
	Millions of euro				
Cash flow hedge derivatives:					
- interest rates	—	60	—	—	—
- exchange rates	25	1	—	—	—
- commodities	1,034	1,372	48	57	(9)
Total	**1,059**	**1,433**	**48**	**57**	**(9)**
Trading derivatives:					
- interest rates	42	60	—	1	(1)
- exchange rates	208	703	2	9	(7)
- commodities	407	7,179	70	48	22
Total	**657**	**7,942**	**72**	**58**	**14**
TOTAL	**1,716**	**9,375**	**120**	**115**	**5**

Commodity derivates are related to:

- two-way contracts for differences with a notional value of €1,034 million and a fair value of €48 million. These amounts refer both to the two-way contracts for differences with the Single Buyer for 2007 and the virtual power plant (VPP) contracts that Enel entered into with the counterparties selected through the auction of December 28, 2006. These contracts are also two-way contracts for differences;

- commodity derivatives on fuels, with a notional value of €405 million and a fair value of €11 million;

- trading derivatives on electricity, with a net notional value of about €2 million and a fair value of €1 million;

- embedded derivatives related to an energy sale contract in Slovakia, with a fair value of €58 million.

At December 31, 2005, derivatives in commodities mainly related to fuel and electricity had a notional value of €913 million and a fair value of €5 million, while energy trading operations were recognized as current liabilities because their fair value was negative in the amount of €1 million (compared with a net notional value of €107 million). The additional €6,266 million of notional value at December 31, 2005, referred to one-way contracts for differences, which are currently included among liabilities.

At December 31, 2005, the item "Equity investments" consisted entirely of the fair value of the 1.02% investment in Terna in respect of the bonus shares granted to shareholders, the rights to which were exercised in January 2006.

24. Cash and cash equivalents — €547 million

Cash and cash equivalents, detailed in the table below, are not restricted by any encumbrances, apart from €28 million essentially attributable to deposits pledged to secure transactions carried out by Enel North America and Enel Panama.

	at Dec. 31, 2006	at Dec. 31, 2005	2006-2005
		Millions of euro	
Bank and post office deposits	541	472	69
Cash and cash equivalents on hand	6	4	2
Total	**547**	**476**	**71**

25. Other current assets — €2,453 million

	at Dec. 31, 2006	at Dec. 31, 2005	2006-2005
		Millions of euro	
Receivables due from Electricity Equalization Fund	1,355	816	539
Receivables due from employees	14	14	—
Receivables due from others	975	801	174
Accrued operating income and prepaid expenses	109	81	28
Total	**2,453**	**1,712**	**741**

"Receivables due from Electricity Equalization Fund" show an increase of €539 million primarily as a result of the increase in receivables arising from the application of the equalization mechanisms on electricity purchases.

Including the portion of receivables classified as long-term (€209 million), total receivables due from the Electricity Equalization Fund at December 31, 2006, amounted to €1,564 million, partially offset by payables of €948 million.

Liabilities and shareholders' equity

26. Equity attributable to the shareholders of the Parent Company — €18,460 million

During 2006, 19,124,633 options that had been distributed under the stock option plans for 2002, 2003 and 2004 were exercised. The exercise of these options generated an increase of €108 million in equity through an increase in share capital of €19 million and in the share premium reserve of €89 million. In addition, as regards the exercised options, the share premium reserve increased by a further €7 million as a result of the reclassification from the specific stock option reserve.

Share capital — €6,176 million

Share capital at December 31, 2006 consisted of 6,176,196,279 ordinary shares with a par value of €1.00 each (6,157,071,646 shares at December 31, 2005).

Based on the shareholders register and other available information, no shareholders held more than 2% of the total share capital, apart from the Ministry for the Economy and Finance, which holds 21.14%, and its subsidiary Cassa Depositi e Prestiti, which holds 10.16%.

Other reserves — €4,549 million

Share premium reserve — €607 million

The change in the year reflects the exercise of stock options by beneficiaries.

Legal reserve — €1,453 million

Other reserves — €2,245 million

This includes €2,215 million in respect of the remaining portion of the value adjustments carried out when Enel was transformed from a public entity to a company limited by shares.

Pursuant to Article 47 of the Uniform Tax Code (*Testo Unico Imposte sul Reddito*), this amount does not constitute taxable income when distributed.

Foreign currency translation reserve — €81 million

The increase in this aggregate for the period is attributable to the net appreciation of the functional currency against the foreign currencies used by subsidiaries.

Reserve from measurement of financial instruments — €163 million

This item includes €16 million in losses not yet realized at the end of the period in respect of the measurement of cash flow hedging derivatives and recognized directly in equity, as well as €177 million in unrealized gains arising in respect of the fair value measurement of financial assets.

The table below shows the changes in gains and losses recognized directly in equity including minority interests and net of the related tax effects.

Notes to the financial statements — (Continued)

	at Dec. 31, 2005	Gains/(losses) recognized in equity for the period	Released to income statement	at Dec. 31, 2006
		Millions of euro		
Reserve for fair value measurement of cash flow hedging, effective portion	(138)	71	52	**(15)**
Reserve for fair value measurement of financial investments held for sale	132	77	(32)	**177**
Reserve for foreign exchange differences	60	66	—	**126**
Total gains/(losses) recognized in equity	**54**	**214**	**20**	**288**

Net deferred tax liabilities calculated on the balance at December 31, 2006 were a negative €7 million (a positive €53 million at December 31, 2005). The net change of €60 million during the year included €39 million of net deferred tax liabilities in respect of gains and losses recognized directly in equity and €21 million of accrued taxes in respect of reserves released to the income statement.

Statement of changes in equity

	Share capital and reserves attributable to the shareholders of the Parent Company										
	Share capital	Share premium reserve	Legal reserve	Other reserves	Retained earnings	Translation of financial statements in currencies other than euro	Reserve from measurement of financial instruments	Net income for the period	Equity attributable to the shareholders of the Parent Company	Equity attributable to minority interests	Shareholders' equity
	Millions of euro										
January 1, 2005	6,104	208	1,453	2,255	7,543	2	(229)	617	17,953	1,113	19,066
Exercise of stock options	53	303	—	—	(17)	—	—	—	339	—	339
Other changes	—	—	—	(10)	(6)	—	—	—	(16)	(7)	(23)
Change in scope of consolidation	—	—	—	—	—	—	—	—	—	(892)	(892)
Dividends	—	—	—	—	(1,597)	—	—	(617)	(2,214)	(89)	(2,303)
2005 interim dividend	—	—	—	—	—	—	—	(1,169)	(1,169)	—	(1,169)
Net income for period recognized in equity	—	—	—	—	—	38	231	—	269	(3)	266
Net income for period recognized in income statement	—	—	—	—	—			3,895	3,895	237	4,132
December 31, 2005	6,157	511	1,453	2,245	5,923	40	2	2,726	19,057	359	19,416
Exercise of stock options	19	96	—	(7)	—	—	—	—	108	—	108
Stock option charges	—	—	—	7	—	—	—	—	7	—	7
Change in scope of consolidation	—	—	—	—	—	—	—	—	—	118	118
Allocation of net income from the previous year	—	—	—	—	2,726	—	—	(2,726)	—	—	—
Dividends	—	—	—	—	(2,715)	—	—	—	(2,715)	(9)	(2,724)
2006 interim dividend	—	—	—	—	—	—	—	(1,235)(1)	(1,235)	—	(1,235)
Net income for period recognized in equity	—	—	—	—	—	41	161	—	202	32	234
Net income for period recognized in income statement	—	—	—	—	—	—	—	3,036	3,036	65	3,101
December 31, 2006	6,176	607	1,453	2,245	5,934	81	163	1,801	18,460	565	19,025

(1) Authorized by the Board of Directors on September 6, 2006 with the ex dividend date set at November 20, 2006 and payment as from November 23, 2006.

Non-current liabilities

27. Long-term loans (including the portion falling due within twelve months) — €12,517 million

The aggregate includes long-term payables in respect of bonds, bank loans and other loans in euro and other currencies, including the portion falling due within twelve months.

Notes to the financial statements — (Continued)

The following table shows long-term debt and repayment schedules at December 31, 2006, grouped by loan and interest rate type.

	Maturing	Balance	Nominal value	Balance	Portion falling due at more than 12 months	Current portion	Maturing in				
		31.12.2006	31.12.2006	31.12.2005		2007	2008	2009	2010	2011	Beyond
					Millions of euro						
Bonds:											
- listed, fixed rate	2008-2033	5,680	5,721	5,621	5,674	6	1,004	7	107	946	3,610
- listed, floating rate	2009-2012	633	636	799	633	—	50	86	100	—	397
- unlisted, fixed rate	2007-2010	91	91	171	61	30	60	1	—	—	—
- unlisted, floating rate	2007-2032	2,030	2,030	1,939	2,007	23	22	331	79	56	1,519
Total		**8,434**	**8,478**	**8,530**	**8,375**	**59**	**1,136**	**425**	**286**	**1,002**	**5,526**
Bank loans:											
- fixed rate	2007-2015	130	130	166	91	39	19	20	9	9	34
- floating rate	2007-2026	3,780	3,802	3,015	3,586	194	235	282	254	816	1,999
Total		**3,910**	**3,932**	**3,181**	**3,677**	**233**	**254**	**302**	**263**	**825**	**2,033**
Non-bank loans:											
- fixed rate	2007-2026	132	135	138	104	28	21	7	6	7	63
- floating rate	2009-2020	41	41	53	38	3	3	2	2	2	29
Total		**173**	**176**	**191**	**142**	**31**	**24**	**9**	**8**	**9**	**92**
TOTAL		12,517	12,586	11,902	12,194	323	1,414	736	557	1,836	7,651

The balance for bonds is stated net of €474 million relating to the unlisted floating-rate "Special series of bonds reserved for employees 1994-2019", which the Parent Company holds in portfolio.

The table below reports long-term financial debt by currency and interest rate.

Long-term financial debt by currency and interest rate.

	Balance	Nominal value	Balance	Current interest rate	Effective interest rate
	at Dec. 31, 2006		at Dec. 31, 2005	at Dec. 31, 2006	
			Millions of euro		
Euro	11,869	11,935	11,444	4.36%	4.41%
US dollar	222	225	185	8.09%	8.11%
Pound sterling	62	62	62	5.73%	5.73%
Swiss franc	13	13	22	6.49%	6.49%
Japanese yen	59	59	109	1.65%	1.65%
Other currencies	292	292	80	5.92%	5.92%
Total non-euro currencies	**648**	**651**	**458**		
TOTAL	12,517	12,586	11,902		

Change in the nominal value of long-term debt

	Nominal value	Repayments	Change in own bonds	Changes in consolidated companies	New financing	Exchange rate differences	Nominal value
	at Dec. 31, 2005						at Dec. 31, 2006
				Millions of euro			
Bonds	8,599	(487)	53	246	97	(30)	8,478
Bank loans	3,195	(1,173)	—	493	1,425	(8)	3,932
Non-bank loans	191	(45)	—	45	2	(17)	176
Total financial debt	**11,985**	**(1,705)**	**53**	**784**	**1,524**	**(55)**	**12,586**

Compared with December 31, 2005, the nominal value of long-term debt increased by a total of €601 million, which is the net effect of €1,705 million in repayments, €1,524 million in new financing,

€784 million arising from changes in the scope of consolidation, €53 million due to changes in own bonds held, and €55 million in exchange rate gains.

The main repayments for the year concern bonds in the amount of €487 million, €100 million in respect of Enel SpA's matured 36-month revolving credit lines, the repayment of about €1,073 million of bank loans held by Slovenské elektrárne, Enel Maritza East 3 (formerly Maritza East III Power Company) and Enel Unión Fenosa Renovables and other maturing loans, as well as non-bank loans in the amount of €45 million.

The main financing transactions for 2006 include the following:

- the refinancing of Slovenské elektrárne debt with a new 5-year revolving line of credit for a total of €600 million without an Enel SpA guarantee, €565 million of which was drawn at the end of 2006;
- the renegotiation of the project financing in respect of Enel Maritza East 3 (formerly Maritza East III Power Company) in the amount of €450 million payable in 2023 and fully guaranteed by SACE, €220 million of which was drawn at December 31, 2006;
- the renegotiation of the Acuerdo Marco II project financing for Enel Unión Fenosa Renovables in the amount of €283 million with a maturity of 15 years, €80 million of which was drawn at December 31, 2006;
- the issue by Enel SpA of two additional tranches of a privately-placed bond issue for leading Italian insurance companies in the amount of €97 million maturing in 2024;
- the signing by Enel Viesgo Generación of an EIB loan in the amount of €150 million for investment in the Escatrón plant, which is yet to be disbursed;
- the signing by Enel Distribuzione of an EIB loan in the amount of €600 million for investments in the "Network Efficiency" project, which was disbursed in its entirety at December 31, 2006.

In addition, in 2006 two bond issues were consolidated, one for €195 million issued by Slovenské elektrárne in 2004 maturing in 2011 and another with a residual value of €51 million issued by Fortuna maturing in 2013.

Finally, Enel SpA's 5-year (renewable for a further two years) revolving line of credit in the amount of €5 billion agreed in November 2005 was available in its entirety at December 31, 2006.

The following table compares the carrying amount and the fair value of long-term debt, including the portion falling due within twelve months, broken down by category.

	Carrying amount at Dec. 31, 2006	Fair value at Dec. 31, 2006	Carrying amount at Dec. 31, 2005	Fair value at Dec. 31, 2005
	Millions of euro			
Bonds:				
- fixed-rate	5,771	5,938	5,792	6,235
- floating-rate	2,663	2,699	2,738	2,826
Total	**8,434**	**8,637**	**8,530**	**9,061**
Bank loans:				
- fixed-rate	130	133	166	173
- floating-rate	3,780	3,785	3,015	3,012
Total	**3,910**	**3,918**	**3,181**	**3,185**
Non-bank loans:				
- fixed-rate	132	135	138	138
- floating-rate	41	41	53	53
Total	**173**	**176**	**191**	**191**
TOTAL	**12,517**	**12,731**	**11,902**	**12,437**

Notes to the financial statements — (Continued)

The following tables show changes in the long-term loans for the period, distinguishing current from non-current portions.

Long-term loans (excluding the current portion)

	Carrying amount at Dec. 31, 2006	Carrying amount at Dec. 31, 2005	2006-2005
	Millions of euro		
Bonds:			
- fixed-rate	5,735	5,495	240
- floating-rate	2,640	2,548	92
Total	**8,375**	**8,043**	**332**
Bank loans:			
- fixed-rate	91	127	(36)
- floating-rate	3,586	2,655	931
Total	**3,677**	**2,782**	**895**
Non-bank loans:			
- fixed-rate	104	96	8
- floating-rate	38	46	(8)
Total	**142**	**142**	**—**
TOTAL	**12,194**	**10,967**	**1,227**

Current portion of long-term loans

	Carrying amount at Dec. 31, 2006	Carrying amount at Dec. 31, 2005	2006-2005
	Millions of euro		
Bonds:			
- fixed-rate	36	297	(261)
- floating-rate	23	190	(167)
Total	**59**	**487**	**(428)**
Bank loans:			
- fixed-rate	39	39	—
- floating-rate	194	360	(166)
Total	**233**	**399**	**(166)**
Non-bank loans:			
- fixed-rate	28	42	(14)
- floating-rate	3	7	(4)
Total	**31**	**49**	**(18)**
TOTAL	**323**	**935**	**(612)**

At December 31, 2006, 57% of net financial debt, equal to €11,690 million (€12,312 million at December 31, 2005), paid floating interest rates. Taking account of cash flow hedges using interest rate derivatives considered effective under the provisions of the IFRS-EU, exposure to interest rate risk at December 31, 2006 was 23%. If account is also taken of interest rate derivatives used as hedges but which do not qualify for hedge accounting, the residual exposure of financial debt to interest rate risk falls even lower, to 20%.

The Group's main long-term financial debts are governed by covenants containing undertakings by the borrowers (Enel SpA and the other Group companies) and in some cases Enel SpA as guarantor that are commonly adopted in international business practice. The main covenants governing Enel's debt regard the bond issues carried out within the framework of the Global Medium Term Notes program and loans granted by the European Investment Bank. To date none of the covenants have been triggered.

The commitments in respect of the bond issues in the Global Medium Term Notes program can be summarized as follows:

- negative pledge clauses under which the issuer may not establish or maintain (except under statutory requirement) mortgages, liens or other encumbrances on all or part of its assets to secure any listed bond or bond for which listing is planned unless the same guarantee is extended equally or pro rata to the bonds in question;
- pari passu clauses, under which the securities constitute a direct, unconditional and unsecured obligation of the issuer and are issued without preferential rights among them and have the same seniority as other present and future bonds of the issuer;
- specification of default events, whose occurrence (for example, insolvency, failure to pay principle or interest, initiation of liquidation proceedings, etc.) constitutes a default; under "cross default" clauses, the occurrence of a default event in respect of any financial liability (above a threshold level) issued by the issuer or significant subsidiaries (defined as consolidated companies whose gross revenues or total assets are at least 10% of gross consolidated revenues or total consolidated assets) constitutes a default in respect of the liability in question, which becomes immediately repayable;
- early redemption clauses in the event of new tax requirements, which permit early redemption at par of all outstanding bonds.

The main covenants governing the loans granted by the European Investment Bank can be summarized as follows:

- negative pledge clauses, under which the issuer undertakes not to establish or grant to third parties additional guarantees or privileges with respect to those already established in the individual contracts by the Company or Enel Group companies, unless an equivalent guarantee is extended equally or pro rata to the loans in question;
- clauses that require the guarantor (whether Enel SpA or banks acceptable to the EIB) to maintain its rating above a specified grade;
- in the case of guarantees provided by Enel SpA, the Group's equity may not fall below a specified level;
- material changes clauses, under which the occurrence of a specified event (mergers, spin-offs, disposal or transfer of business units, changes in company control structure, etc.) gives rise to the consequent adjustment of the contract, without which the loan shall become repayable immediately without payment of any commission;
- requirements to report periodically to the EIB;
- requirement for insurance coverage and maintenance of property, possession and use of the works, plant and machinery financed by the loan over the entire term of the agreement;
- contract termination clauses, under which the occurrence of a specified event (serious inaccuracies in documentation presented in support of the contract, failure to repay at maturity, suspension of payments, insolvency, special administration, disposal of assets to creditors, dissolution, liquidation, total or partial disposal of assets, declaration of bankruptcy or composition with creditors or receivership, substantial decrease in equity, etc.) triggers immediate repayment.

Pursuant to the Consob instructions of July 28, 2006, the following table reports the net financial position at December 31, 2006 and 2005.

	at Dec. 31, 2006	at Dec. 31, 2005	2006-2005
		Millions of euro	
Cash on hand	6	4	2
Bank and post office deposits	541	472	69
Securities	25	32	(7)
Total cash and cash equivalents	*572*	*508*	*64*
Financial receivables due from associates	10	3	7
Factoring receivables	211	374	(163)
Short-term portion of long-term financial receivables	30	3	27
Total securities and short-term financial receivables	*251*	*380*	*(129)*
Short-term bank debt	(542)	(970)	428
Commercial paper	(531)	(275)	(256)
Short-term portion of long-term bank debt	(233)	(399)	166
Bonds (short-term portion)	(59)	(487)	428
Other loans (short-term portion)	(31)	(49)	18
Other short-term financial payables	(13)	(116)	103
Total short-term financial debt	*(1,409)*	*(2,296)*	*887*
Net short-term financial position	**(586)**	**(1,408)**	**822**
Long-term financial receivables	*1,090*	*63*	*1,027*
Debt to banks and financing entities	(3,677)	(2,782)	(895)
Bonds	(8,375)	(8,043)	(332)
Other loans	(142)	(142)	0
Total long-term financial debt	*(12,194)*	*(10,967)*	*(1,227)*
Net long-term financial position	**(11,104)**	**(10,904)**	**(200)**
TOTAL NET FINANCIAL POSITION	**(11,690)**	**(12,312)**	**622**

28. Post-employment and other employee benefits — €2,633 million

The Group provides its employees with a variety of benefits, including termination benefits, additional months' pay for having reached age limits or eligibility for old-age pension, loyalty bonuses for achievement of seniority milestones, supplementary pension and healthcare plans, domestic electricity discounts and similar benefits.

The item "Post-employment and other employee benefits" regards accruals made to cover benefits due at the time the employment relationship is terminated and other long-term benefits to which employees have a statutory or contractual right as well as post-employment benefits.

Notes to the financial statements — (Continued)

The following table reports the change during the year in actuarial liabilities and the fair value of plan assets, as well as a reconciliation of net actuarial liabilities with liabilities recognized in the balance sheet at December 31, 2006 and December 31, 2005.

	Benefits due on termination of employment and other long-term benefits		Post-employment benefits under defined-benefit plans	
	2006	2005	2006	2005
	Millions of euro			
Changes in actuarial liabilities:				
Actuarial liabilities at the beginning of the year	1,783	1,977	1,199	1,237
Service cost	83	95(1)	9	9(1)
Interest cost	74	68(1)	48	49(1)
Benefits paid	(162)	(232)	(58)	(54)
Other changes	(64)	—	(6)	—
Changes in scope of consolidation	37	(113)	6	(61)
Actuarial (gains)/losses	(31)	(12)	3	19
Foreign exchange (gains)/losses	3	—	1	—
Actuarial liability at the end of the year	1,723	1,783	1,202	1,199
Changes in plan assets:				
Fair value at the beginning of the year	281	172	23	23
Expected return on plan assets	14	12	—	1
Actuarial gains/(losses)	(2)	(9)	—	—
Contributions paid by company	26	15	1	—
Other changes	—	109	—	—
Benefits paid	(24)	(18)	(1)	(1)
Fair value at the end of the year	295	281	23	23
Reconciliation with carrying amount:				
Net actuarial liabilities at the end of the year	1,428	1,502	1,179	1,176
Unrecognized (gains)/losses	(29)	(3)	3	(19)
Carrying amount of liabilities at the end of the year	**1,457**	**1,505**	**1,176**	**1,157**

(1) Includes Telecommunications and Transmission Networks Divisions until date of deconsolidation.

The liabilities recognized are reported net of plan assets, whose fair value at period-end amounted to €318 million, including net unrecognized actuarial gains of €26 million. The expected return used in estimating the fair value of the plan assets is equal to 4.5% (4.2% in 2005).

The cost of employee benefits in 2006 came to €186 million (€257 million in 2005), of which €108 million in respect of accretion cost recognized under interest cost (€117 million in 2005) and €78 million recognized under personnel costs. The cost for termination benefit in 2006 amounted to €101 million, of which €37 million in respect of accretion cost.

The main actuarial assumptions used to calculate the liabilities in respect of employee benefits are set out in the following table:

	2006	2005
Discount rate	4.25%	4.00%
Rate of increase in wages	3.00%	3.00%
Rate of increase in healthcare costs	3.00%	3.00%

29. Provisions for risks and charges — €4,151 million

	at Dec. 31, 2005	Accruals	Taken to income statement	Changes in scope of consolidation	Utilization and other changes	at Dec. 31, 2006
	Millions of euro					
Provision for litigation, risks and other charges:						
- nuclear decommissioning	—	123	—	1,893	173	2,189
- non-nuclear plant retirement and site restoration	27	16	—	169	11	223
- litigation	341	62	(22)	7	(40)	348
- CO_2 emissions charges	228	9	(108)	—	(120)	9
- other	550	215	(61)	436	(180)	960
Total	**1,146**	**425**	**(191)**	**2,505**	**(156)**	**3,729**
Provision for early-retirement incentives	121	400	—	21	(120)	422
TOTAL	**1,267**	**825**	**(191)**	**2,526**	**(276)**	**4,151**

Nuclear decommissioning provision

The "nuclear decommissioning" provision regards the V1 and V2 plants at Jasklovske Bohunice and EMO 1 and 2 plants at Mochovce. It comprises:

- provision for disposal and storage of radioactive waste: at December 31, 2006 this amounted to €288 million in respect of the cost for the transport, treatment and storage of nuclear waste. The liability was estimated on the basis of the Company's obligations under the applicable Slovakian legislation;
- provision for storage and long-term disposal of spent nuclear fuel: at December 31, 2006 this amounted to €1,222 million in respect of the estimated cost for the transport and storage of spent nuclear fuel. The liability was estimated on the basis of engineering and financial assessments of the costs of building the storage facilities;
- provision for decommissioning of nuclear power plants: at December 31, 2006 this amounted to €679 million in respect of the estimated cost of retiring the plants. The liability was estimated on the basis of engineering and financial assessments of the cost of retirement (also using comparative analyses) and the operating plans for decommissioning established by the relevant Slovakian authorities.

The estimated timing of the outlays described above takes account of current knowledge of environmental regulations, the amount of time used to estimate the costs and the difficulties presented by the extremely long time span over which such costs could arise.

The charges covered by the provisions are reported at their present value using discount rates of between 4.2% and 4.5%.

Provision for non-nuclear plant retirement and site restoration

The "provision for non-nuclear retirement and site restoration" represents the present value of the estimated cost for the retirement and removal of non-nuclear plant where there is a legal or constructive obligation to do so. The increase in 2006 of €196 million is related to Slovenské elektrárne in the amount of

€190 million (of which €169 million at the acquisition date) regarding the thermal plants at Novany and Vojany.

Litigation provision

The "litigation" provision covers contingent liabilities that could arise in respect of pending litigation and other disputes. It includes an estimate of the potential liability relating to disputes that arose during the period, as well as revised estimates of the potential costs associated with disputes initiated in prior periods. The estimates are based on the opinions of internal and external legal counsel.

Other provisions

"Other" provisions refer to various risks and charges, mainly in connection with regulatory disputes and disputes with local authorities regarding various duties and fees.

Provision for early-retirement incentives

The "Provision for early-retirement incentives" includes the estimated charges relating to binding agreements for the voluntary termination of employment contracts in response to restructuring needs.

30. Deferred tax liabilities — €2,504 million

The table reports changes in "Deferred tax liabilities" by type of temporary difference, determined on the basis of the current tax rates.

	at Dec. 31, 2005	Increase /(decrease) taken to income statement	Other changes	at Dec. 31, 2006
	Millions of euro			
Nature of the temporary differences:				
- differences on non-current and financial assets	1,900	127	(14)	2,013
- income subject to deferred taxation	57	(43)	6	20
- allocation of goodwill to assets	97	(4)	7	100
- measurement of financial instruments	96	(41)	(5)	50
- other items	314	8	(1)	321
Total	**2,464**	**47**	**(7)**	**2,504**

The caption, which showed a total of €2,504 million at December 31, 2006, includes the deferred tax liabilities on differences between depreciation charged for tax purposes, including accelerated depreciation, and depreciation based on the estimated useful lives of assets.

31. Non-current financial liabilities — €116 million

These consist of the fair value measurement of cash flow hedge derivatives. The following table shows the related notional amount and fair value.

	Notional value		Fair value		
	at Dec. 31, 2006	at Dec. 31, 2005	at Dec. 31, 2006	at Dec. 31, 2005	2006-2005
	Millions of euro				
Cash flow hedge derivatives:					
- interest rates	2,238	3,749	116	262	(146)
Total	**2,238**	**3,749**	**116**	**262**	**(146)**

Derivatives outstanding at December 31, 2006 were essentially composed of interest rate hedges on a number of long-term floating-rate loans. The negative fair value of such positions, primarily the result of a significant reduction in market interest rates in recent years, is largely offset by the reduction in financial expense relating to the hedged liabilities.

The decrease for the period in both the notional value and fair value of the derivatives was essentially caused by the rise in market interest rates during 2006.

32. Other non-current liabilities — €1,044 million

	at Dec. 31, 2006	at Dec. 31, 2005	2006-2005
		Millions of euro	
Deferred operating liabilities	1,014	828	186
Other items	30	18	12
Total	**1,044**	**846**	**198**

The change in "Deferred operating liabilities" essentially reflects the increase in deferred connection revenues, as well as the contributions that the Electricity Equalization Fund is to grant Enel for the cancellation of white certificates related to energy efficiency projects realized or acquired.

Current liabilities

33. Short-term loans — €1,086 million

At December 31, 2006, short-term loans totaled €1,086 million, a decrease of €275 million from December 31, 2005, as detailed below.

	Book value	Fair value	Book value	Fair value	Book value	Fair value
	at Dec. 31, 2006		at Dec. 31, 2005		2006-2005	
Short-term amounts due to banks	542	542	970	970	(428)	(428)
Commercial paper	531	531	275	275	256	256
Other short-term financial payables	13	13	116	116	(103)	(103)
Short-term financial debt	**1,086**	**1,086**	**1,361**	**1,361**	**(275)**	**(275)**

The payables represented by "Commercial paper" related to issues outstanding at year-end in the context of the €4,000 million program launched in November 2005 by Enel Finance International and guaranteed by Enel SpA.

At December 31, 2006, issues under the program totaled €531 million. The nominal value of the commercial paper is €535 million and is in the following currencies: euro (€202 million), pounds sterling (the equivalent of €48 million), US dollars (the equivalent of €251 million), and Swiss francs (the equivalent of €34 million). The exchange rate risk in respect of currencies other than the euro are fully hedged by currency swaps.

34. Trade payables — €6,188 million

This item totaled €6,188 million, a decline of €422 million compared with December 31, 2005, and includes payables for the supply of electricity, fuel, materials and equipment for tenders and sundry services.

35. Current financial liabilities — €941 million

	at Dec. 31, 2006	at Dec. 31, 2005	2006-2005
		Millions of euro	
Deferred financial liabilities	177	176	1
Derivative contracts	753	103	650
Other items	11	15	(4)
Total	**941**	**294**	**647**

The following table shows the notional value and fair value of the derivative contracts:

	Notional value		Fair value		
	at Dec. 31, 2006	at Dec. 31, 2005	at Dec. 31, 2006	at Dec. 31, 2005	2006-2005
	Millions of euro				
Cash flow hedge derivatives:					
- interest rates	2	191	—	10	(10)
- exchange rates	1	20	—	—	—
Total	**3**	**211**	**—**	**10**	**(10)**
Trading derivatives:					
- interest rates	309	610	26	55	(29)
- exchange rates	1,340	1,147	24	15	9
- commodities	4,730	125	698	13	685
- other	—	—	5	10	(5)
Total	**6,379**	**1,882**	**753**	**93**	**660**
TOTAL	**6,382**	**2,093**	**753**	**103**	**650**

Trading derivatives on interest and exchange rates essentially include transactions entered into for hedging purposes, but which do not qualify for hedge accounting under the IFRS.

Trading derivatives on commodities concern:

- fuel trading, with a notional value of €444 million and a fair value of €28 million;
- one-way contracts for differences, with a notional value of €3,219 million and a fair value of €123 million;
- trading derivatives on electricity, with a net notional value of about €55 million and a fair value of €7 million;
- embedded derivatives related to energy sale and purchase contracts in Slovakia, with a notional value of €1,012 million and a fair value of €540 million.

36. Other current liabilities — €4,106 million

	at Dec. 31, 2006	at Dec. 31, 2005	2006-2005
	Millions of euro		
Payables due to customers	1,572	1,755	(183)
Payables due to the Electricity Equalization Fund	948	406	542
Payables due to employees	341	353	(12)
Taxes payable	221	199	22
Social security contributions payable	147	144	3
Other	877	533	344
Total	**4,106**	**3,390**	**716**

The item "Payables due to customers" include amounts for security deposits totaling €848 million, which refers to amounts received from customers under the terms of contracts for the delivery of electricity. Upon the finalization of contracts, the deposits (the use of which is not restricted) are recognized as current liabilities because the Company does not have an unconditional right to defer the repayment of the liabilities beyond twelve months.

"Payables due to the Electricity Equalization Fund" essentially increased due to the €526 million rise in the payable related to certain rate components concerning general system charges and cost equalization.

37. Related parties

As the main operator in the field of generation, transport and distribution of electricity in Italy, Enel provides services to a number of State-controlled companies. In the current regulatory framework, Enel concludes transactions with Terna — Rete Elettrica Nazionale, the Single Buyer, the Electricity Services Operator and the Market Operator (each of which is entirely controlled either directly or indirectly by the Ministry for the Economy and Finance).

Fees for the transport of electricity payable to Terna and certain charges paid to the Market Operator are determined by the Authority for Electricity and Gas.

Transactions relating to purchases and sales of electricity concluded with the Market Operator on the Power Exchange and with the Single Buyer are settled at market prices.

Companies in the Domestic Sales Division acquire electricity from the Single Buyer and settle the contracts for difference related to CIP6 energy with the Electricity Services Operator, in addition to paying Terna fees for the use of the National Transmission Network (NTN). Companies that are part of the Domestic Generation and Energy Management Division, in addition to paying fees for the use of the NTN to Terna, acquire from and sell electricity to the Market Operator on the Power Exchange.

Enel also acquires fuel for generation and gas distribution and sale from ENI, a company controlled by the Ministry for the Economy and Finance.

All transactions with related parties are concluded on normal market terms and conditions.

The following table summarizes the relationships:

	Balance sheet		Income statement	
	Receivables	Payables	Costs	Revenues
	at Dec. 31, 2006		2006	
	Millions of euro			
Single Buyer	483	2,017	12,309	1,749
Market Operator	968	352	1,579	6,274
Terna	357	394	1,919	2,062
Electricity Services Operator	263	354	27	539
ENI	39	191	1,502	199
Italian Post Office	—	41	145	15
Total	**2,110**	**3,349**	**17,481**	**10,838**

The following table shows transactions with associated companies outstanding at December 31, 2006 and carried out during the year.

	Balance sheet		Income statement	
	Receivables	Payables	Costs	Revenues
	at Dec. 31, 2006		2006	
	Millions of euro			
Cesi	1	17	15	1
Other companies	16	1	3	7
Total	**17**	**18**	**18**	**8**

In compliance with the Enel Group's rules of corporate governance, which are discussed in detail in the special section attached to these financial statements, transactions with related parties are carried out in accordance with criteria of procedural and substantive propriety.

With a view to assuring substantive propriety — in order to ensure fairness in transactions with related parties, and to account for the special nature, value or other characteristics of a given transaction — the Board of Directors may ask independent experts to value the assets involved in the transaction and provide financial, legal or technical advice.

38. Contractual commitments and guarantees

The commitments entered into by the Enel Group and the guarantees given to third parties are shown below:

	at Dec. 31, 2006
	Millions of euro
Guarantees given:	
- sureties and other guarantees granted to third parties	1,356
Commitments to suppliers for:	
- electricity purchases	4,592
- fuel purchases	33,024
- various supplies	6,177
- tenders	1,827
- other	258
Total	45,878
TOTAL	47,234

Guarantees granted to third parties amounted to €1,356 million and include €737 million in commitments relating to the sale of real estate assets in connection with the regulations that, for a period of six years and six months from July 2004, govern the termination of leases and the related payments. The value of such guarantees is reduced annually by a specified amount.

The expected cash flow of the lease contracts, including forecast inflation, is as follows:

- 2007: €74 million;
- 2008: €73 million;
- 2009: €74 million;
- 2010: €68 million;
- 2011: €55 million.

Commitments for electricity mainly regard imports from France, Switzerland and Germany, and are all related to the period 2007-2011.

Commitments for the purchase of fuels are determined with reference to the parameters and exchange rates applicable at the end of the period (given that fuel prices vary and are mainly set in foreign currencies). The total at December 31, 2006, was €33,024 million, of which €13,930 million refers to the period 2007-2011, €11,982 to the period 2012-2016, €6,912 million to the period 2017-2021, and the remaining €200 million beyond 2021.

39. Contingent liabilities and assets

Litigation on rates

Enel is the target of a series of suits filed by a number of companies that consume large amounts of electricity and who have challenged, in full or in part, the legitimacy of the measures with which first the Interministerial Price Committee (CIP) and then the Authority for Electricity and Gas determined changes in electricity rates in the past. To date, the courts have generally rejected the complaints lodged and an examination of the rulings would indicate that the chance of unfavorable judgments is remote.

Environmental litigation

Litigation regarding environmental issues primarily concerns the installation and operation of power lines and equipment of Enel Distribuzione, which succeeded Enel SpA in the related relationships.

Enel Distribuzione has been involved in a number of civil and administrative suits relating to requests, often using urgent procedures, for the precautionary transfer or modification of operations on power lines by persons living near them on the basis of their alleged potential to cause harm, despite the fact that they have been installed in compliance with current regulations. In a number of proceedings claims for damages for harm caused by electromagnetic fields have been lodged. The outcome of litigation on these issues is normally favorable to Enel Distribuzione, with only sporadic adverse precautionary rulings. All of these have been appealed, so that at the present date there are no final adverse rulings, and no damages for physical harm have ever been granted.

There have also been a number of proceedings concerning electromagnetic fields generated by medium- and low-voltage transformer substations within buildings, in which the equipment has always been in compliance with induction limits set by current regulations.

The situation concerning litigation has evolved thanks to the clarification of the legislative framework following the entry into force of the framework law on electromagnetic emissions (Law 36 of February 22, 2001) and the related implementing regulations (Prime Minister's Order of July 8, 2003). The new regulations seek to harmonize regulation of the field at the national level. The new rules also introduce a ten-year program as from the entry into force of Law 36/2001 for the environmental upgrading of the entire national network to comply with new exposure limits. They also envisage the possibility of recovering, in part or in full, costs incurred by the owners of power lines and substations through electricity rates, in accordance with criteria to be set by the Authority for Electricity and Gas, pursuant to Law 481/95, as they represent costs incurred in the public interest. At present, the Prime Minister has not issued the Order setting the criteria for the upgrading of power lines (Article 4(4) of Law 36/2001), nor have the criteria for measuring of the parameters and calculating tolerance limits been established, as provided for in the Order of July 8, 2003.

A number of urban planning and environmental disputes regarding the construction and operation of certain power plants and transmission and distribution lines are pending. Based on an analysis of individual cases, Enel believes the possibility of adverse rulings is remote. For a limited number of cases, an unfavorable outcome cannot be ruled out completely, however. The consequences of unfavorable judgments could, in addition to the possible payment of damages, also include the costs related to work required to modify electrical equipment and the temporary unavailability of the plant. At present such charges cannot be reliably quantified and are therefore not included in the "Provision for litigation, risks and other charges".

Porto Tolle thermal plant

Air pollution — Criminal proceedings against Enel directors and employees — Damages for environmental harm

The Court of Adria, in a ruling issued March 31, 2006 concluding criminal proceedings begun in 2005, convicted former directors and employees of Enel for a number of incidents of air pollution caused by emissions from the Porto Tolle thermoelectric plant. The decision, provisionally enforceable, held the defendants and Enel (as a civilly liable party) jointly liable for the payment of damages for harm to multiple parties, both natural persons and local authorities. Damages for a number of mainly private parties were set at the amount of €367,000. The calculation of the amount of damages owed to certain public entities (the Regions of Veneto and Emilia Romagna, the Province of Rovigo and various municipalities) has been postponed to a later civil trial, although a "provisional award" of about €2.5 million was immediately due.

An appeal has been lodged against the ruling of the Court of Adria by the Company and its employees and former directors. If the ruling in the criminal case is affirmed, any civil lawsuits brought by interested parties seeking total compensation for losses suffered could expose the Company to the risk of further expenditures that cannot currently be quantified.

Out-of-court disputes and litigation connected with the blackout of September 28, 2003

With regard to the blackout that occurred on September 28, 2003, Enel Distribuzione received numerous letters (most drafted on the basis of standardized forms prepared by consumer associations) containing requests for automatic/lump-sum indemnities under the Electricity Service Charter and resolutions of the Authority for Electricity and Gas (€25.82 each), in addition to further damages to be quantified by customers with a view to possible legal action.

