

Annual Report 2007

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Report on operations

The Enel structure

Corporate

Enel SpA

Sales	Generation and Energy Management	Infrastructure and Networks
> Enel Servizio Elettrico	> Enel Produzione	> Enel Distribuzione
> Enel Energia	> Enel Trade	> Enel Rete Gas
> Enel.si	> Enel Trade Hungary	> Enel Sole
> Vallenergie	> Enel Trade Romania	> Deval
	> Nuove Energie	
Engineering and Innovation		
	> Enel Produzione	
International		
> Slovenské elektrárne	> Endesa	> Enel Servizi ⁽¹⁾
> Enel Maritza East 3	> Enel Latin America	> Sfera
> Enel Operations Bulgaria	> Enel Panama	> Enelpower
> Enel North America	> Enel Fortuna	> Enel.NewHydro
> Enel Distributie Banat (formerly Enel Electrica Banat)	> Inelec	> Enel.Factor
> Enel Distributie Dobrogea (formerly Enel Electrica Dobrogea)	> Enel Viesgo Generación	> Enel.Re
> Enel Energie	> Enel Viesgo Energía	
> Blue Line	> Enel Unión Fenosa	
> Enel Romania (formerly Enel Servicii)	Renovables	
> Enel Servicii Comune	> Electra de Viesgo	
> RusEnergoSbyt	Distribución	
> SeverEnergia (formerly Enineftegaz)	> Enel Viesgo Servicios	
> Enel France		
> Enel Erelis		
> Enelco		
> International Windpower		
> Wind Parks of Thrace		
> International Wind Parks of Thrace		
Iberia and Latin America	Services and Other Activities	

(1) As from January 1, 2007 Dalmazia Trieste and Cise were merged into Enel Servizi.

In December 2007 the Enel Group launched its new organizational structure, with the creation 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.

The Sales Division operates in the end-user market for electrical power and gas, developing an integrated package of products and services for the various customer segments and ensuring that commercial services meet quality standards.

The Generation and Energy Management Division is responsible for generating power at competitive costs while safeguarding the environment.

The mission of the Infrastructure and Networks Division is to distribute electricity and gas in Italy, optimizing the management of Enel's networks and ensuring the efficient operation of measurement systems and compliance with technical service quality standards.

The Engineering and Innovation Division is charged with managing the engineering processes associated with the development and construction of generation facilities on behalf of the Group, ensuring achievement of the quality, temporal and financial objectives set for it. In addition, it is responsible for coordinating and supplementing Group research activities, ensuring the scouting, development and leveraging of innovation opportunities in all Group business areas, with a special focus on the development of major environmental initiatives. The International Division's mission is to support Enel's international growth strategy, consolidate the management and integration of foreign operations (with the exception of the Spanish, Portuguese and Latin American markets), seeking out opportunities for acquisitions in the electricity and gas markets.

The Iberia and Latin America Division focuses on developing Enel's presence and coordinating its operations in the electricity and gas markets of Spain, Portugal and Latin America, formulating growth strategies in the related regional markets.

The activities of the operational Divisions are supported by the "Parent Company" and "Services and Other Activities" areas, which aim to leverage Group synergies and optimize the management of services supporting Enel's core business.

In order to ensure continuity with the information published during the year, in the 2007 financial statements the results of the Divisions have been reported on the basis of the previous structure, which was used by management in assessing Group performance in 2007. Accordingly, the new Engineering and Innovation Division is discussed within the framework of the Domestic Generation and Energy Management Division and the Iberia and Latin America Division within that of the International Division.

Corporate boards

Board of Directors

Chairman

Piero Gnudi

Chief Executive Officer and General Manager

Fulvio Conti

Directors

Giulio Ballio

Augusto Fantozzi

Alessandro Luciano

Fernando Napolitano

Francesco Taranto

Gianfranco Tosi

Francesco Valsecchi

Secretary

Claudio Sartorelli

Powers

Board of Directors

The Board is vested by the bylaws with the broadest powers for the ordinary and extraordinary management of the Company, and specifically has the power to carry out all the actions it deems advisable to implement and attain the corporate purpose.

Chairman of the Board of Directors

The Chairman is vested by the bylaws with the powers to represent the Company legally and to sign on its behalf, presides over Shareholders' Meetings, convenes and presides over the Board of Directors, and ascertains that the Board's resolutions are carried out. Pursuant to a Board resolution of November 30, 2005, the Chairman has been vested with a number of additional non-executive powers.

Chief Executive Officer

The Chief Executive Officer is also vested by the bylaws with the powers to represent the Company legally and to sign on its behalf, and in addition is vested by a Board resolution of November 30, 2005 with all powers for managing the Company, with the exception of those that are otherwise assigned by law or the bylaws or that the aforesaid resolution reserves for the Board of Directors.

Board of Auditors

Chairman

Franco Fontana

Auditors

Carlo Conte

Gennaro Mariconda

Alternate auditors

Giancarlo Giordano

Paolo Sbordoni

Independent auditors

KPMG SpA

Letter to shareholders and stakeholders

Dear shareholders and stakeholders,

In 2007 Enel experienced a year of extraordinary growth and expansion on the international energy scene. Last year not only did we achieve and exceed all the operational and financial goals we set ourselves, with the acquisition of Endesa and the completion of the public tender offer for OGK-5 in Russia, Enel also became the second largest electricity group in Europe with installed capacity at the end of 2007 of 75.5 GW and 51.6 million customers in 21 countries on 4 continents.

In an environment of increasing integration of markets, the acquisitions carried out give Enel the size to play a leading role, reduce regulatory and business risk, and expand growth potential and efficiency. The growth abroad and the constant search for excellence and efficiency in all our Divisions made a decisive contribution to improving Group results: in 2007 the gross operating margin rose by 25% compared with the previous year, while Group net income, equal to €3,977 million, rose by 31%. This performance enables us to maintain our dividend policy.

Enel is successfully continuing its drive for efficiency and growth, further strengthening its role as a leading integrated operator in the European electricity and gas market.

Our Company has the human, technical and financial resources it needs to achieve the excellence and leadership goals we have set ourselves.

From an organizational point of view, the three Domestic Divisions and the International Division have been joined, as from December, by the "Iberia and Latin America Division" and the "Engineering and Innovation Division".

This new organization will make it possible – by directing the specific skills in our various business areas – to focus on the integration and organic growth of the newly acquired companies and to make available to the entire Group, in Italy and abroad, our technical expertise in engineering, research and innovation.

The consolidation and integration of Enel's international acquisitions, the improvement in the generation mix in Italy, the integration in the upstream gas sector, the development of new technologies and nuclear power abroad are the strategic priorities of the Group for the coming years. In parallel, we will pursue initiatives to optimize our portfolio in order to strengthen the Group's financial position, which in the last year has been affected by our international expansion and the development of operations.

Sales Division

On July 1, 2007 the process of liberalizing the Italian energy market was completed: now, in addition to businesses, all Italian households are free to choose their supplier of electricity and gas.

From the very first day, the Sales Division was ready to help customers benefit from the opening of the market, with advanced solutions such as the "dual energy" option, with the combined supply of electricity and gas.

In just six months, between July and December 2007, some 600,000 residential customers have signed up for Enel Energia's offers.

The more 1,200,000 customers in the small and medium-sized enterprise segment, an increase of 108% on the previous year, and our strengthened position (up 16% on 2006) with major industrial customers confirm Enel's leadership among business customers.

Enel also maintains its position as the number two Italian operator in the gas market with about 2,500,000 customers.

These results and our commercial success underscore Enel's customer focus. In particular, our customers responded enthusiastically to our blocked-price offers and the certified renewable energy option, available with many of our commercial offers such as *Energia Pura Casa*, *Energia Pura Bioraria*, *Anno Sicuro*, and *Anno Sicuro Gas*.

As regards fostering the adoption of technologies for energy efficiency and sustainability, the Sales Division's contribution included the free distribution of 8.1 million energy-saver light bulbs and 2.5 million faucet aerator kits around the country, as well as 19.3 MWp worth of photovoltaic systems installed and sold to our customers.

Generation and Energy Management Division

In 2007, the program to transform the Division's thermal power assets and expand its renewables capacity continued in order to make it more competitive in the new market context, with more efficient plants and a more balanced and diversified fuel mix.

More specifically, with the upgrade to combined cycle of the Termini Imerese plant, Enel completed the transformation of a number of old fuel-oil power plants into new, more efficient facilities based on combined-cycle gas turbine (CCGT) technology. Currently, Enel's installed capacity of CCGT plants in Italy totals about 6,000 MW.

Work also continued during the year on the coal conversion of the Torrevaldaliga Nord plant (Civitavecchia) using new technologies, with the first unit expected to enter service in 2008. As regards our efforts in the development of renewable energy resources, in 2007 hydroelectric and wind capacity expanded by 33 MW in Italy. In the coming years, the Division will further increase installed capacity with a program of investment in expansion and maintenance totaling more than €3 billion, with the aim of generating more than 30% of its power from renewables.

In line with our forecasts, in 2007 the Division generated about 94 TWh, a decrease of 9.3% essentially attributable to the increase in generation by other producers and the unavailability of Enel power plants undergoing transformation.

As regards our operational efficiency and safety projects, in 2007 the Division renewed its commitment to reducing costs and improving the overall operation of our power plants.

Engineering and Innovation Division

The Division, established at the end of 2007, is responsible for managing the engineering and construction of power plants for the Group, ensuring the completion of the modernization of the Italian generation assets and the development programs of our foreign subsidiaries.

Enel's technical expertise, the experience gained in the transformation of the old fuel oil plants into modern, more efficient combined cycle plants, and the technological leadership acquired in projects to convert to clean coal will be made available to the other Divisions, in Europe and the other countries where the Enel Group operates. All research activities will be integrated, ensuring that innovative projects are leveraged through all Group business areas, with a particular emphasis on initiatives of environmental importance, such as those in hydrogen, innovative solar and the capture and sequestration of carbon dioxide.

Infrastructure and Networks Division

Last year was one of change and excellent performance for the Infrastructure and Networks Division. In addition to improving service quality and increasing operating efficiency, the

Division underwent a reorganization to ensure effective governance of cross-cutting customer service processes, partly in response to the opening of the electricity market to residential customers.

In 2007 the automated metering system, with 31 million digital meters installed, performed more than 8 million remote operations and 180 million readings, increasing the overall operating efficiency of the electricity grid. The export of this technology abroad has already begun successfully in Spain, the Netherlands and Russia and will continue, extending its benefits to the entire Group.

The digital meter and the strong results achieved with the Zenith project helped boost the efficiency of the electricity network. In addition, thanks to these initiatives, operating costs per customer fell by a further 10% compared with 2006, reaching a level of absolute excellence. As regards the gas network, 2007 was a year of growth and consolidation of the business. Thanks to the synergies with the electricity network and operational improvements, operating costs fell by 13% on 2006.

Iberia and Latin America Division

In order to optimize value creation in our new international operations, at the end of 2007 the Iberia and Latin America Division was created to manage activities in the Iberian peninsula and in Latin America. The International Division remains responsible for operations in the other foreign countries.

Together with our Spanish partner, Acciona, Enel made its largest acquisition, Endesa, Spain's leading electricity company, the leading private operator in Latin America and one of the leading players in Europe.

Endesa's main business is the generation, distribution and sale of electricity, as well as the sale and distribution of gas in Spain.

At the end of 2007, including assets held for sale, as defined in the agreement with E.On and Acciona, Endesa's installed capacity amounted to about 50 GW, of which 50% in the Iberian peninsula, 30% in Latin America and 20% in Europe. Net electricity generation came to about 188 TWh, of which 94.2 TWh are produced in the peninsular and extra-peninsular areas of the Iberian peninsula and 60.6 TWh in Latin America. In Spain and Portugal, the largest component of the generation mix is coal, with 42%, followed by nuclear power (26%) and combined cycle generation (13%). In Latin America hydroelectric generation accounts for about 60% of the total. In the electricity distribution sector, Endesa is present in the Iberian peninsula with 118.1 TWh serving some 11.5 million customers and in Latin America with 61.6 TWh serving about 12.0 million customers. Electricity sales to end users in those areas amounted to 109.4 TWh and 45.6 TWh respectively.

At the end of 2007, Endesa had 27,956 employees, including assets held for sale.

On the renewables front, excluding the contribution of Endesa, Enel increased its net installed capacity in Spain and Latin America by about 326 MW compared with 2006 and has plans for more than €2 billion of investment to further develop the sector.

International Division

The Russian electricity market, now undergoing liberalization and privatization, is one of the promising new frontiers of growth that Enel is now pursuing. Present in the country since 2000 with the operation of a combined cycle plant at St. Petersburg and, since 2006, 49.5% of the Russian energy trading company Rusenergosbyt, in 2007 Enel entered the upstream

segment of the natural gas sector, acquiring licenses for the development and extraction of gas from major fields boasting reserves equal to some 5 billion barrels of oil equivalent in the Yamal peninsula. Enel also expanded its presence in the electricity generation sector with the acquisition, completed with the success of the public tender offer in March 2008, of the generating company OGK-5, which has 8,220 MW of capacity in a balanced portfolio of gas and coal-fired plants. In Russia, Enel is now the first foreign investor to create a vertically integrated presence covering the entire value chain, with a strong and well-balanced position offering attractive opportunities for growth.

In France, as part of a broader collaborative relationship that will contribute to growth in a more open and competitive European energy market, Enel has acquired a 12.5% stake in the development of the first new generation EPR (European Pressurized Water Reactor), the most advanced nuclear technology available today.

In Greece, Enel was selected as the top bidder for the construction of a new CCGT and has acquired wind plants with a capacity of about 130 MW.

In Albania, Enel signed a memorandum of understanding with that country's Ministry for the Economy for the development of a 1,300 MW coal-fired plant and the construction of interconnection to enable the import of a significant portion of its output into Italy.

In Romania, work continues on the acquisition of the distribution company Electrica Muntenia Sud, which is expected to be completed in the first half of 2008.

Developing Enel's presence in renewables abroad continues to be a priority objective within the overall global growth strategy. This effort produced an increase of 150 MW in installed capacity, bringing the total to about 2,900 MW at the end of 2007. In the coming years Enel will increase renewables capacity abroad even further with new expansion initiatives in France, Canada, Bulgaria and Romania in the wind power field and in the United States in the geothermal field, with a foreign investment program of more than €2 billion.

Over the course of 2007, the integration and consolidation of our foreign acquisitions helped increase the contribution of the foreign subsidiaries to the overall performance of the Group.

Outlook

With the acquisition of Endesa and the entry into the Russian market, Enel has completed this phase of growth through major acquisitions. The size we have achieved represents a launch platform for developing strategic continuity for the Group. Accordingly, we will focus primarily on creating value in the companies we have acquired while continuing to seek out targeted growth opportunities in the areas and businesses in which we already operate.

We will also continue to invest in research and development and in renewables, as well as to pursue technological excellence and address environmental issues.

The consolidation of our international activities and the development and efficiency initiatives planned for the operating Divisions will also have a positive impact in 2008, improving Group results even further.

The Chief Executive Officer

Fulvio Conti

Summary of results

Income data

Millions of euro

	2007	2006
Revenues	43,673	38,513
Gross operating margin	10,023	8,019
Operating income	6,990	5,819
Net income before minority interests	4,213	3,101
Group net income	3,977	3,036
Group net income per share in circulation at year-end (euro)	0.64	0.49

Revenues in 2007 amounted to €43,673 million, up €5,160 million or 13.4% on 2006. The rise is essentially attributable to increased revenues from abroad, both through new acquisitions during the year and the generation and distribution activities of the foreign subsidiaries.