With regard to litigation, at December 31, 2006 more than 90,000 proceedings were pending against Enel Distribuzione, individually for small amounts (almost all before justices of the peace in Southern Italy). All involved requests for automatic/lump-sum indemnities on the basis of the resolutions of the Authority for Electricity and Gas and the Electricity Service Charter or damages for loss due to the interruption of electricity supplies. Enel Distribuzione has challenged these requests with the following arguments: first, neither the Authority resolutions nor the Electricity Service Charter (whose reference legislation has been repealed) provide for automatic/lump-sum indemnities in the case of an interruption of supply, as specified by the Authority in a press release. Second, in relation to both the manner and extent of the black-out, the electricity supply interruption of September 28, 2003 was an unexpected and unforeseeable event and, as such, is ascribable to exceptional events beyond the control of the Group companies, for which they cannot therefore be held liable in any way. At December 31, 2006 more than 39,000 rulings had been issued by justices of the peace, with a majority finding in favor of the plaintiffs. Charges in respect of such indemnities could be recovered at least in part under existing insurance policies. The appellate courts have nearly all found in favor of Enel Distribuzione, based upon both the lack of proof of the loss claimed and the recognition that the company was not involved in causing the event. The few adverse rulings against Enel Distribuzione (all in Calabria) have been appealed to the Court of Cassation (the supreme court of appeal).

Extension of municipal property tax (ICI)

Article 1 *quinquies* of Decree Law 44 of March 31, 2005 (ratified with Law 88/2005) stated that Article 4 of Law 652 of April 13, 1939 (governing the land registry) shall be interpreted with regard to power plants alone in the sense that the buildings and permanent constructions consist of the land and those parts that are structurally attached to it, even temporarily, which may be joined by any means of connection with movable parts for the purpose of creating a single complex asset.

As a result of this provision (the interpretation of which was affirmed by a recent decision of the Court of Cassation) the calculation of the imputed rental income of buildings that form part of a generation plant must also take removable parts into account. Consequently, the Enel Group could be required to pay higher local ICI in the future.

The Court's decision, however, established nothing with regard to the criteria to be used in calculating the value to be attributed to these components of imputed rent but rather referred the question to the Regional Tax Commission with territorial jurisdiction. The Regional Tax Commission of Emilia Romagna, in Ordinance no. 16/13/06 (filed on July 13, 2006), sent the case to the Constitutional Court on the issue of the constitutionality of Article 1 *quinquies* of the Decree Law, finding it relevant and not clearly unfounded.

Therefore, with regard to pending litigation, the Enel Group shall continue to pursue its case to request a substantial reduction of the values originally assigned by the Land Registry Offices to the removable parts of the plant. Enel has, however, allocated an adequate amount to the "Provisions for risks and charges" to cover fully the potential charges that would result from an unfavorable outcome. At the same time, Enel does not feel that further provisions are necessary to take into account possible retroactive application of the rule on imputed rent proposals, which to date have not been the subject of comments by the Land Registry Offices and, in any event, primarily concern small plants.

INPS circular no. 63 of May 6, 2005

concerning contribution obligations in respect of the Cassa Integrazione Guadagni *(CIG),* Cassa Integrazione Guadagni Straordinaria *(CIGS),* Disoccupazione Involontaria *(DS) and* Mobilità *(unemployment benefit schemes)*

On May 6, 2005, the Italian National Social Security Institute (INPS) issued a circular regarding obligatory contributions to the *Cassa Integrazione Guadagni* (CIG), *Cassa Integrazione Guadagni Straordinaria* (CIGS), *Disoccupazione Involontaria* (DS) and *Mobilità* (all unemployment benefit programs). In regulating the matter, the circular specified that contributions to be paid in respect of the above programs are also applicable to State-controlled companies and national public entities involved in industrial activities that are not wholly public-owned. These include Enel and companies incorporated by Enel pursuant to Legislative Decree 79 of March 16, 1999, both for the period following the issue of the circular and retroactively as from the date on which they ceased to be entirely owned by public entities (in the case of Enel, as from the date of the IPO, in November 1999).

More specifically, under the provisions of the circular Enel SpA would be required only to make contributions to CIG and CIGS, while companies incorporated by Enel under Legislative Decree 79/1999 would also be required to contribute to the DS and *Mobilità* programs.

The Enel Group believes that it is not liable for these contributions as it does not meet the conditions for applicability. In particular, as regards past periods, the Group contests the payment of contributions for programs whose benefits it would not have been eligible to use.

The circular has been challenged for precautionary reasons before the administrative courts, requesting its suspension. The Regional Administrative Court rejected the appeal for suspension, stating that the matter fell under the exclusive jurisdiction of the ordinary courts. Enel therefore filed an appeal with the Labor Court, asking it to find that no contribution obligation existed for CIG, CIGS and *Mobilità*. The matter is still pending.

Owing to the complexity of the issues and the need for further study, INPS initially extended the deadline for the payment of accrued contributions. INPS subsequently felt it advisable to request an opinion from the Council of State and extended the deadline for settlement of the obligation until the opinion was issued.

In an opinion issued at the hearing of February 8, 2006, the second section of the Council of State ruled, specifically, that the circular may not have retroactive effect and that there are no grounds for levying penalties, therefore ordering that the circular be amended appropriately.

As regards the contribution for the *Disoccupazione Involontaria* program (involuntary unemployment), and therefore the *Mobilità* program (which applies only where the DS contribution is also due), the Ministry of Labor, upon completion of the inspection begun in December 2005 to ascertain whether the conditions exempting Enel and the companies incorporated by it under Legislative Decree 79/1999 from the contributions continued to hold, issued a Decree on August 1, 2006 in which it confirmed that both Enel SpA and the companies incorporated under it that are still members of the Enel Group have been exempt from the DS (and therefore *Mobilità*) schemes since they began operations. The confirmation of the contribution exemption also affects the *Mobilità* contribution, whose basis of calculation is the overall payroll subject to the contribution for *Disoccupazione Involontaria*.

However, despite the generally favorable situation for Enel and in conflict with the opinion issued by the Council of State (whose arguments were cited by the Rome Labor Court in its ruling no. 2384 of February 8, 2007 in Acea vs. INPS) and the findings of the decree issued by the Ministry of Labor, during 2006 and early 2007 Enel has received a number of tax assessments demanding payment of contributions for previous years for the CIG, CIGS, *Mobilità* and DS programs. The assessments were suspended at the initiative of INPS or with an injunction of the Labor Court, to which Enel has appealed the assessments received. Accordingly, as the situation stands it is felt that the likelihood of incurring a liability in this regard is remote.

Inquiries by the Milan Public Prosecutor's Office and the State Audit Court

In February 2003, the Milan Public Prosecutor's Office initiated a criminal investigation (still ongoing) of former top managers of Enelpower and other individuals for alleged offences to the detriment of Enelpower and payments made by contractors to receive certain contracts. Implementing the resolutions of the boards of Enel, Enelpower and Enel Produzione, legal action was taken against the suppliers involved, which led to settlements with Siemens and Alstom.

On the basis of the information that emerged during the criminal proceedings, the State Audit Court sued the former Chief Executive Officer and a former executive of Enelpower, in addition to the former Chairman of Enel Produzione, citing them for possible administrative liability in relation to losses caused to the tax authorities. Enel, Enelpower and Enel Produzione deposited an instrument in support of the request of the Regional Public Prosecutor. In a ruling of February 22, 2006, the State Audit Court, finding that the former directors and managers cited in the suit were liable, awarded Enelpower damages of about €14 million. The ruling was appealed before the Central Jurisdictional Appeals Section of the Rome State Audit Court, where it is still pending.

In parallel with the above ruling, Enelpower and Enel Produzione initiated a revocatory action against the claimants in respect of the former Enel Produzione CEO and the former Enelpower CEO and manager, obtaining a court ruling of the invalidity in their regard of a number of asset disposals.

Torrevaldaliga Nord power plant

Transformation to coal — Work on maritime infrastructure — Ordinances of the Region of Lazio of February 10, 2006 and March 31, 2006 — Suspension of works and denial of authorization to conduct dredging operations

With the measure of February 10, 2006 and the subsequent measures of March 28 and 31, 2006 the Region of Lazio ordered the suspension of work on the construction of the maritime infrastructure for the reconversion of the Torrevaldaliga Nord plant to coal, based on an alleged threat to the environment, and subsequently denied authorization for the planned dredging of the sea floor. The suspension order led to the stoppage of work on the infrastructure.

Enel appealed the measures to the Lazio Regional Administrative Court asking it to suspend their validity. In an order issued at a hearing on April 20, 2006, the Lazio Regional Administrative Court found that the Region had no authority in this field and granted the petition for a preliminary injunction thereby allowing Enel to resume work. Subsequently, on June 16, 2006, the Lazio Regional Administrative Court (in decision no. 4731) decided the case on the merits, fully granting Enel's first appeal of the suspension of works and partially granting Enel's second appeal related to the dredging operations, and consequently voiding that portion of the Region's refusal of authorization concerning the dredging operations provided for in the Environmental Impact Assessment Decree of 2003 regarding the conversion project.

The Lazio Regional Administrative Court therefore upheld the legality of past and current dredging operations performed by Enel, since they have already undergone specific EIAs and are governed by the Decree authorizing the reconversion of the plant. Given the absence of any appeal of the ruling within the time limits established by law, the judgment has become final.

40. Subsequent events

Agreements for the construction of wind plants in the United States and Canada

On January 5, 2007 Enel, acting through its subsidiary Enel North America, signed a series of agreements for the construction of two wind plants in the United States and Canada and for the supply of the electricity generated by the plants, which will have a maximum capacity of 250 MW and 27 MW respectively.

The Smoky Hills project, in Kansas (USA), will be built in two stages, with the first stage of 100.8 MW scheduled to come on line by the end of 2007. Once fully implemented, the facility will have maximum capacity of 250 MW.

NeWind, a wholly-owned subsidiary of Enel North America operating in Canada, signed a contract for the supply of electricity to Newfoundland and Labrador Hydro through the construction and operation of the 27 MW St. Lawrence wind project, which will generate about 100,000 MWh a year. It is scheduled to begin operations by the end of 2008.

Increase in stake in Fortuna

On February 2, 2007 Enel, acting through its Dutch subsidiary, Enel Investment Holding, acquired the entire share capital of the Panamanian-registered company Globeleq Holdings Fortuna from Globeleq, which operates in the electricity sector in emerging markets. Thanks to this transaction, Enel, which is responsible for the operational management of the "Fortuna" hydroelectric plant, has increased its indirect holding in the Panamanian hydroelectric generation company from 24.5% to 49%, enabling it to exercise full operational control of Fortuna. Enel Investment Holding paid $161.3 million for the stake, equal to about €124.5 million at current exchange rates.

Acquisition of Endesa shares

On February 27, 2007 Enel, acting through its subsidiary Enel Energy Europe (EEE), purchased 105,800,000 shares of Endesa SA (Endesa), Spain's leading electricity generator, equal to 9.99% of that company's share capital, at a price of €39 per share for a total of €4,126.2 million. The Endesa shares, acquired through an off-market transaction with institutional investors, were financed with cash flow and existing lines of credit, without any involvement of other Endesa shareholders.

On March 1, 2007, EEE entered into a share swap agreement with UBS Limited in which the underlying is represented by a maximum of 74,112,648 shares of Endesa (7% of the share capital).

The agreement envisages cash settlement, with an option for EEE to request physical settlement in Endesa shares subject, among other requirements, to obtaining the necessary administrative authorizations to carry out the acquisition. To perform the share swap, EEE has already obtained financing for the same total of 74,112,648 Endesa shares at an average price of €39 per share.

On the same date, Enel, in addition to requesting from the relevant bodies of the Spanish Ministry for Industry, Tourism and Trade authorization to exercise the rights in respect of the entire shareholding owned in Endesa, also asked the Comisión Nacional de la Energia (the Spanish National Energy Commission — CNE):

- to authorize the acquisition of Endesa shares amounting to more than 10% of that company's share capital up to the threshold (currently set at 24.99% of the share capital) beyond which it is obligatory to launch a public tender offer;
- to remove any restrictions on Enel's exercise of its rights as a shareholder of Endesa with regard to the qualification of the latter as a "principal operator".

Subsequently, in three transactions carried out on March 1, 2 and 12, EEE entered into share swap agreements with Mediobanca in which the underlying is represented by a maximum of 84,488,949 shares of Endesa (7.99% of the share capital).

Settlement procedures are the same as those for the other derivative contract with UBS.

To date, Enel owns 9.99% of Endesa through EEE and has entered into derivative contracts in which the underlying is represented by an additional 14.99% of Endesa.

Memorandum of Understanding with RosAtom

On March 14, 2007, Enel and the Federal Atomic Energy Agency of the Russian Federation (RosAtom) signed a Memorandum of Understanding for the development of the electricity system and nuclear generation in Russia and Central and Eastern Europe.

With the agreement, RosAtom and Enel have expressed their intention to develop a cooperative relationship involving joint investment projects and stakes in the assets related to:

- the construction of new nuclear power plants;
- the operation and upgrading of electricity transport networks;
- the operation of existing nuclear power plants.

Acquisition of AMP Resources

On March 20, 2007, Enel, acting through its subsidiary Enel North America, acquired AMP Resources LLC (AMP) from AMP Capital Partners and another minority investor. The acquisition includes one operational geothermal project and four projects at an advanced development stage for a total capacity of about 150 MW that Enel North America will complete over the next four years.

The projects, located in Nevada, California and Utah, should generate sufficient renewable power to meet the annual electricity demand of about 100,000 US households once they are fully operational.

Partnership with Duferco

On March 21, 2007 Enel signed a partnership agreement with Duferco, one of Europe's leading steel groups and the top manufacturer of steel and semifinished steel products in Wallonia (Belgium).

The partnership will start with the development of a project to build a combined-cycle gas plant with a net capacity of about 420 MW and a power plant that reuses gases produced in the steel manufacturing process with a capacity of about 65 MW at the Martinelle-Marchienne industrial site. In addition to covering the Duferco Group's energy needs in Belgium, the power plants will provide new generation capacity for the entire market. To this end, the two partners also plan to establish an electricity sales operation, as well as to develop additional opportunities in other projects in the region.

Agreement with Acciona Group for joint management of Endesa

On March 26, 2007 Enel signed an agreement with Acciona, one of the leading Spanish groups operating at the international level in the development and operation of infrastructure, services and energy from renewables, for the joint management of Endesa, which thanks to synergies and the exchange of experience will contribute to the future growth of the Spanish electricity company. The agreement is subject to the condition that E.On does not acquire more than 50% of Endesa.

Archimede Project with ENEA

On March 26, 2007 Enel signed a protocol of understanding with Italy's National Agency for New Technologies, Energy and the Environment (ENEA) on the operational implementation of the Archimede Project. The initiative involves the construction of a solar plant at Enel's power station at Priolo Gargallo (Siracusa). It will be the world's first integration of a gas combined-cycle power station with a thermodynamic solar plant, which will boost the station's capacity by about 5 MW. The investment will total more than €40 million, with the facility expected to enter service by the end of 2009.

Agreement between Enel, Acciona and E.On

On April 2, 2007 Enel and Acciona reached an agreement with E.On under which the latter will withdraw its bid for Endesa and Enel and Acciona will transfer a number of Endesa and Enel assets to E.On subject to the effective acquisition of control of Endesa through a public tender and in line with the terms of the March 26, 2007 accord with Acciona.

The transfer of the assets to E.On will take place once Acciona and Enel have acquired control of Endesa and the operation is approved by Endesa's management and the necessary official authorizations have been granted.

The withdrawal of E.On's bid for Endesa enables Enel and Acciona to launch their own tender immediately. The price offered will be at least €41 per share, plus interest accrued until the completion of the bid.

Enel possesses the technical and financial resources necessary to meet any commitments arising in respect of this initiative.

41. Stock option plans

The following table summarizes developments in 2006 in Enel's stock option plans, detailing the main assumptions used in calculating their fair value.

Developments in stock option plans

Number of options	2002 plan	2003 plan	2004 plan	2006 plan	Total
Options granted at December 31, 2004	41,748,500	47,624,005	38,527,550	—	**127,900,055**
Options exercised at December 31, 2004	24,104,556	16,342,119	—	—	**40,446,675**
Options lapsed at December 31, 2004	4,824,000	3,237,700	1,231,000	—	**9,292,700**
Options outstanding at December 31, 2004	12,819,944	28,044,186	37,296,550	—	**78,160,680**
Options exercised in 2005	10,697,094	14,158,373	12,392,982	—	**37,248,449**
Options lapsed in 2005	48,500	50,726	394,500	—	**493,726**
Options outstanding at December 31, 2005	2,074,350	13,835,087	24,509,068	—	**40,418,505**
New options granted in 2006	—	—	—	31,790,000	**31,790,000**
Options exercised in 2006	1,319,050	11,726,012	6,079,571	—	**19,124,633**
Options lapsed in 2006	—	60,290	334,300	286,000	**680,590**
Options outstanding at December 31, 2006	755,300	2,048,785	18,095,197	31,504,000	**52,403,282**
Fair value at grant date (euro)	0.17	0.37	0.18	0.27	
Volatility	28%	28%	17%	14%	
Option expiry	December 2007	December 2008	December 2009	December 2012	

On May 26, 2006, the Enel Ordinary Shareholders' Meeting approved the 2006 stock option plan, granting the Board of Directors the powers required to carry out the plan, to be exercised in accordance with criteria established by the Shareholders' Meeting. On August 4, 2006, the Board of Directors of Enel SpA, exercising the authority given to it by the Shareholders' Meeting, granted 31,790,000 options to 461 Enel Group executives. Achievement of the targets set in the 2006 plan will be verified between 2008 and 2009.

As established by the Board of Directors, executives were divided into different brackets, with each bracket receiving a different number of options. The right to subscribe the shares is subordinated to the executives concerned remaining employed within the Group, with a number of exceptions (for example, termination of employment because of retirement or permanent invalidity, exit from the Group of the company at which the executive is employed, and succession) specifically governed by the Regulations.

The options may be exercised subject to a number of specific suspensory conditions. These include exceeding Group EBITDA forecasts and the performance of Enel shares with respect to the benchmark index indicated in the Regulations for each plan.

42. Compensation of directors, members of the Board of Auditors, the General Manager and managers with strategic responsibilities

The compensation paid to directors, members of the Board of Auditors, the General Manager and managers with strategic responsibilities of Enel SpA is summarized in the following table.

The table has been prepared with regard to the period for which the position was held on an accruals basis. The information regarding managers with strategic responsibilities is provided in aggregate form, pursuant to the provisions of Article 78 and annex 3C of Consob Resolution no. 11971/1999 (the "Issuers Regulation").

The directors and managers with strategic responsibilities of Enel SpA have waived all forms of compensation for positions held in subsidiaries.

Notes to the financial statements — (Continued)

Compensation of directors, members of the Board of Auditors, the General Manager and managers with strategic responsibilities

Last name	Name	Position	Period for which position was held	End of term	Remuneration	Non-monetary benefits	Bonuses and other incentives	Other compensation	Total
Directors and General Manager									
Gnudi	Piero	Chairman	1/2006-12/2006	Approv. fin. stat. 2007	735,764.00	11,779.68(1)	(2)		747,543.68
Conti	Fulvio	CEO and GM	1/2006-12/2006	Approv. fin. stat. 2007	600,000.00		(3)	701,678.52(4)	1,301,678.52
Ballio	Giulio	Director	1/2006-12/2006	Approv. fin. stat. 2007	117,000.00				117,000.00
Fantozzi	Augusto	Director	1/2006-12/2006	Approv. fin. stat. 2007	116,427.00				116,427.00
Luciano	Alessandro	Director	1/2006-12/2006	Approv. fin. stat. 2007	117,000.00				117,000.00
Napolitano	Fernando	Director	1/2006-12/2006	Approv. fin. stat. 2007	117,250.00				117,250.00
Taranto	Francesco	Director	1/2006-12/2006	Approv. fin. stat. 2007	122,500.00				122,500.00
Tosi	Gianfranco	Director	1/2006-12/2006	Approv. fin. stat. 2007	117,500.00				117,500.00
Valsecchi	Francesco	Director	1/2006-12/2006	Approv. fin. stat. 2007	117,000.00				117,000.00
			Total compensation of directors and GM		**2,160,441.00**	**11,779.68**	**—**	**701,678.52**	**2,873,899.20**
Board of Auditors									
Pinto	Eugenio	Chair. Board of Auditors	1/2006-12/2006	Approv. fin. stat. 2006	85,000.00				85,000.00
Conte	Carlo	Acting Auditor	1/2006-12/2006	Approv. fin. stat. 2006	70,500.00(5)				70,500.00
Fontana	Franco	Acting Auditor	1/2006-12/2006	Approv. fin. stat. 2006	70,500.00				70,500.00
			Total compensation of Board of Auditors		**226,000.00**	**—**	**—**	**—**	**226,000.00**
		Managers with strategic responsibilities(6)	1/2006-12/2006					7,428,332.98	7,428,332.98
			Total		**2,386,441.00**	**11,779.68**	**—**	**8,130,011.50**	**10,528,232.18**

(1) Insurance policy.

(2) In 2007 the Board of Directors will determine the variable portion of compensation due to the Chairman for 2006 (in an amount of no more than €210,000.00) once achievement of the targets for the Group set for that year has been verified.

(3) In 2007 the Board of Directors will determine the variable portion of compensation due the Chief Executive Officer for 2006 (in an amount of no more than €600,000.00) once achievement of the targets for the Group set for that year has been verified.

(4) Fixed compensation for position of General Manager for 2006. In 2007 the Board of Directors will determine the variable portion of compensation due to the General Manager for 2006 (in an amount of no more than €700,000.00) once achievement of the targets for the Group set for that year has been verified.

(5) Compensation paid to the Ministry for the Economy and Finance in the amount of €55,000.00 pursuant to the Directive of the Presidency of the Council of Ministers — Department of Public Administration of March 1, 2000.

(6) In 2006 the following were managers with strategic responsibilities: heads of Enel SpA Departments, Division heads, the head of business development of the International Division and the head of the Energy Management business area of the Domestic Generation and Energy Management Division, for a total of 15 management positions.

UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

AS OF AND FOR THE SIX MONTHS ENDED JUNE 30, 2009

KPMG

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Review report

To the shareholders of
Enel S.p.A.

1 We have reviewed the condensed interim consolidated financial statements comprising the balance sheet, income statement, statement of comprehensive income, statement of changes in shareholders' equity, statement of cash flows and notes thereto of the Enel Group as at and for the six months ended 30 June 2009. The parent's directors are responsible for the preparation of these condensed interim consolidated financial statements in accordance with IAS 34, 'Interim Financial Reporting', endorsed by the European Union. Our responsibility is to prepare this report based on our review.

2 We conducted our review in accordance with Consob (the Italian Commission for Listed Companies and the Stock Exchange) guidelines set out in Consob resolution no. 10867 dated 31 July 1997. The review consisted primarily of the collection of information relating to the captions of the condensed interim consolidated financial statements and the consistency of application of the accounting policies through discussions with parent's directors and analytical procedures applied to the financial data presented in such condensed interim consolidated financial statements. The review excluded such audit procedures as tests of controls and verification or validation of assets and liabilities and is significantly less than an audit performed in accordance with generally accepted auditing standards. As a consequence, contrary to our report on the annual consolidated financial statements, we do not express an audit opinion on the condensed interim consolidated financial statements.

The condensed interim consolidated financial statements present the corresponding figures included in the annual consolidated and condensed interim consolidated financial statements of the previous year for comparative purposes. The corresponding figures have been reclassified in order to reflect the changes to the financial statements schedules introduced by IAS I (revised 2007). As disclosed in the notes, the directors have restated the corresponding figures included in the prior year condensed interim consolidated financial statements. We reviewed such financial statements and issued our report thereon on 26 August 2008. We have examined the methods used to restate the corresponding figures and related disclosures for the purposes of our report on the condensed interim consolidated financial statements at 30 June 2009. Reference should be made to the report dated 10 April 2009 for our opinion on the prior year annual consolidated financial statements, which included the related corresponding figures.

3 Based on our review, nothing has come to our attention that causes us to believe that the condensed interim consolidated financial statements of the Enel Group as at and for the six months ended 30 June 2009 have not been prepared, in all material respects, in conformity with IAS 34, 'Interim Financial Reporting', endorsed by the European Union.

KPMG SpA

Rome, 27 August 2009

CONSOLIDATED INCOME STATEMENT

	Notes	1st Half 2009	of which with related parties	2008 restated	of which with related parties
		Millions of euro			
Revenues					
Revenues from sales and services	5.a	27,498	4,721	28,729	*5,388*
Other revenues	5.b	959	36	595	
	[Subtotal]	*28,457*	*4,757*	*29,324*	*5,388*
Costs					
Raw materials and consumables	6.a	14,506	7,029	16,922	*8,785*
Services	6.b	3,300	383	2,857	*360*
Personnel	6.c	2,026		1,901	
Depreciation, amortization and impairment losses	6.d	2,360		2,295	
Other operating expenses	6.e	904	242	956	*65*
Capitalized costs	6.f	(631)		(558)	
	[Subtotal]	*22,465*	*7,654*	*24,373*	*9,230*
Net income/(charges) from commodity risk management	7	**(413)**	**18**	**76**	***(6)***
Operating income		**5,579**		**5,027**	
Financial income	8	2,141	*10*	1,176	*10*
Financial expense	8	2,350		2,606	
Share of income/(expense) from equity investments accounted for using the equity method	9	21		27	
Income before taxes		**5,391**		**3,624**	
Income taxes	10	1,333		740	
Income from continuing operations		**4,058**		**2,884**	
Income from discontinued operations	11	**(84)**	—	**235**	*(42)*
Net income for the period (shareholders of the Parent Company and minority interests)		**3,974**		**3,119**	
Attributable to minority interests		450		380	
Attributable to shareholders of the Parent Company		3,524		2,739	
Earnings per share attributable to shareholders of the Parent Company (euro)		*0.56*		*0.44*	
Diluted earnings per share attributable to shareholders of the Parent Company (euro)[(1)]		*0.56*		*0.44*	
Earnings per share attributable to shareholders of the Parent Company from continuing operations		*0.57*		*0.40*	
Diluted earnings per share attributable to shareholders of the Parent Company from continuing operations[(1)]		*0.57*		*0.40*	
Earnings per share attributable to shareholders of the Parent Company from discontinued operations		*(0.01)*		*0.04*	
Diluted earnings per share attributable to shareholders of the Parent Company from discontinued operations[(1)]		*(0.01)*		*0.04*	

(1) Calculated on the basis of the average number of ordinary shares in the period, taking account of the shares issued on July 3, 2009 following the Enel SpA capital increase (6,275,778,997 in the 1st Half of 2009 and 6,185,503,033 in the 1st Half of 2008) adjusted for the diluting effect of outstanding stock options (0 in the 1st Half of 2009 and 1 million in the 1st Half of 2008). Earnings per share and diluted earnings per share, calculated taking account of options exercised to date, have not changed with respect to those calculated using the above methodology.

STATEMENT OF COMPREHENSIVE INCOME

	1st Half	
	2009	2008 restated
	Millions of euro	
Net income for the period (shareholders of the Parent Company and minority interests)	**3,974**	**3,119**
Other components of comprehensive income:		
Effective portion of change in the fair value of cash flow hedges	(531)	254
Change in the fair value of financial investments available for sale	106	(29)
Exchange rate differences	674	(473)
Income/(Loss) recognized directly in equity	**249**	**(248)**
COMPREHENSIVE INCOME FOR THE PERIOD	**4,223**	**2,871**
Attributable to:		
- shareholders of the Parent Company	3,338	2,708
- minority interests	885	163

CONSOLIDATED BALANCE SHEET

	Notes	at June 30, 2009	of which with related parties	at Dec. 31, 2008	of which with related parties
		Millions of euro			
ASSETS					
Non-current assets					
Property, plant and equipment	12	76,560		61,524	
Investment property		479		462	
Intangible assets	13	34,638		25,779	
Deferred tax assets	14	6,610		5,881	
Equity investments accounted for using the equity method	15	592		397	
Non-current financial assets	16	5,751		4,338	
Other non-current assets	17	2,593		1,937	
	[Total]	**127,223**		**100,318**	
Current assets					
Inventories	18	2,625		2,182	
Trade receivables	19	13,197	*1,570*	12,378	*2,045*
Tax receivables	20	2,050		1,239	
Current financial assets	21	3,644		3,255	
Cash and cash equivalents	22	3,410		5,106	
Other current assets	23	4,101	*17*	3,478	
	[Total]	29,027		**27,638**	
Assets held for sale	24	**3,264**		**5,251**	
TOTAL ASSETS		**159,514**		**133,207**	
LIABILITIES AND SHAREHOLDERS' EQUITY					
Equity attributable to the shareholders of the Parent Company	25				
Share capital		9,390		6,186	
Other reserves		7,764		3,329	
Retained earnings (losses carried forward)		9,089		6,827	
Net income for the period(1)		3,524		4,056	
	[Total]	**29,767**		**20,398**	
Equity attributable to minority interests		11,070		5,897	
Total shareholders' equity		**40,837**		**26,295**	
Non-current liabilities					
Long-term loans	26	53,281		51,045	
Post-employment and other employee benefits		3,184		2,910	
Provisions for risks and charges	27	8,004		6,922	
Deferred tax liabilities	14	9,291		6,880	
Non-current financial liabilities	28	2,330		3,113	
Other non-current liabilities	29	4,727		3,431	
	[Total]	**80,817**		**74,301**	
Current liabilities					
Short-term loans	30	7,684		5,467	
Current portion of long-term loans	26	5,272		3,110	
Trade payables		10,483	*2,685*	10,600	*3,765*
Income tax payable		2,837		1,991	
Current financial liabilities	31	2,151		2,454	
Other current liabilities	32	8,219	*2*	7,198	*8*
	[Total]	**36,646**		**30,820**	
Liabilities held for sale	33	**1,214**		**1,791**	
Total liabilities		**118,677**		**106,912**	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**159,514**		**133,207**	

(1) Net income is reported net of interim dividend equal to €1,237 million for 2008.

STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

	Share capital and reserves attributable to the shareholders of the Parent Company										
	Share capital	Share premium reserve	Legal reserve	Other reserves	Retained earnings	Translation of financial statements in currencies other than euro	Reserve from measurement of financial instruments	Net income for the period	Equity attributable to the shareholders of the Parent Company	Equity attributable to minority interests	Total shareholders' equity
at January 1, 2008 *restated*	6,184	651	1,453	2,250	5,942	(99)	493	2,679	19,553	7,080	26,633
Exercise of stock options	2	7	—	—	—	—	—	—	9	—	9
Charge for stock options plans for the period	—	—	—	3	—	—	—	—	3	—	3
Dividends	—	—	—	—	(1,794)	—	—	—	(1,794)	(210)	(2,004)
Allocation of net income from the previous year	—	—	—	—	2,679	—	—	(2,679)	—	—	—
Put options granted to minority shareholders	—	—	—	(12)	—	—	—	—	(12)	—	(12)
Change in scope of consolidation	—	—	—	—	—	—	(33)	—	(33)	158	125
Comprehensive income for the period	—	—	—	—	—	(255)	224	2,739	2,708	163	2,871
of which:											
Income/(loss) recognized directly in equity	—	—	—	—	—	*(255)*	*224*	—	*(31)*	*(217)*	*(248)*
Net income/(loss) for the period	—	—	—	—	—	—	—	*2,739*	*2,739*	*380*	*3,119*
at June 30, 2008 *restated*	6,186	658	1,453	2,241	6,827	(354)	684	2,739	20,434	7,191	27,625
at January 1, 2009	6,186	662	1,453	2,255	6,827	(1,247)	206	4,056	20,398	5,897	26,295
Charge for stock options plans for the period	—	—	—	2	—	—	—	—	2	—	2
Dividends	—	—	—	—	(1,794)	—	—	—	(1,794)	(253)	(2,047)
Allocation of net income from the previous year	—	—	—	—	4,056	—	—	(4,056)	—	—	—
Capital increases	3,204	4,754	—	(135)	—	—	—	—	7,823	—	7,823
Change in scope of consolidation	—	—	—	—	—	—	—	—		4,541	4,541
Comprehensive income for the period	—	—	—	—	—	292	(478)	3,524	3,338	885	4,223
of which:											
Income/(loss) recognized directly in equity	—	—	—	—	—	*292*	*(478)*	—	*(186)*	*435*	*249*
Net income/(loss) for the period	—	—	—	—	—	—	—	*3,524*	*3,524*	*450*	*3,974*
at June 30, 2009	9,390	5,416	1,453	2,122	9,089	(955)	(272)	3,524	29,767	11,070	40,837

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	1st Half 2009	2009 of which with related parties	1st Half 2008	2008 of which with related parties
		Millions of euro			
Income for the period (shareholders of the Parent Company and minority interests)		**3,974**		**3,119**	
Adjustments for:					
Amortization and impairment losses of intangible assets		245		199	
Depreciation and impairment losses of property, plant and equipment		2,101		1,813	
Exchange rate gains and losses (including cash and cash equivalents)		95		(365)	
Provisions		355		412	
Financial (income)/expense		895		1,425	
Income taxes		1,303		857	
(Gains)/Losses and other non-monetary items		(1,318)		370	
Cash flow from operating activities before changes in net current assets		*7,650*		*7,830*	
Increase/(Decrease) in provisions		(591)		(654)	
(Increase)/Decrease in inventories		(37)		(319)	
(Increase)/Decrease in trade receivables		510	*475*	(903)	*301*
(Increase)/Decrease in financial and non-financial assets/liabilities		(143)	*(23)*	30	*(94)*
Increase/(Decrease) in trade payables		(1,840)	*(1,080)*	(804)	*(701)*
Interest income and other financial income collected		526	*10*	595	*10*
Interest expense and other financial expense paid		(1,766)		(1,855)	
Income taxes paid		(1,695)		(135)	
***Cash flows* from operating activities(a)**		**2,614**		**3,785**	
- of which discontinued operations		***32***		***46***	
Investments in property, plant and equipment		(2,614)		(3,070)	
Investments in intangible assets		(87)		(137)	
Investments in entities (or business units) less cash and cash equivalents acquired		(9,394)		(1,190)	
Disposals of entities (or business units) less cash and cash equivalents sold		2,918		6,582	
(Increase)/Decrease in other investing activities		16		57	
***Cash flows from investing/disinvesting activities*(b)**		**(9,161)**		**2,242**	
- of which discontinued operations		***(32)***		***(46)***	
Financial debt (new long-term borrowing)	26	10,678		1,937	
Financial debt (repayments and other changes)		(11,886)		(40)	
Dividends paid	25	(2,047)		(2,004)	
Increase in share capital and reserves	25	7,958		9	
Capital increases paid by minority interests		3			
***Cash flows from financing activities*(c)**		**4,706**		**(98)**	
- of which discontinued operations		—		—	
Impact of exchange rate fluctuations on cash and cash equivalents(d)		**115**		***2***	
Increase/(Decrease) in cash and cash equivalents (a+b+c+d)		**(1,726)**		**5,931**	
- of which discontinued operations		—		—	
Cash and cash equivalents at the beginning of the year		5,211		1,463	
- of which discontinued operations		1		1	
Cash and cash equivalents at the end of the year(1)(2)		3,485		7,394	
- of which discontinued operations		1		1	

(1) Of which short-term securities equal to €57 million at June 30, 2009 (€87 million at June 30, 2008).

(2) Of which cash and cash equivalents pertaining to assets held for sale in the amount of €18 million at June 30, 2009 (€32 million at June 30, 2008).

Notes to the financial statements

1. Accounting policies and measurement criteria

Enel SpA, which operates in the energy utility sector, has its registered office in Rome, Italy. The consolidated financial report for the period ended June 30, 2009 comprises the financial statements of the Company, its subsidiaries and joint ventures ("the Group") and the Group's holdings in associated companies. A list of the subsidiaries, associated companies and joint ventures included in the scope of consolidation is reported in the annex.

These financial statements were approved for publication by the Board on July 30, 2009.

Compliance with IFRS/IAS

The consolidated interim financial report of the Group at and for the six months ended at June 30, 2009 has been prepared pursuant to Article 154-ter, paragraph 2, of Legislative Decree 58 of 24 February 1998 as amended by Legislative Decree 195 of 6 November 2007, as well as Article 81 of the Consob Issuers Regulation as amended.

The condensed interim consolidated financial statements for the six months ended at June 30, 2009 included in the half-year financial report have been prepared in compliance with the international accounting standards (IFRS/IAS) issued by the International Accounting Standards Board (IASB) recognized in the European Union pursuant to Regulation (EC) no. 1606/2002 and in effect as of the close of the period, as well as the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and the Standing Interpretations Committee (SIC) in effect at the same date. Hereinafter, these standards and interpretations are referred to as the "IFRS-EU".

More specifically, the financial statements have been prepared in compliance with IAS 34 — Interim Financial Reporting and consist of the consolidated income statement, the statement of comprehensive income, the consolidated balance sheet, the statement of changes in consolidated shareholders' equity, the consolidated statement of cash flows, and the related notes. The Enel Group has adopted the half-year as the reference interim period for the purposes of applying IAS 34 and the definition of interim financial report specified therein. In addition, the condensed consolidated interim financial statements at March 31, 2009, were prepared in conformity with IAS 34 in the context of the capital increase.

The accounting standards adopted, the recognition and measurement criteria and the consolidation criteria and methods used for the condensed interim consolidated financial statements at June 30 2009 are the same as those adopted for the consolidated financial statements at December 31, 2008 (please see that report for more information), with the exception of the differences discussed below. These condensed interim consolidated financial statements may therefore not include all the information required to be reported in the annual financial statements and must be read together with the financial statements for the period ended December 31, 2008.

In addition to the accounting standards adopted in the preparation of the financial statements at December 31, 2008, the following accounting standards and interpretations that took effect as from January 1, 2009, are relevant to the Group:

"Amendments to IAS 1 — Presentation of financial statements": this introduces a new method of presentation of financial statements, with a particular impact on the presentation of income statement data for the period through "comprehensive income", which provides for reporting of both profit and loss for the period and of profit and loss recognized as a change in equity ("other comprehensive income"). The standard gives companies the options of presenting this information in one "statement of comprehensive income", or in two separate statements presented together:

— one statement ("income statement"), which shows the components of profit and loss for the period; and

— a second statement ("statement of comprehensive income") which, starting with the net income (loss) for the period, includes gains and losses recognized directly in equity (OCI — other comprehensive income).

The Enel Group has elected to present two separate statements. The Revised IAS 1 also eliminated the option of disclosing changes in shareholders' equity items and transactions with owners in the notes to the financial statements and rather requires this information to be presented in a separate statement.

"Amendments to IAS 23 — Borrowing costs": this eliminates the option which allowed the expensing of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset and requires their capitalization, as part of the cost of that asset. The application of the standard on a prospective basis did not have a material impact for the Group.

"IFRS 8 — Operating segments": the standard replaces IAS 14 and essentially requires the adoption of the management approach in determining and reporting segment profit or loss, i.e. using the methodologies adopted by management in internal reporting in order to assess performance and allocate resources among segments. The application of the standard on a prospective basis did not have a material impact for the Group.

"Amendment to IFRS 2 — Share-based payment: vesting conditions and cancellations": the standard sets out the accounting treatment to be used in respect of "non-vesting conditions" that may apply to a share-based payment. Furthermore, the new standard extends the IFRS 2 rules governing cancellation of stock option plans by an entity to include cases in which the entity did not itself decide the cancellation or settlement during the vesting period. The retrospective application of the amendments did not have an impact for the Group.

"IFRIC 13 — Customer loyalty programs": the interpretation governs the accounting treatment of the obligation to provide prizes to customers as part of customer loyalty programs and establishes that the fair value of the obligations to provide the awards must be accounted for separately from revenues from sales and deferred until the obligation to the customer is extinguished. The retrospective application of the interpretation did not have a material impact for the Group.

"IFRIC 14 — IAS 19 The limit on a defined benefit asset, minimum funding requirements and their interaction": the interpretation provides guidance for the application of the rules contained in IAS 19 relating to the "asset ceiling." It also defines the effects of a minimum funding requirement on liabilities and/or assets held in relation to a defined benefit plan or other long-term benefits (contractually or legally established minimum amount of assets required to service the plan). The application of the interpretation on a prospective basis did not have a material impact for the Group.

Following the changes to presentation requirements (IAS 1 — Presentation of financial statements), the classification criteria for non-current and current financial assets and liabilities were clarified, specifying that financial assets and liabilities designated as at fair value through profit or loss with a maturity of more than 12 months that are held for operational hedging purposes and that the company intends to hold for at least 12 months as from the reporting date shall be classified as non-current. The retrospective application of this change involved the consistent reclassification, with regard to the comparative figures for December 31, 2008, of derivatives measured at fair value through profit or loss with the above characteristics from current to non-current.