The *gross operating margin* came to €10,023 million, an increase of €2,004 million or 25.0%, largely due to improved performance in all operational Divisions, partly offset by a decrease in the areas supporting the core business.

Operating income totaled €6,990 million, a rise of 20.1% on the €5,819 million in 2006, which included €263 million in income from the exchange of 30.97% of Wind for 20.9% of Weather.

Group net income amounted to €3,977 million in 2007, compared with €3,036 million the previous year, an increase of 31.0%.

Financial data

Millions of euro

	2007	2006
Net capital employed	79,580	30,715
Net financial debt	55,791	11,690
Shareholders' equity (including minority interests)	23,789	19,025
Group shareholders' equity per share in circulation at period-end (euro)	3.17	2.99
Cash flow from operations	6,070	6,756
Capital expenditure on tangible and intangible assets	4,929	2,963

Net capital employed, including net assets held for sale in the amount of €4,116 million at December 31, 2007, came to €79,580 million, funded by shareholders' equity attributable to the Group and minority interests in the amount of €23,789 million and net financial debt of €55,791 million.

Net financial debt at December 31, 2007, amounted to €55,791 million, an increase of €44,101 million with respect to December 31, 2006. The rise basically reflected the acquisition of Endesa and the consolidation of its debt as well as other extraordinary transactions carried out in 2007. At December 31, 2007, the ratio of debt to equity was 2.35 (0.61 at December 31, 2006).

Capital expenditure rose by €1,966 million to €4,929 million in 2007, of which €4,586 million in respect of property, plant and equipment. The increase is essentially attributable to the investment carried out by the International Division (€1,516 million, of which €886 million from the consolidation of Endesa).

Operating data

	Italy	Abroad	Total	Italy	Abroad	Total
	2007			2006		
Net electricity generated by Enel (TWh)	94.2	59.3	153.5	103.9	27.5	131.4
Net efficient capacity (GW)	40.4	35.1	75.5	40.5	10.3	50.8
Electricity transported on the Enel distribution network (TWh) ⁽¹⁾	255.8	43.3	299.1	255.0	12.6	267.6
Electricity sold by Enel (TWh) ⁽²⁾	142.4	53.9	196.3	142.7	17.2	159.9
No. of end-user electricity customers (millions)	30.7	17.9	48.6	30.3	2.2	32.5
Gas sold to end users (billions of m ³)	4.9	0.6	5.5	4.5	-	4.5
Gas transported (billions of m ³)	3.5	0.6	4.1	3.7	-	3.7
Employees at year-end (no.) ⁽³⁾	41,746	31,754	73,500	44,687	13,861	58,548

(1) Excluding power transported in the previous period but recognized commercially in the two reference periods, equal to 1.3 TWh and 0.6 TWh in 2007 and 2006, respectively.

(2) Excluding sales to resellers.

(3) Of which 2,614 in units classified as "Held for sale".

Net electricity generated by Enel in 2007 increased by 22.1 TWh (up 16.8%) as a result of greater output abroad (up 31.8 TWh, of which 24.4 TWh from the consolidation of Endesa), which more than offset the decrease in generation in Italy (down 9.7 TWh).

Electricity transported on the Enel distribution network came to 299.1 TWh, an increase of 31.5 TWh (up 11.8%), mainly due to an increase in power transported abroad (up 30.7 TWh, of which 30.6 TWh attributable to the consolidation of Endesa).

Electricity sold by Enel rose by 36.4 TWh (up 22.8%), with total sales of 196.3 TWh to 48.6 million customers. The increase is largely attributable to increased sales abroad (up 36.7 TWh, of which 26.3 TWh from the consolidation of Endesa with 15.7 million customers).

Sales of gas to end users amounted to 5.5 billion m³ in 2007, with volumes increasing both in Italy (up 8.9%) and abroad thanks to the consolidation of Endesa.

At 31 December 2007 Enel Group *employees* totaled 73,500, an increase of 14,952 attributable to the change in the scope of consolidation due to acquisitions abroad (up 18,971 employees), which more than offset the net decrease of 4,019 resulting from hirings and terminations.

Results by Division

Millions of euro	Revenues		Gross operating margin		Operating income	
	2007	2006	2007	2006	2007	2006
Domestic Sales	22,271	21,360	325	167	109	(6)
Domestic Generation and Energy Management	18,207	15,657	3,541	3,157	2,600	2,205
Domestic Infrastructure and Networks	5,762	5,707	3,726	3,418	2,833	2,589
International	7,654	3,068	2,380	918	1,494	519
Parent Company	950	1,178	(59)	177	(75)	423
Services and Other Activities	1,147	1,161	130	179	49	86
Eliminations and adjustments	(12,318)	(9,618)	(20)	3	(20)	3
Total	43,673	38,513	10,023	8,019	6,990	5,819

Millions of euro	Operating assets		Operating liabilities		Capital expenditure	
	at Dec. 31, 2007	at Dec. 31, 2006	at Dec. 31, 2007	at Dec. 31, 2006	2007	2006
Domestic Sales	8,269	6,948	6,138	6,272	59	56
Domestic Generation and Energy Management	17,917	16,752	5,076	4,019	1,167	897
Domestic Infrastructure and Networks	17,611	16,875	4,319	4,042	1,587	1,459
International	67,492 ⁽¹⁾	10,008	13,609 ⁽²⁾	4,037	1,983	467
Parent Company	1,228	1,013	1,221	1,275	19	13
Services and Other Activities	1,609	1,771	1,354	1,128	114	71
Eliminations and adjustments	(3,885)	(3,352)	(3,045)	(2,884)	-	-
Total	110,241	50,015	28,672	17,889	4,929	2,963

	Employees (no.)	
	at Dec. 31, 2007	at Dec. 31, 2006
Domestic Sales	4,772	5,176
Domestic Generation and Energy Management	9,306	9,573
Domestic Infrastructure and Networks	22,710	24,701
International ⁽³⁾	31,754	13,861
Parent Company	735	652
Services and Other Activities	4,223	4,585
Total	73,500	58,548

(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".

(3) Of which 2,614 in units classified as "Held for sale".

Significant events in 2007

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.

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 subsidiary Enel Investment Holding, paid \$161.3 million (equal to about €124.5 million) for the entire share capital of the Panamanian company Globeleq Holdings Fortuna (now Enel Fortuna) from Globeleq, which operates in the electricity sector in emerging markets. Thanks to this transaction, Enel increased its indirect holding in the Panamanian hydroelectric generation company from 24.5% to 49%, thereby acquiring full operational control.

Acquisition of Endesa

Acquisition of 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.

Subsequently, in three transactions carried out on March 1, 2 and 12, 2007, EEE entered into share swap agreements with UBS Limited and Mediobanca in which the underlying was represented by a maximum of 158,601,597 shares of Endesa (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, EEE raised its holding to 264,401,597 shares, or from 9.99% to 24.97% of share capital.

Agreement between Enel and Acciona for the 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, to be implemented also through a public tender offer. The agreement was subject to the

condition (subsequently satisfied) that E.On not acquire more than 50% of Endesa through its own tender offer under way at the time the agreement was signed. In addition to establishing the relations associated with their current and future equity stakes in Endesa, the parties also specified the mechanisms that would govern their joint control should the offer be successful. Enel also granted Acciona a put option for all shares that the latter directly or indirectly holds. The option may be exercised one time only, on the terms and conditions specified in the agreement, at any time between the start of the fourth and the end of the tenth year from the signing date of the accord. The conditions of the option also allow Enel to designate another purchaser while remaining as guarantor of the settlement of the transaction.

Agreement between Enel, Acciona and E.On

On April 2, 2007, Enel and Acciona signed an agreement with E.On under which the latter agreed, where the tender offer launched by E.On should be unsuccessful, 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 agreed to transfer to E.On, subject to acquiring effective control of Endesa through a tender offer, in line with the agreement of March 26, 2007, the assets and liabilities held directly or indirectly by Endesa in Italy, France, Poland and Turkey, as well as a number of additional Endesa assets in Spain and the investment Enel holds in Enel Viesgo Generación, Enel Viesgo Servicios and Electra de Viesgo Distribución as well as the equity investments held by them, with the exception of Enel Unión Fenosa Renovables. The assets will be transferred to E.On once the assets have been valued and the necessary administrative authorizations have been received.

Following the acquisition of joint control of Endesa and in implementation of the agreement with E.On, on October 18, 2007, in accordance with the antitrust conditions set by the European Union, a trustee was established for the independent management of the company until the date the equity investments that Enel has agreed to sell to E.On are effectively transferred.

Until the closing of the transaction, Enel will be the sole beneficiary of the results of those equity investments as well as the price paid in the planned transfer.

Similarly, a second trustee has been established for the independent management of the assets held by Endesa in Italy that form part of the disposal agreed with E.On in the agreement of April 2, 2007. Once again, until the closing of the transaction Endesa will be the sole beneficiary of the results of those assets and the price paid in the planned transfer.

Public tender offer for Endesa

On April 11, 2007, following the announcement of the failure of the E.On public tender for Endesa, Enel (acting through its subsidiary Enel Energy Europe) and Acciona presented Spain's Comisión Nacional del Mercado de Valores (CNMV) a joint offer for 100% of Endesa shares.

The main terms of the offer were as follows:

- > the price offered to Endesa shareholders was set at €41.30 per share, entirely in cash, equal to the price of €41 per Endesa share announced by the offerors on March 26, 2007, increased by interest of 3-month Euribor for the period from March 26, 2007 to May 31, 2007 (rounded up). The offer price was subsequently reduced by the dividend of €1.14

per share approved by the Endesa shareholders on June 20 and paid on July 2, 2007, thereby adjusting the price to €40.16 per share;

- > the effectiveness of the tender was subject to the complete satisfaction of the following conditions:
 - that before the end of the tender acceptance period: (a) the shareholders' meeting of Endesa approve amendments to a number of articles of the bylaws that restrict shareholder voting rights and remove any other impediment to control of the company with regard to the membership of the board of directors; (b) all resolutions in this regard be entered in the "Registro Mercantil" of Madrid;
 - the tender offer be accepted by shareholders representing a percentage of Endesa share capital that, together with the shares already held directly and indirectly by the offerors, exceeded 50%;
- > the tender was subject to receipt of a series of administrative authorizations. To this end, the offerors made all necessary notifications to the European Commission in accordance with the provisions of regulations governing the control of concentrations between undertakings (Regulation no. 139 of January 20, 2004) and to the antitrust authorities of any other country involved. Similar authorizations were requested from the Comisión Nacional de Energía (CNE) and the Secretaría General de Energía of the Spanish Ministry for Industry, Tourism and Trade, as well as from the administrative and regulatory authorities of any other country involved;
- > in view of the fact that Endesa shares were listed on the New York Stock Exchange (in the form of American Depository Shares - ADS) and are also listed on the offshore exchange (Registro de Valores Extranjeros) of Santiago in Chile, the offerors must perform all necessary formalities for the presentation or extension of the tender to these jurisdictions.

On October 5, 2007, the Comisión Nacional del Mercado de Valores announced that acceptance of the offer amounted to 46.05% of Endesa's share capital, 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 ADS) was tendered in the offer in the United States. As a result, the other condition for the effectiveness of the tender offer, namely the acceptance of the offer by shareholders representing more than 50% of the share capital of Endesa including those shares already held directly and indirectly by the offerors, was satisfied. In accordance with the agreements between Enel and Acciona, following completion of the takeover, 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 takeover bid, Enel owns 67.05% of Endesa's share capital (equal to 709,923,858 shares), while Acciona directly and indirectly holds 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 reflects the ownership structure resulting from the outcome of the public tender offer.

Administrative authorizations and formalities

On April 27, the Spanish government authorized the exercise of the shareholder rights in respect of the equity investment in Endesa, also establishing that in the event the restriction on the exercise of voting rights envisaged in the Endesa bylaws is removed, and EEE can therefore exercise its voting rights over the ceiling of 10% of the share capital of Endesa, or

in the event EEE should gain representation on the Board of Directors of Endesa, the authorization shall be subject to compliance with the following: the shareholder shall notify the Secretaría General de Energía of its corporate strategy and of any agreements, decisions and other actions it may undertake that could affect essential public interests in Spain.

On May 3, Enel and Acciona asked the CNE to authorize the acquisition of Endesa shares, which were then contributed to the tender offer, and the application of the provisions of the agreement between the two companies concerning the joint control of Endesa.

On June 11, 2007, Enel and Acciona deposited the contractual clauses (relating to the agreement for the joint management of Endesa signed on March 26, 2007) establishing mutual restrictions on the transferability of their Endesa shares with the Registro Mercantil of Madrid. The clauses concerning the exercise of voting rights at the Endesa shareholders' meeting were later deposited with the Registro.

On July 5, 2007, the European Commission approved the operation undertaken jointly by Enel and Acciona to acquire exclusive control of Endesa by way of a public tender offer.

On July 25, the Board of Directors of Spain's Comisión Nacional del Mercado de Valores (CNMV) authorized the takeover bid for 100% of Endesa shares launched by Acciona and Enel Energy Europe (EEE) and on July 27, the Spanish Council of Ministers authorized EEE to exercise the voting rights attaching to the shares it holds subsequent to the closure of the public tender offer made together with Acciona.

On September 25, 2007, the Special Shareholders' Meeting of Endesa approved amendments to the bylaws, including the removal of the ceiling on the exercise of voting rights attached to shares, previously set at 10%. This thereby removed one of the two conditions determining the effectiveness of the public tender offer.

On October 22, 2007, the Spanish Ministry of Industry, Tourism and Trade partially upheld the administrative appeal filed by Enel and Acciona on August 3 against certain conditions imposed by the Spanish National Energy Commission (CNE) in a resolution of July 4, 2007 on the public tender offer for Endesa.

Transaction financing

In order to meet the financial commitments of the above transaction, on April 9, 2007, the Board of Directors of Enel SpA also voted to obtain a syndicated line of credit totaling €35 billion. The facility, which is intended to fully meet the obligations in respect of the acquisition of Endesa shares, is structured in three tranches with the following characteristics: tranche A of €10 billion maturing at 1 year, with an option to extend the maturity for a further 18 months; tranche B of €15 billion at 3 years; tranche C of €10 billion at 5 years. The interest rate will vary in relation to Enel's rating. The line of credit may be repaid early in full or in part without penalty. More specifically, 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.

In addition, for the purposes of financing the transaction as well as restructuring the Group's debt, the Board of Directors also approved:

- > the renewal of the program for the issue of Global Medium-Term Notes, raising the amount from €10 to €25 billion;

- > the issue by Enel, as part of the above program, of one or more bonds in euro 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 multitranche issue totaling €3,350 million and £1,100 million. The transaction, conducted by a pool of banks, was more than twice over-subscribed. Following the issue, the syndicated credit facility of €35 billion was lowered to €30 billion by reducing the first tranche from €10 billion to €5 billion.

On July 26, 2007, the Enel's Board of Directors approved the issue of one or more bonds to be placed with institutional investors or retail investors, to be listed (in whole or in part) on one or more regulated markets by June 30, 2008, with a total maximum amount of €10 billion. The operation is part of the program to refinance Enel's debt, in particular the €35 billion credit facility to finance the announced public tender offer for Endesa shares.