Joint ventures

Investments in joint ventures, in which the Enel Group exercises joint control with other entities, are consolidated on a proportionate basis, recognizing, line-by-line, assets, liabilities, revenues and costs in proportion to the Group's stake in the venture from the date on which joint control began until the date on which such control ceases. In determining whether a situation of joint control exists, potential exercisable or convertible voting rights are also considered.

Notes to the financial statements — (Continued)

The following table reports the main financial aggregates for joint ventures included in these condensed interim consolidated financial statements:

	Enel Unión Fenosa Renovables	RusEnergoSbyt	SeverEnergia[(1)]
		Millions of euro	
Percentage consolidation	50.0%	49.5%	40.0%
Non-current assets	598	19	—
Current assets	97	38	—
Assets held for sale	—	—	884
Non-current liabilities	462	4	—
Current liabilities	149	33	—
Liabilities held for sale	—	—	269
Operating revenues	44	351	—
Operating costs	27	347	17

(1) At June 30, 2009, the venture's assets and liabilities were reclassified under "Assets held for sale" and "Liabilities held for sale" following the agreement with Gazprom of May 15, 2009.

Following the acquisition of 25.01% of Endesa, as at June 30, 2009, the latter is consolidated on a full, line-by-line basis, as joint control with Acciona had ceased. However, until the date of that transaction, the income statement figures for Endesa are included in these financial statements on a proportionate basis (67.05%).

2. Risk management

Market risk

As part of its operations, Enel is exposed to different market risks, notably the risk of changes in interest rates, exchange rates and commodity prices.

To contain this exposure within the limits set at the start of the year as part of its risk management policies, Enel enters into derivative contracts using instruments available on the market.

Enel also engages in a marginal amount of proprietary trading in order to maintain a presence in the Group's reference energy commodity markets. These operations consist in taking on limited exposures in energy commodities (oil products, gas, coal and electricity in the main European countries) using financial derivatives and physical contracts traded on regulated and OTC markets, exploiting opportunities in arbitrage transactions and on the basis of expected market developments. These operations are conducted within the framework of formal governance rules that establish strict risk limits set at the Group level. Compliance with the limits is verified daily by a unit that is independent of those undertaking the transactions. The risk limits for Enel's proprietary trading are set in terms of Value at Risk over a 1-day time horizon and a confidence level of 95%; the sum of the limits set for 2009 is equal to about €16 million. Transactions that qualify for hedge accounting are designated as hedging transactions, while those that do not qualify for hedge accounting are classified as trading transactions.

Fair value is determined using the official prices for instruments traded on regulated markets. The fair value of instruments not listed on regulated markets is determined using valuation methods appropriate for each type of financial instrument and market data as of the close of the period (such as interest rates, exchange rates, commodity prices, volatility), discounting expected future cash flows on the basis of the market yield curve at the balance sheet date and translating amounts in currencies other than the euro using period-end exchange rates provided by the European Central Bank. Where possible, contracts relating to commodities are measured using market prices related to the same instruments on both regulated and other markets.

The financial assets and liabilities associated with derivative instruments are classified as:

cash flow hedge derivatives, related to hedging the risk of changes in interest rates and exchange rates associated with a number of long-term loans, the risk of changes in the prices of coal and oil commodities, the exchange risk to hedging the exchange rate risk associated with provisioning of fuels priced in foreign currencies (mainly US dollars) and marginally to the hedging of revenues from the sale of electricity (two-way contracts for differences and other energy derivatives);

fair value hedge derivatives, related to hedging the exposure to changes in the fair value of an asset, liability or firm commitment attributable to a particular risk;

trading derivatives, related to hedging interest and exchange rate risk and commodity risk but which do not qualify for recognition under IAS 39 as hedges of specific assets, liabilities, commitments or future transactions as well as proprietary trading activities.

The notional value of a derivative is the contractual amount on the basis of which differences are exchanged. This amount can be expressed as a value or a quantity (for example tons, converted into euro by multiplying the notional amount by the agreed price). Amounts denominated in currencies other than the euro are converted into euro at the exchange rate prevailing at the closing date for the period.

Interest rate risk

Interest rate risk management is aimed at balancing the structure of the debt, reducing the amount of debt exposed to interest rate fluctuations and sterilizing borrowing costs over time, limiting the volatility of results.

Interest rate swaps are used to reduce the amount of debt exposed to changes in interest rates and to reduce the volatility of borrowing costs. In an interest rate swap, Enel enters into an agreement with a counterparty to exchange at specified intervals floating-rate interest flows for fixed-rate interest flows (agreed between the parties), both of which are calculated on the basis of a notional principal amount.

Interest rate options are used to reduce the impact of potential increases in interest rates on its floating-rate debt. Such contracts are normally used when the fixed interest rate that can be obtained in an interest rate swap is considered too high with respect to Enel's expectations for future interest rate developments. In addition, interest rate options are also considered appropriate in periods of uncertainty about future interest rate developments, in order to benefit from any decreases in interest rates. In such cases, Enel normally uses zero-cost collars, which do not require the payment of a premium.

All these contracts are agreed with a notional amount and expiry date lower than or equal to that of the underlying financial liability, so that any change in the fair value and/or expected future cash flows is offset by a corresponding change in the fair value and/or the expected future cash flows of the underlying position.

Accordingly, the fair value of the financial derivatives generally reflects the estimated amount that Enel would have to pay or receive in order to terminate the contracts at the balance-sheet date.

The amount of floating-rate debt that is not hedged against interest rate risk is the main risk factor that could impact the income statement in the event of an increase in market interest rates.

At June 30, 2009, 72% of net financial debt was floating rate (66% at December 31, 2008). Taking account of cash flow hedges of interest rates considered effective pursuant to the IFRS-EU, 47% of the debt was exposed to interest rate risk at June 30, 2009 (45% at December 31, 2008). Including interest rate derivatives treated as hedges for management purposes but ineligible for hedge accounting, the residual exposure of net financial debt to interest rate risk would be 45% (42% at December 31, 2008).

Consequently, an increase of 1 basis point in market interest rates would have a negative impact on the income statement in terms of higher interest expense on the portion of debt not hedged against interest rate risk of about €3 million (€2 million at December 31, 2008). Conversely, an equivalent decline in market interest rates would have a positive impact on the income statement in terms of lower interest expense on the portion of debt not hedged against interest rate risk of about €3 million (€2 million at December 31, 2008).

As regards the potential impact on shareholders' equity of a change in market interest rates, if market interest rates had been 1 basis point higher at June 30, 2009, all other variables being equal, shareholders' equity would have been about €6 million higher as a result of the increase in the fair value of CFH derivatives on interest rates (and therefore of the related equity reserve). If interest rates have been 1 basis point lower at that date, all other variables being equal, shareholders' equity would have been €6 million lower as a result of the decrease in the fair value of CFH derivatives on interest rates.

Exchange rate risk

Exchange rate risk is mainly generated with the following transaction categories:

debt denominated in currencies other than the functional currency of the respective countries entered into by the holding company or the individual subsidiaries;

cash flows in respect of the purchase or sale of fuel or electricity on international markets;

cash flows in respect of investments in foreign currency, dividends from unconsolidated foreign companies or the purchase or sale of equity investments.

In order to reduce the exchange rate risk on these exposures, Enel uses foreign exchange forward and option contracts in order to hedge cash flows in currencies other than the functional currencies of the various Group entities. Enel also uses cross currency interest rate swaps (normally at long term) to stabilize cash flows on bonds paying interest in foreign currency. The buy and sell amounts in such contracts are notional values. Any foreign exchange options, negotiated on unregulated markets, give Enel the right or the obligation to acquire or sell specified amounts of foreign currency at a specified exchange rate at the end of a given period of time, normally not exceeding one year. The maturity of forward contracts does not normally exceed twelve months.

The Group also seeks to balance inward and outward cash flows in respect of assets and liabilities denominated in foreign currency.

An analysis of the Group's financial debt shows that 19% of medium- and long-term debt is denominated in currencies other than the euro. Taking account of exchange rate hedges and the portion of debt denominated in the functional currency of the country in which the Group company holding the debt position operates, the proportion of unhedged debt denominated in currencies other than the euro decreases to about 3%, a proportion that is felt would not have a significant impact on the income statement in the event of a change in market exchange rates.

As regards the potential impact on shareholders' equity of a change in market exchange rates, at June 30, 2009, assuming a 10% depreciation of the euro against the other currencies, all other variables being equal, shareholders' equity would have been about €823 million higher (€891 million at December 31, 2008) as a result of the increase in the fair value of CFH derivatives on exchange rates (and therefore of the related equity reserve). Conversely, assuming a 10% appreciation of the euro against the other currencies, all other variables being equal, shareholders' equity would have been €688 million lower (€732 million at December 31, 2008) as a result of the decrease in the fair value of CFH derivatives on exchange rates.

Commodity risk

Various types of derivatives are used to reduce the exposure to fluctuations in energy commodity prices and as part of proprietary trading activities.

The exposure to the risk of changes in commodity prices is associated with the purchase of fuel for power plants and the purchase and sale of gas under indexed contracts as well as the purchase and sale of electricity at variable prices (indexed bilateral contracts and sales on Power Exchange).

The exposures on indexed contracts are quantified by breaking down the contracts that generate exposure into the underlying risk factors.

As regards electricity sold on the Italian Power Exchange, Enel uses two-way contracts for differences, under which differences are paid to the counterparty if the Single National Price (SNP) exceeds the strike price and to Enel in the opposite case.

The residual exposure in respect of sales on the Power Exchange not hedged through two-way contracts for differences is quantified and managed on the basis of an estimation of generation costs in Italy. The residual positions thus determined are aggregated on the basis of uniform risk factors that can be hedged in the market.

Credit risk

Enel manages credit risk by operating solely with counterparties considered solvent by the market, i.e. those with high credit standing, and does not have any concentration of credit risk.

The credit risk in respect of the financial derivatives portfolio is considered negligible since transactions are conducted solely with leading Italian and international banks, diversifying the exposure among different institutions. The Group constantly monitors the credit ratings of these institutions, which must not fall below certain levels specified in the related risk management policies, carefully analyzing the risk for each new counterparty.

As part of activities related to purchasing fuels for thermal generation and the sale and distribution of electricity, the distribution of gas and the sale of gas to eligible customers, Enel grants trade credit to external counterparties. The counterparties selected are carefully monitored through the assessment of the related credit risk and the pledge of suitable guarantees and/or security deposits to ensure adequate protection from default risk.

Enel considers the economic impact in future years of any default by counterparties in its derivatives positions open at the balance-sheet date to be immaterial given the high credit standing of such counterparties, the nature of the instruments (under which only differential flows are exchanged) and the risk diversification achieved by breaking down positions among the various counterparties.

Liquidity risk

Liquidity risk is managed (with the exception of Endesa SA and its subsidiaries) by the Group Treasury unit at Enel SpA, which ensures adequate coverage of cash needs (using lines of credit and issues of bonds and commercial paper) and appropriate management of any excess liquidity. Endesa also has a liquidity policy that envisages the use of committed lines of credit in amounts sufficient to cover cash needs over a time horizon determined on the basis of an analysis of the situation and expectations in the capital market.

At June 30, 2009, the Enel Group had committed lines of credit amounting to €35.6 billion, of which €23.4 billion had been drawn: the amount includes drawings on the original €35 billion line of credit opened to finance the public tender offer for Endesa, which was increased by €8 billion following the acquisition of the stake in Endesa held by Acciona, subsequently reduced to €18.3 billion and was fully drawn at June 30, 2009. At the same date Enel had uncommitted lines of credit amounting to €2.5 billion, of which €1.1 billion had been drawn.

In addition, Enel Finance International has an outstanding commercial paper program with a maximum amount of €4 billion, of which about €0.5 billion were available at June 30, 2009. Endesa Internacional BV (now Endesa Latinoamérica) also has an outstanding commercial paper program with a maximum amount of €2 billion, of which about €0.4 billion were available at June 30, 2009. Finally, Endesa Capital SA has an outstanding domestic commercial paper program (*"pagarès"*) with a maximum amount of €2 billion, of which about €1.0 billion were available at June 30, 2009.

3. Main changes in the scope of consolidation

In the two periods examined here, the scope of consolidation changed as a result of the following main transactions:

the acquisition, on March 5, 2008, of 85% of Enel Productie (formerly Global Power Investment), a Romanian company active in the generation of electricity;

the acquisition, on April 25, 2008, of 50% of Electrica Muntenia Sud (today Enel Distributie Muntenia and Enel Energie Muntenia) and the concurrent subscription of a capital increase approved by the company's shareholders. Following the operation, Enel holds 64.4% of the company. As from the conclusion of the changes in the company's governance arrangements needed to define control on June 4, 2008, the company is consolidated on a line-by-line basis, taking account of the shareholding subject to the put option granted to Electrica at the time of the sale, equal to 23.6%;

the acquisition, on May 19, 2008, of 100% of International Wind Parks of Crete and Hydro Constructional, which operate in Greece in the generation of electricity from renewables;

the conclusion, on May 28, 2008, of the changes in the governance arrangements of OGK-5, which gave Enel full control as from that date. Enel, acting through the subsidiary Enel Investment Holding, had acquired 59.80% of the Russian company in a series of purchases, of which 22.65% in the public tender completed on March 6, 2008, before selling a minority stake of 4.1% on June 25, 2008. As from May 28, 2008, the company is consolidated on a line-by-line basis;

the disposal, on June 26, 2008, of the assets specified in the agreements signed between Enel and Acciona on March 26, 2007, and between Enel, Acciona and E.On on April 2, 2007 and March 18, 2008, consisting of:

— the assets and liabilities held directly or indirectly by Endesa in Italy, France, Poland and Turkey, as well as a number of other assets in Spain (hereinafter "Endesa Europa");

— the assets and liabilities in respect of Enel's equity investments in Enel Viesgo Generación, Enel Viesgo Servicios and Electra de Viesgo Distribución and the equity investments held by them;

the acquisition, on June 30, 2008, of 80% of Marcinelle Energie, which is building a combined-cycle gas turbine plant in Belgium. The company is consolidated taking account of the put option on 20% granted to Duferco at the time of the sale;

disposal, on July 25, 2008, of 51% of Hydro Dolomiti Enel (HDE), a company established by Enel Produzione on May 12, 2008, for the development, together with other partners, of hydroelectric power in the Autonomous Province of Trento. Taking account of the governance structure provided for by the agreement, Enel will exercise a dominant influence over HDE until approval of the financial statements for the 2010 financial year and will therefore consolidate the company on a line-by-line basis until that time;

acquisition on January 9, 2009, of 100% of KJWB (now Endesa Ireland), which operates in Ireland in the electricity generation sector. As it is controlled by Endesa, the company was consolidated on a proportionate basis until June 25, 2009;

disposal, on April 1, 2009, of the entire share capital of Enel Linee Alta Tensione (ELAT), the company to which Enel Distribuzione transferred, with effect from January 1, 2009, a business unit consisting of high-voltage power lines and the related legal relationships;

acquisition, between April 22 and June 23, 2009 of 100% of International Wind Parks of Rhodes, Glafkos Hydroelectric Station and International Wind Parks of Achaia, which operate in Greece in the generation of electricity from renewables;

acquisition, on June 25, 2009, by Enel, acting through its subsidiary Enel Energy Europe, of the 25.01% of Endesa held, directly and indirectly, by Acciona. Following the acquisition, Enel holds 92.06% of Endesa and exercises full control over the company. As a result, as from that date, Endesa is consolidated in the Enel Group on a full, line-by-line basis rather than proportionately, with separate reporting of the minority interest of 7.94%.

For the purpose of accounting for the terms of the agreement of March 26, 2007, between Enel and Acciona, and following achievement of joint control of Endesa, the assets and liabilities in respect of renewable energy operations held by Endesa and due to be transferred to Acciona were classified as "Assets held for sale" and "Liabilities held for sale" in the consolidated balance sheet at December 31, 2008.

On June 25, 2009, Endesa also sold Acciona certain of the assets indicated above, partially modifying the assets involved compared with those specified in the agreement of March 26, 2007. The transaction involved a number of plants with a total capacity of 1,946 MW (of which 679 MW from conventional hydroelectric power and 1,267 MW from other renewable resources). The price for the assets was €2,634 million. The parties also agreed for Endesa to sell Acciona other plants with a total capacity of 133 MW — mainly wind facilities — as soon as the related regulatory and technical authorization procedures are completed for a price of €183 million.

In the consolidated balance sheet at June 30, 2009, the items "Assets held for sale" and "Liabilities held for sale" include therefore the assets and liabilities of the Endesa renewable energy assets, which although they were included among operations to be sold had not yet been transferred to Acciona as of June 30, 2009 pending completion of authorization requirements. The same line items also comprise the assets and liabilities in respect of the gas distribution network, whose disposal is expected to be completed in the 2nd Half of 2009, and the assets and liabilities of SeverEnergia following the agreement with Gazprom on May 15, 2009, with which Gazprom confirmed its commitment to acquire 51% of SeverEnergia. Assets and liabilities held for sale also include certain other assets held by Endesa, which in the light of decisions taken by management meet the requirements under IFRS 5 for their classification among assets and liabilities held for sale.

In the consolidated income statement, income or loss, net of the related tax effect, attributable to the gas distribution network, which is essentially attributable to Enel Rete Gas is reported under "discontinued operations" for the 1st Half of 2009, as it represents a major operational segment in Italy. The parties reached agreement on a consensus valuation of the assets and liabilities involved in the sale. As a result of the valuation, the value of the assets was adjusted. Specifically, the balance sheet and income statement effects of the adjustment, equal to €136 million, were recognized in "Assets held for sale" and "Income from discontinued operations" respectively.

The results of the discontinued operations reported for comparative purposes in the consolidated income statement include, in addition to the Italian gas distribution activities, the assets of Endesa Europa until their sale to E.On on June 26, 2008, as those net assets were acquired for the sole purpose of their resale.

Compared with the results presented in the condensed interim consolidated financial statements at June 30, 2008, the income statement figures and the cash flow amounts have been restated for comparative purposes only to take account of the completion at December 31, 2008, of the allocation of the purchase price for the acquisition of 67.05% of Endesa. The following table reports the consolidated income statement at June 30, 2008, as it would have been presented had the determination of the fair value of the assets acquired and the liabilities assumed been completed by the date of approval of the condensed interim consolidated financial statements at June 30, 2008, with effect from the acquisition date.

Consolidated income statement

	1st Half 2008	Adjustments	Performance with final fair values[(2)] 1st Half 2008
		Millions of euro	
Operating income	**5,285**	**(222)[(1)]**	**5,063**
Income before taxes	**3,866**	**(222)**	**3,644**
Income taxes	819	(68)	751
Income from continuing operations	**3,047**	**(154)**	**2,893**
Income from discontinued operations	**226**	**—**	**226**
Net income for the period (shareholders of the Parent Company and minority interests)	**3,273**	**(154)**	**3,119**
Attributable to minority interests	422	(42)	380
Attributable to shareholders of the Parent Company	2,851	(112)	2,739

(1) Regards change in depreciation and amortization following adjustments to the value of the property, plant and equipment and intangible assets of Endesa.

(2) Excludes the effect of the classification of the performance figures for the Italian gas distribution network under discontinued operations (see note 11).

The following section reports the effects of the completion in the 1st Half of 2009 of the purchase price allocation process in accordance with IFRS 3 for the acquisitions of control completed in the previous twelve months. Note that the changes in the balance sheet figures as a result of the allocation of the purchase price do not affect the comparability of the data for the two periods and so the comparative balances for the previous periods have not been restated.

Notes to the financial statements — (Continued)

Final allocation of the purchase price for the assets acquired and liabilities assumed of International Wind Parks of Crete and Hydro Constructional

Determination of goodwill for International Wind Parks of Crete and Hydro Constructional

	Millions of euro
Net assets acquired before allocation	7
Fair value adjustments:	
- property, plant and equipment	1
- intangible assets	4
- net deferred tax liabilities	(1)
Net assets acquired after allocation	**11**
Value of the transaction(1)	22
Goodwill	**13**
Badwill	**(2)**

(1) Including incidental expenses.

Balance sheet of International Wind Parks of Crete and Hydro Constructional at the acquisition date

	Carrying amount prior to May 19, 2008	Adjustments for fair value measurement	Carrying amount recognized at May 19, 2008
		Millions of euro	
Property, plant and equipment	17	1	18
Intangible assets	—	4	4
Inventories, trade receivables and other receivables	1	—	1
Total assets	**18**	**5**	**23**
Shareholders' equity	**7**	**4**	**11**
Financial debt	8	—	8
Trade payables and other payables	1	—	1
Other current and non-current liabilities	2	1	3
Total liabilities and shareholders' equity	**18**	**5**	**23**

The definitive allocation of the purchase price to the assets acquired and the liabilities assumed was completed after the preparation of the consolidated financial statements at December 31, 2008.

Final allocation of purchase price for the assets acquired and liabilities assumed of OGK-5

Determination of goodwill for OGK-5

	Millions of euro
Net assets acquired before allocation	780
Fair value adjustments:	
- property, plant and equipment	953
- net deferred tax liabilities	(261)
- minorities and sundry provisions	(396)
- other minor items	34
Net assets acquired after allocation	**1,110**
Value of the transaction(1)	2,466
Goodwill	**1,356**

(1) Including incidental expenses.

OGK-5 balance sheet at the date of acquisition

	Carrying amount prior to May 28, 2008	Adjustments for fair value measurement	Carrying amount recognized at May 28, 2008
		Millions of euro	
Property, plant and equipment	1,449	953	2,402
Intangible assets	2	—	2
Inventories, trade receivables and other receivables	150	(6)	144
Cash and cash equivalents	3	—	3
Other current and non-current assets	139	39	178
Total assets	**1,743**	**986**	**2,729**
Shareholders' equity	**780**	**330**	**1,110**
Trade payables	31	—	31
Long and short-term debt	135	(1)	134
Other current and non-current liabilities	192	261	453
Minorities and sundry provisions	605	396	1,001
Total liabilities and shareholders' equity	**1,743**	**986**	**2,729**

The definitive allocation of the purchase price to the assets acquired and the liabilities assumed was completed after the preparation of the consolidated financial statements at December 31, 2008.

Final allocation of purchase price for the assets acquired and liabilities assumed of Electrica Muntenia Sud

Determination of goodwill for Electrica Muntenia Sud

	Millions of euro
Net assets acquired before allocation	599
Fair value adjustments:	
- intangible assets	331
- deferred income for plant grants	115
- net deferred tax liabilities	(72)
- minorities and sundry provisions	(45)
Net assets acquired after allocation	**928**
Value of the transaction(1)	1,221
Goodwill	**293**

(1) Including incidental expenses.

Electrica Muntenia Sud balance sheet at the date of acquisition

	Carrying amount prior to June 4, 2008	Adjustments for fair value measurement	Carrying amount recognized at June 4, 2008
		Millions of euro	
Property, plant and equipment	374	—	374
Intangible assets	1	331	332
Inventories, trade receivables and other receivables	74	—	74
Cash and cash equivalents	493	—	493
Other current and non-current assets	2	—	2
Total assets	**944**	**331**	**1,275**
Shareholders' equity	**599**	**329**	**928**
Trade payables	59	—	59
Long and short-term debt	5	—	5
Other current and non-current liabilities	175	(43)	132
Minorities and sundry provisions	106	45	151
Total liabilities and shareholders' equity	**944**	**331**	**1,275**

The definitive allocation of the purchase price to the assets acquired and the liabilities assumed was completed after the preparation of the consolidated financial statements at December 31, 2008.

Final allocation of purchase price for the assets acquired and liabilities assumed of Marcinelle Energie

Determination of goodwill for Marcinelle Energie

	Millions of euro
Net assets acquired before allocation	3
Fair value adjustments:	
- intangible assets	45
- net deferred tax liabilities	(15)
Net assets acquired after allocation	**33**
Value of the transaction(1)	66
Goodwill	**33**

(1) Including incidental expenses.

Marcinelle Energie balance sheet at the date of acquisition

	Carrying amount prior to June 30, 2008	Adjustments for fair value measurement	Carrying amount recognized at June 30, 2008
		Millions of euro	
Property, plant and equipment	2	—	2
Intangible assets	—	45	45
Cash and cash equivalents	3	—	3
Total assets	**5**	**45**	**50**
Shareholders' equity	**3**	**30**	**33**
Trade payables	2	—	2
Other current and non-current liabilities	—	15	15
Total liabilities and shareholders' equity	**5**	**45**	**50**

The definitive allocation of the purchase price to the assets acquired and the liabilities assumed was completed after the preparation of the consolidated financial statements at December 31, 2008.

Business combinations carried out in the 1st Half of 2009

As regards the acquisitions carried out in the 1st Half of 2009, the difference between the cost of the investments and the assets acquired net of the liabilities assumed was initially recognized on a provisional basis under "Goodwill" pending completion of the purchase price allocation process.

Acquisition of 25.01% of Endesa

	Millions of euro
Property, plant and equipment	13,171
Intangible assets	4,455
Trade receivables and inventories	1,702
Cash and cash equivalents	560
Other current and non-current assets	4,694
Total assets	**24,582**
Financial debt	6,686
Trade payables	1,575
Financial liabilities and other current and non-current liabilities	5,383
Employee benefits, sundry provisions and minorities	5,758
Total liabilities	**19,402**
Total net assets acquired	**5,180**
Goodwill	4,508
Value of the transaction[1]	**9,688**
CASH FLOW IMPACT AT JUNE 30, 2009	9,627

(1) Including incidental expenses.

With regard to the acquisition of 25.01% of Endesa, the provisional recognition of the difference between the purchase price and the value of the assets acquired and liabilities assumed was carried out on the basis of the values of such assets and liabilities as determined in the final allocation of the price of the acquisition of 67.05% of Endesa. If the acquisition of the 25.01% stake had occurred on January 1, 2009, it is estimated that the revenues and net income attributable to shareholders of the Parent Company for the 1st Half of 2009 would have been €31,969 million and €3,768 million, respectively.

Acquisition of KJWB (now Endesa Ireland)

	Millions of euro
Property, plant and equipment	101
Intangible assets	1
Trade receivables and inventories	10
Other current and non-current assets	13
Total assets	**125**
Trade payables	1
Financial liabilities and other current and non-current liabilities	25
Minorities and sundry provisions	9
Total liabilities	**35**
Total net assets acquired	**90**
Goodwill	205
Value of the transaction	**295**
CASH FLOW IMPACT AT JUNE 30, 2009	**295**

The contribution of Endesa Ireland to Group operating income was €19 million.

4. Segment information

The results presented in this report reflect the organizational structure launched in September 2008, which saw the establishment of the "Renewable Energy" Division, alongside the existing Divisions in the organization implemented in December 2007 and operational since January 1, 2008. This organization was considered by management in assessing Group performance for the two periods under review.

Notes to the financial statements — (Continued)

The results of the Divisions have therefore been presented in accordance with the current structure and for the purposes of providing comparable figures, the figures for the 1st Half of 2008 have been reallocated to the "Renewable Energy" Division, the figures for which have been taken from:

the Generation and Energy Management Division for non-schedulable hydroelectric plants, geothermal and solar plants, and wind plants;

the Iberia and Latin America Division for Enel Latin America, Inelec, Americas Generation Corporation and Enel Unión Fenosa Renovables;

the International Division for International Wind Parks of Thrace, Wind Parks of Thrace, International Wind Power, International Wind Parks of Crete, Hydro Constructional, Enel Green Power Bulgaria (formerly Enel Maritza East 4), Blue Line, Enel North America, and Enel Erelis;

the Sales Division for Enel.si.

1st Half of 2009[1]

	Sales	GEM	Eng. & Innov.	Infra. & Networks	Iberia & Latin America	Int'l	Renewable Energy	Parent Company	Services and Other Activities	Eliminations and adjustments	Total
						Millions of euro					
Revenues from third parties	10,485	6,027	105	1,117	7,146	2,556	794	191	57	(21)	28,457
Revenues from other segments	128	3,267	352	2,354	3	93	69	165	452	(6,883)	—
Total revenues	10,613	9,294	457	3,471	7,149	2,649	863	356	509	(6,904)	28,457
Net income/(charges) from commodity risk management	(378)	427	—	—	(522)	13	46	1	—	—	(413)
Operating income	(9)	1,533	12	1,596	1,462	392	507	50	40	(4)	5,579
Net financial income/(expense) and income/(expense) from equity investments accounted for using equity method	—	—	—	—	—	—	—	—	—	—	(188)
Income taxes	—	—	—	—	—	—	—	—	—	—	1,333
Net income from continuing operations	—	—	—	—	—	—	—	—	—	—	4,058
Net income from discontinued operations	—	—	—	—	—	—	—	—	—	—	(84)
Net income (Group and minority interests)	—	—	—	—	—	—	—	—	—	—	3,974
Operating assets	7,843	14,393	330	18,551[2]	79,730[4]	12,783[6]	6,015	1,167	1,710	(5,256)	137,266
Operating liabilities	5,366	3,630	337	5,815[3]	14,843[5]	4,956[7]	648	2,040	1,545	(5,430)	33,750
Capital expenditure	26	376	—	520	894	417	326	—	31	—	2,590

(1) Segment revenues include both revenues from third parties and revenue flows between the segments. An analogous approach was taken for other income and costs for the period.

(2) Of which €1,670 million regarding units classified as "Held for sale".

(3) Of which €195 million regarding units classified as "Held for sale".

(4) Of which €544 million regarding units classified as "Held for sale".

(5) Of which €44 million regarding units classified as "Held for sale".

(6) Of which €861 million regarding units classified as "Held for sale".

(7) Of which €32 million regarding units classified as "Held for sale".

Notes to the financial statements — (Continued)

1st Half of 2008[1]

	Sales	GEM	Eng. & Innov.	Infra. & Networks	Iberia & Latin America	Int'l	Renewable Energy	Parent Company	Services and Other Activities	Eliminations and adjustments	Total
	Millions of euro										
Revenues from third parties	10,986	6,355	26	831	8,175	1,844	777	187	162	(19)	**29,324**
Revenues from other segments	79	3,970	514	2,315	5	121	75	150	391	(7,620)	—
Total revenues	**11,065**	**10,325**	**540**	**3,146**	**8,180**	**1,965**	**852**	**337**	**553**	**(7,639)**	**29,324**
Net income/(charges) from commodity risk management	167	(24)	—	—	17	(54)	(30)	—	—	—	**76**
Operating income	**154**	**1,246**	**4**	**1,504**	**1,332**	**337**	**433**	**(24)**	**38**	**3**	**5,027**
Net financial income/(expense) and income/(expense) from equity investments accounted for using the equity method	—	—	—	—	—	—	—	—	—	—	**(1,403)**
Income taxes	—	—	—	—	—	—	—	—	—	—	**740**
Net income from continuing operations	—	—	—	—	—	—	—	—	—	—	**2,884**
Net income from discontinued operations	—	—	—	—	—	—	—	—	—	—	**235**
Net income (Group and minority interests)	—	—	—	—	—	—	—	—	—	—	**3,119**
Operating assets[2]	**8,105**	**15,357**	**217**	**19,773[3]**	**53,201[4]**	**12,562**	**5,593**	**1,233**	**1,883**	**(5,714)**	**112,210**
Operating liabilities[2]	**6,127**	**4,468**	**474**	**6,023[5]**	**9,255[6]**	**5,098**	**691**	**1,351**	**1,658**	**(5,150)**	**29,995**
Capital expenditure	**22**	**417**	**—**	**625**	**896**	**190**	**364**	**5**	**28**	**—**	**2,547**

(1) Segment revenues include both revenues from third parties and revenue flows between the segments. An analogous approach was taken for other income and costs for the period.

(2) At December 31, 2008.

(3) Of which €2,871 million regarding units classified as "Held for sale".

(4) Of which €2,368 million regarding units classified as "Held for sale".

(5) Of which €324 million regarding units classified as "Held for sale".

(6) Of which €36 million regarding units classified as "Held for sale".

Notes to the financial statements — (Continued)

The following table reconciles segment assets and liabilities and the consolidated figures.

	at June 30, 2009	at Dec. 31, 2008
	Millions of euro	
Total assets	**159,514**	**133,207**
Financial assets, cash and cash equivalents	13,504	13,251
Tax assets	8,744	7,746
Segment assets	**137,266**	**112,210**
- *of which:*		
Sales	7,843	8,105
Generation and Energy Management	14,393	15,357
Engineering and Innovation	330	217
Infrastructure and Networks(1)	18,551	19,773
Iberia and Latin America(2)	79,730	53,201
International(3)	12,783	12,562
Renewable Energy	6,015	5,593
Parent Company	1,167	1,233
Services and Other Activities	1,710	1,883
Eliminations and adjustments	(5,256)	(5,714)
Total liabilities	**118,677**	**106,912**
Loans and other financial liabilities	71,377	66,079
Tax liabilities	13,550	10,838
Segment liabilities	**33,750**	**29,995**
- *of which:*		
Sales	5,366	6,127
Generation and Energy Management	3,630	4,468
Engineering and Innovation	337	474
Infrastructure and Networks(4)	5,815	6,023
Iberia and Latin America(5)	14,843	9,255
International(6)	4,956	5,098
Renewable Energy	648	691
Parent Company	2,040	1,351
Services and Other Activities	1,545	1,658
Eliminations and adjustments	(5,430)	(5,150)

(1) Of which €1,670 million regarding units classified as "Held for sale" (€2,871 million at December 31, 2008).

(2) Of which €544 million regarding units classified as "Held for sale" (€2,368 million at December 31, 2008).

(3) Of which €861 million regarding units classified as "Held for sale".

(4) Of which €195 million regarding units classified as "Held for sale" (€324 million at December 31, 2008).

(5) Of which €44 million regarding units classified as "Held for sale" (€36 million at December 31, 2008).

(6) Of which €32 million regarding units classified as "Held for sale".

Notes to the financial statements — (Continued)

Information on the Consolidated Income Statement

Revenues

5.a Revenues from sales and services — €27,498 million

	1st Half 2009	1st Half 2008	Change
	Millions of euro		
Revenues from the sale and transport of electricity and contributions from Electricity Equalization Fund and similar bodies	24,518	25,877	(1,359)
Revenues from the sale and transport of natural gas to end users	1,673	1,692	(19)
Revenues from fuel sales	92	241	(149)
Connection fees for the electricity and gas networks	318	354	(36)
Revenues for contract work in progress	151	9	142
Other sales and services	746	556	190
Total	**27,498**	**28,729**	**(1,231)**

"Revenues from the sale and transport of electricity and contributions from Electricity Equalization Fund and similar bodies" primarily include €8,789 million in revenues from the transport and sale of electricity on domestic final markets (€9,265 million in the 1st Half of 2008), €4,443 million in revenues from the sale of electricity on the Power Exchange and to other domestic resellers (€5,488 million in the 1st Half of 2008), €10,763 million in revenues from the transport and sale of electricity abroad (€9,964 million in the 1st Half of 2008).

"Revenues from the sale and transport of natural gas to end users" came to €1,673 million in the 1st Half of 2009 and include €1,171 million in revenues from the sale of natural gas in Italy (€1,169 million in the 1st Half of 2008), €139 million in revenues from the transport of natural gas in Italy (€121 million in the 1st Half of 2008), in addition to sales and transport of natural gas abroad amounting to €363 million (€402 million in he 1st Half of 2008).

"Revenues from fuel sales" came to €92 million, and include in the 1st Half of 2009 €25 million for the sale of natural gas (€196 million in the 1st Half of 2008), and €67 million for the sale of other fuels (€45 million in the 1st Half of 2008).

"Revenues for contract work in progress" refer to engineering and construction work for third parties.

The table below gives a breakdown of revenues from sales and services by geographical area:

	1st Half 2009	1st Half 2008
	Millions of euro	
Italy	16,042	17,383
Europe	6,797	8,238
Americas	4,198	2,978
Middle East	1	10
Other	460	120
Total	**27,498**	**28,729**

Notes to the financial statements — (Continued)

5.b Other revenues — €959 million

	1st Half		
	2009	2008	Change
	Millions of euro		
Reimbursement of stranded cost for Nigerian gas	72	75	(3)
Grants	125	88	37
Sundry reimbursements	77	64	13
Gains on disposal of assets	308	—	308
Gains on sale of property, plant and equipment and intangible assets	1	19	(18)
Service continuity bonuses	17	—	17
Other revenues	359	349	10
Total	**959**	**595**	**364**

"Gains on disposals of assets" realized in the 1st Half of 2009 are entirely accounted for by the sale on April 1 of 100% of Enel Linee Alta Tensione (ELAT), the company to which Enel Distribuzione transferred the business unit represented by the high-voltage power lines and the related legal relationships, with effect from January 1, 2009.

Costs

6.a Raw materials and consumables — €14,506 million

	1st Half		
	2009	2008	Change
	Millions of euro		
Electricity	10,359	11,890	(1,531)
Fuel and gas	3,603	4,695	(1,092)
Materials	544	337	207
Total	**14,506**	**16,922**	**(2,416)**
- of which capitalized	*323*	*244*	*79*

Electricity purchases include €3,576 million in purchases from the Single Buyer (€3,943 million in the 1st Half of 2008), €2,308 million in purchases from the Electricity Market Operator (€3,056 million in the 1st Half of 2008) and €155 million in purchases abroad (€165 million in the 1st Half of 2008).

Purchases of fuel and gas include €1,942 million in natural gas purchases and €1,661 million in the purchase of other fuels.

6.b Services — €3,300 million

	1st Half		
	2009	2008	Change
	Millions of euro		
Electricity and gas wheeling	1,363	1,266	97
Maintenance and repairs	451	347	104
Telephone and postal	145	153	(8)
Communication services	45	75	(30)
IT services	62	76	(14)
Leases and rentals	257	236	21
Other	977	704	273
Total	**3,300**	**2,857**	**443**

Notes to the financial statements — (Continued)

6.c Personnel — €2,026 million

	1st Half 2009	1st Half 2008	Change
	Millions of euro		
Wages and salaries	1,447	1,390	57
Social security contributions	382	349	33
Post-employment benefits	56	50	6
Other costs	141	112	29
Total	**2,026**	**1,901**	**125**
- of which capitalized	*308*	*314*	*(6)*

Personnel costs rose by €125 million in the 1st Half of 2009, while the average workforce expanded by 3.0%. The figure largely reflects the change in the scope of consolidation between the two periods under review, as well as the cost associated with the wage adjustments consequent upon the renewal of the collective bargaining agreement for the electricity industry in Italy. In particular, costs in respect of termination benefits recognized in the 1st Half of 2009 amounted to €62 million.

6.d Depreciation, amortization and impairment losses — €2,360 million

	1st Half 2009	1st Half 2008	Change
	Millions of euro		
Depreciation	1,911	1,772	139
Amortization	230	182	48
Impairment losses	219	341	(122)
Total	**2,360**	**2,295**	**65**

"Depreciation" totaled €1,911 million in the 1st Half of 2009 and included depreciation on renewables assets classified as "held for sale" at December 31, 2008, and subsequently excluded from the agreement of February 20, 2009, with Acciona.

"Impairment losses" in the 1st Half of 2009 include writedowns of trade receivables for €197 million (€162 million in the 1st Half of 2008). In the 1st Half of 2008, impairment losses amounting to €168 million regarded the adjustment of the net assets of the Viesgo Group, sold to E.On, to the estimated value of the assets as determined by the investment banks at the end of the 1st Quarter of 2008.

6.e Other operating expenses — €904 million

	1st Half 2009	1st Half 2008	Change
	Millions of euro		
Provisions for risks and charges	42	43	(1)
Purchase of green certificates	308	3	305
Taxes and duties	264	174	90
Losses on disposal of assets	—	109	(109)
Other	290	627	(337)
Total	**904**	**956**	**(52)**

"Losses on disposal of assets" include in the 1st Half of 2008 the loss from the sale of Enel's Viesgo assets to E.On.

6.f Capitalized costs — €(631) million

This item includes €308 million in personnel costs and €323 million in materials costs (€314 million and €244 million, respectively, in the 1st Half of 2008).

Net income/(charges) from commodity risk management

7. Net income/(charges) from commodity risk management — €(413) million

Net charges from commodity risk management reflect €267 million in net unrealized charges on open positions in commodity derivatives at June 30, 2009, and €146 million in net realized charges on positions closed during the period.