In execution of that resolution on September 13, 2007, Enel, through its subsidiary Enel Finance International, carried out a multi-tranche bond issue for a total value of \$3.5 billion (about €2.5 billion), structured as follows:

- > \$1 billion (about €0.7 billion) 5.70% five-year fixed-rate note;
- > \$1.5 billion (about €1.1 billion) 6.25% ten-year fixed-rate note;
- > \$1 billion (about €0.7 billion) 6.80% thirty-year fixed-rate note.

The facility was fully hedged with cross currency swaps that linked each tranche to a fixed rate in euro. The bond issue, carried out by a pool of banks, attracted subscriptions of about \$6 billion, much greater than the supply.

In addition, from November 19 to December 7, 2007 investors could participate in a €2 billion retail bond issue on the Italian market. The size of the issue was raised to €2.3 billion (€1 billion fixed rate and €1.3 billion floating rate) as a result of excess demand. The bond, with a maturity of 7 years and 1 month, will be paid in full at maturity (January 2015). Of the total of €2.3 billion, €2 billion was used to reduce the original €35 billion credit facility, which was thereby reduced to €19.5 billion (the facility was reduced to €30 billion in June, €28 billion in September, €23 billion in October and €21.5 billion in November last year).

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 19, 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 Marcinelle-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.

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.

Acquisition of Yukos assets in joint venture with Eni

On April 4, 2007, Enel, in partnership with Eni through Enineftegaz (now SeverEnergia, in which Enel and Eni have indirect stakes of 40% and 60%, respectively), won the tender for the acquisition from Yukos of a set of gas assets, with an offer of about \$5.83 billion (equal to about €4.4 billion).

The main assets are:

- > 100% of OAO Arcticgaz;
- > 100% of ZAO Urengoil;
- > 100% of OAO Neftegaztechnologiya;
- > 20% of OAO Gazprom Neft (entirely transferred to Eni).

Arcticgaz, Urengoil and Neftegaztechnologiya have hydrocarbon exploration and production licenses for the region of Yamal Nenets, the largest gas production area in the world. These companies have total proven reserves of gas and oil equal to about 5 billion barrels of oil equivalent.

The investment of 20% of OAO Gazprom Neft did not form part of Enel's side of the transaction as it is intended solely for transfer to Eni, as envisaged in the agreements

governing the joint venture. At the conclusion of the tender Enel therefore paid \$852 million (about €638 million), equal to 40% of the transaction value pertaining to Enel, excluding this asset from its share of the acquisition. The two partners granted Gazprom a call option for 51% of the companies acquired exercisable within 24 months of the tender award date. The transaction marks Enel's entry into the important upstream segment of the natural gas market and lays the foundations for Enel to operate as a vertically integrated player in that sector.

Acquisition of wind plants in Greece

On May 5, 2007, Enel, through its subsidiary Enel Investment Holding (EIH), agreed to purchase wind plants in Greece with an overall capacity of 127 MW, of which 84 MW already in service and 43 MW under construction. Enel made a down payment of €172 million. Subsequently, as part of the accord, on October 1, 2007 EIH acquired 100% of three companies (International Windpower, Wind Parks of Thrace and International Wind Parks of Thrace) for about €93 million and 15% of four companies (International Wind Parks of Rhodes, International Wind Parks of Crete, International Wind Parks of Achaia and Hydroelectric Station Glafkos) for about €35 million, reducing the amount paid as an advance.

Acquisition of OGK-5

On June 6, 2007, following a tender carried out in Moscow, Enel, through its subsidiary Enel Investment Holding (EIH), acquired a stake of 25.03% in OGK-5 (generation company no. 5), which has four thermal power plants in various parts of the country with a total capacity of about 8,700 MW. Established in 2004 as part of the industry reform program, OGK-5 is one of the six Russian thermal generation companies with assets strategically located in the most developed and fastest growing regions of the country. Enel's winning bid totaled \$1,516 million (about €1,130 million).

On July 11, 2007 Enel entered into a contract to acquire an additional 4.96% of OGK-5 for a total of about \$281 million (about €210 million).

On August 16, the FAS (the Russian antitrust authority) authorized Enel to increase its stake to 100% of OGK-5. The authorization is valid for one year.

On October 24, 2007, Enel, through EIH, entered into an agreement for the purchase from Credit Suisse of about 7.15% of OGK-5's share capital, for a total of 10,769 million rubles (equal to about €304 million).

Having exceeded the threshold of 30% and following the authorization obtained in August from the FAS, on November 15, Enel, acting through EIH, launched a compulsory public tender offer for the entire share capital of OGK-5. The tender offer regarded some 22,231 million OGK-5 shares (equal to 62.85% of the Russian company's share capital, net of the 37.15% 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 will be 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 (as verified subsequently) tendered to Enel, acting through 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 €972 million.

Agreement for privatization of Electrica Muntenia Sud

On June 11, 2007, Enel and Electrica SA, wholly owned by AVAS, Romania's privatization agency, signed an agreement for the privatization of a majority stake in Electrica Muntenia Sud (EMS), the company that owns and operates the electricity distribution grid of Bucharest. With the transaction, Enel will acquire 50% of EMS directly from Electrica for €395 million. The holding will rise to 67.5% following subscription of a capital increase of €425 million if the State Property Fund does not exercise its right to acquire the shares issued as part of the capital increase (the stake will come to 63.3% if the Property Fund does exercise that right). The resources raised with the capital increase will be used to finance the company's investment plans.

Until the shares are transferred to Enel, which is expected to take place in the 1st Half of 2008, Electrica will continue to control and manage Electrica Muntenia Sud, while Enel will participate in company management as an observer, in line with the provisions of the privatization agreement (the "interim management" period). Enel paid an advance of €40 million.

Acquisition of wind projects in France

On June 12, 2007, Enel, acting through its French subsidiary Enel Erelis, which already operates a portfolio of projects totaling some 500 MW, finalized the acquisition of four projects for the construction of wind plants with a total capacity of 58 MW. The plants, which are scheduled for completion by the end of 2009, will be located in Brittany (14 MW and 12 MW), Picardie (20 MW) and Auvergne (12 MW).

Acquisition of control of Porto Empedocle regasification terminal

On July 2, 2007, following up on the agreements reached in December 2005, Enel Trade completed the acquisition, for a total of €26 million, of 90% of Nuove Energie Srl, which is developing a regasification terminal at Porto Empedocle (Agrigento).

With the acquisition, Enel confirms its objective of building a new regasification terminal, an essential part of diversifying energy sources, boosting the flexibility of supply and enhancing the security of Italy's gas system.

Construction of the plant will involve an estimated investment of more than €600 million, with the facility scheduled to enter service in 2011. The process of obtaining authorizations is at an advanced stage, as the Ministry for the Environment has already issued a positive environmental impact opinion for the land works and given the safety feasibility approval envisaged under the Seveso Law.

The agreement also envisages a put option for the minority partner to sell Enel Trade the remainder of the company on specified conditions.

Protocol between Enel and the Region of Sardinia on renewables and developing industry on the island

On July 5, 2007, Enel and the Region of Sardinia signed a protocol of understanding to foster the development of renewables and ensure supply of power at competitive prices to strategically important enterprises that operate on the island.

Specifically, under the agreement the parties are mutually committed to expanding existing wind plants or building new wind facilities for a total capacity of 160 MW.

Enel–Saudi Arabia cooperation agreement

On July 20, 2007, Enel and the Saudi Arabian General Investment Authority (SAGIA) signed a memorandum of understanding to foster the introduction of advanced environmentally friendly technologies in that country and the launch of joint research and development projects in the energy sector.

Investment in solar energy

On August 24, 2007, Enel announced investments of about €300 million in solar energy by 2010. The program provides for the construction of plants with more than 35 MW of capacity, avoiding emissions of about 30 thousand metric tons of carbon dioxide (CO₂).

Distribution of interim dividend for 2007 approved

On September 5, 2007, the Board of Directors of Enel SpA approved the distribution of an interim dividend of €0.20 per share. The interim dividend was paid as from November 22, 2007, with an ex-dividend date of November 19, 2007.

Acquisition of Blue Line

On October 24, 2007, Enel, through its subsidiary Enel Investment Holding, completed the acquisition for about €1.1 million of 100% of Blue Line, a Romanian company which owns the rights to develop wind-power projects in the Dobrogea region, with an overall future potential capacity of about 200 MW.

The projects are under development and are expected to become operational in 2010.

Memorandum of understanding with Dolomiti Energia

On November 13, 2007, Enel Produzione SpA and Dolomiti Energia SpA, the latter owned by Tecnofin Trentina SpA (28.07%), Trentino Servizi SpA (24.16%), FT Energia SpA (22%), Fondazione Cassa di Risparmio di Trento e Rovereto (10%) and a number of local utilities and private industrial shareholders, signed a memorandum of understanding ("MoU") for the development of the hydroelectric power sector in the Province of Trento.

The agreement provides for the sale to Dolomiti Energia of the hydroelectric generation operations Enel Produzione has in the Province of Trento, while Enel Rete Gas will transfer 100% of Avisio Energia, which distributes natural gas in 32 municipalities in the Province of Trento.

The business unit and Avisio Energia will be transferred through a corporate structure that will enable Enel, under the governance arrangements established in the MoU, to consolidate the results of the transferred unit on a full line-by-line basis for the first three years of the shareholders' agreement.

The operations being transferred include 14 concessions for major hydroelectric derivations and 22 power plants with a total efficient capacity of 1.4 GW and an annual output of 3.6 TWh, as well as 7 mini-hydro plants (small derivations) with a total efficient capacity of 14 MW and an annual output of about 46 GWh.

Completion of the transaction is also subject to the official definitive extension of the concessions for major hydroelectric derivations that will be transferred, which are currently scheduled to expire on 31 December 2010, by at least 10 years. This extension will enable the parties to implement fully the business plan they have developed.

Delisting from NYSE and termination of registration of ordinary shares and ADSs with the SEC

On November 29, 2007, the Board of Directors of Enel SpA authorized the delisting of the Company's American Depository Shares ("ADSs", each of which representing five ordinary shares) from the New York Stock Exchange ("NYSE"), and resolved to terminate its registration with the Securities and Exchange Commission (the "SEC") and related reporting obligations under the Securities Exchange Act of 1934 (the "Exchange Act").

The delisting procedure, started on December 20, 2007, is effective since March 19, 2008.

In light of the low trading volumes for Enel's ADSs in the United States and the administrative burdens and costs associated with maintaining Enel's US listing and registration, the Board decided to take advantage of recent amendments by the SEC to the requirements that foreign private issuers must meet in order to terminate their registration and related reporting obligations under the Exchange Act.

The delisting and deregistration do not affect Enel's relationships with US investors nor its commitment to high standards of corporate governance and financial reporting.

Enel – EDF cooperation agreement

On November 30, 2007, Enel and EDF signed a cooperation agreement which gives Enel access to the first new-generation EPR (European Pressurized Water Reactor), with an option for the subsequent five plants in the program, and new mid-merit generation capacity from gas-fired combined-cycle plants in France. EDF will have the opportunity to take part in projects as well as draw energy generated by Enel's new power plants with similar characteristics in Europe and the Mediterranean basin.

The agreement, in line with the provisions of the memorandum of understanding signed in May 2005, provides for Enel to acquire a 12.5% stake in the Flamanville EPR project (capacity of 1,600 MW; the power plant is expected to start operations in 2012), and also the option to acquire a 12.5% stake in the next five EPR projects in the series planned in France. The agreement also gives Enel immediate access to virtual baseload capacity: as an advance on the EPR capacity generated by the Flamanville power plant, Enel will gain access to 600 MW commencing in 2008, progressively increasing up to a total of 1,200 MW in 2012. Starting in 2012, this virtual capacity will be gradually replaced by the capacity from EPR

power plants as they enter service. This power will mainly be sold by Enel to customers in France.

Once the first EPR power plant is completed, Enel will provide EDF access to Enel's nuclear capacity in Europe or, if not available, to capacity with similar characteristics. EDF has also agreed to grant Enel an option (to be exercised by September 2008) to take a 30% to 40% stake (for a capacity of between 400 and 550 MW) in two new mid-merit power projects EDF is developing in France, for a total of about 1,400 MW that is expected to become operational between 2010 and 2012. From the moment the option is exercised, the agreement gives Enel access to virtual mid-merit capacity of the same volume it will receive once the power plants enter service.

Under the terms of the agreement, Enel will in turn grant EDF an option allowing the French company to gain access to analogous capacity in projects that Enel is pursuing in Europe and in the Mediterranean basin.

Memorandum of understanding for the development of the Albanian energy sector

On December 3, 2007, Enel signed a memorandum of understanding with Albania under which Enel plans to build a cutting-edge thermal generation plant fuelled by imported coal with an estimated capacity of some 1,300 MW. In addition to meeting growing demand in Albania's domestic market, it will also serve the market in Italy, once the new interconnection lines between the two countries are completed, and those in south-eastern Europe. The new plant will provide Albania with baseload power at competitive costs and making a decisive contribution to rebalancing the mix of the country's sources of power, which are currently almost entirely accounted for by hydroelectric facilities.

Acquisition of Inelec

On December 6, 2007, Enel Investment Holding completed the acquisition of 100% of Inelec from SLAP II Luxembourg SARL (an entity run by Conduit Capital Partners LLC, a private equity firm based in New York, and by the Grupo Qualita/Comexhidro) for a total of \$174 million (about €119 million). Inelec has three hydroelectric plants in Mexico with an installed capacity of 52 MW, located in the Mexican states of Michoacan, Jalisco and Guerrero. Operating downstream of existing irrigation dams, they generate power with very low environmental impact. The plants, which were built with the most advanced modern technology, began operations between 2003 and 2007.

Agreement with the Region of Tuscany on geothermal power

On December 20, 2007, Enel and the Region of Tuscany signed an agreement that will double the financial benefits for the region (equal to €650 million over 16 years), with a commitment to distribute them over the entire area involved – 16 municipalities with 42 thousand inhabitants – so as to contribute to their balanced development by improving the steam-extraction technologies, enhancing the areas where the geothermal resources are located and safeguarding the environment and local inhabitants.

Alliance with F2i for gas storage

On December 21, 2007, Enel and F2i (Fondo italiano per le infrastrutture) announced the signing of a memorandum of understanding to assess joint investments in gas storage projects in Italy. Enel and F2i are already at work studying a number of initiatives that could get under way in the early months of 2008. Specifically, the two partners are assessing the feasibility of developing storage capacity with an estimated volume of at least 500 million cubic meters. The investment required comes to nearly €250 million.

Reference scenario

Enel and the financial markets

	2007	2006
Gross operating margin per share (euro)	1.62	1.30
Operating income per share (euro)	1.13	0.94
Group net earnings per share (euro)	0.64	0.49
Dividend per share (euro)	0.49 ⁽¹⁾	0.49
Pay-out ratio ⁽²⁾ (%)	77	100
Group shareholders' equity per share (euro)	3.17	2.99
Share price - 12-month high (euro)	8.56	7.89
Share price - 12-month low (euro)	7.18	6.54
Average share price in December (euro)	8.18	7.77
Market capitalization ⁽³⁾ (millions of euro)	50,585	47,988
No. of shares outstanding at December 31 (millions)	6,184	6,176

(1) Dividend proposed by the Board of Directors at its meeting of March 12, 2007, equal to €0.49 per share (of which €0.20 per share paid as an interim dividend in November 2007).

(2) Calculated on Group net income.

(3) Calculated on average share price in December.