	1st Half 2009	1st Half 2008	Change
	Millions of euro		
Income			
Unrealized on contracts for differences	14	—	14
Unrealized on other contracts	402	792	(390)
Total unrealized income	**416**	**792**	**(376)**
Total realized income	**117**	**197**	**(80)**
Total income	**533**	**989**	**(456)**
Charges			
Unrealized on contracts outstanding at the end of the period	(683)	(841)	158
Realized on contracts for differences	(52)	(22)	(30)
Realized on other contracts	(211)	(50)	(161)
Total realized charges	**(263)**	**(72)**	**(191)**
Total charges	**(946)**	**(913)**	**(33)**
NET INCOME/(CHARGES) FROM COMMODITY RISK MANAGEMENT	**(413)**	**76**	**(489)**
- of which trading/non IFRS-IAS hedge derivatives	*(403)*	*99*	*(502)*
- of which ineffective portion of CFH	—	—	—

8. Financial income/(expense) — €(209) million

	1st Half 2009	1st Half 2008	Change
	Millions of euro		
Interest and other income from financial assets (current and non-current):			
- interest income at effective rate on non-current securities and receivables	73	41	32
- financial income on non-current securities at fair value through profit or loss	1	—	1
- interest income at effective rate on short-term financial investments	52	61	(9)
Total interest and other income from financial assets	**126**	**102**	**24**
Foreign exchange gains	**390**	**529**	**(139)**
Income from derivative instruments:			
- income from cash flow hedge derivatives	215	57	158
- income from derivatives at fair value through profit or loss	1,077	296	781
- income from fair value hedge derivatives	65	1	64
Total income from derivative instruments	**1,357**	**354**	**1,003**
Income from equity investments	**34**	**19**	**15**
Other income	**234**	**172**	**62**
TOTAL FINANCIAL INCOME	**2,141**	**1,176**	**965**

Financial income totaled €2,141 million, an increase of €965 million over the 1st Half of 2008.

Financial income from derivatives in the 1st Half of 2009 include the positive effect of €970 million generated by the early exercise of the put option granted to Acciona in the contract of March 26, 2007. The option was exercised with the acquisition by Enel of the 25.01% of Endesa held, directly and indirectly, by Acciona.

	1st Half		
	2009	2008	Change
	Millions of euro		
Interest and other charges on financial debt (current and non-current)			
- interest expense on bank loans	362	614	(252)
- interest expense on bonds	665	908	(243)
- interest expense on other loans	92	117	(25)
- other charges on financial debt	2	3	(1)
Total interest expense and other charges on financial debt	**1,121**	**1,642**	**(521)**
Foreign exchange losses	**485**	**162**	**322**
Expense on derivative instruments:			
- expense on cash flow hedge derivatives	156	360	(204)
- expense on derivatives at fair value through profit or loss	166	119	47
- expense on fair value hedge derivatives	26	52	(26)
Total expense on derivative instruments	**348**	**531**	**(183)**
Accretion of post-employment and other employee benefits	**91**	**63**	**28**
Accretion of other provisions	**132**	**129**	**3**
Charges on equity investments	**14**	**1**	**13**
Other charges	**159**	**77**	**82**
TOTAL FINANCIAL EXPENSE	**2,350**	**2,606**	**(256)**

Financial expense totaled €2,350 million, a decrease of €256 million on the 1st Half of 2008, essentially attributable to the decrease in expense on financial debt (associated both with the sharp decline in interest rates and the reduction in Enel's average financial debt) and a reduction in charges for derivatives, partially offset by an increase in charges in respect of exchange rate differences.

Financial expense in respect of derivatives came to €348 million, of which €294 million in realized charges (€116 million in the 1st Half of 2008) and €54 million in unrealized charges (€415 million in the 1st Half of 2008).

9. Share of income/(expense) from equity investments accounted for using the equity method — €21 million

Income from equity investments accounted for using the equity method in the 1st Half of 2009 amounted to €21 million, a decrease of €6 million on the 1st Half of 2008, when the item reflected the effects of the valuation of OGK-5 using the equity method.

10. Income taxes — €1,333 million

	1st Half		
	2009	2008	Change
	Millions of euro		
Current taxes	1,690	1,440	250
Specific tax on gains from realignment	15	632	(617)
Adjustments for income taxes related to prior years	(111)	(14)	(97)
Deferred tax liabilities	(268)	(495)	227
Deferred tax assets	7	(823)	830
Total	**1,333**	**740**	**593**

The tax liability amounted to €1,333 million, equal to 24.7% of taxable income, compared with 20.4% in the 1st Half of 2008.

The result for the period primarily reflects the effects of the recognition in the 1st Half of the year of revenues that are fully or partially tax exempt as well as the effects of the adjustment in the 2nd Quarter of 2008 of deferred taxation following the introduction of the IRES surtax for the energy and hydrocarbon industries (Decree Law 112/08, ratified with Law 133/08), and the realignment, with the payment of a one-off gains tax, of the differences between the statutory and tax values of property, plant and equipment of a number of Italian companies (Law 244/07). The overall effect on taxes in the 1st Half of 2008 of these new regulatory provisions was a positive €651 million.

Income taxes of the Group's foreign companies came to an estimated €288 million (€434 million in the 1st Half of 2008).

11. Discontinued operations — €(84) million

The item comprises the income, net of the related tax effect, attributable to the assets and liabilities of Enel Rete Gas, given the current status of the disposal, as the assets constitute an important business segment in the Italian market. In the 1st Half of 2008, the item included the performance figures for Endesa Europa until its sale to E.On on June 26, 2008, as those operations had been acquired for the sole purpose of their resale.

	1st Half		
	2009	2008	Change
	Millions of euro		
Enel Rete Gas:			
Revenues	166	154	12
Costs	129	119	10
Operating income	**37**	**35**	**2**
Net financial expense	(15)	(15)	—
Income taxes	30	(11)	41
Impairment	(136)	—	(136)
Net income of Enel Rete Gas	**(84)**	**9**	**(93)**
Net income from assets acquired for resale	**—**	**226**	**(226)**
NET INCOME FROM DISCONTINUED OPERATIONS	**(84)**	**235**	**(319)**

INFORMATION ON THE CONSOLIDATED BALANCE SHEET

Assets

Non-current assets

12. Property, plant and equipment — €76,560 million

The breakdown of property, plant and equipment at June 30, 2009 is as follows:

	at June 30, 2009	at Dec. 31, 2008	Change
	Millions of euro		
Land	401	338	63
Buildings	4,919	4,892	27
Plant and machinery	43,949	36,950	6,999
Industrial and commercial equipment	18,069	11,428	6,641
Mineral assets	—	105	(105)
Other assets	448	407	41
Leased assets	308	297	11
Leasehold improvements	64	61	3
Assets under construction and advances	8,401	7,046	1,355
Total	**76,560**	**61,524**	**15,037**

In addition to depreciation of €1,897 million, the change during the period relates mainly to capital expenditure (€2,508 million), positive exchange rate changes in the period (€531 million) and the change in the scope of consolidation (totaling €13,412 million, of which €13,153 million associated with the full, line-by-line consolidation of Endesa).

The decrease in "Mineral assets" is entirely attributable to the classification of the assets and liabilities of SeverEnergia under assets held for sale.

Notes to the financial statements — (Continued)

Capital expenditure in the 1st Half of 2009 came to €2,508 million, an increase of €91 million over the 1st Half of 2008. The table below summarizes capital expenditure in the 1st Half of 2009 by category:

	1st Half	
	2009	2008
	Millions of euro	
Power plants:		
- thermal	837	718
- hydroelectric	128	86
- geothermal	72	87
- nuclear	130	91
- alternative energy resources	207	228
Total power plants	**1,374**	**1,210**
Electricity distribution network	938	1,059
Gas distribution network	26	10
Land, buildings and other assets and equipment	170	138
TOTAL(1)	**2,508**	**2,417**

(1) Does not include €106 million of capital investment carried out in the 1st Half of 2009 (€653 million in the 1st Half of 2008) in respect of assets classified as "held for sale".

Capital expenditure on power plants totaled €1,374 million, an increase of €164 million over the previous period. It largely regards projects in Europe and Latin America for the construction of new plants and the transformation of existing power plants, including safety and environmental upgrading.

Investments in the electricity distribution network amounted to €938 million, a decrease of €121 million on the 1st Half of 2008, mainly attributable to a reduction in projects in Italy.

13. Intangible assets — €34,638 million

The breakdown in intangible assets at June 30, 2009 was as follows:

	at June 30, 2009	at Dec. 31, 2008	Change
	Millions of euro		
Development costs	39	32	7
Industrial patents and intellectual property rights	430	329	101
Concessions, licenses, trademarks and similar rights	13,382	8,113	5,269
Mineral assets	—	609	(609)
Other assets	516	359	157
Assets under development and advances	285	298	(13)
Goodwill	19,986	16,039	3,947
Total	**34,638**	**25,779**	**8,859**

"Concessions, licenses, trademarks and similar rights" include costs incurred by the gas companies and the electricity distribution companies to build up their customer base, as well as licenses to build generation plants. The increase for the period essentially regards the change in the consolidation method used for Endesa, the reclassification of certain "assets held for sale" in respect of the Endesa renewables assets excluded from the agreement reached on February 20, 2009, as well as the increase due to the finalization in the 1st Half of this year of the allocation of the purchase price for a number of acquisitions carried out in 2008.

"Mineral assets" refer to the probable and possible reserves of fuel and the exploration potential and were reclassified in the period to "Assets held for sale" following the agreement with Gazprom for the sale of 51% of SeverEnergia.

"Goodwill" came to €19,986 million at June 30, 2009, an increase of €3,947 million for the period. This change is mainly attributable to the recognition of provisional goodwill related to the acquisition del 25,01% di Endesa (€4,508 million), net of the adjustment (€456 million) of the definitive goodwill recognized at December 31, 2008, to take account of the effects of the sale on June 25, 2009 of renewable energy assets to

Acciona. The change for the period also reflects the provisional recognition of the goodwill related to the acquisitions of International Wind Parks of Rhodes, International Wind Parks of Achaia and Glafkos Hydroelectric Station and Endesa Ireland. These effects were partially offset by the completion of the allocation of the purchase price for OGK-5, Electrica Muntenia Sud, Marcinelle Energie, International Wind Parks of Crete and Hydro Constructional — for which the value of any goodwill recognized can therefore be considered final — and the reclassification to "Assets held for sale" of the goodwill recognized in respect of SeverEnergia.

Other changes essentially regard adjustments at period-end exchange rates.

	at June 30, 2009	at Dec. 31, 2008	Change
	Millions of euro		
Endesa	16,655	12,116	4,539
OGK-5	1,142	1,355	(213)
Slovenské elektrárne	697	697	—
Enel Energia	579	579	—
Enel Energie Muntenia & Enel Distributie Muntenia (formerly Electrica Muntenia Sud)	252	614	(362)
Enel Latin America (includes Americas Generation Corporation and Inelec)	244	62	182
International Wind Parks of Thrace, Wind Parks of Thrace, International Wind Parks of Crete, International Wind Parks of Rhodes, International Wind Parks of Achaia and Glafkos Hydroelectric Station	98	37	61
Enel Unión Fenosa Renovables	90	87	3
Enel North America	81	82	(1)
RusEnergoSbyt	42	44	(2)
Marcinelle Energie	33	63	(30)
Nuove Energie	26	26	—
Enel Erelis	25	28	(3)
Enel Maritza East 3	13	13	—
Wisco	5	5	—
Enel Operations Bulgaria	2	2	—
Portoscuso Energia	1	1	—
Blue Line	1	1	—
Americas Generation Corporation(1)	—	95	(95)
Inelec(1)	—	89	(89)
SeverEnergia	—	43	(43)
Total	**19,986**	**16,039**	**3,947**

(1) The associated goodwill is included in that of the Enel Latin America Group as from January 1, 2009.

As to the estimated recoverable value of goodwill recognized definitively in the consolidated financial statements at December 31, 2008, the Group did not recognize any impairment loss in the absence of any new indications that there has been a decline.

14. Deferred tax assets and liabilities — €6,610 million and €9,291 million

Below is a detail of changes in deferred tax assets and liabilities by type of timing difference and calculated based on the tax rates established by applicable regulations. The table also reports the amount of deferred tax assets that, where allowed, can be offset against deferred tax liabilities.

	at June 30, 2009	at Dec. 31, 2008	Change
	Millions of euro		
Deferred tax assets:			
- differences in the value of intangible assets, property, plant and equipment	1,251	1,249	2
- accruals to provisions for risks and charges and impairment losses with deferred deductibility	2,508	2,069	439
- tax losses carried forward	116	87	29
- measurement of financial instruments	1,189	1,152	37
- other items	1,546	1,324	222
Total	**6,610**	**5,881**	**729**
Deferred tax liabilities:			
- differences in non-current and financial assets	1,193	959	234
- tax-deferred gains	2	1	1
- allocation of excess costs to assets	6,457	4,379	2,078
- measurement of financial instruments	830	955	(125)
- other items	809	586	223
Total	**9,291**	**6,880**	**2,411**
Offsettable net deferred tax assets	**2,544**	**2,274**	**270**
Non-offsettable deferred tax assets	**2,553**	**1,990**	**563**
Non-offsettable deferred tax liabilities	**7,778**	**5,263**	**2,515**

Deferred tax assets at June 30, 2009 amounted to €6,610 million, an increase of €729 million compared with December 31, 2008. The change is attributable largely to the change in the consolidation method used with Endesa.

It should also be noted that no deferred tax assets were recorded in relation to prior tax losses in the amount of €1,594 million because, on the basis of current estimates of future taxable income, it is not certain that such assets could be recovered. More specifically, the losses are attributable to the holding companies located in the Netherlands and Luxembourg (€754 million) and to Endesa Group companies (€693 million).

Deferred tax liabilities, which totaled €9,291 million at June 30, 2009, include the deferred tax liabilities related primarily to the part of the cost incurred and allocated to assets recognized in respect of acquisitions in the various years and to the differences between depreciation charged for tax purposes and depreciation based on the estimated useful lives of assets.

15. Equity investments accounted for using the equity method — €592 million

Equity investments in associated companies accounted for using the equity method are as follows:

	at Dec. 31, 2008	% holding	Acquisitions/ disposals	Income effect	Other changes	at June 30, 2009	% holding
			Millions of euro				
LaGeo	91	36.2%	—	5	(15)	81	36.2%
CESI	10	25.9%	—	1		11	25.9%
Idrosicilia	9	40.0%	—	—		9	40.0%
Other	287	—	8	15	181	491	
Total	**397**		**8**	**21**	**166**	**592**	

The change during the period in "equity investments accounted for using the equity method" primarily reflects the joint impact, equal to €181 million, of the change in the consolidation method used for Endesa and the reclassification from "Assets held for sale" of a number of equity investments that following the partial amendment of the list of assets involved in the sale to Acciona were excluded from the agreement signed on February 20, 2009.

16. Non-current financial assets — €5,751 million

	at June 30, 2009	at Dec. 31, 2008	Change
	Millions of euro		
Equity investments in other companies	572	486	86
Other securities designated at fair value through profit or loss	96	56	40
Derivatives	316	877	(561)
Advances for acquisition of equity investments	40	76	(36)
Other receivables:			
- financial receivables for the Spanish electrical system deficit	3,261	1,882	1,379
- other financial receivables	1,466	961	505
Total other receivables	**4,727**	**2,843**	**1,884**
TOTAL	**5,751**	**4,338**	**1,413**

The following table provides a breakdown of "equity investments in other companies" by the major companies.

	at June 30, 2009	% holding	at Dec. 31, 2008	% holding	Change
	Millions of euro				
Terna	244	5.12%	240	5.12%	4
Bayan Resources	124	10.00%	21	10.00%	103
Red Electrica de España	42	1.00%	33	1.00%	9
Echelon	18	7.36%	18	7.36%	—
Tri Alpha Energy	8	4.02%	7	4.96%	1
Other	136		167	—	(31)
Total	**572**		**486**		**86**

"Other securities designated at fair value through profit or loss" mainly consist of investments in bonds and long-term deposits

The following table shows the notional amounts and the fair value of derivative contracts by type.

	Notional value		Fair Value		
	at June 30, 2009	at Dec. 31, 2008	at June 30, 2009	at Dec. 31, 2008	Change
	Millions of euro				
Cash flow hedge derivatives:					
- interest rates	2,021	2,195	10	12	(2)
- exchange rates	3,306	4,608	247	834	(587)
- commodities	83	—	15	—	15
Total	**5,410**	**6,803**	**272**	**846**	**(574)**
Fair value hedge derivatives:					
- interest rates	87	145	7	8	(1)
- exchange rates	22	177	1	9	(8)
Total	**109**	**322**	**8**	**17**	**(9)**
Trading derivatives:					
- interest rates	75	50	9	6	3
- exchange rates	216	161	6	8	(2)
- commodities	114	—	21	—	21
Total	**405**	**211**	**36**	**14**	**22**
TOTAL	**5,924**	**7,336**	**316**	**877**	**(561)**

The decrease in the fair value of derivatives on exchange rates is mostly the result of reduction in the fair value of a number of cross currency interest rate swaps caused in part by the decline in interest rates on items denominated in British pounds and US dollars during the course of the 1st Half of 2009 and in part by the depreciation of the dollar against the euro.

Commodity derivatives regard:

derivatives on energy with a fair value of €11 million classified as cash flow hedges;

derivatives on fuels with a fair value of €4 million classified as cash flow hedges;

derivatives held by Endesa with a fair value of €21 million.

"Advances for acquisitions of equity investments" refer to advance payments or deposits made for the acquisition of Electrica Muntenia Sud (€40 million). This figure will be reviewed as part of the adjustment of the acquisition price, which currently cannot be reasonably determined, expected in the 2nd Half of 2009.

"Financial receivables for the Spanish electrical system deficit" refer to the long-term portion of the deficit financed by Endesa. The deficit is created in Spain's regulated market when rate revenues are not sufficient to cover the costs of the system itself. The main operators in the market are required to finance the difference, and the resulting interest-bearing receivable is reimbursed over a period of time established by the Spanish regulator. Of the total, €1,074 million is attributable to the change in the consolidation method used for Endesa from proportionate to line-by-line.

The table below reports the carrying amount and the fair value of long-term financial receivables and securities (€5,670 million), including the portion due within twelve months (€868 million included under other short-term financial receivables).

	at June 30, 2009		at Dec. 31, 2008	
	Carrying amount	Fair value	Carrying amount	Fair value
	Millions of euro			
Long-term financial receivables and securities	5,670	5,670	3,415	3,415
Total	**5,670**	**5,670**	**3,415**	**3,415**

17. Other non-current assets — €2,593 million

	at June 30, 2009	at Dec. 31, 2008	Change
	Millions of euro		
Receivables due from Electricity Equalization Fund and similar bodies	1,918	1,360	558
Receivable from State Decommissioning Fund	475	439	36
Other long-term receivables:			
- net assets of employee benefit programs	138	95	43
- other receivables	62	43	19
Total other long-term receivables	**200**	**138**	**62**
TOTAL	**2,593**	**1,937**	**656**

The change in "Receivables from Electricity Equalization Fund and similar bodies" essentially refers to the increase in long-term receivables in respect of the reimbursement of increased costs incurred by Endesa for generation in extra-peninsular areas (the Balearic and Canary Islands) equal to €1,832 million at June 30, 2009 (€1,275 million at December 31, 2008). The change in the period includes €604 million in respect of the effects of changing the method used to consolidate Endesa from proportionate to full, line-by-line consolidation.

Current assets

18. Inventories — €2,625 million

	at June 30, 2009	at Dec. 31, 2008	Change
	Millions of euro		
Raw materials, consumables and supplies:			
- fuel	1,729	1,515	214
- materials, equipment and other inventories	801	562	239
Total	**2,530**	**2,077**	**453**
Buildings available for sale	91	94	(3)
Advances	4	11	(7)
TOTAL	**2,625**	**2,182**	**443**

Raw materials, consumables and supplies consist of fuel inventories to cover the requirements of the generation companies and trading activities, as well as materials and equipment for plant operation, maintenance and construction. The increase is due primarily to the change in the consolidation method used with Endesa.

The buildings available for sale are related to remaining units from the Group's real estate portfolio and are primarily civil buildings. The decrease reflects sales made during the period.

19. Trade receivables — €13,197 million

	at June 30, 2009	at Dec. 31, 2008	Change
	Millions of euro		
Customers:			
- sale and transport of electricity	11,282	10,166	1,116
- distribution and sale of natural gas	1,235	1,499	(264)
- other activities	635	661	(26)
Total	**13,152**	**12,326**	**826**
Trade receivables due from associates	9	14	(5)
Receivables for contract work in progress	36	38	(2)
TOTAL	**13,197**	**12,378**	**819**

Trade receivables from customers are recognized net of allowances for doubtful accounts, which at the end of the period came to €788 million, compared with an opening balance of €726 million. The table below shows the changes in these allowances during period.

	Millions of euro
Total at Jan. 1, 2009	**726**
Accruals	196
Utilization	(110)
Other changes	(24)
Total at June 30, 2009	**788**

20. Tax receivables — €2,050 million

Tax receivables at June 30, 2009 amounted to €2,050 million (€1,239 million at December 31, 2008) and are mainly made up of income tax credits of €1,191 million (€362 million at December 31, 2008), indirect tax credits of €377 million (€332 million at December 31, 2008) and credits of €155 million for other taxes and tax surcharges (€254 million at December 31, 2008).

21. Current financial assets — €3,644 million

	at June 30, 2009	at Dec. 31, 2008	Change
	Millions of euro		
Receivables for factoring advances	296	367	(71)
Derivative contracts	1,299	1,484	(185)
Other securities	57	73	(16)
Short-term portion of long-term financial receivables	868	524	344
Other	1,124	807	317
Total	**3,644**	**3,255**	**389**

The following table reports the notional values and the fair values of the derivative contracts, grouped by hedge type and designation.

	Notional value		Fair value		
	at June 30, 2009	at Dec. 31, 2008	at June 30, 2009	at Dec. 31, 2008	Change
	Millions of euro				
Cash flow hedge derivatives:					
- interest rates	10	369	—	1	(1)
- exchange rates	968	1,661	61	168	(107)
- commodities	309	4	35	2	33
Total	**1,287**	**2,034**	**96**	**171**	**(75)**
Fair value hedge derivatives:					
- interest rates	40	102	—	2	(2)
Total	**40**	**102**	**—**	**2**	**(2)**
Trading derivatives					
- interest rates	—	582	—	3	(3)
- exchange rates	963	2,394	53	127	(74)
- commodities	16,062	12,832	1,150	1,181	(31)
Total	**17,025**	**15,808**	**1,203**	**1,311**	**(108)**
TOTAL	**18,352**	**17,944**	**1,299**	**1,484**	**(185)**

The substantial decline in interest-rate derivatives used in cash flow hedges and the elimination of trading derivatives on interest rates is almost entirely attributable to the closure of the positions held by Endesa.

The reduction in the amount of exchange rate derivatives classified as cash flow hedges and trading derivatives is attributable to the expiry of part of the contracts hedging the exchange rate risk associated with commodity prices.

Commodity derivatives include:

derivatives held by Endesa with a fair value of €5 million classified as cash flow hedges;

two-way contracts for differences, classified as cash flow hedges, with a fair value of €7 million;

other commodity derivatives, classified as cash flow hedges, with a fair value of €23 million;

commodity derivatives on fuels, with a fair value of €509 million;

two-way contracts for differences, with a fair value of €68 million;

trading transactions on energy and other commodities, with a fair value of €573 million.

The "short-term portion of long-term financial receivables" essentially includes the portion of the financial receivable relating to the deficit of the Spanish electrical system that Endesa had financed in the amount of €839 million (€502 million at December 31, 2008).

22. Cash and cash equivalents — €3,410 million

Cash and cash equivalents are not restricted by any encumbrances, apart from €220 million primarily in respect of deposits pledged to secure transactions.

23. Other current assets — €4,101 million

	at June 30, 2009	at Dec. 31, 2008	Change
	Millions of euro		
Receivables due from Electricity Equalization Fund and similar bodies	2,491	1,850	641
Receivables due from employees	41	28	13
Receivables due from others	1,299	1,353	(54)
Accrued operating income and prepaid expenses	270	247	23
Total	**4,101**	**3,478**	**623**

"Receivables from Electricity Equalization Fund and similar bodies" include the receivables related to the Italian system in the amount of €1,076 million deriving essentially from the application of the equalization mechanisms to the purchase of electricity (€964 million at December 31, 2008) and to the Spanish system in the amount of €1,415 million (€886 million at December 31, 2008), €208 million of which (€136 million at December 31, 2008) related to receivables from similar bodies concerning the reimbursement of the greater costs incurred by Endesa in the generation of electricity in extra-peninsular areas.

Including the portion of receivables classified as long-term (€1,918 million), operating receivables due from the Electricity Equalization Fund and similar bodies at June 30, 2009, amounted to €4,409 million (€3,210 million at December 31, 2008), partially offset by payables of €3,294 million (€2,655 million at December 31, 2008).

24. Assets held for sale — €3,264 million

At June 30, 2009, the item mainly comprised:

assets in respect of the Italian gas distribution network, essentially related to Enel Rete Gas;

the assets in respect of renewable energy operations held by Endesa that are included in the agreement of February 20, 2009, but which had not yet been transferred to Acciona pending completion of authorization procedures;

the assets connected with SeverEnergia covered by the agreement reached with Gazprom;

certain assets held by Endesa in Greece, which in the light of decisions taken by management meet the requirements under IFRS 5 for their classification among assets held for sale.

At December 31, 2008 the item also included the assets in respect of renewable energy operations of Endesa covered by the agreement of March 26, 2007, as well as the assets related to the business units for high-voltage electricity distribution lines and gas distribution.

	at June 30, 2009	at Dec. 31, 2008	Change
	Millions of Euro		
Property, plant and equipment	2,079	4,061	(1,982)
Intangible assets	774	684	90
Goodwill	42	51	(9)
Deferred tax assets	65	63	2
Other non-current assets	112	139	(27)
Inventories	18	13	5
Trade receivables	27	50	(23)
Cash and cash equivalents	18	32	(14)
Other current assets	129	158	(29)
Total	**3,264**	**5,251**	**(1,987)**

Liabilities and shareholders' equity

Equity

25. Equity attributable to the shareholders of the Parent Company — €29,767 million

In execution of the authorization granted by the Extraordinary Shareholders' Meeting of Enel SpA on April 29, 2009, pursuant to Article 2443 of the Italian Civil Code, the Enel SpA Board of Directors voted to carry out a paid divisible capital increase of a maximum total amount, premium included, of €8 billion by way of the issue of 3,216,938,192 ordinary shares with a par value of €1.00 and the same characteristics of the shares already in circulation. The shares were offered in pre-emption to parties who were shareholders of the Company as of the start date of the rights offering at a price of €2.48 per share, of which €1.48 represents the share premium, with an option ratio of 13 new shares for every 25 existing shares. During the offer period, which started on June 1 and ended on June 19, 2009, a total of 6,160,693,425 rights were exercised. As a result, 3,203,560,581 newly issued Enel ordinary shares were subscribed altogether, equal to 99.58% of the shares offered, for a total of €7,945 million.

At the end of the offer period, total unexercised rights amounted to 25,726,175, granting the right to subscribe 13,377,611 newly issued ordinary shares, for a total price of €33 million. These unexercised rights were offered on the Italian Stock Exchange, pursuant to Article 2441, paragraph 3, of the Italian Civil Code, and on June 26, 2009, they were all sold at a unit price of €0.51 for a total of €13 million. The related 13,377,611 ordinary shares were issued on July 3, 2009.

Share capital — €9,390 million

Share capital at June 30, 2009, considering the partial subscription of the capital increase at that date (99.58%) and as no options were exercised as part of stock option plans during the 1st Half of 2009, consisted of 9,389,980,184 ordinary shares of €1.00 each (6,186,419,603 at December 31, 2008).

Based on the shareholders' register and other available information, no shareholders held more than 2% of the total share capital, apart from the Ministry for the Economy and Finance, which holds 13.88%, and its subsidiary Cassa Depositi e Prestiti SpA, which holds 17.36%. The Enel stake held by the Ministry for the Economy and Finance and Cassa Depositi e Prestiti is calculated on the basis of the Company's subscribed and paid-up share capital as reported in the Company Register as at July 9, 2009, following the completion of the paid capital increase.

Other reserves — €7,764 million

Share premium reserve — €5,416 million

The change for the period reflects the capital increase.

Legal reserve — €1,453 million

Other reserves — €2,122 million

In addition to charges for stock options, the change during the period regards the transaction costs associated with the capital increase, equal to €186 million, net of the connected tax effect of €51 million.

Foreign currency translation reserve — €(955) million

The change in this aggregate for the period is attributable to the net depreciation of the functional currency against the foreign currencies used by subsidiaries.

Reserve from measurement of financial instruments — €(272) million

The reserve encompasses net charges recognized directly in equity resulting from the measurement of cash flow hedges as well as unrealized gains from the fair value measurement of financial assets.

Notes to the financial statements — (Continued)

The table below shows the changes in gains and losses recognized directly in equity, including minority interests.

	at Dec. 31, 2008	Gains/(Losses) recognized in equity for the period	Released to income statement	Change in scope of consolidation	at June 30, 2009
			Millions of euro		
Reserve for fair value of cash flow hedging, effective portion	(278)	(745)	144	(62)	**(941)**
Reserve for fair value of financial investments available for sale	125	105	—	(1)	**229**
Reserve for foreign exchange differences	(2,016)	674	—	(153)	**(1,495)**
Tax effect	237	147	(76)	20	**328**
Total gains/(losses) recognized in equity	**(1,932)**	**181**	**68**	**(195)**	**(1,878)**

Non-current liabilities

26. Long-term loans (including the portion falling due within 12 months) — €58,553 million

This aggregate includes long-term payables related to bonds, bank loans, and other loans in euro and other currencies, including the portion falling due within twelve months.

Notes to the financial statements — (Continued)

The following table shows long-term debt and repayment schedules at June 30, 2009, grouped by loan and interest rate type.

	Maturing	Balance	Nominal value	Balance	Current portion	Portion falling due at more than 12 months	Maturing in				
	at June 30, 2009			at Dec. 31, 2008			2nd Half 2010	2011	2012	2013	Beyond
						Millions of euro					
Bonds:											
- listed, fixed rate	2009 - 2097	12,669	12,763	13,787	535	12,134	134	1,012	1,137	1,810	8,041
- listed, floating rate	2009 - 2037	5,704	5,744	3,720	495	5,209	239	508	908	67	3,487
- unlisted, fixed rate	2009 - 2037	2,948	2,911	2,843	1	2,947	—	35	183	790	1,939
- unlisted, floating rate	2009 - 2032	2,384	2,384	2,262	347	2,037	53	56	58	59	1,811
Total		**23,705**	**23,802**	**22,612**	**1,378**	**22,327**	**426**	**1,611**	**2,286**	**2,726**	**15,278**
Bank loans:											
- fixed rate	2009 - 2046	618	624	470	213	405	33	90	86	33	163
- floating rate	2009 - 2035	27,386	27,709	24,676	3,269	24,117	437	2,776	8,974	640	11,290
- use of revolving credit lines	2009 - 2012	4,539	4,539	4,836	153	4,386	1,980	220	2,186	—	—
Total		**32,543**	**32,872**	**29,982**	**3,635**	**28,908**	**2,450**	**3,086**	**11,246**	**673**	**11,453**
Preference shares:											
- fixed rate											
- floating rate(1)	2013	1,457	1,500	973	—	1,457	—	—	—	—	1,457
Total		**1,457**	**1,500**	**973**	**—**	**1,457**	**—**	**—**	**—**	**—**	**1,457**
Non-bank loans:											
- fixed rate	2009 - 2029	568	568	431	194	374	42	61	40	36	195
- floating rate	2009 - 2028	280	280	157	65	215	24	24	19	26	122
Total		**848**	**848**	**588**	**259**	**589**	**66**	**85**	**59**	**62**	**317**
TOTAL		**58,553**	**59,022**	**54,155**	**5,272**	**53,281**	**2,942**	**4,782**	**13,591**	**3,461**	**28,505**

(1) The preference shares issued by Endesa Capital Finance LLC are perpetual, with an option for early redemption at par as from 2013.

The balance for bonds is stated net of €356 million relating to the unlisted floating-rate "Special series of bonds reserved for employees 1994-2019" held by the Parent Company in portfolio and €30 million in bonds issued by Enel SpA held by Enel.Re.

Notes to the financial statements — (Continued)

The table below reports long-term financial debt by currency and interest rate.

Long-term financial debt by currency and interest rate

	at June 30, 2009			at June 30, 2009	
	Balance	Nominal value	at Dec. 31, 2008 Balance	Current average interest rate	Current effective interest rate
			Millions of euro		
Euro	**47,600**	**48,049**	**45,344**	**2.61%**	**2.80%**
US dollar	5,605	5,605	5,237	6.25%	6.68%
Pound sterling	1,791	1,809	1,480	6.02%	6.16%
Japanese yen	147	148	158	3.25%	3.29%
Brazilian real	1,035	1,035	508	11.71%	11.71%
Colombian peso	1,130	1,130	615	7.09%	7.09%
Russian ruble	114	114	121	7.50%	7.50%
Other currencies	1,131	1,132	692		
Total non-euro currencies	**10,953**	**10,973**	**8,811**		
TOTAL	58,553	59,022	54,155		

Change in the nominal value of long-term debt

	at Dec. 31, 2008 Nominal value	Repayments	Change in own bonds	Change in scope of consolidation	New financing	Exchange rate differences	at June 30, 2009 Nominal value
				Millions of euro			
Bonds	22,693	(1,485)	35	2,127	202	230	23,802
Bank loans	30,055	(10,926)	—	3,310	10,342	91	32,872
Preference shares	1,006	—	—	494	—	—	1,500
Other loans	588	(63)	—	194	134	(5)	848
Total financial debt	**54,342**	**(12,474)**	**35**	**6,125**	**10,678**	**316**	**59,022**

Compared with December 31, 2008, the nominal value of long-term debt at June 30, 2009, increased by €4,680 million, which is the net effect of €12,474 million repayments and redemptions, €10,678 million in new financing, €6,125 million arising from changes in the scope of consolidation, €35 million due to changes in own bonds held and €316 million in exchange rate losses.

The main repayments and redemptions for the period concerned bonds in the amount of €1,485 million, the repayment of maturing bank loans in the amount of €10,926 million, as well as non-bank loans in the amount of €63 million.

More specifically, the main bonds maturing in the 1st Half of 2009 included:

€500 million (consolidated until maturity in the amount of €335 million) related to a fixed-rate bond issued by Endesa SA maturing in February 2009;

€305 million (consolidated until maturity in the amount of €204 million) related to a fixed-rate bond issued by International Endesa BV, maturing in February 2009;

$400 million (consolidated until maturity in the amount of €203 million) related to a fixed-rate bond issued by Endesa Chile maturing in April 2009;

$350 million (consolidated until maturity in the amount of €175 million) related to a fixed-rate bond issued by International Endesa BV maturing in April 2009;

€700 million (consolidated until maturity in the amount of €469 million) related to a fixed-rate bond issued by International Endesa BV maturing in June 2009.

Repayments of bank loans made during the period were the following:

€8,360 million in respect of contractual and voluntary repayments of the tranche falling due in 2010 of the syndicated line of credit, with an original amount of €35 billion, following the extraordinary corporate transactions. The main such transactions regarded the payment by Endesa of the dividend generated by the sale of assets to E.On (mandatory contractual repayment of €1,904 million), the sale of the high-voltage network to Terna (cancellation of €570 million) and the Enel SpA capital increase (cancellation of €5,886 million);

€566 million related to other bank loans of Group companies maturing in 2009;

€27 million related to reduced drawings on the committed lines of credit by Slovenské eléktrárne.

In addition, the revolving 5-year credit line of €5 billion (which is renewable for a further two years) granted in November 2005 to Enel SpA was drawn in the amount of €1,800 million at June 30, 2009 (€3,773 million at December 31, 2008).

The main financing transactions of 1st Half of 2009 include:

the use, on June 25, 2009, by Enel SpA and Enel Finance International of €8,000 million of the Credit Agreement 2009 to finance the acquisition of the 25.01% of Endesa held by Acciona;

the issue by Enel SpA of a new tranche of the bond placed privately with leading Italian insurance companies in the amount of €97 million maturing in 2027;

drawings by Endesa on two facilities in the total amount of €3,280 million.

More specifically, following the agreement for Enel's acquisition of 25.01% of Endesa dated February 20, 2009, Enel contracted a loan of €8,000 million as an increase in the syndicated credit line with an original amount of €35 billion.

The terms of the original credit line included the option of increasing (up to a maximum of €8.5 billion) the 60-month tranche (equal to €10 billion falling due in 2012) in the event of the exercise of the put option by Acciona in 2010.

In consideration of the fact that the exercise of the put option was brought forward to 2009, Enel had to obtain the agreement of two-thirds of the banks participating in the original syndication in order to have recourse to that contractual option.

The €8 billion credit line, which was signed on April 16, 2009, comprises two contracts:

a "facility C increase" raising the 60-month tranche by a total of €8 billion falling due in 2012; and

a "rollover" agreement, in the amount of €8 billion, intended to replace the "facility C increase", and containing a commitment from the financial institutions involved to renew the facility C increase as from 2012, with two new tranches, the first totaling €5.5 billion falling due in 2014 and the second amounting to €2.5 billion falling due in 2016.

Accordingly, at June 30, 2009, the Credit Facility had the following maturity schedule:

€2,506 million maturing in April 2010;

€7,828 million maturing in April 2012;

€5,500 million maturing in April 2014;

€2,500 million maturing in April 2016.

Other financing agreements signed in 2009 include:

on April 23, 2009, Endesa obtained an extension until January 2012 of the €1,280 million loan originally scheduled to fall due in June 2010;

on May 4, 2009, Endesa obtained a loan totaling €2,000 million from a pool of more than 20 banks.

Notes to the financial statements — (Continued)

on April 23, 2009, Enel Distribuzione agreed a framework loan contract with Cassa Depositi e Prestiti that will use EIB funding in the amount of €800 million, guaranteed by Enel; at June 30, 2009, the financing had not been drawn.

In addition, the change in the nominal value of long-term debt reflects the change to full consolidation of Endesa in the amount of €6,125 million.

The following table compares the carrying amount and the fair value of long-term debt, including the portion falling due within twelve months, broken down by category. For instruments traded on regulated markets, the fair value is given by official prices. For instruments not traded on a regulated market the fair value is determined using appropriate valuation models for each category of financial instrument and market data and credit spreads for the closing date of the period.

	at June 30, 2009		at Dec. 31, 2008	
	Carrying amount	Fair value	Carrying amount	Fair value
	Millions of euro			
Bonds:				
- fixed rate	15,617	16,388	16,630	16,537
- floating rate	8,088	8,154	5,982	5,668
Total	**23,705**	**24,542**	**22,612**	**22,205**
Bank loans:				
- fixed rate	618	526	470	427
- floating rate	31,925	31,588	29,512	28,857
Total	**32,543**	**32,114**	**29,982**	**29,284**
Preference shares:				
- fixed rate	—	—	—	—
- floating rate	1,457	1,500	973	1,006
Total	**1,457**	**1,500**	**973**	**1,006**
Non-bank loans:				
- fixed rate	568	540	431	409
- floating rate	280	266	157	149
Total	848	806	588	558
TOTAL	**58,553**	**58,962**	**54,155**	**53,053**

The following tables show changes in the long-term loans for the period, distinguishing current from non-current portions.