	Current ⁽¹⁾	Dec. 31, 2007	Dec. 31, 2006	Dec. 31, 2005
Enel stock weighting in:				
- MIB 30 index	8.82%	8.82%	8.37%	8.75%
- FTSE Electricity E300 index	20.15%	19.84%	18.81%	23.22%
- Bloomberg World Electric index	3.45%	3.44%	4.09%	-
Rating				
Standard & Poor's				
Outlook	C.W. Negative	C.W. Negative	Negative	Stable
Medium/long-term	A-	A-	A+	A+
Short term	A-2	A-2	A-1	A-1
Moody's				
Outlook	C.W. Negative	C.W. Negative	Stable	Stable
Medium/long-term	A2	A1	Aa3	Aa3
Short term	P-1	P-1	P-1	P-1

(1) Figures updated to March 3, 2008.

After growing in the 1st Half of 2007, the US economy slowed in the second as the effects of the credit crisis emerged. As US economic growth flagged and the subprime mortgage crisis deepened, spreading to the financial markets in August, the Asian countries posted further growth and the European economy performed well.

The world's major stock markets ended the year with gains, although their performance was characterized by high volatility and affected by a gradually deteriorating macroeconomic

environment in the 2nd Half of the year. The slowdown emerged despite the prompt intervention of the central banks to contain the risks mainly associated with the subprime crisis.

Against this background, the Federal Reserve cut its target for the federal funds rate in increments over the course of the year from 5.25% to 4.25%. In January 2008, it slashed it to 3%. In 2007, the European Central Bank raised its main rate from 3.50% to 4.0% in the 1st Half of the year, and then left it at that level in order to stem inflationary pressures.

The main European financial markets posted gains for the year as a whole, with the FTSE 100 (United Kingdom) rising by 2.3%, the Dax (Germany) by about 20.7% and the IBEX 35 (Spain) by some 5.7%. Equity indices in Italy fell, with the S&P MIB down by 8.2% and the Mibtel by 8.8%.

On their part, utilities stocks rose thanks to higher oil prices and concentration in the sector, although they too were affected by the negative impact of the heightened perception of the general risk of equity markets.

Enel stock closed 2007 at €8.135, up 3.5% from the start of the year, for a total annual yield of about 10%.

The positive performance in the first part of the year was followed by a slowdown in the second in conjunction with the general decline in all the main markets around the world in reaction to the credit crisis.

Average daily trading volume on the electronic stock market was 46.1 million shares, an increase of more than 8.5% on the 42.5 million posted in 2006. In early 2008, the share price fell by more than 12.5%, in line with domestic and sectoral indices.

On November 22, 2007, Enel paid an interim dividend on 2007 profits of €0.20 per share, which together with the dividend paid on June 21 brought total dividends paid during the year to €0.49 per share.

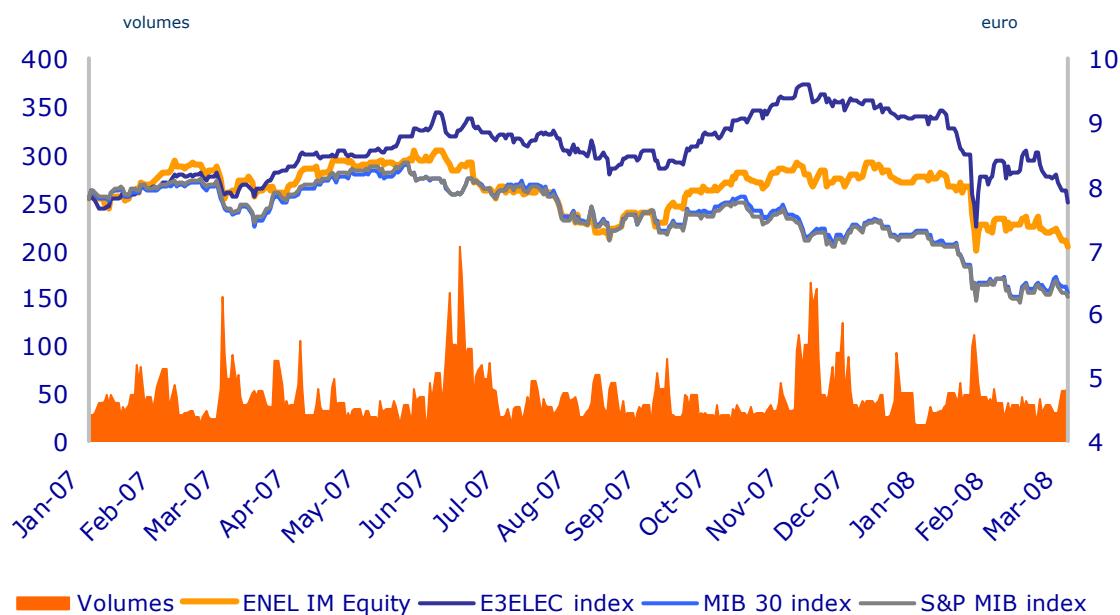
At December 31, 2007, the Ministry for the Economy and Finance held 21.1% of Enel, while Cassa Depositi e Prestiti held 10.1%, institutional investors 34.3% and private investors the remaining 34.5%.

For further information we invite you to visit the Investor Relations section of our corporate website (http://www.enel.it/azienda_en/investor_relations), which contains:

- > financial data, presentations, on-line updates on the share price;
- > information on corporate bodies and the regulations of shareholders' meetings;
- > periodic updates on corporate governance issues.

We have also created contact centers for private investors (which can be reached by phone at +39 (06) 8305 4000 or by e-mail at azionisti.retail@enel.it) and for institutional investors (phone: +39 (06) 8305 7008, e-mail: investor.relations@enel.it).

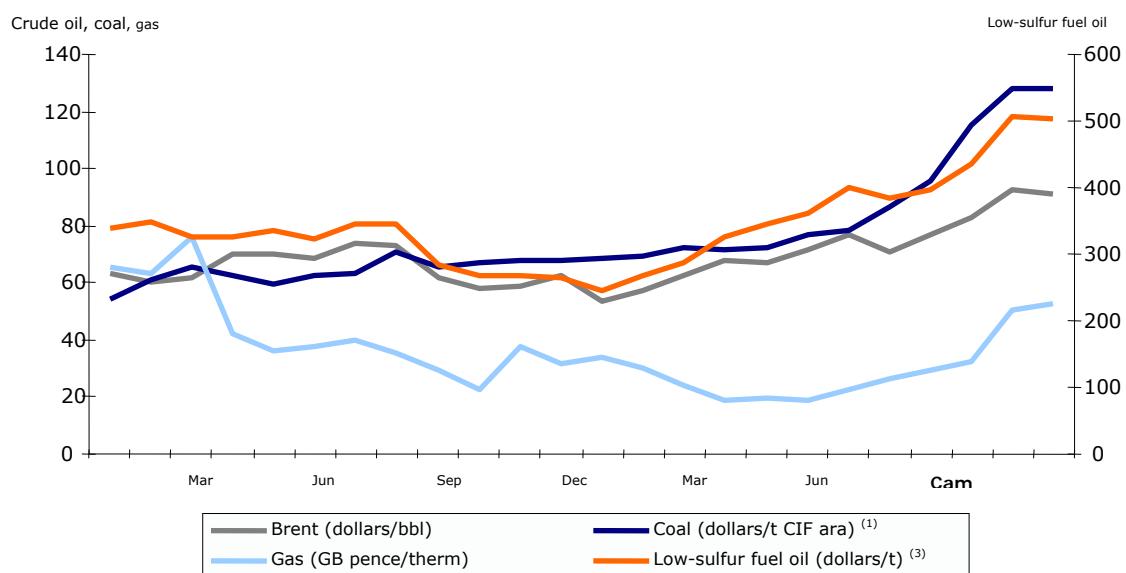
Performance of Enel share price and the MIB 30, S&P MIB and FTSE Electricity E300 indices (daily trading volume/listed price) – January 2007 to March 3, 2008



Developments in the main market indicators

The following charts report developments in the main market indicators in the two reference years.