Long-term loans (excluding current portion)

	Carrying amount		
	at June 30, 2009	at Dec. 31, 2008	Change
	Millions of euro		
Bonds:			
- fixed rate	15,081	14,851	230
- floating rate	7,246	5,397	1,849
Total	**22,327**	**20,248**	**2,079**
Bank loans:			
- fixed rate	405	392	13
- floating rate	28,503	29,000	(497)
Total	**28,908**	**29,392**	**(484)**
Preference shares:			
- fixed rate	—	—	—
- floating rate	1,457	973	484
Total	**1,457**	**973**	**484**
Non-bank loans:			
- fixed rate	374	299	75
- floating rate	215	133	82
Total	**589**	**432**	**157**
TOTAL	**53,281**	**51,045**	**2,236**

Current portion of long-term loans

	Carrying amount		
	at June 30, 2009	at Dec. 31, 2008	Change
	Millions of euro		
Bonds:			
- fixed rate	536	1,779	(1,243)
- floating rate	842	585	257
Total	**1,378**	**2,364**	**(986)**
Bank loans:			
- fixed rate	213	78	135
- floating rate	3,422	512	2,910
Total	**3,635**	**590**	**3,045**
Non-bank loans:			
- fixed rate	194	132	62
- floating rate	65	24	41
Total	**259**	**156**	**103**
TOTAL	**5,272**	**3,110**	**2,162**

At June 30, 2009, 72% of net financial debt paid floating interest rates (66% at December 31, 2008). Taking account of cash flow hedges for interest rate risk considered effective under the provisions of the IFRS-EU, exposure to interest rate risk at June 30, 2009, was 47% (45% at December 31, 2008). If account is also taken of interest rate derivatives used as hedges but which do not qualify for hedge accounting, the residual exposure of net financial debt to interest rate risk falls 45% (42% at December 31, 2008).

The Group's main long-term financial debts are governed by covenants containing undertakings by the borrowers (Enel SpA, Endesa and the other Group companies) and in some cases Enel SpA as guarantor that are commonly adopted in international business practice. The main covenants governing Enel's debt regard the bond issues carried out within the framework of the Global Medium-Term Notes program, loans granted by the European Investment Bank (EIB), the €5 billion revolving line of credit, the Credit Agreement 2007 and Credit Agreement 2009. As of the reporting date, the covenants had been easily met.

The commitments in respect of the bond issues in the Global Medium-Term Notes program can be summarized as follows:

negative pledge clauses under which the issuer may not establish or maintain (except under statutory requirement) mortgages, liens or other encumbrances on all or part of its assets to secure any listed bond or bond for which listing is planned unless the same guarantee is extended equally or pro rata to the bonds in question;

pari passu clauses, under which the securities constitute a direct, unconditional and unsecured obligation of the issuer and are issued without preferential rights among them and have at least the same seniority as other present and future bonds of the issuer;

specification of default events, whose occurrence (e.g. insolvency, failure to pay principle or interest, initiation of liquidation proceedings, etc.) constitutes a default; under cross-default clauses, the occurrence of a default event in respect of any financial liability (above a threshold level) issued by the issuer or "significant" subsidiaries (i.e. consolidated companies whose gross revenues or total assets are at least 10% of gross consolidated revenues or total consolidated assets) constitutes a default in respect of the liability in question, which becomes immediately repayable;

early redemption clauses in the event of new tax requirements, which permit early redemption at par of all outstanding bonds.

The main covenants governing the loans granted by the EIB can be summarized as follows:

negative pledge clauses, under which the issuer undertakes not to establish or grant to third parties additional guarantees or privileges with respect to those already established in the individual contracts by the company or subsidiaries of the Enel Group, unless an equivalent guarantee is extended equally or pro rata to the loans in question;

clauses that require the guarantor (whether Enel SpA or banks acceptable to the EIB) to maintain its rating above a specified grade; in the case of guarantees provided by Enel SpA, the Group's equity may not fall below a specified level;

material changes clauses, under which the occurrence of a specified event (mergers, spin-offs, disposal or transfer of business units, changes in company control structure, etc.) gives rise to the consequent adjustment of the contract, without which the loan shall become repayable immediately without payment of any commission;

requirements to report periodically to the EIB;

requirement for insurance coverage and maintenance of property, possession and use of the works, plant and machinery financed by the loan over the entire term of the agreement;

contract termination clauses, under which the occurrence of a specified event (serious inaccuracies in documentation presented in support of the contract, failure to repay at maturity, suspension of payments, insolvency, special administration, disposal of assets to creditors, dissolution, liquidation, total or partial disposal of assets, declaration of bankruptcy or composition with creditors or receivership, substantial decrease in equity, etc.) triggers immediate repayment.

The main covenants for the Credit Agreement 2007, the Credit Agreement 2009 and the €5 billion revolving line of credit are substantially similar and can be summarized as follows:

negative pledge clauses under which the borrower (and its significant subsidiaries) may not establish or maintain (with the exception of permitted guarantees) mortgages, liens or other encumbrances on all or part of its assets to secure any present or future financial liability;

pari passu clauses, under which the payment undertakings constitute a direct, unconditional and unsecured obligation of the borrower and bear no preferential rights among them and have at least the same seniority as other present and future loans;

change of control clause, which is triggered in the event (i) control of Enel is acquired by one or more parties other than the Italian state or (ii) Enel or any of its subsidiaries transfer a substantial portion of the

Group's assets to parties outside the Group such that the financial reliability of the Group is significantly compromised. The occurrence of one of the two circumstances may give rise to (a) the renegotiation of the terms and conditions of the financing or (b) compulsory early repayment of the financing by the borrower;

specification of default events, whose occurrence (e.g. failure to make payment, breach of contract, false statements, insolvency or declaration of insolvency by the borrower or its significant subsidiaries, business closure, government intervention or nationalization, administrative proceeding with potential negative impact, illegal conduct, nationalization and government expropriation or compulsory acquisition of the borrower or one of its significant subsidiaries) constitutes a default. Unless remedied within a specified period of time, such default will trigger an obligation to make immediate repayment of the loan under an acceleration clause, under cross-default clauses; the occurrence of a default event in respect of any financial liability (above a threshold level) of the issuer or "significant" subsidiaries (i.e. consolidated companies whose gross revenues or total assets are equal to a specified percentage (10% for the €35 billion syndicated credit line and 15% for the €5 billion revolving credit line) of gross consolidated revenues or total consolidated assets) constitutes a default in respect of the liability in question, which becomes immediately repayable;

periodic reporting requirements.

The Credit Agreement 2007 and the Credit Agreement 2009 also provide for the following covenants:

mandatory early repayment clauses, under which the occurrence of a specified event (e.g. the issue of instruments on the capital market, new bank loans, stock issues or asset disposals) obliges the borrower to repay the related funds in advance at specific declining percentages based on the extent to which the line of credit has been drawn;

a gearing clause, under which, at the end of each measurement period (half yearly), Enel's consolidated net financial debt shall not exceed 6 times annual consolidated EBITDA;

a "subsidiary financial indebtedness" clause, under which the net aggregate amount of the financial debt of Enel's subsidiaries (with the exception of the debt of "permitted subsidiaries") must not exceed 20% of gross consolidated assets.

For the Credit Agreement 2009 only, as from 2012, at the end of each measurement period (half yearly): (i) the gearing clause requires that Enel's net financial debt shall not exceed 4.5 times annual consolidated EBITDA; and (ii) the ratio of annual consolidated EBITDA to net consolidated interest expense shall not be less than 4.

Endesa's main long-term loans also contain covenants commonly adopted in international business practice.

The main covenants on Endesa's debt regard loans granted by the EIB, bond issues carried out under the Global Medium-Term Notes program, project financing and loans to Enersis and Endesa Chile.

The main covenants governing the loans granted by the EIB can be summarized as follows:

clauses that require the rating to be kept above a specified grade;

clauses requiring prior authorization by the EIB in the case of the transfer of Endesa assets (where the related gross revenues or total assets are equal to at least 10% of gross revenues or 7% of total consolidated assets).

The undertakings in respect of the bond issues carried out by Endesa Capital SA under the Global Medium-Term Notes program can be summarized as follows:

cross-default clauses under which debt repayment would be accelerated in the case of failure to make payment (above a specified amount) on any financial liability of Endesa SA or Endesa Capital SA that is listed or could be listed on a regulated market;

negative pledge clauses under which the issuer may not establish mortgages, liens or other encumbrances on all or part of its assets to secure any financial liability that is listed or could be listed on a regulated market (of which at least 50% initially held by foreign parties outside the Kingdom of Spain), unless an equivalent guarantee is extended equally or pro rata to the bonds in question;

pari passu clauses, under which the securities and guarantees have at least the same seniority as all other present and future unsecured and unsubordinated securities issued by Endesa Capital or Endesa SA.

Finally, the main loans granted to Endesa, International Endesa BV and Endesa Capital do not contain cross-default clauses regarding the debt of subsidiaries in Latin America. Undertakings in respect of project financing granted to subsidiaries regarding renewables and other subsidiaries in Latin America contain covenants commonly adopted in international business practice. The main commitments regard clauses pledging all the assets assigned to the projects in favor of the creditors.

A significant portion of the debt of Enersis and Endesa Chile (both controlled indirectly by Endesa) is subject to cross-default clauses under which the occurrence of a default event (failure to make payment or breach of other obligations) in respect of any financial liability of a subsidiary of Enersis or Endesa Chile constitutes a default in respect of the liability in question, which becomes immediately repayable.

Many of these agreements also contain cross-acceleration clauses that are triggered by specific circumstances, certain government actions, insolvency or judicial expropriation of assets.

In addition to the foregoing, the May 4, 2009 loan provides for a change of control clause that will be activated if Enel's stake in Endesa should fall below 51% of Endesa's share capital.

The following table reports the net financial position at June 30, 2009 and at December 31, 2008, respectively, pursuant to Consob instructions of July 28, 2006, reconciled to the net financial debt.

	at June 30, 2009	at Dec. 31, 2008	Change
	Millions of euro		
Cash and cash equivalents on hand	5	10	(5)
Bank and post office deposits	3,405	5,096	(1,691)
Securities	57	73	(16)
Liquidity	**3,467**	**5,179**	**(1,712)**
Short-term financial receivables	1,040	694	346
Factoring receivables	296	367	(71)
Short-term portion of long-term financial receivables	868	524	344
Current financial receivables	**2,204**	**1,585**	**619**
Short-term bank debt	(1,436)	(1,564)	128
Commercial paper	(6,154)	(3,792)	(2,362)
Short-term portion of long-term bank debt	(3,635)	(590)	(3,045)
Drawings on revolving credit lines	(18)	(14)	(4)
Bonds (short-term portion)	(1,378)	(2,364)	986
Other loans (short-term portion)	(259)	(156)	(103)
Other short-term financial payables	(76)	(97)	21
Total short-term financial debt	**(12,956)**	**(8,577)**	**(4,379)**
Net short-term financial position	**(7,285)**	**(1,813)**	**(5,472)**
Debt to banks and financing entities	(28,908)	(29,392)	484
Bonds	(22,327)	(20,248)	(2,079)
Preference shares	(1,457)	(973)	(484)
Other loans	(589)	(432)	(157)
Net long-term financial position	**(53,281)**	**(51,045)**	**(2,236)**
NET FINANCIAL POSITION as per Consob communication	**(60,566)**	**(52,858)**	**(7,708)**
Long-term financial receivables and securities	**4,802**	**2,891**	**1,911**
NET FINANCIAL DEBT	**(55,764)**	**(49,967)**	**(5,797)**

Notes to the financial statements — (Continued)

27. Provisions for risks and charges — €8,004 million

	at June 30, 2009	at Dec. 31, 2008	Change
	Millions of euro		
Provision for litigation, risks and other charges:			
- nuclear decommissioning	3,030	2,883	147
- non-nuclear plant retirement and site restoration	447	402	45
- litigation	711	654	57
- CO_2 emission charges	36	10	26
- other	1,924	1,818	106
Total	**6,148**	**5,767**	**381**
Provision for early-retirement incentives	1,856	1,155	701
TOTAL	**8,004**	**6,922**	**1,082**

Provisions for risks and charges amounted to €8,004 million at June 30, 2009, with a short-term component equal to €1,263 million (€1,030 million at December 31, 2008).

At June 30, 2009 , the provision for "nuclear decommissioning" primarily regards the V1 and V2 plants at Jasklovske Bohunice and the EMO 1 and 2 plants at Mochovce for €2,697 million (€2,696 million at December 31, 2008) and includes the provision for the disposal of nuclear waste amounting to €253 million (€271 million at December 31, 2008), the provision for the disposal of spent nuclear fuel in the amount of €1,570 million (€1,547 million at December 31, 2008) and a provision for retiring nuclear power plants in the amount of €874 million (€878 million at December 31, 2008). The provision also includes the charges attributable to Endesa amounting to €333 million (€187 million at December 31, 2008) that will be incurred at the moment of decommissioning by Enresa, a public company charged with the task under Royal Decree 1349/03 and Law 24/05.

The changes in provisions also reflect €29 million in reversals to income of provisions for early-retirement incentives.

28. Non-current financial liabilities — €2,330 million

At June, 30, 2009, this item amounted to €2,330 million and was entirely accounted for by derivatives. At December 31, 2008, the item also included the fair value measurement of the put option granted to Acciona on all of the shares it holds directly or indirectly in Endesa (25.01% of share capital) as per the agreement with Enel of March 26, 2007, which was exercised in advance during the period, with the consequent zeroing of the account.

As regards derivatives contracts, the retrospective application of the changes to presentation requirements (IAS 1) involved the reclassification to that item of current financial liabilities associated with operational hedge contracts expiring at more than 12 months and which are expected to be held for at least 12 months as from the reporting date.

Notes to the financial statements — (Continued)

The following table reports the notional and fair values of those contracts.

	Notional		Fair Value		
	at June 30, 2009	at Dec. 31, 2008	at June 30, 2009	at Dec. 31, 2008	Change
	Millions of euro				
Cash flow hedge derivatives:					
- interest rates	13,614	11,569	723	483	240
- exchange rates	3,981	2,542	1,030	1,027	3
- commodities	244	422	53	118	(65)
Total	**17,839**	**14,533**	**1,806**	**1,628**	**178**
Fair value hedge derivatives:					
- interest rates	21	14	1	1	—
- exchange rates	498	173	36	9	27
Total	**519**	**187**	**37**	**10**	**27**
Trading derivatives:					
- interest rates	931	991	75	63	12
- exchange rates	308	261	8	10	(2)
- commodities	678	175	404	432	(28)
Total	**1,917**	**1,427**	**487**	**505**	**(18)**
TOTAL	**20,275**	**16,147**	**2,330**	**2,143**	**187**

Interest rate derivatives at June 30, 2009 were essentially composed of hedges on a number of long-term floating-rate loans. The decline in the fair value of these positions was attributable to the decrease in market interest rates during the 1st Half of 2009. Exchange rate derivatives were mainly composed of exchange rate hedges (towards the euro) on a number of long-term loans in foreign currencies using cross currency interest rate swaps.

Commodity derivates are mainly related to:

cash flow hedge derivatives on coal and other oil commodities, with a fair value of €53 million;

derivatives embedded in contracts for the purchase and sale of electricity in Slovakia, with a fair value of €385 million;

derivatives held by Endesa, with a fair value of €19 million.

29. Other non-current liabilities — €4,727 million

	at June 30, 2009	at Dec. 31, 2008	Change
	Millions of euro		
Deferred operating liabilities	4,648	3,373	1,275
Other items	79	58	21
Total	**4,727**	**3,431**	**1,296**

Deferred operating liabilities regard deferred income in respect of revenues from fees for connection to the electricity and gas networks and grants received for specific assets. The change in the item is mainly attributable to the change in the method used to consolidate Endesa.

Current liabilities

30. Short-term loans — €7,684 million

At June 30, 2009, short-term loans amounted to €7,684 million, an increase €2,217 million on December 31, 2008, as detailed below.

	at June 30, 2009		at Dec. 31, 2008		Change	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Short-term amounts due to banks	1,454	1,454	1,578	1,578	(124)	(124)
Commercial paper	6,154	6,154	3,792	3,792	2,362	2,362
Other short-term financial payables	76	76	97	97	(21)	(21)
Short-term financial debt	**7,684**	**7,684**	**5,467**	**5,467**	**2,217**	**2,217**

Short-term amounts due to banks, in the amount of €1,454 million, include a €500 million draw on committed lines of credit obtained by Enel SpA in October 2008.

The payables represented by commercial paper relate to issues outstanding at the end of June 2009 in the context of the €4,000 million program launched in November 2005 by Enel Finance International and guaranteed by Enel SpA, as well as the €2,000 million program of Endesa International BV (now Endesa Latinoamérica) and the €2,000 million *Pagarès* program of Endesa Capital SA.

At June, 2009, issues under these programs amounted to €6,154 million, of which €3,503 million for Enel Finance International, €1,605 million for Endesa Internacional BV (today Endesa Latinoamérica), and €1,046 million for Endesa Capital SA. The nominal value of the commercial paper is €6,174 million and is denominated in euro (€5,917 million), pound sterling (the equivalent of €10 million), US dollars (the equivalent of €139 million), Japanese yen (the equivalent of €59 million) and Swiss francs (the equivalent of €49 million). The exchange rate risk in respect of currencies other than the euro is fully hedged by currency swaps.

31. Current financial liabilities — €2,151 million

	at June 30, 2009	at Dec. 31, 2008	Change
	Millions of euro		
Deferred financial liabilities	586	705	(119)
Derivative contracts	1,509	1,716	(207)
Other items	56	33	23
Total	**2,151**	**2,454**	**(303)**

As regards derivatives contracts, the retrospective application of the changes to presentation requirements (IAS 1) involved the reclassification from that item to non-current financial liabilities of liabilities associated with operational hedge contracts expiring at more than 12 months and which are expected to be held for at least 12 months as from the reporting date.

The following table shows the notional value and fair value of the derivative contracts.

	Notional		Fair Value		
	at June 30, 2009	at Dec. 31, 2008	at June 30, 2009	at Dec. 31, 2008	Change
	Millions of euro				
Cash flow hedge derivatives:					
- interest rates	706	844	3	3	—
- exchange rates	536	171	27	8	19
- commodities	629	1,377	217	247	(30)
Total	**1,871**	**2,392**	**247**	**258**	**(11)**
Fair value hedge derivatives:					
- interest rates	450	270	27	22	5
- exchange rates	—	214	—	41	(41)
Total	**450**	**484**	**27**	**63**	**(36)**
Trading derivatives:					
- interest rates	282	765	19	34	(15)
- exchange rates	1,381	1,106	67	51	16
- commodities	5,904	6,570	1,149	1,310	(161)
Total	**7,567**	**8,441**	**1,235**	**1,395**	**(160)**
TOTAL	**9,888**	**11,317**	**1,509**	**1,716**	**(207)**

Trading derivatives on interest rates essentially include transactions entered into for hedging purposes, but which do not qualify for hedge accounting as defined by applicable accounting standards. The decrease in the amount of these positions is due mainly to the expiration of the positions held by Endesa.

Trading derivatives on exchange rates essentially include derivatives transactions used to hedge the exchange rate risk in respect of commodity prices. Even though the transactions were carried out for hedging purposes, they do not meet the requirements to qualify for hedge accounting.

Commodity derivatives refer to:

cash flow hedges on coal and other oil commodities with a fair value of €217 million;

commodity derivatives on fuels, with a fair value of €391 million;

trading transactions in energy and other commodities, with a fair value of €653 million;

embedded derivatives related to energy sale contracts in Slovakia, with a fair value of €105 million.

32. Other current liabilities — €8,219 million

	at June 30, 2009	at Dec. 31, 2008	Change
	Millions of euro		
Payables due to customers	1,671	1,539	132
Payables due to the Electricity Equalization Fund and similar bodies	3,294	2,655	639
Payables due to employees	532	379	153
Other tax payables	1,141	965	176
Social security payables	187	178	9
Other	1,394	1,482	(88)
Total	**8,219**	**7,198**	**1,021**

"Payables due to customers" include €716 million (€715 million at December 31, 2008) in security deposits related to amounts received from customers as part of electricity and gas supply contracts. Following the finalization of the contract, deposits for electricity sales, the use of which is not restricted in any way, are classified as current liabilities given that the company does not have an unconditional right to defer repayment beyond twelve months.

"Payables due to the Electricity Equalization Fund and similar bodies" include current payables due in respect of the application of equalization mechanisms in the purchase of electricity in Italian market amounting to €2,777 million (€2,093 million at December 31, 2008) and current payables in respect of the Spanish electrical system amounting to €517 million (€562 million at December 31, 2008).

The item "Other" includes the estimated liability relating to the put options held by the minority shareholders of Enel Distributie Muntenia and Enel Energie Muntenia (a total €390 million) and Marcinelle Energie (€29 million).

33. Liabilities held for sale — €1,214 million

At June 30, 2009, the item mainly included:

the liabilities in respect of the Italian gas distribution network, essentially related to Enel Rete Gas;

the liabilities in respect of renewable energy operations held by Endesa that are included in the agreement of February 20, 2009, but which had not yet been transferred to Acciona pending completion of authorization procedures;

the liabilities connected with SeverEnergia covered by the agreement reached with Gazprom;

certain liabilities held by Endesa in Greece, which in the light of decisions taken by management meet the requirements under IFRS 5 for their classification among liabilities held for sale.

At December 31, 2008, the item also comprised the liabilities in respect of renewable energy operations held by Endesa under the agreement of March 26, 2007, as well as the liabilities related to the business units for high-voltage electricity distribution lines and gas distribution.

	at June 30, 2009	at Dec. 31, 2008	Change
	Millions of euro		
Long-term loans	9	334	(325)
Post-employment and other employee benefits	22	24	(2)
Provisions for risks and charges	10	24	(14)
Deferred tax liabilities	239	448	(209)
Other non-current liabilities	99	132	(33)
Short-term loans	649	515	134
Trade payables	79	244	(165)
Other current liabilities	107	70	37
Total	**1,214**	**1,791**	**(577)**

34. Related parties

As the main operator in the field of generation, transport and distribution of electricity in Italy, Enel provides services to a number of State-controlled companies. In the current regulatory framework, Enel concludes transactions with Terna — Rete Elettrica Nazionale (Terna), the Single Buyer, the Electricity Services Operator, and the Market Operator (each of which is controlled either directly or indirectly by the Ministry for the Economy and Finance).

Fees for the transport of electricity payable to Terna and certain charges paid to the Market Operator are determined by the Authority for Electricity and Gas.

Transactions relating to purchases and sales of electricity concluded with the Market Operator on the Power Exchange and with the Single Buyer are settled at market prices.

Companies of the Sales Division acquire electricity from the Single Buyer and settle the contracts for differences related to the allocation of CIP 6 energy with the Electricity Services Operator, in addition to paying Terna fees for the use of the national transmission network. Companies that are a part of the Generation and Energy Management Division, in addition to paying fees for the use of the national transmission network to Terna, carry out electricity transactions with the Market Operator on the Power Exchange and sell electricity to the Single Buyer. The company of the Renewable Energy Division that operates in Italy sells electricity to the Market Operator on the Power Exchange.

Notes to the financial statements — (Continued)

Enel also acquires fuel for generation and gas for distribution and sale from Eni, a company controlled by the Ministry for the Economy and Finance. All transactions with related parties are concluded on normal market terms and conditions.

The following table summarizes the relationships:

	at June 30, 2009		1st Half 2009	
	Balance sheet		Income statement	
	Receivables	Payables	Costs	Revenues
	Millions of euro			
In respect of continuing operations				
Single Buyer	343	1,036	3,579	593
Market Operator	729	670	2,583	2,616
Terna	344	492	905	586
Electricity Services Operator	138	282	27	422
Eni	2	115	475	555
Poste Italiane	—	68	82	2
Other	4	5	—	5
In respect of assets held for sale	—	—	—	—
Total	**1,560**	**2,668**	**7,651**	**4,779**

The following table shows transactions with associated companies outstanding at June 30, 2009 and carried out during the year, respectively.

	at June 30, 2009		1st Half 2009	
	Balance sheet		Income statement	
	Receivables	Payables	Costs	Revenues
	Millions of euro			
Cesi	1	11	1	1
LaGeo	8	—	—	—
Other companies	18	8	3	6
Total	**27**	**19**	**4**	**7**

In compliance with the Enel Group's rules of corporate governance, transactions with related parties are carried out in accordance with criteria of procedural and substantive propriety.

With a view to assuring substantive propriety — in order to ensure fairness in transactions with related parties, and to account for the special nature, value or other characteristics of a given transaction — the Board of Directors may ask independent experts to value the assets involved in the transaction and provide financial, legal or technical advice.

35. Contractual commitments and guarantees

The commitments entered into by the Enel Group and the guarantees given to third parties are shown below.

	at June 30, 2009
	Millions of euro
Guarantees given:	
- sureties and other guarantees granted to third parties	2,301
Commitments to suppliers for:	
- electricity purchases	46,041
- fuel purchases	52,436
- various supplies	4,111
- tenders	1,299
- other	2,023
Total	**105,910**
TOTAL	**108,211**

Guarantees granted to third parties amounted to €2,301 million and include €674 million in commitments relating to the sale of real estate assets, in connection with the regulations that govern the termination of leases and the related payments, for a period of six years and six months from July 2004. The value of such guarantees is reduced annually by a specified amount.

Commitments for electricity amounted to €46,041 million at June 30, 2009, of which €18,534 million refer to the period July 1, 2009-2013, €9,428 million to the period 2014-2018, €9,117 million to the period 2019-2023 and the remaining €8,962 million beyond 2023.

Commitments for the purchase of fuels are determined with reference to the parameters and exchange rates applicable at the end of the period (given that fuel prices vary and are mainly set in foreign currencies). The total at June 30, 2009, was €52,436 million, of which €21,500 million refer to the period July 1, 2009-2013, €19,382 million to the period 2014-2018, €8,417 million to the period 2019-2023 and the remaining €3,137 million beyond 2023.

Various supply commitments include €297 million in respect of those under the cooperation agreement with EdF of November 30, 2007 for the construction of the Flamanville nuclear plant. The amount represents Enel's share of 12.5%, of the cost of construction of the plant, which is scheduled to begin in 2012.

36. Contingent liabilities and assets

Compared with the financial statements at December 31, 2008, which the reader is invited to consult, the following main changes have occurred in contingent assets and liabilities.

With regard to the dispute involving the Porto Tolle thermoelectric plant, following the appeal of the decision of the Court of Adria issued March 31, 2006 convicting former directors and employees of Enel for a number of incidents of air pollution caused by emissions from the Porto Tolle thermoelectric plant, on March 12, 2009, the Court of Appeal of Venice partially reversed the lower court decision. It found that the former directors had not committed a crime and that there was no environmental damage and therefore ordered recovery of the provisional award already paid (about €2.5 million).

With regard to criminal proceedings against former top managers of Enelpower and other individuals for alleged offences to the detriment of Enelpower and payments made by contractors to receive certain contracts, on April 27, 2009, the investigating magistrate issued plea-bargained rulings for some of the defendants, while the former directors were ordered to stand trial. The case will be heard on January 12, 2010.

With regard to the suit brought by Albania BEG Ambient seeking damages from Enel and Enelpower for "actions and omissions committed in bad faith" by the defendants and for breach of a collaboration agreement signed by Enelpower and the company's Italian subsidiary in February 2000 concerning the construction of a power station in Albania, the ruling awarding Albania BEG Ambient non-contractual damages of about €25 million, in addition to contractual damages to be determined in accordance with the procedure to be set out in the full ruling was appealed by the deadline provided for under local law and pending appeal it remains ineffective. An analogous claim for damages of about €120 million had already been lodged by BEG SpA, without success, in a proceeding before the Arbitration Chamber of Rome, which denied the claim. The arbitration ruling was appealed as void by BEG SpA in December 2003. On April 7, 2009, the Rome Court of Appeal denied the appeal.

As to the Inepar suit seeking damages that Enelpower was alleged to have caused by breaching an agreement concerning a number of projects to be pursued in Brazil, the Arbitration Chamber denied all the claims brought by Inepar Energia and Inepar Industria e Construçoes and Enelpower's counterclaim. The Chamber also found Inepar Energia and Inepar Industria e Construçoes jointly liable to Enelpower for its legal expenses in the amount of $800 thousand.

On April 30, 2009, Enel.Factor received a notice with which the special administrator of Finmek SpA — a company with which Enel.Factor had a factoring relationship involving the assignment of claims in respect of a contract for the supply of remote-readable digital meters to Enel Distribuzione SpA — summoned the company to appear at a hearing scheduled for November 9, 2009, before the Court of Padua to ascertain the unenforceability, revocation and/or inoperativeness of the assignments of claims carried out in the twelve months preceding the initiation of special administration. Alternatively, Finmek requests that the Court establish its right to obtain from Enel.Factor payment of the amounts received by Enel Distribuzione subsequent to the date of the order initiating the special administration procedure.

With regard to the resolution issued by the Spanish Ministry of Industry on September 18, 2008, in February 2009 Endesa Distribución Eléctrica was fined about €18.6 million for the violations (four major, two minor) under Law 25/1964. The company has appealed the penalties imposed.

In March 2009, Josel SL informed Endesa Distribución Eléctrica of its intention to withdraw from the contract for the sale of several buildings due to changes in their zoning status and demanded return of the price paid (about €85.2 million), plus interest. On April 3, 2009, Endesa Distribución Eléctrica gave notice that it opposes this request.

With regard to the €10 million fine imposed by the "Generalitat de Catalunya" for service interruptions in Barcelona on July 23, 2007, on April 8, 2009, the Supreme Court of Catalonia granted Endesa Distribución Eléctrica's request for suspension.

In a resolution dated April 2, 2009, the Comisión Nacional de Competencia fined Endesa Distribución Eléctrica €15.3 million for abuse of a dominant position intended to prevent Centrica Energía SL from accessing "SIPS" (the supply point information system, created with Royal Decree 1535/2002). The ruling was appealed before the national judge on May 18, 2009. On May 27, 2009, the Comisión Nacional de Competencia suspended the penalty pending the final resolution.

On May 11, 2009, with a decree of Ministry of Industry, Endesa Generación, as the operator responsible for the Asco I nuclear power plant, was sanctioned for four major and two minor violations involving for the release of radioactive particles at the Asco I nuclear power plant. The total fine came to €15 million. The ruling was appealed before the Minister for Economic Activity and a decision is still pending. At the same time, the Director General for energy policy and mines levied fines totaling €90,000 for minor violations concerning the same incident. These fines have also been appealed and a ruling is pending.

On May 19, 2009, the town of Granadilla de Abona fined Endesa €72 million for allegedly building a power plant (Ciclo Combinado 2) without having obtained all the necessary permits. However, the government of the Canary Islands is taking steps to enable completion of the plant with all required permits. Endesa has lodged an appeal with the courts against the action of Granadilla.

37. Subsequent events

Enel — Ministry for the Environment voluntary agreement

On July 7, 2009, within the framework of the "Pact for the Environment" promoted by the Italian Government and 11 Italian companies, Enel and the Ministry for the Environment signed a voluntary agreement with which Enel undertakes to implement effective, measurable programs with a view to achieving national and Community targets for reducing greenhouse gas emissions, energy efficiency and the development of renewable energy resources.

More specifically, Enel has agreed to increase the installed capacity of renewables plants from its level of 2,597 MW (excluding major hydroelectric plants) in 2008 by an additional 4,100 MW by 2020. In the thermal power sector, Enel has undertaken to replace its old low-efficiency fuel oil plants (which have an efficiency of 38%) with new clean-coal plants (with an efficiency of 45%). Enel has also agreed to increase the use of biomass and fuels from waste to generate electricity in its power station from 137.5 thousand metric tons in 2008 to 300 thousand metric tons in 2013. Enel intends to strengthen its commitment to promoting energy efficiency among end users: in public lighting (including the use of LED technology); in the distribution network with the development of "smart grids"; in cooperative initiatives with industrial customers to conduct energy audits to optimize their consumption. By 2013, such actions are expected to create savings of some 100 thousand tons of oil equivalent, with savings rising to 300 thousand tons in 2020.

The Ministry for the Environment and the Government have agreed:

to identify, in compliance with applicable regulations, possible measures to accelerate the authorization procedures for which they are responsible in order to enable rapid implementation of the Enel initiatives envisaged in the agreement;

to support the projects in which Enel is participating as part of activities to promote the participation of Italian companies in European environmental research and innovation programs;

to promote the reuse of existing industrial sites, fostering investments with a substantial positive environmental impact.

Acquisition of wind facility in Greece

On July 13, 2009, Enel Green Power acquired a new wind facility with a capacity of about 18.9 MW from a local developer at Lithos-Achaia, in Greece. The new plant raises the installed capacity in the country to more than 127 MW.

Project to leverage non-core real estate assets

On July 16, 2009, Enel's Board of Directors approved a plan to create a fund to be endowed with the Group's non-core real estate assets, engaging Fimit SGR to organize and manage the fund. The value of the property to be transferred to the fund is about €190 million. The fund will be set up by the end of the year with the transfer of an initial tranche of properties (amounting to about 70% of the total portfolio value) and the entire transaction is expected to be concluded by March 2011. Enel participate in both the Advisory Committee and the General Meeting of unit holders, thereby maintaining a major governance role. Fimit SGR will immediately begin to divest the real estate assets, generating revenues for Enel in proportion to its holding in the fund and thereby leveraging the value of the assets more effectively.

38. Stock incentive plans

Between 2000 and 2008, Enel has implemented stock incentive plans (stock option plans and restricted share units plans) each year in order to give the Enel Group — in line with international business practice and the leading Italian listed companies — a means for fostering management motivation and loyalty, strengthening a sense of corporate team spirit in our key personnel, and ensuring their enduring and constant effort to create value, thus creating a convergence of interests between shareholders and management.

Stock option plans

The following table summarizes developments over the 1st Half of 2009 in the Enel stock option plans still in place at June 30, 2009, detailing the main assumptions used in calculating their fair value.

Developments in stock option plans

Number of options	2004 plan	2007 plan	2008 plan	Total
Options granted at December 31, 2007	38,527,550	27,920,000	—	**66,447,550**
Options exercised at December 31, 2007	25,177,615	—	—	**25,177,615**
Options lapsed at December 31, 2007	2,065,200	147,000	—	**2,212,200**
Options outstanding at December 31, 2007	11,284,735	27,773,000	—	**39,057,735**
Options granted in 2008	—	—	8,019,779	**8,019,779**
Options exercised in 2008	1,260,200	—	—	**1,260,200**
Options lapsed in 2008	47,600	613,166	—	**660,766**
Options outstanding at December 31, 2008	9,976,935	27,159,834	8,019,779	**45,156,548**
Options lapsed in the 1st Half of 2009	—	36,000	—	**36,000**
Options outstanding at June 30, 2009	9,976,935	27,123,834	8,019,779	**45,120,548**
- of which vested at June 30, 2009	*9,976,935*	—	—	***9,976,935***
Fair value at grant date (euro)	0.18	0.29	0.17	
Volatility	17%	13%	21%	
Option expiry	Dec. 2009	Dec. 2013	Dec. 2014	

A discussion of the key features of the above stock option plans is provided in the report on operations in the separate financial statements of Enel SpA at December 31, 2008, and in the report on operations in the consolidated financial statements of the Enel Group at December 31, 2008.

Restricted share units plans

The following table summarizes developments over the 1st Half of 2009 in the restricted share units plan adopted by Enel in 2008.

Number of RSU	2008 plan
RSU granted in 2008	1,766,675
RSU outstanding at December 31, 2008	1,766,675
of which vested at December 31, 2008	—
RSU lapsed in the 1st Half of 2009	7,148
RSU outstanding at June 30, 2009	1,759,527
of which vested at June 30, 2009	—
Fair value at the grant date (euro)	3.16
Fair value at June 30, 2009 (euro)	2.98
Expiry of the restricted share units	December 2014

A discussion of the key features of the above restricted share units plan is provided in the report on operations in the separate financial statements of Enel SpA at December 31, 2008, and in the report on operations in the consolidated financial statements of the Enel Group at December 31, 2008.

UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

AS OF AND FOR THE SIX MONTHS ENDED JUNE 30, 2008

KPMG

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Review report

To the shareholders of
ENEL S.p.A.

1 We have reviewed the condensed interim consolidated financial statements comprising the balance sheet. income statement, statement of recognized income and expenses for the period, statement of cash flow and notes thereto of the ENEL Group as at and for the six months ended 30 June 2008. The parent's directors are responsible for the preparation of these condensed interim consolidated financial statements in accordance with IAS 34, 'Interim Financial Reporting', endorsed by the European Union. Our responsibility is to prepare this report based on our review.

2 We conducted our review in accordance with Consob (the Italian Commission for Listed Companies and the Stock Exchange) guidelines set out in Consob resolution no. 10867 dated 31 July 1997. The review consisted primarily of the collection of information relating to the captions of the condensed interim consolidated financial statements and the consistency of application of the accounting policies through discussions with company directors and analytical procedures applied to the financial data presented in such condensed interim consolidated financial statements. The review excluded such audit procedures as tests of controls and verification or validation of assets and liabilities and is significantly less than an audit performed in accordance with generally accepted auditing standards. As a consequence, contrary to our report on the annual consolidated financial statements, we do not express an audit opinion on the condensed interim consolidated financial statements.

With regard to the corresponding figures included in the condensed interim consolidated financial statements, reference should be made to our reports on the annual consolidated and interim consolidated financial statements of the previous year dated 22 April 2008 and 7 September 2007, respectively.

3 Based on our review, nothing has come to our attention that causes us to believe that the condensed interim consolidated financial statements of the ENEL Group as at and for the six months ended 30 June 2008 have not been prepared, in all material respects. in conformity with IAS 34, 'Interim Financial Reporting' endorsed by the European Union.

KPMG SpA

Rome, 26 August 2008

UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE SIX MONTHS ENDED JUNE 30, 2008

Consolidated Income Statement

	Notes	1st Half			
		2008		2007	
			of which with related parties		of which with related parties
		Millions of euro			
Revenues					
Revenues from sales and services	5.a	28,716	*5,388*	18,557	*4,517*
Other revenues	5.b	600		300	*11*
	[Subtotal]	*29,316*	*5,388*	*18,857*	*4,528*
Costs					
Raw materials and consumables	6.a	16,930	*8,785*	11,144	*7,229*
Services	6.b	2,743	*360*	2,041	*261*
Personnel	6.c	1,933		1,484	
Depreciation, amortization and impairment losses	6.d	2,120		1,328	
Other operating expenses	6.e	960	*65*	195	*1*
Capitalized costs	6.f	(579)		(499)	
	[Subtotal]	*24,107*	*9,230*	*15,693*	*7,491*
Net income/(charges) from commodity risk management	7	**76**	***(6)***	**(30)**	***(2)***
Operating income		**5,285**		**3,134**	
Financial income	8	1,161	*10*	839	*11*
Financial expense	8	2,607		752	
Share of income/(expense) from equity investments accounted for using the equity method	9	27		1	
Income before taxes		**3,866**		**3,222**	
Income taxes	10	819		1,174	
Income from continuing operations		**3,047**		**2,048**	
Income from discontinued operations	11	**226**	***(42)***	**—**	
Net income for the year (shareholders of the Parent Company and minority interests)		**3,273**		**2,048**	
Attributable to minority interests		422		66	
Attributable to shareholders of the Parent Company		2,851		1,982	
Earnings per share (euro)		*0.53*		*0.33*	
Diluted earnings per share (euro)(1)		*0.53*		*0.33*	
Earnings from continuing operations per share		*0.49*		*0.33*	
Diluted earnings from continuing operations per share(1)		*0.49*		*0.33*	
Earnings from discontinued operations per share		*0.04*		—	
Diluted earnings from discontinued operations per share(1)		*0.04*		—	

(1) Calculated on the basis of the average number of ordinary shares in the year (6,185,503,033 in the 1st Half of 2008 and 6,181,304,109 in the 1st Half of 2007) adjusted for the diluting effect of outstanding stock options (1 million in the 1st Half of 2008 and 62 million in the 1st Half of 2007).

Consolidated Balance Sheet

	Notes	at June 30, 2008	of which with related parties	at Dec. 31, 2007	of which with related parties
		Millions of euro			
ASSETS					
Non-current assets					
Property, plant and equipment	12	58,738		55,434	
Investment property		35		37	
Intangible assets	13	26,250		28,177	
Deferred tax assets	14	4,303		3,439	
Equity investments accounted for using the equity method	15	268		1,972	
Non-current financial assets	16	2,319		2,212	
Other non-current assets	17	2,347		2,068	
	[Total]	**94,260**		**93,339**	
Current assets					
Inventories	18	2,248		1,726	
Trade receivables	19	12,889	*2,263*	11,576	*2,388*
Tax receivables	20	1,305		1,146	
Current financial assets	21	3,241		2,414	
Cash and cash equivalents	22	7,275		1,234	
Other current assets	23	4,364	*19*	4,080	*146*
	[Total]	**31,322**		**22,176**	
Assets held for sale	24	**1,482**		**8,233**	*175*
TOTAL ASSETS		**127,064**		**123,748**	

Consolidated Balance Sheet — (Continued)

	Notes	at June 30, 2008	of which with related parties	at Dec. 31, 2007	of which with related parties
		Millions of euro			
LIABILITIES AND SHAREHOLDERS' EQUITY					
Equity attributable to the shareholders of the Parent Company	25				
Share capital		6,186		6,184	
Other reserves		4,777		4,730	
Valuation reserve in respect of assets held for sale		—		35	
Retained earnings (losses carried forward)		6,888		5,942	
Net income for the period[1]		2,851		2,740	
	[Total]	**20,702**		**19,631**	
Equity attributable to minority interests		4,387		4,158	
TOTAL SHAREHOLDERS' EQUITY		**25,089**		**23,789**	
Non-current liabilities					
Long-term loans	26	50,462		52,155	
Post-employment and other employee benefits		2,927		2,920	
Provisions for risks and charges	27	6,706		6,462	
Deferred tax liabilities	28	4,103		4,304	
Non-current financial liabilities	29	1,761		1,671	
Other non-current liabilities	30	3,606		3,333	
	[Total]	**69,565**		**70,845**	
Current liabilities					
Short-term loans	31	6,245		5,285	
Current portion of long-term loans	26	4,359		2,729	
Trade payables		9,045	*3,290*	9,622	*3,897*
Income tax payable		2,360		525	
Current financial liabilities	32	2,988		1,561	
Other current liabilities	33	6,816	*6*	5,275	*228*
	[Total]	**31,813**		**24,997**	
Liabilities held for sale	**34**	**597**		**4,117**	*93*
TOTAL LIABILITIES		**101,975**		**99,959**	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**127,064**		**123,748**	

(1) Net income is reported net of interim dividend equal to €1,237 million for 2007.

Consolidated Statement of Cash Flows

	Notes	1st Half 2008	2008 of which with related parties	1st Half 2007	2007 of which with related parties
		Millions of euro			
Income for the period (shareholders of the Parent Company and minority interests)		**3,273**		**2,048**	
Adjustments for:					
Amortization and impairment losses of intangible assets		135		92	
Depreciation and impairment losses of property, plant and equipment		1,655		1,109	
Exchange rate gains and losses (including cash and cash equivalents)		(365)		(25)	
Provisions		412		221	
Financial (income)/expense		1,425		378	
Income taxes		925		1,174	
(Gains)/Losses and other non-monetary items		370		(568)	
Cash flow from operating activities before changes in net current assets		*7,830*		*4,429*	
Increase/(Decrease) in provisions		(654)		(521)	
(Increase)/Decrease in inventories		(319)		(70)	
(Increase)/Decrease in trade receivables		(903)	*301*	(175)	*(152)*
(Increase)/Decrease in financial and non-financial assets/liabilities		30	*(94)*	486	*(140)*
Increase/(Decrease) in trade payables		(804)	*(701)*	(454)	*17*
Interest income and other financial income collected		595	*10*	332	*9*
Interest expense and other financial expense paid		(1,855)		(600)	
Income taxes paid		(135)		(789)	
Cash flows from operating activities (a)		**3,785**		**2,638**	
Investments in property, plant and equipment		(3,070)		(1,422)	
Investments in intangible assets		(137)		(98)	
Investments in entities (or business units) less cash and cash equivalents acquired		(1,190)		(12,698)	
Disposals of entities (or business units) less cash and cash equivalents sold		6,582		—	
(Increase)/Decrease in other investing activities		57		134	
Cash flows from investing/disinvesting activities (b)		**2,242**		**(14,084)**	
Financial debt (new long-term borrowing)	26	1,937		8,113	
Financial debt (repayments and other changes)		(40)		5,134	*(1)*
Dividends paid	25	(2,004)		(1,798)	
Increase in share capital and reserves due to the exercise of stock options	25	9		41	
Cash flows from financing activities (c)		**(98)**		**11,490**	
Impact of exchange rate fluctuations on cash and cash equivalents (d)		**2**		**12**	
Increase/(Decrease) in cash and cash equivalents (a+b+c+d)		**5,931**		**56**	
Cash and cash equivalents at the beginning of the period		1,463		572	
Cash and cash equivalents at the end of the period		7,394(1)(2)		628(1)	

(1) Of which short-term securities equal to €87 million at June 30, 2008 (€25 million at June 30, 2007).

(2) Of which cash and cash equivalents pertaining to assets held for sale in the amount of €32 million.

Statement of Recognized Income and Expenses for the Period

	Notes	1st Half 2008	1st Half 2007
		Millions of euro	
Effective portion of change in the fair value of cash flow hedges		254	128
Change in the fair value of financial investments available for sale		(29)	128
Exchange rate differences		(319)	44
Net income for period recognized in equity	25	**(94)**	**300**
Net income for period recognized in income statement		**3,273**	**2,048**
Total recognized income and expenses for the period		**3,179**	**2,348**
Attributable to:			
- shareholders of the Parent Company		2,898	2,257
- minority interests		281	91

Notes to the financial statements

1. Accounting policies and measurement criteria

Enel SpA, which operates in the energy utility sector, has its registered office in Rome, Italy. The consolidated financial report for the period ended June 30, 2008 comprises the financial statements of the Company, its subsidiaries and joint ventures ("the Group") and the Group's holdings in associated companies. A list of the subsidiaries, associated companies and joint ventures included in the scope of consolidation is reported in the annex. These financial statements were approved for publication by the Board on July 31, 2008.

Compliance with IFRS/IAS

The consolidated half-year financial report of the Group at and for the six months ended at June 30, 2008 has been prepared pursuant to Article 154-ter, paragraph 2, of Legislative Decree 58 of 24 February 1998 as amended by Legislative Decree 195 of 6 November 2007. The condensed interim consolidated financial statements included in the half-year financial report have been prepared in compliance with the international accounting standards (IFRS/IAS) issued by the International Accounting Standards Board (IASB) recognized in the European Community pursuant to Regulation (EC) no. 1606/2002 and in effect as of the close of the period, as well as the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and the Standing Interpretations Committee (SIC) in effect at the same date. Hereinafter, these standards and interpretations are referred to as the "IFRS-EU".

More specifically, the financial statements have been drafted in compliance with IAS 34 – Interim financial reporting.

The accounting standards adopted, the recognition and measurement criteria and the consolidation criteria and methods used for the condensed interim consolidated financial statements at June 30, 2008, are the same as those adopted for the consolidated financial statements at December 31, 2007 (please see the related report for more information). These consolidated half-year financial statements may not include all the information required to be reported in the annual financial statements and must be read together with the financial statements for the period ended December 31, 2007.

The condensed interim consolidated financial statements consist of the consolidated balance sheet, the consolidated income statement, the consolidated statement of cash flows, the consolidated statement of recognized income and expenses for the period and the related notes.

Joint ventures

Interests in joint ventures — enterprises in which the Group exercises joint control with other entities — are consolidated using the proportionate method. The Group recognizes its share of the assets, liabilities, revenues and expenses on a line-by-line basis in proportion to the Group's share in the entity from the date on which joint control is acquired until such control ceases. Potential voting rights that are effectively exercisable or convertible are taken into consideration in determining the existence of joint control.

The following table reports the contribution of joint ventures to the main aggregates in the consolidated financial statements:

	at June 30, 2008			
	Enel Unión Fenosa Renovables(1)	RusEnergoSbyt	Endesa(1)	SeverEnergia
	Millions of euro			
Percentage consolidation	50.0%	49.5%	67.05%	40.0%
Non-current assets	397	26	27,018	892
Current assets	90	26	12,193	54
Assets held for sale	—	—	1,482	—
Non-current liabilities	320	6	15,292	198
Current liabilities	96	22	11,005	128
Liabilities held for sale	—	—	597	—
Operating revenues	43	323	7,549	—
Operating costs	24	317	5,751	10

(1) Includes amounts for companies over which joint control is exercised with other shareholders.

2. Risk management

Market risk

As part of its operations, Enel is exposed to different market risks, notably the risk of changes in interest rates, exchange rates and commodity prices.

To contain this exposure within the limits set at the start of the year as part of its risk management policies, Enel enters into derivative contracts using instruments available on the market.

Enel also engages in a marginal amount of proprietary trading in order to maintain a presence in the Group's reference energy commodity markets. These operations consist in taking on limited exposures in energy commodities (oil products, gas, coal and electricity in the main European countries) using financial derivatives and physical contracts traded on regulated and OTC markets, exploiting profit opportunities through arbitrage transactions and on the basis of expected market developments. These operations are conducted within the framework of formal governance rules that establish strict risk limits set at the Group level. Compliance with the limits is verified daily by a unit that is independent of those undertaking the transactions. The risk limits for Enel's proprietary trading are set in terms of Value at Risk over a 1-day time horizon and a confidence level of 95%; the sum of the limits set for 2008 is less than €14 million. Transactions that qualify for hedge accounting are designated as hedging transactions, while those that do not qualify for hedge accounting are classified as trading transactions.

Fair value is determined using the official prices for instruments traded on regulated markets. The fair value of instruments not listed on regulated markets is determined using valuation methods appropriate for each type of financial instrument and market data as of the close of the period (such as interest rates, exchange rates, commodity prices, volatility), discounting expected future cash flows on the basis of the market yield curve at the balance-sheet date and translating amounts in currencies other than the euro using period-end exchange rates provided by the European Central Bank. Where possible, contracts relating to commodities are measured using market prices related to the same instruments on both regulated and other markets. With regard to contracts for differences (CFDs), since December 31, 2007, measurement has been carried out using forward prices for electricity. Previously, CFDs were measured using a model based on the forward prices of certain oil commodities, estimating developments in prices in the electricity market. The new approach had no significant impact on the income statement given that the model already gave price estimates that were in line with market trends.

The financial assets and liabilities associated with derivative instruments are classified as:

> cash flow hedge derivatives, related to hedging the risk of changes in the cash flows associated with a number of long-term floating-rate or foreign-currency loans, to certain contracts entered into by Enel in order to stabilize revenues from the sale of electricity (two-way contracts for differences and other energy derivatives) and to hedging the risk of changes in the prices of coal and oil commodities;

> fair value hedge derivatives, related to hedging the exposure to changes in the fair value of an asset, liability or firm commitment attributable to a particular risk;

> trading derivatives, related to hedging interest and exchange rate risk and commodity risk but which do not qualify for recognition under IAS 39 as hedges of specific assets, liabilities, commitments or future transactions as well as proprietary trading activities.

The notional value of a derivative is the contractual amount on the basis of which differences are exchanged. This amount can be expressed as a value or a quantity (for example tons, converted into euro by multiplying the notional amount by the agreed price). Amounts denominated in currencies other than the euro are converted into euro at the exchange rate prevailing at the balance-sheet date.

The notional amounts of derivatives do not represent amounts exchanged between the parties and therefore are not a measure of the Group's credit risk exposure.

Interest rate risk

Fluctuations in interest rates gives rise to volatility in the fair value of fixed-rate financial assets and liabilities and the future cash flows of floating-rate financial assets and liabilities.

Interest rate risk management is aimed at balancing the structure of the debt, reducing the amount of debt exposed to interest rate fluctuations and minimizing borrowing costs over time, limiting the volatility of results. To this end, various types of derivatives are used, including interest rate swaps and interest rate collars.

Interest rate swaps are used to reduce the amount of debt exposed to changes in interest rates and to reduce the volatility of borrowing costs.

In an interest rate swap, Enel enters into an agreement with a counterparty to exchange at specified intervals floating-rate interest flows for fixed-rate interest flows (agreed between the parties), both of which are calculated on the basis of a notional principal amount.

Interest rate collars are used to reduce the impact of potential increases in interest rates on its floating-rate debt. Such contracts are normally used when the fixed interest rate that can be obtained in an interest rate swap is considered too high with respect to Enel's expectations for future interest rate developments. In addition, interest rate collars are also considered appropriate in periods of uncertainty about future interest rate developments, in order to benefit from any decreases in interest rates. In such cases, Enel normally uses zero-cost collars, which do not require the payment of a premium.

All these contracts are agreed with a notional amount and expiry date lower than or equal to that of the underlying financial liability, so that any change in the fair value and/or expected future cash flows is offset by a corresponding change in the fair value and/or the expected future cash flows of the underlying position.

Accordingly, the fair value of the financial derivatives generally reflects the estimated amount that Enel would have to pay or receive in order to terminate the contracts at the balance-sheet date.

The amount of floating-rate debt that is not hedged against interest rate risk is the main risk factor that could impact the income statement in the event of an increase in market interest rates.

At June 30, 2008, 65% of net financial debt was floating rate (67% at December 31, 2007). Taking account of cash flow hedges of interest rates considered effective pursuant to the IFRS–EU, 50% of the debt was exposed to interest rate risk at June 30, 2008 (54% at December 31, 2007). An increase of 1 basis point in market interest rates would have a negative impact on the income statement in terms of higher interest expense on the portion of debt not hedged against interest rate risk of about €3 million (€3 million at December 31, 2007). Conversely, an equivalent decline in market interest rates would have a positive impact on the income statement in terms of lower interest expense on the portion of debt not hedged against interest rate risk of about €3 million (€3 million at December 31, 2007).

As regards the potential impact on shareholders' equity of a change in market interest rates, if market interest rates had been 1 basis point higher at June 30, 2008, all other variables being equal, shareholders' equity would have been about €3 million higher as a result of the increase in the fair value of CFH derivatives on interest rates (and therefore of the related equity reserve). Conversely, if interest rates have been 1 basis point lower at that date, all other variables being equal, shareholders' equity would have been €3 million lower as a result of the decrease in the fair value of CFH derivatives on interest rates.

Exchange rate risk

Exchange rate risk is mainly generated with the following transaction categories:

> debt denominated in currencies other than the functional currency of the respective countries entered into by the holding company or the individual subsidiaries;
> cash flows in respect of the purchase or sale of fuel or electricity on international markets;
> revenues of a number of subsidiaries in Latin America that are linked to changes in the US dollar;
> cash flows in respect of investments in foreign currency, dividends from unconsolidated foreign associates or the purchase or sale of equity investments.

In order to reduce the exchange rate risk on these exposures, Enel uses foreign exchange forward and option contracts in order to hedge cash flows in currencies other than the functional currencies of the various Group entities. Enel also uses cross currency swaps (normally at long term) to stabilize cash flows on bonds paying interest in foreign currency. The buy and sell amounts in such contracts are notional values. Foreign exchange options, which are negotiated on unregulated markets, give Enel the right or the obligation to acquire or sell specified amounts of foreign currency at a specified exchange rate at the end of a given period of time, normally not exceeding one year. The maturity of forward contracts does not normally exceed twelve months.

The Group also seeks to balance inward and outward cash flows in respect of assets and liabilities denominated in foreign currency.

As regards the potential impact on shareholders' equity of a change in market exchange rates, at June 30, 2008, assuming a 10% depreciation of the euro against the other currencies, all other variables being equal, shareholders' equity would have been about €487 million higher (€567 million at December 31, 2007) as a result of the increase in the fair value of CFH derivatives on exchange rates (and therefore of the related equity reserve). Conversely, assuming a 10% appreciation of the euro against the other currencies, all other variables being equal, shareholders' equity would have been €403 million lower (€462 million at December 31, 2007) as a result of the decrease in the fair value of CFH derivatives on exchange rates.

Commodity risk

Various types of derivatives, especially swaps and futures, are used by Enel to reduce the exposure to fluctuations in energy commodity prices and as part of proprietary trading activities.

The exposure to the risk of changes in commodity prices is associated with the purchase of fuel for power plants and the purchase and sale of gas under indexed contracts as well as the purchase and sale of electricity at variable prices (indexed bilateral contracts and sales on Power Exchange).

The exposures on indexed contracts is quantified by breaking down the contracts that generate exposure into the underlying risk factors.

As regards electricity sold on the Italian Power Exchange, Enel uses two-way contracts for differences, under which differences are paid to the counterparty if the Single National Price (SNP) exceeds the strike price and to Enel in the opposite case.

The residual exposure in respect of sales on the Power Exchange not hedged through two-way contracts for differences is quantified and managed on the basis of an estimation of generation costs in Italy. The residual positions thus determined are aggregated on the basis of uniform risk factors that can be hedged in the market.

Credit risk

As regards transactions in financial derivatives, Enel manages the related credit risk by operating solely with counterparties considered solvent by the market, i.e. those with high credit standing, and does not have any concentration of credit risk.

The credit risk in respect of the derivatives portfolio is considered negligible since transactions are conducted solely with leading Italian and international banks, diversifying the exposure among different institutions.

As part of activities related to purchasing fuels for thermal generation and the sale and distribution of electricity, the distribution of gas and the sale of gas to eligible customers, Enel grants trade credit to external counterparties. The counterparties selected are carefully monitored through the assessment of the related credit risk and the pledge of suitable guarantees and/or security deposits to ensure adequate protection from default risk.

Enel considers the economic impact in future years of any default by counterparties in its derivatives positions open at the balance-sheet date to be immaterial given the high credit standing of such counterparties, the nature of the instruments (under which only differential flows are exchanged) and the risk diversification achieved by breaking down positions among the various counterparties.

Liquidity risk

Liquidity risk is managed (with the exception of Endesa SA and its subsidiaries) by the Group Treasury unit at Enel SpA, which, operating in part through the Luxembourg company Enel Finance International SA, ensures adequate coverage of cash needs (using lines of credit and issues of bonds and commercial paper) and appropriate management of any excess liquidity. Endesa also has a liquidity policy that envisages the sue of committed lines of credit in amounts sufficient to cover cash needs over a time horizon determined on the basis of an analysis of the situation and expectations in the capital market.

At June 30, 2008, the Enel Group (excluding Endesa) had committed lines of credit amounting to €25.6 billion, of which €21.4 billion had been drawn: the amount includes drawings on the original €35 billion line of credit opened to finance the public tender offer for Endesa, which was subsequently reduced to €19.2 billion and was fully drawn at June 30, 2008. At the same date Enel had uncommitted lines of credit amounting to €1.1 billion, of which all was available. In addition, Enel Finance International has an outstanding commercial paper program with a maximum amount of €4 billion, of which about €0.4 billion were available at June 30, 2008.

At June 30, 2008, the Endesa Group had committed lines of credit in the amount of €9.9 billion, of which €2.8 billion had been drawn (the figures for Endesa, for the sole purpose of liquidity risk disclosures, are reported in full rather than on the basis of the percentage of consolidation). At the same date, Endesa had uncommitted credit lines amounting to €0.4 billion, of which €0.1 billion were drawn.

Endesa Internacional BV also has an outstanding commercial paper program with a maximum amount of €2.0 billion, of which about €0.5 billion were available at June 30, 2008. Finally, Endesa Capital SA has an outstanding domestic commercial paper program (*"pagarès"*) with a maximum amount of €2.0 billion, of which about €1.0 billion were available at June 30, 2008.

3. Main changes in the scope of consolidation

In the two periods examined here, the scope of consolidation changed as a result of the following main transactions:

2007

> Acquisition, on February 2, 2007, of the entire capital of the Panamanian company Enel Fortuna, giving Enel full control of Fortuna, which is fully consolidated;

> acquisition of 40% of Artic Russia, the direct parent company of SeverEnergia, and the subsequent acquisition by the latter, on April 4, 2007, of a set of assets in the gas sector. As it is subject to joint control, Artic Russia and SeverEnergia are consolidated on a proportionate basis;

> acquisition, on July 2, 2007, of 90% of Nuove Energie, a company that builds and operates LNG regasification infrastructures;

> acquisition, on October 5, 2007, following the successful completion of the public tender offer, of 42.08% of Endesa; as from that date, taking account of the previous holding in the company (24.97%), Endesa is consolidated on a proportionate basis as it is under joint control;

> acquisition, on October 1, 2007, of 100% of three companies (International Windpower, Wind Parks of Thrace and International Wind Parks of Thrace) active in generating electricity from wind power in Greece;

> acquisition, on October 24, 2007, of 100% of Blue Line, a Romanian company that holds the rights to develop wind power projects in the region of Dobrogea;

> acquisition, on December 6, 2007, of 100% of Inelec, a company active in hydroelectric generation in Mexico.

Notes to the financial statements — (Continued)

2008

- Acquisition, on March 5, 2008, of 85% of Global Power Investment, a Romanian company active in the generation of electricity from renewable resources;
- acquisition, on April 25, 2008, of 50% of Electrica Muntenia Sud and the concurrent subscription of a capital increase approved by the company's shareholders. Following the operation, Enel holds 64.4% of the company. As from the conclusion of the changes in the company's governance arrangements needed to define control on June 4, 2008, the company is consolidated on a line-by-line basis, taking account of the shareholding covered by the put option granted to Electrica at the time of the sale, equal to 23.6% at June 30, 2008;
- acquisition, on May 19, 2008, of 100% of International Wind Parks of Crete and Hydro Constructional, which operate in Greece in the generation of electricity from renewables;
- conclusion, on May 28, 2008, of the changes in the governance arrangements of OGK-5, which gave Enel full control as from that date. Enel, acting through the subsidiary Enel Investment Holding, had acquired 59.80% of the Russian company in a series of purchases, of which 22.65% in the public tender completed on March 6, 2008, before selling a minority stake of 4.1% on June 25, 2008. As from May 28, 2008, the company is consolidated on a line-by-line basis;
- disposal, on June 26, 2008, of the assets specified in the agreements signed between Enel and Acciona on March 26, 2007, and between Enel, Acciona and E.On on March 18, 2008, consisting of:
    - the assets and liabilities held directly or indirectly by Endesa in Italy, France, Poland and Turkey, as well as a number of other assets in Spain (hereinafter "Endesa Europa");
    - the assets and liabilities in respect of Enel's equity investments in Enel Viesgo Generación, Enel Viesgo Servicios and Electra de Viesgo Distribución and the equity investments held by them;
- the acquisition, on June 30, 2008, of 80% of Marcinelle Energie, which is building a combined-cycle gas turbine plan in Belgium. The company is consolidated taking account of the put option granted to Duferco at the time of the sale.

The assets sold to E.On were classified as "Net assets held for sale" and "Liabilities held for sale" in the consolidated balance sheet at December 31, 2007. Following the disposal, that item in the reclassified balance sheet at June 30, 2008 reports the assets and liabilities in respect of renewable energy operations held by Endesa, which will be transferred to Acciona Energia, in which Endesa will hold a 49% stake following the transfer.

In the consolidated half-year income statement, the income or loss, net of the related tax effect, attributable to the net assets held for sale of Endesa Europa is reported under "discontinued operations" as those net assets have been acquired for the sole purpose of their resale.

As regards the other acquisitions carried out in the 1st Half of 2008, the difference between the cost of the investments and the assets acquired net of the liabilities assumed, as well as contingent liabilities, has initially been recognized on a provisional basis under "Goodwill" pending completion of allocation pursuant to IFRS 3 — Business combinations.

Notes to the financial statements — (Continued)

The following table reports the calculation of goodwill for the OGK-5 acquisition.

Acquisition of OGK-5

	Millions of euro
Property, plant and equipment	1,842
Intangible assets	2
Trade receivables and inventories	150
Cash and cash equivalents	3
Other current and non-current assets	139
Total assets	**2,136**
Trade payables	31
Long- and short-term debt	135
Sundry and minor provisions	736
Other current and non-current liabilities	286
Total liabilities	**1,188**
Total net assets acquired	**948**
Goodwill	1,516
Value of the transaction(1)	**2,464**
CASH FLOW IMPACT(2)	**818**

(1) Including incidental expenses.

(2) Does not include acquisitions of shares in 2007 or cash and cash equivalents at the date control was acquired.

In view of the period of consolidation of OGK-5, the company did not contribute materially to the operating income of the Group for the 1st Half of 2008.

The following table reports the calculation of goodwill for the Electrica Muntenia Sud.

Acquisition of Electrica Muntenia Sud

	Millions of euro
Property, plant and equipment	367
Intangible assets	1
Cash and cash equivalents	493
Other current and non-current assets	81
Total assets	**942**
Trade payables	46
Long and short-term debt	4
Sundry and minor provisions	122
Other current and non-current liabilities	169
Total liabilities	**341**
Total net assets acquired	**601**
Goodwill	620
Value of the transaction(1)	**1,221**
CASH FLOW IMPACT (2)	**827**

(1) Including incidental expenses.

(2) Does not include cash and cash equivalents at the date control was acquired.

The contribution of Electrica Muntenia Sud, consolidated as from June 4, 2008, to Group operating income in the 1st Half of 2008 was €3 million.

The following table reports the main aggregates concerning other acquisitions in the 1st Half of the year, including Marcinelle Energie, International Wind Parks of Crete and Hydro Constructional.

Other acquisitions

	Millions of euro
Property, plant and equipment	19
Intangible assets	4
Cash and cash equivalents	3
Total assets	**26**
Trade payables	2
Other current and non-current liabilities	2
Total liabilities	**4**
Total net assets acquired	**22**
Goodwill	92
Value of the transaction(1)	**114**
CASH FLOW IMPACT(2)	**45**

(1) Including incidental expenses.

(2) Does not include cash and cash equivalents at the date control was acquired.

The following table reports the main aggregates for the Endesa acquisition following the provisional allocation of the difference between the cost of the investment and the net assets acquired, adjusted to take account of the determination of the fair value of the assets of Endesa Europa, whose price in the sale to E.On, is considered representative of their current value at the date Endesa was acquired.

Acquisition of Endesa

	Millions of euro
Property, plant and equipment	19,983
Intangible assets	335
Trade receivables and inventories	2,780
Cash and cash equivalents	544
Net assets held for sale	7,023
Other current and non-current assets	6,291
Total assets	**36,956**
Trade payables	2,096
Long- and short-term debt	14,125
Sundry and other provisions	6,310
Other current and non-current liabilities	5,106
Total liabilities	**27,637**
Total net assets acquired	**9,319**
Goodwill	20,308
Value of the transaction(1)	**29,627**

(1) Including incidental expenses.

Note that as regards the acquisition of SeverEnergia in the 1st Half of 2007, the definitive allocation of the cost of the transaction to the assets acquired and the liabilities assumed was completed after the preparation of the consolidated half-year report at June 30, 2007. Had the allocation of the price paid for the acquisition been finalized at June 30, 2007, the revenues and consolidated net income of the Group for the 1st Half of 2007 would not have changed.

4. Segment information

The results presented in this report reflect the organizational structure in place since December 2007, which, in addition to the "Sales", "Generation and Energy Management", "Infrastructure and Networks" and

"International" Divisions, includes two new Divisions: "Iberia and Latin America" and "Engineering and Innovation".

Each of these Divisions, together with the "Parent Company" and the "Services and Other Activities" areas, was considered by management in assessing Group performance.

For the purposes of providing comparable figures, the data related to the corresponding periods of 2007 have been reallocated to the Divisions on the basis of the new organizational arrangements. For this reason, with respect to the information reported at June 30, 2007 and December 31, 2007, the figures for the new Engineering and Innovation Division have been drawn from the results of the Domestic Generation and Energy Management Division, while the figures for the new Iberia and Latin America Division have been taken from those of the International Division.

Results by Division for the 1st Half of 2008 and 2007

1st Half of 2008[(1)]

	Sales	GEM	Eng.& Innov.	Infra.& Net.	Iberia& Latin America	Int'l	Parent Company	Services and Other Activities	Eliminations and adjustments	Total
	Millions of euro									
Revenues from third parties	11,060	6,900	—	862	8,355	1,898	185	66	(10)	**29,316**
Revenues from other segments	79	3,965	540	2,440	6	122	152	488	(7,792)	—
Total revenues	**11,139**	**10,865**	**540**	**3,302**	**8,361**	**2,020**	**337**	**554**	**(7,802)**	29,316
Net income/(charges) from commodity risk management	167	(54)	—	—	17	(54)	—	—	—	76
Gross operating margin	**291**	**2,021**	**5**	**2,008**	**2,436**	**580**	**(21)**	**81**	**4**	7,405
Depreciation, amortization and impairment losses	142	438	1	469	799	225	3	43	—	2,120
Operating income	**149**	**1,583**	**4**	**1,539**	**1,637**	**355**	**(24)**	**38**	**4**	5,285
Net financial income/(expense) and income/(expense) from equity investments accounted for using the equity method	—	—	—	—	—	—	—	—	—	(1,419)
Income taxes	—	—	—	—	—	—	—	—	—	819
Net income from continuing operations	—	—	—	—	—	—	—	—	—	3,047
Net income from discontinued operations	—	—	—	—	—	—	—	—	—	226
Net income (Group and minority interests)	—	—	—	—	—	—	—	—	—	3,273
Operating assets	8,332	17,483	271	19,704	50,143[(2)]	13,967	1,395	2,458	(5,554)	108,199
Operating liabilities	5,579	4,056	336	5,901	9,828[(3)]	4,494	1,231	1,389	(4,286)	28,528
Capital expenditure	22	527	—	672	949	390	5	28	—	2,593

Notes to the financial statements — (Continued)

1st Half of 2007(1)

	Sales	GEM	Engin. and Innov.	Infra.& Net.	Iberia & Latin America	Int'l	Parent Company	Services and Other Activities	Eliminations and adjustments	Total
					Millions of euro					
Revenues from third parties	10,598	5,509	—	335	611	1,412	333	87	(28)	18,857
Revenues from other segments	22	2,201	381	2,406	3	30	116	459	(5,618)	—
Total revenues	**10,620**	**7,710**	**381**	**2,741**	**614**	**1,442**	**449**	**546**	**(5,646)**	**18,857**
Net income/(charges) from commodity risk management	(81)	70	—	—	3	(22)	—	—	—	(30)
Gross operating margin	**115**	**1,905**	**4**	**1,782**	**185**	**444**	**(65)**	**97**	**(5)**	**4,462**
Depreciation, amortization and impairment losses	138	464	1	420	58	198	8	41	—	1,328
Operating income	**(23)**	**1,441**	**3**	**1,362**	**127**	**246**	**(73)**	**56**	**(5)**	**3,134**
Net financial income/(expense) and income/(expense) from equity investments accounted for using the equity method	—	—	—	—	—	—	—	—	—	88
Income taxes	—	—	—	—	—	—	—	—	—	1,174
Net income (Group and minority interests)	—	—	—	—	—	—	—	—	—	2,048
Operating assets(4)	8,269	17,835	120	17,611	59,113(2)	8,385	1,228	1,609	(3,929)	110,241
Operating liabilities(4)	6,138	4,807	307	4,319	9,897(3)	3,712	1,221	1,354	(3,083)	28,672
Capital expenditure	17	489	—	665	170	143	11	25	—	1,520

(1) Segment revenues include both revenues from third parties and revenue flows between the segments. An analogous approach was taken for other income and costs for the period.

(2) Of which €1,417 million at June 30, 2008 (€8,792 million at December 31, 2007) regarding units classified as "Held for sale".

(3) Of which €288 million at June 30, 2008 (€2,147 million at December 31, 2007) regarding units classified as "Held for sale".

(4) At December 31, 2007.

The following table reconciles segment assets and liabilities and the consolidated figures.

	at June 30, 2008	at Dec. 31, 2007
	Millions of euro	
Total assets	**127,064**	**123,748**
Financial assets, cash and cash equivalents	13,250	8,234
Tax assets	5,615	5,273
Segment assets	**108,199**	**110,241**
- of which:		
Sales	8,332	8,269
Generation and Energy Management	17,483	17,835
Engineering and Innovation	271	120
Infrastructure and Networks	19,704	17,611
Iberia and Latin America(1)	50,143	59,113
International	13,967	8,385
Parent Company	1,395	1,228
Services and Other Activities	2,458	1,609
Eliminations and adjustments	(5,554)	(3,929)
Total liabilities	**101,975**	**99,959**
Loans and other financial liabilities	66,080	65,299
Tax liabilities	7,367	5,988
Segment liabilities	**28,528**	**28,672**
- of which:		
Sales	5,579	6,138
Generation and Energy Management	4,056	4,807
Engineering and Innovation	336	307
Infrastructure and Networks	5,901	4,319
Iberia and Latin America(2)	9,828	9,897
International	4,494	3,712
Parent Company	1,231	1,221
Services and Other Activities	1,389	1,354
Eliminations and adjustments	(4,286)	(3,083)

(1) Of which €1,417 million at June 30, 2008 (€8,792 million at December 31, 2007) regarding units classified as "Held for sale".

(2) Of which €288 million at June 30, 2008 (€2,147 million at December 31, 2007) regarding units classified as "Held for sale".

Information on the Consolidated Income Statement

Revenues

5.a Revenues from sales and services — €28,716 million

	1st Half		
	2008	2007	Change
	Millions of euro		
Revenues from the sale and transport of electricity and contributions from Electricity Equalization Fund and similar bodies	25,877	16,940	8,937
Revenues from the sale and transport of natural gas to end users	1,707	993	714
Revenues from fuel sales	241	112	129
Connection fees for the electricity and gas networks	347	317	30
Revenues for contract work in progress	8	5	3
Other sales and services	536	190	346
Total	**28,716**	**18,557**	**10,159**

"Revenues from the sale and transport of electricity and contributions from Electricity Equalization Fund and similar bodies" primarily include €6,590 million in revenues from the transport and sale of electricity on the domestic regulated market (€6,546 million in the 1st Half of 2007), €5,472 million in revenues from the sale of electricity on the Power Exchange and to other domestic resellers (€4,588 million in the 1st Half of 2007), €3,347 million in revenues from the transport and sale of electricity on the free market (€2,696 million in the 1st Half of 2007), and €9,964 million in revenues from the sale of electricity abroad (€3,095 million in the 1st Half of 2007) of which €5,936 million relate to Endesa.

"Revenues from the sale and transport of natural gas to end users" came to €1,707 in the 1st Half of 2008 and include €1,168 million in revenues from the sale of natural gas in Italy (€841 million in the 1st Half of 2007) and €136 million in revenues from the transport of natural gas in Italy (€147 million in the 1st Half of 2007), in addition to sales of natural gas abroad amounting to €402 million (€5 million in the 1st Half of 2007).

"Revenues from fuel sales" came to €241 million, and include in the 1st Half of 2008, €183 million for the sale of natural gas (€110 million in the 1st Half of 2007) and €58 million for the sale of other fuels (€2 million in the 1st Half of 2007).

The table below gives a breakdown of revenues from sales and services by geographical area:

	1st Half	
	2008	2007
	Millions of euro	
Italy	17,370	15,414
Europe	8,238	2,916
Americas	2,978	143
Middle East	10	5
Other	120	79
Total	**28,716**	**18,557**

5.b Other revenues — €600 million

	1st Half		
	2008	2007	Change
	Millions of euro		
Reimbursement of stranded costs for Nigerian gas	75	77	(2)
Grants	91	43	48
Sundry reimbursements	64	45	19
Gains on sale of property, plant and equipment and intangible assets	19	24	(5)
Other revenues	351	111	240
Total	**600**	**300**	**300**

Costs

6.a Raw materials and consumables — €16,930 million

	1st Half		
	2008	2007	Change
	Millions of euro		
Electricity	11,890	8,606	3,284
Fuel and gas	4,696	2,263	2,433
Materials	344	275	69
Total	**16,930**	**11,144**	**5,786**
- of which capitalized	*257*	*254*	*3*

"Electricity" purchases include €3,943 million in purchases from the Single Buyer (€4,397 million in the 1st Half of 2007), €3,056 million in purchases from the Electricity Market Operator (€1,483 million in the 1st Half of 2007), and purchases abroad of €2,705 million (€687 million in the 1st Half of 2007).

Purchases of "Fuel and gas" include €2,480 million in natural gas purchases and €2,134 million in the purchase of other fuels.

6.b Services — €2,743 million

	1st Half		
	2008	2007	Change
	Millions of euro		
Electricity and gas wheeling	1,148	980	168
Maintenance and repairs	349	207	142
Telephone and postal	154	135	19
Communication services	75	33	42
Leases and rentals	247	236	11
Other	770	450	320
Total	**2,743**	**2,041**	**702**

The item includes €806 million attributable to the change in the scope of consolidation between the two periods.

6.c Personnel — €1,933 million

	1st Half		
	2008	2007	Change
	Millions of euro		
Wages and salaries	1,413	1,017	396
Social security contributions	357	328	29
Termination benefits	52	81	(29)
Other costs	111	58	53
Total	**1,933**	**1,484**	**449**
- of which capitalized	*322*	*245*	*77*

"Wages and salaries" include €410 million attributable to the change in the scope of consolidation between the two periods.

6.d Depreciation, amortization and impairment losses — €2,120 million

	1st Half		
	2008	2007	Change
	Millions of euro		
Depreciation	1,653	1,109	544
Amortization	126	92	34
Impairment losses	341	127	214
Total	**2,120**	**1,328**	**792**

"Depreciation" pertained to the acquisitions carried out during the 2nd Half of 2007 and the 1st Half of 2008 totaling €531 million.

"Impairment losses" in the 1st Half of 2008 include €168 million relating to the adjustment of the market value (as calculated in March 2008 by the investment banks engaged for the purpose) of the Viesgo Group assets sold to E.On and €162 million in writedowns of trade receivables (of which €128 million in respect of trade receivables for the sale of electricity and gas in Italy).

Notes to the financial statements — (Continued)

6.e Other operating expenses — €960 million

	1st Half		
	2008	2007	Change
	Millions of euro		
Provisions for risks and charges	44	7	37
Purchase of green certificates	3	38	(35)
Charges for CO_2 emissions	54	(1)	55
Taxes and duties	175	81	94
Losses on disposal of assets	109	—	109
Other	575	70	505
Total	**960**	**195**	**765**

"Charges for CO_2 emissions" largely regard purchases of allowances made during the period to cover the allowance deficit resulting from emissions produced during the year and allowances granted under the respective national allocation plans.

"Losses on disposal of assets" relate entirely to the loss from the sale of the assets of Enel Viesgo Generación, Enel Viesgo Servicios, Electra de Viesgo Distribución and their subsidiaries to E.On.

6.f Capitalized costs — €(579) million

This item includes €322 million in personnel costs and €257 million in materials costs (€245 million and €254 million, respectively, in the 1st Half of 2007).

Net income/(charges) from commodity risk management

7. Net income/(charges) from commodity risk management — €76 million

Net income from commodity risk management reflects €125 million in net income realized on positions closed during the period and €49 million in net unrealized charges on open positions in commodity derivatives at June 30, 2008.

	1st Half		
	2008	2007	Change
	Millions of euro		
Income			
Unrealized on contracts for differences	—	2	(2)
Unrealized on other contracts	792	46	746
Total unrealized income	**792**	**48**	**744**
Realized on other contracts	197	24	173
Total realized income	**197**	**24**	**173**
Total income	**989**	**72**	**917**
Charges			
Unrealized on other contracts	(841)	(50)	(791)
Total unrealized charges	**(841)**	**(50)**	**(791)**
Realized on contracts for differences	(22)	(2)	(20)
Realized on other contracts	(50)	(50)	—
Total realized charges	**(72)**	**(52)**	**(20)**
Total charges	**(913)**	**(102)**	**(811)**
NET INCOME/(CHARGES) FROM COMMODITY RISK MANAGEMENT	**76**	**(30)**	**106**
- of which trading/non IFRS-IAS hedge derivatives	*99*	*(51)*	*150*
- of which ineffective portion of CFH	—	—	—

Notes to the financial statements — (Continued)

8. Financial income/(expense) — €(1,446) million

Financial expense came to €1,446 million and reflects financial expense of €2,607 million and financial income of €1,161 million.

	1st Half		
	2008	2007	Change
	Millions of euro		
Interest and other income from financial assets (current and non-current):			
- interest income at effective rate on non-current securities and receivables	40	27	13
- financial income on non-current securities at fair value through profit or loss	—	1	(1)
- interest income at effective rate on short-term financial investments	48	57	(9)
Total interest and other income from financial assets	**88**	**85**	**3**
Foreign exchange gains	**529**	**52**	**477**
Income from derivative instruments:			
- income from cash flow hedge derivatives	57	15	42
- income from derivatives at fair value through profit or loss	296	314	(18)
- income from fair value hedge derivatives	1	—	1
Total income from derivative instruments	**354**	**329**	**25**
Income from equity investments:			
- dividends	16	330	(314)
- other income from equity investments	3	—	3
Total income from equity investments	**19**	**330**	**(311)**
Other income:			
- income from fair value hedges (adjustment of hedged item)	38	—	38
- other interest and income	133	43	90
Total other income	**171**	**43**	**128**
TOTAL FINANCIAL INCOME	**1,161**	**839**	**322**

Financial income totaled €1,161 million, an increase of €322 million over the 1st Half of 2007. Specifically, financial income linked to exchange rate differences came to €529 million, an increase of €477 million thanks to the further substantial appreciation of the euro against the other main currencies in 2007 that continued during the 1st Half of 2008.

Income from equity investments amounted to €19 million, down €311 million from the 1st Half of 2007, which included €301 million in dividends distributed by Endesa before the initial consolidation of the company.

	1st Half		
	2008	2007	Change
	Millions of euro		
Interest expense and other charges on financial debt (current and non-current):			
- interest expense on bank loans	614	150	464
- interest expense on bonds	908	196	712
- interest expense on other loans	117	64	53
- other charges on financial debt	3	14	(11)
Total interest expense and other charges on financial debt	**1,642**	**424**	**1,218**
Foreign exchange losses	**163**	**27**	**136**
Expense on derivative instruments:			
- expense on cash flow hedge derivatives	360	38	322
- expense on derivatives at fair value through profit or loss	119	68	51
- expense on fair value hedge derivatives	52	—	52
Total expense on derivative instruments	**531**	**106**	**425**
Accretion of post-employment and other employee benefits	**64**	**53**	**11**
Accretion of other provisions	**129**	**62**	**67**
Charges on equity investments	**1**	**—**	**1**
Other charges	**77**	**80**	**(3)**
TOTAL FINANCIAL EXPENSE	**2,607**	**752**	**1,855**

Financial expense totaled €2,607 million, an increase of €1,855 million on the 1st Half of 2007.

The increase is essentially attributable to the €1,218 million increase in interest expense and other charges on financial debt, reflecting the increase in average debt mainly as a result of the Endesa acquisition and consolidation of its debt.

9. Share of income/(expense) from equity investments accounted for using the equity method — €27 million

	1st Half		
	2008	2007	Change
	Millions of euro		
Income from associates	27	4	23
Expense on associates	—	(3)	3
Total	**27**	**1**	**26**

Income from equity investments accounted for using the equity method reflects, among other things, the positive contribution from OGK-5 (€14 million up until May 28, 2008) and LaGeo (€4 million).

10. Income taxes — €819 million

	1st Half		
	2008	2007	Change
	Millions of euro		
Current taxes	1,458	964	494
Specific tax on gains from realignment	632	—	632
Adjustments for income taxes related to prior years	(14)	(23)	9
Deferred tax liabilities	(430)	91	(521)
Deferred tax assets	(827)	142	(969)
Total	**819**	**1,174**	**(355)**

The tax liability amounted to €819 million, equal to 21.2% of taxable income, compared with 36.4% in the 1st Half of 2007. This reduction in the rate reflects the application of the changes introduced by

Notes to the financial statements — (Continued)

Law 244/07, which allowed the Group to pay a specific tax to realign the differences between the statutory and tax values of property, plant and equipment of Enel Produzione generated by off-ledger deductions and the application of Decree Law 112/08 which increased the corporate income tax rate (IRES) for companies operating in the energy and hydrocarbon sector. The overall effect on taxes in the 1st Half of 2008 of these new regulatory provisions was a positive €555 million, which was the net result of €806 million in respect of the positive impact of the application of the option envisaged in Law 244/07 less €251 million in respect of the negative impact of the application of Decree Law 112/08.

Income taxes of the foreign companies came to an estimated €502 million (€78 million in the 1st Half of 2007).

11. Income from discontinued operations — €226 million

The item comprises the income, net of the related tax effect and up until their sale, attributable to the assets and liabilities held directly or indirectly by Endesa in Italy, France, Poland and Turkey, as well as a number of other assets in Spain included in the disposals agreed by Enel and Acciona with E.On, as these assets have been acquired solely for the purpose of their resale.

Information on the Consolidated Balance Sheet

Assets

Non-current assets

12. Property, plant and equipment — €58,738 million

The breakdown of property, plant and equipment at June 30, 2008 is as follows:

	at June 30, 2008	at Dec. 31, 2007	Change
	Millions of euro		
Land	514	507	7
Buildings	5,235	4,379	856
Plants and machinery	35,972	34,694	1,278
Industrial and commercial equipment	9,115	8,802	313
Mineral assets	125	125	—
Other assets	376	382	(6)
Leased assets	310	315	(5)
Leasehold improvements	53	58	(5)
Assets under construction and advances	7,038	6,172	866
Total	**58,738**	**55,434**	**3,304**

In addition to amortization of €1,612 million, the change during the period relates mainly to capital expenditure (€2,457 million) and the change in the scope of consolidation (totaling €2,228 million).

The change in the scope of consolidation is the result of the following transactions:

> acquisition of OGK-5 (up €1,842 million);

> acquisition of Electrica Muntenia Sud (up €367 million);

> acquisition of International Wind Parks of Crete and Hydro Constructional (up €17 million in total);

> acquisition of Marcinelle Energie (up €2 million).

Capital expenditure in the 1st Half of 2008 came to €2,457 million, an increase of €1,035 million over the 1st Half of 2007, mainly as a result of the change in the scope of consolidation and increased expenditure largely on generation plants.

Notes to the financial statements — (Continued)

The table below summarizes capital expenditure in the 1st Half of 2008 by category:

	1st Half 2008	1st Half 2007
	Millions of euro	
Power plants:		
- thermal	793	498
- hydroelectric	74	82
- geothermal	87	40
- nuclear	79	24
- alternative energy resources	227	71
Total power plants	**1,260**	**715**
Electricity distribution network	941	600
Gas distribution network	45	36
Lands and buildings, equipment and other assets	211	71
TOTAL [1]	**2,457**	**1,422**

(1) Does not include €613 million of capital investment made in the 1st Half of 2008 in respect of assets classified as "held for sale".

Capital expenditure on power plants totaled €1,260 million, an increase of €545 million over the prior period. Apart from the effects of Endesa's inclusion in the scope of consolidation, expenditure was mainly concentrated on projects for transforming thermal plants (including Torrevaldaliga Nord) and on refurbishing and repowering projects for security and environmental purposes.

Investments in the electricity distribution network amounted to €941 million, an increase of €341 on the 1st Half of 2007, mainly attributable to the change in the scope of consolidation.

13. Intangible assets — €26,250 million

The breakdown in intangible assets at June 30, 2008 was as follows:

	at June 30, 2008	at Dec. 31, 2007	Change
	Millions of euro		
Development costs	34	34	—
Industrial patents and intellectual property rights	319	315	4
Concessions, licenses, trademarks and similar rights	387	330	57
Mineral assets	724	724	—
Other assets	249	224	25
Assets under development and advances	246	276	(30)
Goodwill	24,291	26,274	(1,983)
Total	**26,250**	**28,177**	**(1,927)**

"Goodwill" came to €24,291 million at June 30, 2008, a decrease of €1,983 million for the period. This change is mainly attributable to the €4,162 million reduction in Endesa's provisional goodwill, recognized following the determination of the fair value of the assets relating to Endesa Europa sold to E.On, partially offset by the provisional recognition of the goodwill related to the acquisitions of OGK-5 (€1,516 million), Electrica Muntenia Sud (€620 million at the acquisition date) and Marcinelle Energie (€63 million).

Notes to the financial statements — (Continued)

Other changes essentially regard adjustments at period-end exchange rates.

	at June 30, 2008	at Dec. 31, 2007	Change
	Millions of euro		
Endesa	20,202	24,458	(4,256)
OGK-5	1,516	—	1,516
Slovenské elektrárne	695	625	70
Enel Energia	579	579	—
Electrica Muntenia Sud	615	—	615
Inelec	93	100	(7)
Enel Unión Fenosa Renovables	87	85	2
Enel North America	72	77	(5)
Marcinelle Energie	63	—	63
International Windpower, Wind Parks of Thrace, International Wind Parks of Thrace, International Wind Parks of Crete and Hydro Constructional	57	42	15
Enel Latin America	55	59	(4)
RusEnergoSbyt	49	50	(1)
Enel Fortuna	46	49	(3)
SeverEnergia	44	44	—
Enel Panama	39	41	(2)
Enel Erelis	28	14	14
Nuove Energie	26	26	—
Enel Maritza East 3	13	13	—
Wisco	5	5	—
Enel Rete Gas	4	4	—
Enel Operation Bulgaria	2	2	—
Blue Line	1	1	—
Total	**24,291**	**26,274**	**(1,983)**

As to the estimated recoverable value of goodwill recognized definitively in the consolidated financial statements at December 31, 2007, the Group did not perform an impairment test of the value in the absence of any new indications that there has been a decline.

14. Deferred tax assets — €4,303 million

Below is a breakdown of the changes in "Deferred tax assets" by type of timing difference and calculated based on the tax rates established by applicable regulations.

	at June 30, 2008	at Dec. 31, 2007	Change
	Millions of euro		
Nature of the temporary difference:			
- impairment of property, plant and equipment and intangible assets	163	177	(14)
- accruals to provisions for risks and charges and impairment losses with deferred deductibility	2,036	1,970	66
- tax losses carried forward	152	169	(17)
- measurement of financial instruments	649	43	606
- other items	1,303	1,080	223
Total	**4,303**	**3,439**	**864**

Deferred tax assets at June 30, 2008 amounted to €4,303 million, an increase of €864 million compared with December 31, 2007.

The change is attributable largely to the recognition in the income statement of the tax for the period, referring mainly to the "measurement of financial instruments". The raising of the rate of income tax for

Notes to the financial statements — (Continued)

Italian companies subject to the additional IRES (corporate income tax) contained in the relevant tax legislation accounts for €72 million of the change in the income statement.

It should also be noted that no deferred tax assets were recorded in relation to the prior tax losses in the amount of €849 million, mainly attributable to the holding companies located in the Netherlands and Luxembourg (€775 million), because the tax laws in force in the countries in question do not treat the expected income (dividends) of the companies as taxable.

15. Equity investments accounted for using the equity method — €268 million

Equity investments in associated companies accounted for using the equity method are as follows:

	at Dec. 31, 2007	% holding	Acquisitions/ Disposals	Capital increases	Income effect	Other changes	at June 30, 2008	% holding
				Millions of euro				
OGK-5	1,652	37.15%	—	—	14	(1,666)	—	—
LaGeo	67	28.40%	—	14	4	—	85	36.20%
Other	253	—	(3)	—	9	(76)	183	—
Total	**1,972**	**—**	**(3)**	**14**	**27**	**(1,742)**	**268**	**—**

The change during the period in "Equity investments accounted for using the equity method" primarily reflects the full consolidation of OGK-5 (a decrease of €1,666 million) due to the completion of the process of reorganizing the company's governance resulting in full control by Enel. This decrease is partially offset by the increase in the stake in LaGeo (up €18 million) from 28.40% to 36.20% through the contribution of goods and services.

16. Non-current financial assets — €2,319 million

	at June 30, 2008	at Dec. 31, 2007	Change
	Millions of euro		
Equity investments in other companies	507	531	(24)
Other securities designated at fair value through profit or loss	58	115	(57)
Advances for acquisition of equity investments	89	87	2
Other receivables:			
- financial receivables due from other entities	882	920	(38)
- derivative contracts	447	248	199
- other items	336	311	25
Total other receivables	**1,665**	**1,479**	**186**
TOTAL	**2,319**	**2,212**	**107**

The following table provides a breakdown of "Equity investments in other companies" by the major companies.

	at June 30, 2008	% holding	at Dec. 31, 2007	% holding	Change
			Millions of euro		
Terna	276	5.12%	281	5.12%	(5)
Red Electrica de España	38	1.00%	39	1.00%	(1)
Echelon	21	7.36%	42	7.36%	(21)
Tri Alpha Energy	7	4.96%	7	4.96%	—
Other companies	165	—	162	—	3
Total	**507**		**531**		**(24)**

"Other securities designated at fair value through profit or loss" are financial investments in asset management funds.

"Advances for acquisitions of equity investments" refer to advance payments or deposits made for the acquisition of several wind projects in Greece (€49 million) and for Electrica Muntenia Sud (€40 million). The latter figure will be reviewed as part of the adjustment of the acquisition price, which currently cannot be reasonably determined, expected in the 2nd Half of 2008.

The table below reports the carrying amount and the fair value of long-term financial receivables (€1,270 million), including the portion due within twelve months (€936 million included under other short-term financial receivables).

	at June 30, 2008		at Dec. 31, 2007	
	Carrying amount	Fair value	Carrying amount	Fair value
	Millions of euro			
Long-term financial receivables and securities	2,206	2,206	2,741	2,741
Total	**2,206**	**2,206**	**2,741**	**2,741**

The following table show the notional amounts and the fair value of derivative contracts classified under non-current financial assets.

	Notional value		Fair value		
	at June 30, 2008	at Dec. 31, 2007	at June 30, 2008	at Dec. 31, 2007	Change
	Millions of euro				
Cash flow hedge derivatives:					
- interest rates	7,990	6,897	251	146	105
- exchange rates	1,960	1,751	54	96	(42)
- commodities	501	—	140	—	140
Total	**10,451**	**8,648**	**445**	**242**	**203**
Fair value hedge derivatives:					
- interest rates	78	204	2	6	(4)
Total	**78**	**204**	**2**	**6**	**(4)**
TOTAL	**10,529**	**8,852**	**447**	**248**	**199**

The increase in the fair value of derivatives on interest is mostly the result of rising interest rates in the 1st Half of 2008, especially in the medium-term (1 to 6 years) section of the yield curve (specifically, the 2-year euro swap rate was 5.37% at the end of the period, as against 4.54% at the end of 2007, while the 5-year euro swap rate was 5.14% at the end of the period, as against 4.55% at the end of 2007).

The fair value of derivatives on commodities refers to the fair value of €140 million in swaps on oil commodities.

17. Other non-current assets — €2,347 million

	at June 30, 2008	at Dec. 31, 2007	Change
	Millions of euro		
Receivables from Electricity Equalization Fund and similar bodies	1,426	1,356	70
Receivable from State Decommissioning Fund	395	325	70
Other long-term receivables:			
- loans to employees	69	74	(5)
- net assets of personnel programs	86	82	4
- other receivables	371	231	140
Total other long-term receivables	**526**	**387**	**139**
TOTAL	**2,347**	**2,068**	**279**

The change in "Receivables from Electricity Equalization Fund and similar bodies" essentially refers to the increase in long-term receivables in respect of the reimbursement of increased costs incurred by Endesa for generation in extra-peninsular areas (the Balearic and Canary Islands) equal to €1,174 million at June 30, 2008 (€1,110 million at December 31, 2007).

Current assets

18. Inventories — €2,248 million

	at June 30, 2008	at Dec. 31, 2007	Change
	Millions of euro		
Raw materials, consumables and supplies:			
- fuel	1,514	1,232	282
- materials, equipment and other inventories	630	387	243
Total	**2,144**	**1,619**	**525**
Buildings available for sale	99	106	(7)
Advances	5	1	4
TOTAL	**2,248**	**1,726**	**522**

Raw materials, consumables and supplies consist of fuel inventories to cover the requirements of the generation companies and trading activities, as well as materials and equipment for plant operation, maintenance and construction. The increase in fuels is largely attributable to the increase in stores and in the valuation of these stores at the highest weighted average prices.

The buildings available for sale are related to remaining units from the Group's real estate portfolio and are primarily civil buildings. The decrease reflects sales made during the period.

19. Trade receivables — €12,889 million

	at June 30, 2008	at Dec. 31, 2007	Change
	Millions of euro		
Customers:			
- sale and transport of electricity	10,285	10,102	183
- distribution and sale of natural gas	1,676	1,087	589
- other activities	836	351	485
Total	**12,797**	**11,540**	**1,257**
Trade receivables due from associates	1	30	(29)
Receivables for contract work in progress	91	6	85
TOTAL	**12,889**	**11,576**	**1,313**

Trade receivables from customers are recognized net of allowances for doubtful accounts, which at the end of the period came to €553 million, compared with an opening balance of €396 million. The table below shows the changes in these allowances during period.

	Millions of euro
Balance at January 1, 2008	**396**
Accruals	163
Utilization	(24)
Exchange rate differences	18
Total at June 30, 2008	**553**

20. Tax receivables — €1,305 million

Tax receivables at June 30, 2008 amounted to €1,305 million (€1,146 million at December 31, 2007) and are mainly made up of indirect tax credits of €389 million (€306 million at December 31, 2007), income tax credits of €345 million (€296 million at December 31, 2007) and credits of €403 million for other taxes and tax surcharges (€288 million at December 31, 2007).

Notes to the financial statements — (Continued)

21. Current financial assets — €3,241 million

	at June 30, 2008	at Dec. 31, 2007	Change
	Millions of euro		
Receivables for factoring advances	253	205	48
Derivative contracts	1,724	463	1,261
Other securities	87	101	(14)
Short-term portion of long-term financial receivables	936	1,402	(466)
Other	241	243	(2)
Total	**3,241**	**2,414**	**827**

The following table reports the notional values and the fair values of the derivative contracts, grouped by hedge type and designation.

	Notional value		Fair value		
	at June 30, 2008	at Dec. 31, 2007	at June 30, 2008	at Dec. 31, 2007	Change
	Millions of euro				
Cash flow hedge derivatives:					
- interest rates	303	153	3	—	3
- exchange rates	507	37	26	3	23
- commodities	1,288	676	309	43	266
Total	**2,098**	**866**	**338**	**46**	**292**
Fair value hedge derivatives:					
- interest rates	105	121	1	—	1
Total	**105**	**121**	**1**	**—**	**1**
Trading derivatives:					
- interest rates	1,695	1,249	27	13	14
- exchange rates	1,183	1,974	31	68	(37)
- commodities	3,198	2,022	1,327	336	991
Total	**6,076**	**5,245**	**1,385**	**417**	**968**
TOTAL	**8,279**	**6,232**	**1,724**	**463**	**1,261**

Commodity derivatives include:

- commodity derivatives on fuels with a fair value of €256 million;
- trading in oil, energy and other commodities with a fair value of €1,327 million;
- embedded derivatives related to an energy sale contract in Slovakia with a fair value of €53 million.

The "Short-term portion of long-term financial receivables" essentially includes the portion of the financial receivable relating to the deficit of the Spanish electrical system that Endesa had financed in the amount of €932 million (€436 million at December 31, 2007). The change during the period also reflects the receipt of the residual receivable of €962 million arising from the sale of 26.1% of Weather Investments in 2006.

22. Cash and cash equivalents — €7,275 million

Cash and cash equivalents are not restricted by any encumbrances, apart from €86 million primarily in respect of deposits pledged to secure transactions undertaken in America.

Notes to the financial statements — (Continued)

23. Other current assets — €4,364 million

	at June 30, 2008	at Dec. 31, 2007	Change
	Millions of euro		
Receivables due from Electricity Equalization Fund and similar bodies	2,411	2,281	130
Receivable due from employees	42	38	4
Receivables due from others	1,661	1,646	15
Accrued operating income and prepaid expenses	250	115	135
Total	**4,364**	**4,080**	**284**

24. Assets held for sale — €1,482 million

This item at June 30, 2008 includes the assets in respect of renewable energy operations held by Endesa, which will be transferred to Acciona Energia, in which Endesa will hold a 49% stake following the transfer. At December 31, 2007, the item also included the assets sold to E.On. on June 26, 2008, comprising the assets held directly or indirectly by Endesa in Italy, France, Poland and Turkey, as well as a number of other operations in Spain and the assets in respect of Enel's equity investments in Enel Viesgo Generación, Enel Viesgo Servicios and Electra de Viesgo Distribución and the equity investments held by them.

Liabilities and shareholders' equity

Shareholders' equity

25. Equity attributable to the shareholders of the Parent Company — €20,702 million

In the 1st Half of 2008, 1,359,880 options granted under the stock option plans of 2003 and 2004 were exercised. The exercise of the options generated an increase of €9 million in shareholders' equity through an increase in capital of €2 million and in the share premium reserve of €7 million.

Share capital — €6,186 million

Share capital at June 30, 2008, consisted of 6,185,727,733 ordinary shares with a par value of €1.00 each (6,184,367,853 shares at December 31, 2007).

Based on the shareholders' register and other available information, no shareholders held more than 2% of the total share capital, apart from the Ministry for the Economy and Finance, which holds 21.1%, its subsidiary Cassa Depositi e Prestiti, which holds 10.1%, and Barclays Plc, which holds 2.7%.

Other reserves — €4,777 million

Share premium reserve — €658 million

The change for the period reflects the exercise of stock options by beneficiaries.

Legal reserve — €1,453 million

Other reserves — €2,241 million

These include €2,215 million related to the remaining portion of the value adjustments carried out when Enel was transformed from a public entity to a joint-stock company.

Pursuant to Article 47 of the Uniform Tax Code (*Testo Unico Imposte sul Reddito*), this shall not be considered taxable income if distributed.

Foreign currency translation reserve — €(259) million

The decrease in this aggregate for the period is attributable to the net appreciation of the functional currency against the foreign currencies used by subsidiaries.

Reserve from measurement of financial instruments — €684 million

The reserve encompasses net gains derived from cash flow hedges recognized directly in equity as well as unrealized gains from the fair value measurement of financial assets.

The table below shows the changes in gains and losses recognized directly in equity, including minority interests, net of the related tax effects.

	at Dec. 31, 2007	of which held for sale	Gains/(Losses) recognized in equity for the period	Released to income statement	Change in scope of consolidation	at June 30, 2008
			Millions of euro			
Reserve for fair value measurement of cash flow hedging, effective portion	272	*4*	94	160	(4)	522
Reserve for fair value measurement of financial investments held for sale	233	*31*	(29)	—	(29)	175
Reserve for foreign exchange differences	(108)	*1*	(319)	—	—	(427)
Total gains/(losses) recognized in equity	**397**	***36***	**(254)**	**160**	**(33)**	**270**

Net deferred tax liabilities calculated on the balance at June 30, 2008 are negative in the amount of €195 million (compared with a net negative balance of €94 million at December 31, 2007). The €101 million change for the period is the result of €28 million in net deferred tax liabilities related to changes in the fair value recognized directly in equity, and €87 million to net deferred tax liabilities related to changes in reserves released to the income statement for the period, as well as €14 million related to the positive tax effects connected with the fair value reserves for assets held for sale and sold to E.On.

Notes to the financial statements — (Continued)

Statement of changes in equity

	Share capital and reserves attributable to the shareholders of the Parent Company										
	Share capital	Share premium reserve	Legal reserve	Other reserves	Retained earnings	Translation of financial statements in currencies other than euro	Reserve from measurement of financial instruments(1)	Net income for the period	Equity attributable to the shareholders of the Parent Company	Equity attributable to minority interests	Total shareholders' equity
	Millions of euro										
at December 31, 2006	6,176	607	1,453	2,245	5,934	81	163	1,801	18,460	565	19,025
Exercise of stock options	7	35	—	(1)	—	—	—	—	41	—	41
Stock option charges	—	—	—	3	—	—	—	—	3	—	3
Change in scope of consolidation	—	—	—	—	—	—	—	—	—	94	94
Allocation of net income from the previous year	—	—	—	—	1,801	—	—	(1,801)	—	—	—
Dividends	—	—	—	—	(1,793)	—	—	—	(1,793)	(5)	(1,798)
Net income for the year recognized in equity	—	—	—	—	—	25	250	—	275	25	300
Net income for the year recognized on income statement	—	—	—	—	—	—	—	1,982	1,982	66	2,048
at June 30, 2007	6,183	642	1,453	2,247	5,942	106	413	1,982	18,968	745	19,713
at December 31, 2007	6,184	651	1,453	2,250	5,942	(82)	493	2,740	19,631	4,158	23,789
Exercise of stock options	2	7	—	—	—	—	—	—	9	—	9
Stock option charges	—	—	—	3	—	—	—	—	3	—	3
Change in scope of consolidation	—	—	—	—	—	—	(33)	—	(33)	158	125
Allocation of net income from the previous year	—	—	—	—	2,740	—	—	(2,740)	—	—	—
Dividends	—	—	—	—	(1,794)	—	—	—	(1,794)	(210)	(2,004)
Put options granted to minority shareholders	—	—	—	(12)	—	—	—	—	(12)	—	(12)
Net income for the year recognized in equity	—	—	—	—	—	(177)	224	—	47	(141)	(94)
Net income for the year recognized in income statement	—	—	—	—	—	—	—	2,851	2,851	422	3,273
at June 30, 2008	6,186	658	1,453	2,241	6,888	(259)	684	2,851	20,702	4,387	25,089

(1) The balance at December 31, 2007 includes €35 million in respect of "assets held for sale" sold to E.On at the end of June 2008.

Non-current liabilities

26. Long-term loans (including the portion falling due within 12 months) — €54,821 million

This aggregate includes long-term payables related to bonds, bank loans, and other loans in euro and other currencies, including the portion falling due within twelve months.

Notes to the financial statements — (Continued)

The following table shows long-term debt and repayment schedules at June 30, 2008, grouped by loan and interest rate type.

	Maturing	Balance	Nominal value	Balance	Current portion	Portion falling due at more than 12 months	Maturing in				
		at June 30, 2008		at Dec. 31, 2007			2nd Half of 2009	2010	2011	2012	Beyond
					Millions of euro						
Bonds:											
- listed, fixed rate	2008 - 2097	14,976	15,096	15,185	2,937	12,039	13	235	1,292	992	9,507
- listed, floating rate	2008 - 2020	4,350	4,382	4,360	624	3,726	242	167	251	749	2,317
- unlisted, fixed rate	2008 - 2037	2,534	2,550	2,726	66	2,468	1	—	19	50	2,398
- unlisted, floating rate	2008 - 2032	2,206	2,206	2,127	23	2,183	321	80	56	58	1,668
Total		**24,066**	**24,234**	**24,398**	**3,650**	**20,416**	**577**	**482**	**1,618**	**1,849**	**15,890**
Bank loans:											
- fixed rate	2008 - 2046	267	270	279	64	203	52	42	28	35	46
- floating rate	2008 - 2028	24,961	25,025	27,491	433	24,528	243	11,930	635	8,700	3,020
- use of revolving credit lines	2010 - 2012	3,747	3,747	1,034	—	3,747	152	2,311	127	1,157	—
Total		**28,975**	**29,042**	**28,804**	**497**	**28,478**	**447**	**14,283**	**790**	**9,892**	**3,066**
Preference shares:											
- fixed rate		—	—	—	—	—	—	—	—	—	—
- floating rate	2013	970	1,006	966	—	970	—	—	—	—	970
Total		**970**	**1,006**	**966**	**—**	**970**	**—**	**—**	**—**	**—**	**970**
Non-bank loans:											
- fixed rate	2008 - 2029	534	534	576	165	369	74	79	65	41	110
- floating rate	2008 - 2028	276	276	140	47	229	23	43	37	20	106
Total		**810**	**810**	**716**	**212**	**598**	**97**	**122**	**102**	**61**	**216**
TOTAL		**54,821**	**55,092**	**54,884**	**4,359**	**50,462**	**1,121**	**14,887**	**2,510**	**11,802**	**20,142**

The balance for bonds is stated net of €416 million relating to the unlisted floating-rate "Special series of bonds reserved for employees 1994-2019", which the Parent Company holds in portfolio.

The table below reports long-term financial debt by currency and interest rate.

Long-term financial debt by currency and interest rate

	at June 30, 2008		at Dec. 31, 2007	at June 30, 2008	
	Balance	Nominal value	Balance	Current average interest rate	Current effective interest rate
			Millions of euro		
Euro	**46,175**	**46,387**	**46,038**	**4.93%**	**5.09%**
US dollar	4,672	4,697	4,855	6.61%	6.70%
Pound sterling	1,758	1,778	1,898	4.85%	4.93%
Swiss franc	2	2	4	5.35%	5.35%
Japanese yen	171	171	218	2.68%	2.70%
Slovak koruna	3	3	29	4.29%	4.29%
Brazilian real	708	709	758	12.33%	12.33%
Colombian peso	660	660	586	11.70%	11.70%
Russian ruble	135	135	—	7.50%	7.50%
Other currencies	537	550	498	8.35%	8.35%
Total non-euro currencies	**8,646**	**8,705**	**8,846**		
TOTAL	**54,821**	**55,092**	**54,884**		

Notes to the financial statements — (Continued)

Change in the nominal value of long-term debt

	at Dec. 31, 2007 Nominal value	Repayments	Change in own bonds	Changes in scope of consolidation	New financing	Exchange rate differences	Other changes	at June 30, 2008 Nominal value
	Millions of euro							
Bonds	26,553	(321)	40	136	69	(314)	(1,929)	24,234
Bank loans	28,883	(1,617)	—	9	1,765	(7)	9	29,042
Preference shares	1,006	—	—	—	—	—	—	1,006
Non-bank loans	717	(36)	—	—	103	(13)	39	810
Total financial debt	**57,159**	**(1,974)**	**40**	**145**	**1,937**	**(334)**	**(1,881)**	**55,092**

Compared with December 31, 2007, the nominal value of long-term debt at June 30, 2008, decreased by a total of €2,067 million, which is the net effect of €1,974 million in repayments and redemptions, €1,937 million in new financing, €145 million arising from changes in the scope of consolidation, €40 million due to changes in own bonds held, €334 million in exchange rate gains, and a negative €1,881 million due to the redefinition of the nominal value, with no change to the carrying amount, of part of Endesa's debt (whose main effects are reflected in the value of the zero-coupon bonds).

The main repayments and redemptions for the period concerned bonds in the amount of €321 million, the repayment of maturing bank loans in the amount of €1,617 million (of which, the primary loans related to the lower drawings on committed lines by Endesa for €1,232 million and to Slovenské elektrárne for €238 million), as well as non-bank loans in the amount of €36 million.

Among the main financing transactions on the 1st Half of 2008, the revolving 5-year credit line of €5 billion (which is renewable for a further two years) granted in November 2005 to Enel SpA was drawn in the amount of €2,100 million at June 30, 2008.

An additional reimbursement of the syndicated line of credit, originally for €35 billion, the nominal value of which was equal to €19,221 million (€11,393 million for the 36-month tranche and €7,828 million for the 60-month tranche) at June 30, 2008, was made on July 3, 2008 in the amount of €527 million, following the disposals discussed earlier, bringing the current nominal value of the credit line to €18,694 million (€10,866 million for the 36-month tranche and €7,828 million for the 60-month tranche).

The main financing contracts entered into in the 1st Half of 2008 include:

- the renewal in June 2008 of the Global Medium-Term Notes program with the "Comisión Nacional del Mercado de Valores" (CNMV) for €5 billion, with Endesa Capital SA in the role of issuer;
- the renewal on July 18, 2008 of the Global Medium-Term Notes program for €25 billion, with Enel SpA and Enel Finance International in the role of issuers.

During the first six months of 2008, OGK-5 and Electrica Muntenia Sud were included within the scope of consolidation with long-term financial debt totaling €140 million.

Specifically, among the new long-term debt items consolidated during the period was OGK-5's floating rate bond issued in 2006 for €135 million.

Notes to the financial statements — (Continued)

The following table compares the carrying amount and the fair value of long-term debt, including the portion falling due within twelve months, broken down by category. The fair value of financial debt represents the market valuation of how much Enel would have to pay to extinguish the contracts at the balance-sheet date. For instruments traded on regulated markets, the fair value is given by official prices. For instruments not traded on a regulated market the fair value is determined using appropriate valuation models for each category of financial instrument and market data for the closing date of the financial period.

	at June 30, 2008		at Dec. 31, 2007	
	Carrying amount	Fair value	Carrying amount	Fair value
	Millions of euro			
Bonds:				
- fixed rate	17,510	17,623	17,911	18,084
- floating rate	6,556	6,528	6,487	6,463
Total	**24,066**	**24,151**	**24,398**	**24,547**
Bank loans:				
- fixed rate	267	297	279	355
- floating rate	28,708	28,386	28,525	28,536
Total	**28,975**	**28,683**	**28,804**	**28,891**
Preference shares:				
- fixed rate	—	—	—	—
- floating rate	970	1,006	966	1,005
Total	**970**	**1,006**	**966**	**1,005**
Non-bank loans:				
- fixed rate	534	386	576	277
- floating rate	276	236	140	38
Total	**810**	**621**	**716**	**315**
TOTAL	**54,821**	**54,461**	**54,884**	**54,758**

The following tables show changes in the long-term loans for the period, distinguishing current from non-current portions.

Long-term loans (excluding current portion)

	Carrying amount		
	at June 30, 2008	at Dec. 31, 2007	Change
	Millions of euro		
Bonds:			
- fixed rate	14,507	16,608	(2,101)
- floating rate	5,909	5,757	152
Total	**20,416**	**22,365**	**(1,949)**
Bank loans:			
- fixed rate	203	225	(22)
- floating rate	28,275	28,118	157
Total	**28,478**	**28,343**	**135**
Preference shares:			
- fixed rate	—	—	—
- floating rate	970	966	4
Total	**970**	**966**	**4**
Non-bank loans:			
- fixed rate	369	398	(29)
- floating rate	229	83	146
Total	**598**	**481**	**117**
TOTAL	**50,462**	**52,155**	**(1,693)**

Current portion of long-term loans

	Carrying amount		
	at June 30, 2008	at Dec. 31, 2007	Change
	Millions of euro		
Bonds:			
- fixed rate	3,003	1,303	1,700
- floating rate	647	730	(83)
Total	**3,650**	**2,033**	**1,617**
Bank loans:			
- fixed rate	64	54	10
- floating rate	433	407	26
Total	**497**	**461**	**36**
Non-bank loans:			
- fixed rate	165	178	(13)
- floating rate	47	57	(10)
Total	**212**	**235**	**(23)**
TOTAL	**4,359**	**2,729**	**1,630**

At June 30, 2008, 65% of net financial debt paid floating interest rates. Taking account of cash flow hedges for interest rate risk considered effective under the provisions of the IFRS-EU, exposure to interest rate risk at June 30, 2008 was 50%.

The Group's main long-term financial debts are governed by covenants containing undertakings by the borrowers (Enel SpA, Endesa and the other Group companies) and in some cases Enel SpA as guarantor that are commonly adopted in international business practice. The main covenants governing Enel's debt regard the bond issues carried out within the framework of the Global Medium-Term Notes program, loans granted by the European Investment Bank (EIB), the €5 billion revolving line of credit and the €35 billion syndicated line of credit. To date none of the covenants have been triggered.

The commitments in respect of the bond issues in the Global Medium-Term Notes program can be summarized as follows:

- negative pledge clauses under which the issuer may not establish or maintain (except under statutory requirement) mortgages, liens or other encumbrances on all or part of its assets to secure any listed bond or bond for which listing is planned unless the same guarantee is extended equally or *pro rata* to the bonds in question;
- *pari passu* clauses, under which the securities constitute a direct, unconditional and unsecured obligation of the issuer and are issued without preferential rights among them and have at least the same seniority as other present and future bonds of the issuer;
- specification of default events, whose occurrence (e.g. insolvency, failure to pay principle or interest, initiation of liquidation proceedings, etc.) constitutes a default; under cross-default clauses, the occurrence of a default event in respect of any financial liability (above a threshold level) issued by the issuer or "significant" subsidiaries (i.e. consolidated companies whose gross revenues or total assets are at least 10% of gross consolidated revenues or total consolidated assets) constitutes a default in respect of the liability in question, which becomes immediately repayable;
- early redemption clauses in the event of new tax requirements, which permit early redemption at par at any time of all outstanding bonds.

The main covenants governing the loans granted by the EIB can be summarized as follows:

- negative pledge clauses, under which the issuer undertakes not to establish or grant to third parties additional guarantees or privileges with respect to those already established in the individual contracts by the company or subsidiaries of the Enel Group, unless an equivalent guarantee is extended equally or *pro rata* to the loans in question;

- clauses that require the guarantor (whether Enel SpA or banks acceptable to the EIB) to maintain its rating above a specified grade; in the case of guarantees provided by Enel SpA, the Group's equity may not fall below a specified level;

- material changes clauses, under which the occurrence of a specified event (mergers, spin-offs, disposal or transfer of business units, changes in company control structure, etc.) gives rise to the consequent adjustment of the contract, without which the loan shall become repayable immediately without payment of any commission;

- requirements to report periodically to the EIB;

- requirement for insurance coverage and maintenance of property, possession and use of the works, plant and machinery financed by the loan over the entire term of the agreement;

- contract termination clauses, under which the occurrence of a specified event (serious inaccuracies in documentation presented in support of the contract, failure to repay at maturity, suspension of payments, insolvency, special administration, disposal of assets to creditors, dissolution, liquidation, total or partial disposal of assets, declaration of bankruptcy or composition with creditors or receivership, substantial decrease in equity, etc.) triggers immediate repayment.

The main covenants for the €35 billion syndicated line of credit and for the €5 billion revolving line of credit are substantially similar and can be summarized as follows:

- negative pledge clauses under which the borrower (and its significant subsidiaries) may not establish or maintain (with the exception of permitted guarantees) mortgages, liens or other encumbrances on all or part of its assets to secure any present or future financial liability;

- *pari passu* clauses, under which the payment undertakings constitute a direct, unconditional and unsecured obligation of the borrower and bear no preferential rights among them and have at least the same seniority as other present and future loans;

- change of control clause, which is triggered in the event (i) control of Enel is acquired by one or more parties other than the Italian state or (ii) Enel or any of its subsidiaries transfer a substantial portion of the Group's assets to parties outside the Group such that the financial reliability of the Group is significantly compromised. The occurrence of one of the two circumstances may give rise to (a) the renegotiation of the terms and conditions of the financing or (b) compulsory early repayment of the financing by the borrower;

- specification of default events, whose occurrence (e.g. failure to make payment, breach of contract, false statements, insolvency or declaration of insolvency by the borrower or its significant subsidiaries, business closure, government intervention or nationalization, administrative proceeding with potential negative impact, illegal conduct, nationalization and government expropriation or compulsory acquisition of the borrower or one of its significant subsidiaries) constitutes a default. Unless remedied within a specified period of time, such default will trigger an obligation to make immediate repayment of the loan under an acceleration clause, under cross-default clauses; the occurrence of a default event in respect of any financial liability (above a threshold level) of the issuer or significant subsidiaries (i.e. consolidated companies whose gross revenues or total assets are equal to a specified percentage — 10% for the €35 billion syndicated credit line and 15% for the €5 billion revolving credit line — of gross consolidated revenues or total consolidated assets) constitutes a default in respect of the liability in question, which becomes immediately repayable;

- periodic reporting requirements.

The €35 billion syndicated credit line also provides for the following covenants:

- mandatory early repayment clauses, under which the occurrence of a specified event (e.g. the issue of instruments on the capital market, new bank loans, stock issues or asset disposals) obliges the borrower to repay the related funds in advance at specific declining percentages based on the extent to which the line of credit has been drawn;

- a gearing clause, under which, at the end of each measurement period, consolidated net financial debt must not exceed a given multiple of the consolidated EBITDA;

- a subsidiary financial indebtedness clause, under which the net aggregate amount of the financial debt of Enel's subsidiaries (with the exception of the debt of permitted subsidiaries) must not exceed a given percentage of total consolidated assets.

Endesa's main long-term loans also contain covenants commonly adopted in international business practice.

The main covenants on Endesa's debt regard loans granted by the EIB, bond issues carried out under the Global Medium-Term Notes program, project financing and loans to Enersis and Endesa Chile.

The main covenants governing the loans granted by the EIB can be summarized as follows:

- clauses that require the rating to be kept above a specified grade;

- clauses requiring prior authorization by the EIB in the case of the transfer of Endesa assets (where the related gross revenues or total assets are equal to at least 10% of gross revenues or 7% of total consolidated assets).

The undertakings in respect of the bond issues carried out by Endesa Capital SA under the Global Medium-Term Notes can be summarized as follows:

- cross-default clauses under which debt repayment would be accelerated in the case of failure to make payment (above a specified amount) on any financial liability of Endesa SA or Endesa Capital SA that is listed or could be listed on a regulated market;

- negative pledge clauses under which the issuer may not establish mortgages, liens or other encumbrances on all or part of its assets to secure any financial liability that is listed or could be listed on a regulated market (of which at least 50% initially held by foreign parties outside the Kingdom of Spain), unless an equivalent guarantee is extended equally or *pro rata* to the bonds in question;

- *pari passu* clauses, under which the securities and guarantees have at least the same seniority as all other present and future unsecured and unsubordinated securities issued by Endesa Capital or Endesa SA.

Finally, the main loans granted to Endesa, International Endesa BV and Endesa Capital do not contain cross-default clauses regarding the debt of subsidiaries in Latin America and Endesa Italia.

Undertakings in respect of project financing granted to subsidiaries regarding renewables and other subsidiaries in Latin America contain covenants commonly adopted in international business practice. The main commitments regard clauses pledging all the assets assigned to the projects in favor of the creditors.

A significant portion of the debt of Enersis and Endesa Chile (both controlled indirectly by Endesa) is subject to cross-default clauses under which the occurrence of a default event (failure to make payment or breach of other obligations) in respect of any financial liability of a subsidiary of Enersis or Endesa Chile constitutes a default in respect of the liability in question, which becomes immediately repayable.

In general, the cross-default provisions are triggered in the event of defaults exceeding US$30 million. In addition, many of these agreements also contain cross-acceleration clauses that are triggered by specific circumstances, certain government actions, insolvency or judicial expropriation of assets.

The following table reports the net financial position at June 30, 2008 and at December 31, 2007, respectively, pursuant to Consob Notice DEM/6064293 of July 28, 2006, reconciled to the net financial debt.

	at June 30, 2008	at Dec. 31, 2007	Change
	Millions of euro		
Cash and cash equivalents on hand	49	68	(19)
Bank and post office deposits	7,226	1,166	6,060
Securities	87	101	(14)
Liquidity	**7,362**	**1,335**	**6,027**
Short-term financial receivables	159	97	62
Factoring receivables	253	205	48
Short-term portion of long-term financial receivables	936	1,402	(466)
Current financial receivables	**1,348**	**1,704**	**(356)**
Short-term bank debt	(863)	(1,260)	397
Commercial paper	(5,261)	(3,893)	(1,368)
Short-term portion of long-term bank debt	(497)	(461)	(36)
Drawings on revolving credit lines	(4)	(20)	16
Bonds (short-term portion)	(3,650)	(2,033)	(1,617)
Other loans (short-term portion)	(212)	(235)	23
Other short-term financial payables	(322)	(112)	(210)
Total short-term financial debt	**(10,809)**	**(8,014)**	**(2,795)**
Net short-term financial position	**(2,099)**	**(4,975)**	**2,876**
Debt to banks and financing entities	(28,478)	(28,343)	(135)
Bonds	(20,416)	(22,365)	1,949
Preference shares	(970)	(966)	(4)
Other loans	(598)	(481)	(117)
Total long-term financial debt	**(50,462)**	**(52,155)**	**1,693**
NET FINANCIAL POSITION as per Consob communication	**(52,561)**	**(57,130)**	**4,569**
Long-term financial receivables and securities	**1,270**	**1,339**	**(69)**
NET FINANCIAL DEBT	**(51,291)**	**(55,791)**	**4,500**

27. Provisions for risks and charges — €6,706 million

	at June 30, 2008	at Dec. 31, 2007	Change
	Millions of euro		
Provision for litigation, risks and other charges:			
- nuclear decommissioning	2,783	2,468	315
- non-nuclear plant retirement and site restoration	381	360	21
- litigation	562	571	(9)
- CO_2 emissions charges	54	—	54
- other	1,571	1,547	24
Total	**5,351**	**4,946**	**405**
Provision for early-retirement incentives	1,355	1,516	(161)
TOTAL	**6,706**	**6,462**	**244**

Provision for nuclear decommissioning

At June 30, 2008, the provision for "nuclear decommissioning" primarily regards the V1 and V2 plants at Jasklovske Bohunice and the EMO 1 and 2 plants at Mochovce for €2,610 million (€2,300 million at December 31, 2007) and includes the provision for the disposal of nuclear waste amounting to €289 million (€270 million at December 31, 2007), the provision for the disposal of spent nuclear fuel in the amount €1,487 million (€1,303 million at December 31, 2007) and a provision for retiring nuclear power plants in the amount of €834 million (€727 million at December 31, 2007). The provision also includes the charges pertaining to Endesa amounting to €173 million (€169 million at December 31, 2007) that will be incurred at the moment of decommissioning by ENRESA, a public company charged with the task under Royal Decree

1349/03 and Law 24/05. The change during the period is mainly attributable to the effect of accretion of the provision and the change in the exchange rate used at the due date and during the period.

28. Deferred tax liabilities — €4,103 million

The table reports "Deferred tax liabilities" by type of temporary difference, determined on the basis of the tax rates established by applicable regulations.

	at June 30, 2008	at Dec. 31, 2007	Change
	Millions of euro		
Nature of the temporary difference:			
- differences on non-current and financial assets	1,807	3,011	(1,204)
- income subject to deferred taxation	5	6	(1)
- allocation of goodwill to assets	942	652	290
- measurement of financial instruments	872	124	748
- other items	477	511	(34)
Total	**4,103**	**4,304**	**(201)**

The change during the period amounting to €201 million is essentially the result of the recognition in the income statement of the taxation for the period (which includes the net effects of the realignment of the differences between the statutory and tax values of property, plant and equipment of Enel Produzione generated by off-ledger deductions under Law 244/07, equal to a total of €1,221 million), net of the change in the scope of consolidation due to the inclusion of OGK-5 (€252 million) and Electrica Muntenia Sud (€6 million).

29. Non-current financial liabilities — €1,761 million

These consist of €891 million in respect of the fair value measurement of the put option granted to Acciona in the agreement with Enel of March 26, 2007 and of €870 million from the fair value measurement of cash flow and fair value hedge derivatives.

The put option granted to Acciona regards all of the shares it holds directly or indirectly in Endesa (25.01% of share capital) and may be exercised only once, on the terms established in the agreement, at any time between the start of the fourth and the end of the tenth year of the signature of the agreement.

The option can be exercised at the greater of the Endesa tender price and the per-share value of Endesa determined using company valuation techniques, incorporating a financial component. The initial value of the option is incorporated in the price of the equity investment in Endesa, while all subsequent variations are taken to the income statement under financial income and expense.

The following table reports the notional amount and fair value of the cash flow and fair value hedge derivatives.

	Notional value		Fair value		
	at June 30, 2008	at Dec. 31, 2007	at June 30, 2008	at Dec. 31, 2007	Change
	Millions of euro				
Cash flow hedge derivatives:					
- interest rates	652	2,854	24	50	(26)
- exchange rates	5,404	5,083	765	487	278
Total	**6,056**	**7,937**	**789**	**537**	**252**
Fair value hedge derivatives:					
- interest rates	81	312	4	16	(12)
- exchange rates	357	570	77	114	(37)
Total	**438**	882	**81**	130	**(49)**
TOTAL	**6,494**	**8,819**	**870**	**667**	**203**

Interest rate derivatives at June 30, 2008 were essentially composed of interest rate hedges on a number of long-term floating-rate loans. The improvement in the fair value of these positions was attributable to the rise in market interest rates during the 1st Half of 2008, which also resulted in a portion of the notional value at

December 31, 2007 that was included under non-current financial liabilities to be classified under financial assets. Exchange rate derivatives were mainly composed of exchange rate hedges (towards the euro) on a number of long-term loans in foreign currencies using cross currency interest rate swaps. The deterioration in the related fair value was mainly due to the appreciation of the euro against other major currencies, particularly the US dollar (from $1.47 at the end of 2007 to $1.58 at June 30, 2008) and the pound sterling (from £0.73 at the end of 2007 to £0.79 at June 30, 2008) during the period.

30. Other non-current liabilities — €3,606 million

	at June 30, 2008	at Dec. 31, 2007	Change
	Millions of euro		
Deferred operating liabilities	3,271	3,018	253
Other items	335	315	20
Total	**3,606**	**3,333**	**273**

Deferred operating liabilities regard deferred income in respect of revenues from fees for connection to the electricity and gas networks and grants received for specific assets.

Current liabilities

31. Short-term loans — €6,245 million

At June 30, 2008, short-term loans amounted to €6,245 million, an increase of €960 million on December 31, 2007, as detailed below.

	at June 30, 2008		at Dec. 31, 2007		Change	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Short-term amounts due to banks	867	867	1,280	1,280	(413)	(413)
Commercial paper	5,261	5,261	3,893	3,893	1,368	1,368
Other short-term financial payables	117	117	112	112	5	5
Short-term financial debt	**6,245**	**6,245**	**5,285**	**5,285**	**960**	**960**

The payables represented by commercial paper relate to issues outstanding at period-end in the context of the €4,000 million program launched in November 2005 by Enel Finance International and guaranteed by Enel SpA, as well as the Endesa International BV program amounting to €2,000 million and the Endesa Capital SA program totaling €2,000 million.

At June 30, 2008, issues under these programs amounted to €5,261 million, of which €3,595 million for Enel Finance International, €984 million for Endesa International BV and €682 million for Endesa Capital SA. The nominal value of the commercial paper is €5,296 million and is denominated in euro (€4,938 million), pounds sterling (the equivalent of €27 million), US dollars (the equivalent of €17 million) and Japanese yen (the equivalent of €314 million). The exchange rate risk in respect of currencies other than the euro is fully hedged by currency swaps.

Note that the decrease in short-term amounts due to banks includes the repayment of the 12-month tranche of the €35 billion syndicated credit line that fell due and was not renewed.

32. Current financial liabilities — €2,988 million

	at June 30, 2008	at Dec. 31, 2007	Change
	Millions of euro		
Deferred financial liabilities	498	609	(111)
Derivative contracts	2,174	930	1,244
Other items	316	22	294
Total	**2,988**	**1,561**	**1,427**

Notes to the financial statements — (Continued)

The following table shows the notional value and fair value of the derivative contracts.

	Notional value		Fair value		
	at June 30, 2008	at Dec. 31, 2007	at June 30, 2008	at Dec. 31, 2007	Change
	Millions of euro				
Cash flow hedge derivatives:					
- interest rates	527	46	1	—	1
- exchange rates	753	344	88	52	36
- commodities	820	1,021	184	38	146
Total	**2,100**	**1,411**	**273**	**90**	**183**
Fair value hedge derivatives:					
- interest rates	284	—	26	—	26
- exchange rates	251	33	69	4	65
Total	**535**	**33**	**95**	**4**	**91**
Trading derivatives:					
- interest rates	1,220	1,911	20	38	(18)
- exchange rates	2,217	3,739	114	125	(11)
- commodities	1,449	2,390	1,672	673	999
- other	30	30	—	—	—
Total	**4,916**	**8,070**	**1,806**	**836**	**970**
TOTAL	**7,551**	**9,514**	**2,174**	**930**	**1,244**

Trading derivatives on interest and exchange rates essentially include transactions entered into for hedging purposes, but which do not qualify for hedge accounting as defined by applicable accounting standards.

Derivatives on commodities refer to:

- two-way contracts for differences with a negative fair value of €120 million;
- swaps and futures on oil commodities with a negative fair value of €765 million;
- other derivatives on electricity with a negative fair value of €32 million;
- trading in oil, electricity and other commodities with a negative fair value of €407 million;
- embedded derivatives related to energy sale contracts in Slovakia with a negative fair value of €532 million.

The item "Other" includes the debt to finance the Spanish electrical system, due within 12 months, for €205 million.

33. Other current liabilities — €6,816 million

	at June 30, 2008	at Dec. 31, 2007	Change
	Millions of euro		
Payables due to customers	1,668	1,537	131
Payables due to Electricity Equalization Fund and similar bodies	1,741	1,241	500
Payables due to employees	583	571	12
Other tax payables	857	490	367
Social security contributions payable	179	177	2
Other	1,789	1,259	529
Total	**6,816**	**5,275**	**1,541**

"Payables due to customers" include €695 million (€754 million at December 31, 2007) in security deposits related to amounts received from customers as part of electricity and gas supply contracts. Following the finalization of the contract, deposits for electricity sales, the use of which is not restricted in any way, are classified as current liabilities given that the company does not have an unconditional right to defer repayment beyond twelve months.

"Payables due to Electricity Equalization Fund and similar bodies" include current payables due to the Electricity Equalization Fund amounting to €1,052 million (€733 million at December 31, 2007) and current payables in respect of the Spanish electrical system amounting to €689 million (€508 million at December 31, 2007).

The increase in "Other" items is essentially related to the recognition, in the 1st Half of 2008, of an estimated liability in the amount of €423 million relating to the put options held by the minority shareholders of Electrica Muntenia Sud (€394 million) and Marcinelle Energie (€29 million).

34. Liabilities held for sale — €597 million

The item at June 30, 2008 includes the liabilities in respect of renewable energy operations held by Endesa, which will be transferred to Acciona Energia, in which Endesa will hold a 49% stake following the transfer. At December 31, 2007, the item also comprised the liabilities in respect of the operations sold to E.On on June 26, 2008, relating to the assets held directly or indirectly by Endesa in Italy, France, Poland and Turkey, as well as a number of other operations in Spain ("Endesa Europa") and Enel's equity investments in Enel Viesgo Generación, Enel Viesgo Servicios and Electra de Viesgo Distribución and the equity investments held by them.

35. Related parties

As the main operator in the field of generation, transport and distribution of electricity in Italy, Enel provides services to a number of State-controlled companies. In the current regulatory framework, Enel concludes transactions with Terna – Rete Elettrica Nazionale (Terna), the Single Buyer, the Electricity Services Operator, and the Market Operator (each of which is controlled either directly or indirectly by the Ministry for the Economy and Finance).

Fees for the transport of electricity payable to Terna and certain charges paid to the Market Operator are determined by the Authority for Electricity and Gas.

Transactions relating to purchases and sales of electricity concluded with the Market Operator on the Power Exchange and with the Single Buyer are settled at market prices.

Companies of the Sales Division acquire electricity from the Single Buyer and settle the contracts for differences related to the allocation of CIP 6 energy with the Electricity Services Operator, in addition to paying Terna fees for the use of the national transmission network.

Companies that are a part of the Generation and Energy Management Division, in addition to paying fees for the use of the national transmission network to Terna, carry out electricity transactions with the Market Operator, on the Power Exchange and with the Single Buyer.

Enel also acquires fuel for generation and gas for distribution and sale from Eni, a company controlled by the Ministry for the Economy and Finance.

All transactions with related parties are concluded on normal market terms and conditions.

Notes to the financial statements — (Continued)

The following table summarizes the relationships:

	Balance sheet		Income statement	
	Receivables	Payables	Costs	Revenues
	at June 30, 2008		1st Half 2008	
	Millions of euro			
In respect of continuing operations				
Single Buyer	317	1,304	4,102	387
Market Operator	1,225	1,029	3,172	3,573
Terna	475	485	1,031	926
Electricity Services Operator	234	313	—	200
Eni	1	119	831	302
Italian Post Office	4	25	84	7
Other	2	3	2	2
In respect of assets held for sale				
Single Buyer	—	—	—	33
Market Operator	—	—	45	162
Terna	—	—	52	146
Electricity Services Operator	—	—	—	2
Eni	—	—	288	—
Total	**2,258**	**3,278**	**9,607**	**5,740**

The figures for assets held for sale regard Endesa Europa up to the date on which it was deconsolidated.

The following table shows transactions with associated companies outstanding at June 30, 2008 and carried out during the year, respectively.

	Balance sheet		Income statement	
	Receivables	Payables	Costs	Revenues
	at June 30, 2008		1st Half 2008	
	Millions of euro			
CESI	1	11	4	—
LaGeo	11	—	6	—
Other companies	12	7	4	1
Total	**24**	**18**	**14**	**1**

In compliance with the Enel Group's rules of corporate governance, transactions with related parties are carried out in accordance with criteria of procedural and substantive propriety.

With a view to assuring substantive propriety — in order to ensure fairness in transactions with related parties, and to account for the special nature, value or other characteristics of a given transaction — the Board of Directors may ask independent experts to value the assets involved in the transaction and provide financial, legal or technical advice.

36. Contractual commitments and guarantees

The commitments entered into by the Enel Group and the guarantees given to third parties are shown below.

	at June 30, 2008
	Millions of euro
Guarantees given:	
- sureties and other guarantees granted to third parties	1,877
Commitments to suppliers for:	
- electricity purchases	31,482
- fuel purchases	59,073
- various supplies	3,447
- tenders	1,366
- other	1,707
Total	**97,075**
TOTAL	**98,952**

Guarantees granted to third parties amounted to €1,877 million and include €707 million in commitments relating to the sale of real estate assets, in connection with the regulations that govern the termination of leases and the related payments, for a period of six years and six months from July 2004. The value of such guarantees is reduced annually by a specified amount.

Commitments for electricity amounted to €31,482 million at June 30, 2008, of which €12,809 million refers to the period July 1, 2008-2012, €6,226 million to the period 2013-2017, €6,337 million to the period 2018-2022 and the remaining €6,110 million beyond 2022.

Commitments for the purchase of fuels are determined with reference to the parameters and exchange rates applicable at the end of the period (given that fuel prices vary and are mainly set in foreign currencies). The total at June 30, 2008, was €59,073 million, of which €24,927 million refers to the period July 1, 2008-2012, €22,452 million to the period 2013-2017, €9,836 million to the period 2018-2022, and the remaining €1,858 million beyond 2022.

Other commitments include €349 million in respect of those under the cooperation agreement with EdF of November 30, 2007 for the construction of the Flamanville nuclear plant. The amount represents Enel's share of 12.5% of the cost of construction of the plant, which is scheduled to begin in 2012.

37. Contingent liabilities and assets

Since December 31, 2007, the following main changes have occurred in contingent assets and liabilities.

Extension of municipal property tax (ICI)

Article 1 quinquies of Decree Law 44 of March 31, 2005 containing urgent measures concerning local authorities (added during ratification with Law 88 of May 31, 2005) stated that Article 4 of Royal Decree Law 652 of April 13, 1939 (governing the land registry) shall be interpreted with regard to power plants alone in the sense that the buildings and permanent constructions consist of the land and those parts that are structurally attached to it, even temporarily, which may be joined by any means of connection with movable parts for the purpose of creating a single complex asset.

The Regional Tax Commission of Emilia Romagna, in Ordinance no. 16/13/06 (filed on July 13, 2006), referred the case to the Constitutional Court on the issue of the constitutionality of Article 1 quinquies of the Decree Law, finding it relevant and not clearly unfounded.

On May 20, 2008, the Constitutional Court, in judgment no. 162/08, ruled that the issues raised by the RTC of Emilia Romagna had no foundation and, therefore, confirmed the legitimacy of the new interpretation, whose primary effects on the Group are as follows:

- the inclusion of the value of the "turbines" in the land registry valuation of the plants;
- the power for local Land Registry Offices to modify, without a time limit, the imputed property incomes proposed by Enel;
- the effectiveness of the modifications only as from their notification;
- the consequent and probable limitation of the retroactive effects of Article 1 quinquies to the power plants currently at the center of the dispute.

The ruling also affirmed that the principle that the determination of imputed property income shall include all the elements constituting a plant even if not physically connected to the land, holds for all of the buildings referred to in Article 10 of Royal Decree Law 652 of April 13, 1939 and not only power plants.

We also note that to date no valuation criterion has been introduced for the movable assets considered relevant for the determination of land registry values either with regard to the valuation *method* or the effective identification of the *object* of the valuation, and the above ruling does not appear to provide any guidance on this issue.

Therefore, with regard to pending litigation, Enel Produzione SpA shall continue to pursue its case to request a substantial reduction of the values originally assigned by the Land Registry Offices to the removable parts of the plant. Enel has, however, allocated an adequate amount to the "Provisions for risks and charges" to cover fully the potential charges that would result from an unfavorable outcome. At the same time, Enel does not feel that further provisions are necessary to take into account possible retroactive application of the rule on imputed rent proposals, which to date have not been the subject of comments by the Land Registry Offices and, in any event, primarily concern small plants.

Out-of-court disputes and litigation connected with the blackout of September 28, 2003

With regard to the blackout that occurred on September 28, 2003, Enel Distribuzione received numerous letters (most drafted on the basis of standardized forms prepared by consumer associations) containing requests for automatic/lump-sum indemnities under the Electricity Service Charter and resolutions of the Authority for Electricity and Gas (€25.82 each), in addition to further damages to be quantified by customers with a view to possible legal action. As regards the latter, at June 30, 2008, about 115,000 proceedings were pending (mainly in the regions of Calabria, Campania and Basilicata), requesting damages for alleged losses. At June 30, 2008, more than 70,000 rulings had been issued by justices of the peace, with a majority finding in favor of the plaintiffs. Charges in respect of such indemnities could be recovered in part under existing insurance policies. The appellate courts have nearly all found in favor of Enel Distribuzione, based upon both the lack of proof of the loss claimed and the recognition that the company was not involved in causing the event. The few adverse rulings against Enel Distribuzione have been appealed to the Court of Cassation (the supreme court of appeal). In consideration of the complaints of the insurance companies, in May 2008 Enel lodged a petition to ascertain its right to reimbursement of the amounts paid as a result of adverse judgments.

Litigation concerning free bill payment procedures

As regards the appeal lodged with the Lombardy Regional Administrative Court requesting the voidance of Resolution no. 66/07 and the fine imposed for alleged violation of Resolution no. 55/00, on January 29, 2008, a first hearing was held and the Court granted Enel's appeal, ruling that there was no requirement to publish information on free payment options in invoices and validated Enel's conduct. In execution of the ruling, Enel requested restitution of the fine paid from the Authority for Electricity and Gas. The Authority appealed the ruling to the Council of State; the date of the hearing has not yet been set. In the meantime, however, the number of cases brought by customers before justices of the peace seeking compensation for alleged (minimal) damages has increased (there are currently some 14,000 disputes pending). The majority of rulings issued to date have found in favor of the plaintiffs.

38. Subsequent events

Design deposited for installation of off-shore wind farms

On July 10, 2008, Enel deposited the design for one of the first off-shore wind farms in the Mediterranean. The request for an environmental impact study has been delivered by Enel to the Ministry for the Environment and the Region of Sicily.

Italy's first off-shore wind facility will involve the installation of 115 large wind generators with a capacity of between 3 and 5 MW each in the waters of the Gulf of Gela at least 3 nautical miles from the coast, between the towns of Licata (Agrigento), Butera and Gela (Caltanissetta). The project is being pursued through a joint venture between Enel (57%) and Moncada Costruzioni (43%) and will have a total installed capacity of between 345 and 575 MW. Once fully operational, the plant will generate 1,150 million kWh of power. The investment will total about €500 million.

Sale of Hydro Dolomiti Enel

On July 25, 2008, in implementation of the investment agreement signed on April 24, 2008, Enel Produzione SpA sold Dolomiti Energia 51% of Hydro Dolomiti Enel ("HDE") for €333 million. The parties will use HDE for the joint development the hydroelectric power sector in the Autonomous Province of Trento.

The transaction was completed after the conditions established in the agreement were satisfied, namely receipt of:

- approval of the transaction by the Competition Authority;
- approval by the Autonomous Province of Trento of the transfer of the hydroelectric concessions (with the exception of the San Floriano plant) to HDE;
- the extension by the Autonomous Province of Trento of the concessions for major hydroelectric derivations until December 31, 2020, enabling the full implementation of the business plan developed by the parties.

The price of €333 million for 51% of HDE was determined on the basis of the value originally agreed by the parties (€562.7 million), reduced in accordance with the provisions of the agreement to take account of the net financial position of the assets transferred to HDE, the estimated cash flows of the operations transferred by Enel Produzione to HDE between January 1, 2008 (the reference date for valuing HDE) and July 15, 2008 (the effective date of the transfer), and the exclusion of the San Floriano plant. The price will later be adjusted based primarily on the difference between the estimated value of production and the actual value of production of the unit in the 2008-2010 period.

In view of the governance arrangements set out in the agreement, Enel Produzione will exercise a dominant influence over HDE until approval of the financial statements for 2010 and will therefore consolidate the results of HDE on a full line-by-line basis until that time.

Acquisition of wind projects in Greece

On July 28, 2008, Enel signed an agreement with Damco Energy of the Copelouzos Group and International Constructional (Samaras Group) to acquire 30% (with the right to progressively raise its stake up to 80%) of a pipeline of wind projects up to 1,400 MW in Greece for €110 million. Through this agreement Enel will also have an option to participate in the development of an additional 180 MW in Bulgaria, in an area adjacent to Thrace.

These wind projects are located in the windiest areas of Greece, mainly in Thrace, where Enel already operates 63 MW of wind fields, in the Peloponnesus and in Evia, where Enel runs an additional 16 MW.

39. Stock option plans

The following table summarizes developments over the 1st Half of 2008 in the Enel stock option plans still in place at June 30, 2008, detailing the main assumptions used in calculating their fair value.

Developments in stock option plans

Number of options	2003 plan	2004 plan	2006 plan	2007 plan	Total
Options granted at December 31, 2006	47,624,005	38,527,550	31,790,000	—	**117,941,555**
Options exercised at December 31, 2006	42,226,504	18,472,553	—	—	**60,699,057**
Options lapsed at December 31, 2006	3,348,716	1,959,800	286,000	—	**5,594,516**
Options outstanding at December 31, 2006	2,048,785	18,095,197	31,504,000	—	**51,647,982**
Options granted in 2007	—	—	—	27,920,000	**27,920,000**
Options exercised in 2007	711,212	6,705,062	—	—	**7,416,274**
Options lapsed in 2007	—	105,400	619,000	147,000	**871,400**
Options outstanding at December 31, 2007	1,337,573	11,284,735	30,885,000	27,773,000	**71,280,308**
Options granted in 1st Half of 2008	—	—	—	—	**—**
Options exercised in 1st Half of 2008	99,680	1,260,200	—	—	**1,359,880**
Options lapsed in 1st Half of 2008	—	—	288,000	252,000	**540,000**
Options outstanding at June 30, 2008	1,237,893	10,024,535	30,597,000	27,521,000	**69,380,428**
- of which vested at June 30, 2008	*1,237,893*	*10,024,535*	—	—	***11,262,428***
Fair value at grant date (euro)	0.37	0.18	0.23	0.29	
Volatility	28%	17%	14%	13%	
Option expiry	December 2008	December 2009	December 2012	December 2013	

On June 11, 2008, the Enel Ordinary Shareholders' Meeting approved the 2008 stock option plan, granting the Board of Directors the powers required to carry out the plan, to be exercised in accordance with criteria established by the Shareholders' Meeting. In extraordinary session, the latter also granted the Board the power to increase share capital in support of the 2008 plan.

At June 30, 2008, the Board of Directors had not yet implemented the 2008 plan or the related capital increase.

The 2008 plan provides for the Enel Group's top management (about 16 managers, including Enel's Chief Executive Officer in his capacity as General Manager), to be granted a number of options that, if the highest level of performance targets are achieved, would increase share capital by €9,623,735.

The 2008 plan establishes the following two performance indicators calculated on a consolidated basis, the achievement of which will determine the number of options that can be exercised: (i) earnings per share (Group net income divided by the number of Enel shares in circulation) for the 2008-2010 period, calculated on the basis of the amounts given in the budgets for the years covered, and (ii) return on average capital employed (the ratio of operating income to average net capital employed) for the 2008-2010 period, also calculated on the basis of the amounts given in the budgets for the years covered.

Achievement of the targets will be verified in March 2011. The strike price for each share in the 2008 plan is €8.075 per share, equal to the reference price for Enel shares on January 2, 2008.

For the sake of full disclosure, in 2008 the management of the Enel Group (about 500 managers, including the beneficiaries of the 2008 plan) is participating in a long-term incentive plan based on the granting of restricted share units (the "RSU plan"). The incentive plan does not provide for the granting of Enel shares to the beneficiaries but rather envisages the payment to the latter of a sum that varies in relation to both the performance of Enel shares compared with a benchmark index and to the market value of Enel shares. For this reason, the RSU plan qualifies as a "compensation plan based on financial instruments" pursuant to Article 114-bis, paragraph 1, of Legislative Decree 58 of February 24, 1998, and as such was submitted to the Enel Shareholders' Ordinary Meeting of June 11, 2008 for approval. After approving the plan, the Shareholders' Meeting granted the Board of Directors the powers necessary to implement it, to be exercised in accordance with criteria established by the Shareholders' Meeting. At June 30, 2008, the Board of Directors had not yet implemented the plan.

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Glossary of terms and definitions

Authority for Electricity and Gas . . . . The *Autorità per l'Energia Elettrica e il Gas*, the Italian independent agency responsible for regulating and controlling services in the electricity and gas industries in Italy under Law No. 481 of November 14, 1995.

Bersani Decree. . . . . Legislative Decree No. 79 of March 16, 1999, "Attuazione della direttiva 96/92/CE recante norme e comuni per il mercato interno dell'energia elettrica."

Bilateral contracts . . . . . Producers and Eligible Clients can buy and sell electricity not only on the Power Exchange but also by entering into bilateral contracts in which all of the contract conditions are freely determined.

Biomass . . . . Non-fossil biological matter, which can serve as a renewable resource of energy. The exact identity of the matter may depend on seasons, sunlight, climate, agricultural techniques, plant growth and the intensity of usage.

Cash cost . . . . The sum of capitalized costs and operating expenses incurred to develop a service.

CDM project . . . . The Clean Development Mechanism (**CDM**) is one of the flexible mechanisms in the Kyoto Protocol, which permit greenhouse gas-emitting companies in industrialized countries to carry out greenhouse-gas reduction projects in the developing world in exchange for CERs.

Certified Emissions Reductions (**CERs)**, Emissions Allowances and other negotiable emissions rights . . . . Each negotiable emissions right entitles a company to emit one ton of CO2. The rights can be granted via the national allocation plans (Emissions Allowances), or originated by carrying out emissions-reduction projects in developing countries (Certified Emissions Reductions) or in transitional economies (Emission Reduction Units).

CIP 6. . . . . Resolution No. 6 adopted by the Interministerial Price Committee (**CIP**) on April 29, 1992 in furtherance of Law No. 9 of January 9, 1991, as amended. Such resolution establishes the tariff conditions for renewable energy, including incentives for the supply of renewable energy to the *Rete di Trasmissione Nazionale*.

Combined-cycle gas turbine (**CCGT**) power plants. . . . . Combined-cycle technology is technology used in electric energy production plants composed of one or more groups of turbo gas generators arranged such that the heat of their exhaust gases stokes a boiler that can eventually also be fuelled with supplementary combustible; the steam produced by the boiler is in turn used for the running of a steam turbine attached to a generator.

Cost to serve . . . . The total of the operating costs incurred to service and manage a given number of clients.

Decommissioning	The process of decontamination and dismantling of facilities, and the restoration of a site aiming at reaching: (i) the complete demolition of a nuclear plant; (ii) the clearance of any restriction due to the presence of radioactive materials; and (iii) the restoration of the site for further usage.
Distribution	Transportation and conversion of electric energy on distribution networks of high, medium and low voltage for delivery to end-users.
Electric energy consumption	The consumption of electric energy, in a given period of time, is equal to the sum of the electric energy billed by utilities (Enel, municipal services, other companies) and the private consumption of self-producers, and is equal to the demand for electrical energy net of electrical losses.
Electricity Market Operator	The Company established by the Electricity Services Operator to manage the Power Exchange in accordance with principles of transparency and fairness to promote competition among producers of electricity and ensure an adequate supply of reserve electricity supply.
Electricity Equalization Fund.	The *Cassa Conguaglio per il Settore Elettrico*, a public entity charged with redistributing certain system charges and other revenues to the electricity companies entitled to receive them. See "Regulation—Italian Regulation—System Charges and Other Charges."
Electricity Service Charter.	The *Carte del servizio elettrico*. The charter seeks to ensure the provision of more information to electricity clients about the terms on which Enel provides services and improve electricity clients' protection and satisfaction"
Electricity Services Operator	The *Gestore dei Servizi Elettrici Società per Azioni*, established under Article 3 of the Bersani Decree, provides incentives for the production of electricity from renewable and certain other sources, and is charged with licensing renewable energy production facilities.
Eligible Client	An Eligible Client, under Article 2 of the Bersani Decree, is a natural person or corporate body, which, in respect of electricity or gas, is entitled to contract supply agreements with any producer, distributor or wholesaler, both in Italy and abroad. As of January 1, 2003, all clients are Eligible Clients with respect to gas and, as of July 1, 2007, all clients are Eligible Clients with respect to electricity.
Energy Efficiency Certificate	A "*titolo di efficienza energetica*" which attests to energy efficiency savings. Energy Efficiency Certificates are traded on a market managed by the Electricity Market Operator. Each certificate represents savings of one ton of petroleum.
EPR (European Pressurized Reactor) . . .	A generation III+ fission nuclear reactor, in which the refrigeration of the core and the control of neutrons are brought about through the presence of cold natural water in the core.

Free market client . . . . . An Eligible Client that has chosen to supply itself on the free market.

Generation . . . . The production of electric energy, regardless of the generating process.

Gigawatt or GW . . . . . . A unit of electric power equal to one billion watts (1,000 megawatts).

Gigawatt-hour or GWh. . . . . A unit of electrical energy equal to one million kilowatt-hours.

Green Certificate . . . . . . A certificate issued pursuant to Article 5 of the Ministerial Decree of November 11, 1999, which attests to the production of renewable energy. Certificates are issued by the Electric Services Operator over the first 15 years of a plant's life and can be traded directly or on the exchange managed by the Electric Services Operator. Demand is driven by the requirement for electricity producers and importers to meet annual quotas for renewable energy.

Gross production . . . . . . The sum of the electric energy (including that generated prior to pumping) produced by the whole of the generator groups involved (the primary thermal engine and one or more generators of electric energy mechanically combined), measured at the output terminal connections of the main generators.

IFAR plant . . . . A plant meeting the standards necessary for the granting of Green Certificates in respect thereof.

Interministerial Price Committee (**CIP**) . . . . . . The state body, which, until 1993, had the role of controlling prices in Italy.

JI project . . . . A Joint Implementation project is a type of project carried out pursuant to the Kyoto Protocol, whereby a company in a greenhouse gas-emitting country carries out abatement projects in another greenhouse gas-emitting country.

Kilovolt or kV . . . . A measurement of electric potential equal to 1,000 volts.

Kilowatt or kW . . . . A standard unit of electrical power: 1kW = 1,000 watts.

Kilowatt-hour or kWh . . A standard unit of electricity or consumption indicating the number of units of 1,000 watts supplied or required in one hour.

Line (distribution network component) . . The main element of an electric network made of wires for the transportation of electric energy. It can be aerial (normally with naked wires, but at times insulated) or underground (cable). It can be made of one or more "triads" of wires, i.e., one or more electrical lines transporting electric energy with three different wires or wiring harnesses, one for each phase.

Mass-market client . . . . A residential client or a small business client.

Megawatt or MW . . . . . Unit of electric power equal to a million watts.

Megawatt-hour or MWh . . . . A standard unit of electricity or consumption indicating the number of units of one million watts supplied or required in one hour.

National allocation plan . . . . Within the framework of the Kyoto Protocol, the European Union has established national CO2 emissions allocations based on the historical emissions of, and emissions projections made in respect of, each member state. The government of each member state has then created a national allocation plan to allocate quotas to individual emitters, such as electricity generation plants. The national plans were initially divided into two allocation periods, 2005 to 2007 and 2008 to 2012, with a declining amount of free emissions rights allocated to each plant in each period.

Natural gas . . . . Gas consisting principally of methane (88%-98%), with the remainder consisting of other hydrocarbons, including ethane, propane and butane.

Net efficient capacity (in MW) . . . . The maximum electrical power that can feasibly be continuously produced at a plant within a given and sufficiently long working period of time, supposing that all the parts of the plant are running, measured at the input point of the network, i.e., net of the absorbed power for the running of the plant and of residual power lost in the transformers needed to increase the voltage up to the network voltage.

Net electricity production . . . . The gross production of electric energy decreased by the energy absorbed by auxiliary generation services and the losses in the main transformers.

Non-Eligible Client . . . . A Non-Eligible Client, under Article 2 of the Bersani Decree, was a natural person or the corporate body entitled to contract supply agreements exclusively with the distributor operating in the territorial area where the client was located. All previously Non-Eligible Clients have now become Eligible Clients.

Power Exchange . . . . . . The electric energy market organized and managed by the Electricity

Market Operator . . . . . . The market is run on an electronic platform and participants include producers, wholesalers, the Single Buyer and some end-users. Demand and supply establish a market price for electricity on the market.

Programmable and non-programmable hydroelectric plants . . . . "Programmable hydroelectric plants" means both pondage and reservoir installations; "non-programmable hydroelectric plants" are run-of-the-river hydropower plants. Pondage installations exploit natural water flows of lakes and artificial basins, whose capacity is sometimes increased through barrages and dams. Reservoir installations share the same characteristics as pondage ones, but they get water supply in their upper tanks through the electromechanical hoisting of valley tanks. Run-of-river hydroelectric installations do not have any power of control over their inflows, so that the exploitable flow rate is equal to the one available in the watercourse; thus the production methods and running times of the turbines totally depend on the watercourse supply.

Renewable resources . . .	Sun, wind, water and geothermic resources, tides, wave power, biomasses and organic waste.
Request for electric energy	An amount of electric energy to be made available on a network. It is equal to the sum of users' consumption and of the losses on the network. It is also known as electric demand or electric requirements.
Residential client	A residential client within the definition of Article 2.2, paragraph A of the *Testo Integrato del Trasporto* (TIT) published by the Authority for Electricity and Gas.
Rete di Trasmissione Nazionale.	The Italian national network in charge of electric energy transmission, represented by the whole of the conversion plants and of electrical high- and extra-high-voltage transmission lines within the national territory.
Single Buyer.	The Italian electricity supply company founded by the Electricity Services Operator under Article 4 of the Bersani Decree. It is a central purchaser of electricity from producers for the benefit of Non-Eligible Clients, now acting on behalf of the Universal Service Market and, on a temporary basis, on behalf of the Last-Resort Service.
Single National Price . . .	The average of zonal prices in the day-ahead market, weighted for total purchases and net of purchases for pumped-storage units and of purchases by neighboring countries' zones.
Small-business client . . .	A business client with a tax member (*partita* IVA) having annual electricity consumption of less than 50,000 kWh.
Stranded cost.	Costs derived from contract obligations and investment decisions undertaken by electric plants pursuant to governmental economic policy choices, with reference to a non-competitive market, which could be recovered under a monopoly system.
Terawatt or TW	One billion kilowatts.
Terawatt-hours or TWh	One billion kilowatt-hours.
Transfer (of electricity)	Transportation and conversion of electric energy, either inputted by producers or imported from abroad, on the interconnected high and extra-high voltage network, to be delivered to clients connected to the same network and to distributors.
Terna	Terna S.p.A., the company in charge of electricity transmission and dispatching over the high-voltage (HV) and extra-high voltage (EHV) grid throughout Italy. Terna is a listed company. Its shares were first traded on Borsa Italiana on June 2004. Currently, its majority shareholder is "Cassa Depositi e Prestiti," having a stake of approximately 29.99%.
Universal Service and Last-Resort Service markets	As part of the energy market liberalization process, Decree No. 73 of June 18, 2007 mandated:

(i) Electrical supply pursuant to contractual and economic conditions established by the Authority for Electricity and Gas reserved for residential and small business clients receiving low-tension supply who are not free clients or have been left without a supplier (**Universal Service**). Clients must not be free market clients. Conditions are updated every three months by the Authority for Electricity and Gas.

(ii) An electrical supply Last-Resort Service that guarantees the continuity of supply to medium- and large-sized clients (low-tension clients with at least 50 employees or annual turnover of at least €10 million) (the **Last-Resort Service**). The economic conditions for the service are the result of a tender process carried out every two years, during the period immediately preceding the biennial Last-Resort Service period. Prices are indexed to those on the Power Exchange and change each month in accordance therewith.

Volt . . . . The unit of measurement of electric potential (voltage).

Volt-ampere or VA . . . . The unit of measurement of electrical load.

Watt. . . . . The unit of measurement of electric power.

Watt-hour . . . . The supply of one watt of energy for a period of one hour.

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