Fuel prices

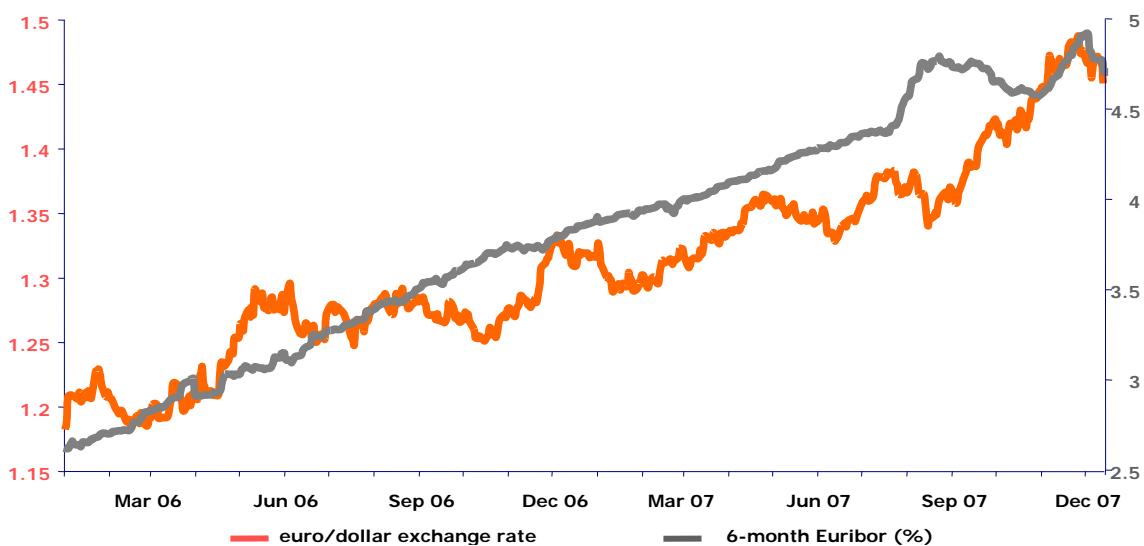


(1) API#2 index.

(2) Belgium Zeebrugge index.

(3) Platt's CIF Med index.

Prices in the fuel market showed a general rising trend over the two years under examination. Crude oil prices rose by 11.4%, with the average for Brent rising from \$65.1 a barrel in 2006 to \$72.5 in 2007. Coal prices rose to an average of \$88.5 a metric ton, up 38.5% on 2006 (\$63.9 a ton). The average price of natural gas (Belgium Zeebrugge index) fell from 43.0 pence/therm to 29.9 pence/therm, a decline of 30.4%. Finally, the average price of low-sulfur fuel oil increased by 18.4%, from \$314.0 a metric ton in 2006 to \$371.9 in 2007.



Money markets in 2007 and 2006 showed a substantial strengthening of the euro against the dollar and a broad rise in interest rates. Specifically the euro/dollar exchange rate went from an average of 1.26 in 2006 to 1.37 in 2007, an appreciation of 8.7%. 6-month Euribor rose from an average of 3.23% in 2006 to 4.35% in 2007.

Economic developments in the countries in which Enel operates

In 2007, the international economy was affected by the signs of recession in the United States, triggered by the subprime mortgage crisis that emerged in the summer. These developments were accompanied by a steep depreciation of the dollar and very high prices for oil and food products.

All the same, last year world GDP maintained the pace of growth registered in 2006 (about 5%), buoyed in particular by expansion in the main emerging economies (China and India). In 2007, the European economy was moderately affected by the US crisis, with average European inflation at the same level as in 2006 (around 2%) and the unemployment rate in the European labor market falling to record low levels (7.4%).

Against this background, the Spanish economy expanded sharply despite the real estate crisis in that country, while the Italian economy posted a moderate recovery in 2006 and 2007, although growth was still less than the European average (2.7%). Investment in construction was the most dynamic component of domestic demand in Italy. In addition, the public finances improved markedly thanks to a substantial increase in revenues.

Growth in the countries of Eastern Europe and Russia was sustained by good domestic demand, although the outlook is tempered by the threat of strong inflationary pressures, especially in Russia.

Latin America also achieved rapid growth, thanks to strong domestic demand and exports, although accompanied by high rates of inflation.

The following table reports GDP growth trends in the main countries in which Enel operates.

Annual real GDP growth (%)

	2007	2006
Italy	1.5	1.8
Spain	3.8	3.9
Portugal	1.9	1.2
France	1.9	2.0
Greece	4.0	4.3
Bulgaria	5.9	6.1
Romania	6.0	7.9
Slovakia	10.4	8.5
Russia	8.1	6.7
Argentina	8.6	8.5
Brazil	5.3	3.7
Chile	5.1	4.0
Colombia	6.5	6.8
Mexico	3.3	4.8
Panama	9.6	8.7
Peru	9.0	7.6
USA	2.2	2.9

Source: Enel based on data from Global Insight, EUROSTAT, IMF, OECD, Lehman, Credit Suisse, Morgan Stanley, Goldman Sachs and UBS.

Italy

The electricity market

Domestic electricity generation and demand

Millions of kWh

	2007	2006	2007-2006
Gross electricity generation:			
- thermal	265,556	262,167	3,389 1.3%
- hydroelectric	39,043	43,423	(4,380) -10.1%
- geothermal and other resources	9,754	8,501	1,253 14.7%
Total gross electricity generation	314,353	314,091	262 0.1%
Auxiliary services consumption	(12,808)	(12,864)	56 0.4%
Net electricity generation	301,545	301,227	318 0.1%
Net electricity imports	45,930	44,985	945 2.1%
Electricity delivered to the network	347,475	346,212	1,263 0.4%
Consumption for pumping	(7,636)	(8,753)	1,117 12.8%
Electricity demand	339,839	337,459	2,380 0.7%

Source: Terna - Rete Elettrica Nazionale (monthly report - December 2007).

- > Domestic *electricity demand* rose by 0.7% compared with 2006, reaching 339.8 billion kWh. Of the total, 86.5% was met by net domestic electricity generation for consumption (86.7% in 2006), with the remaining 13.5% being met by net electricity imports (13.3% in 2006);
- > *net electricity imports* in 2007 increased by 0.9 billion kWh, mainly as a result of the decline in electricity prices in the other European countries from their high levels in early 2006, which had prompted electricity companies to reduce imports;
- > *gross electricity generation* was broadly unchanged (up 0.3 billion kWh), as the significant increase in thermal generation (up 3.4 billion kWh) and the rise in generation from geothermal and other resources (up 1.3 billion kWh) were largely offset by the decline in hydroelectric generation (down 4.4 billion kWh).

Developments in domestic electricity sales prices

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
	2007				2006			
Power Exchange - PUN IPEX (€/MWh) ⁽¹⁾	70.99				74.75			
Residential user with annual consumption of 2,700 kWh (€c/kWh) ⁽²⁾								
Price including taxes	15.60	15.53	15.53	15.91	13.73	14.51	15.35	15.60

(1) Source: Electricity Market Operator; average annual price.

(2) Source: Authority for Electricity and Gas and Single Buyer (consumption represents average Italian household with contracts for 3 kW – resident).

The uniform national sales price of electricity in Italy declined in 2007 by an average of 5.0% on the Power Exchange compared with 2006. The final price (including taxes) for residential users set by the Authority for Electricity and Gas (the Authority) rose by 5.7%, mainly owing to the rise in the rate component covering prior-year deficits.

The gas market

Domestic gas demand

Billions of m ³	2007	2006	2007-2006
Residential and commercial	28.0	30.2	(2.2) -7.3%
Industrial	20.7	20.6	0.1 0.5%
Thermal	34.1	31.5	2.6 8.3%
Other ⁽¹⁾	2.1	2.2	(0.1) -4.5%
Total	84.9	84.5	0.4 0.5%

(1) Includes other consumption and losses.

Source: Enel based on data from Ministry for Productive Activities and Snam Rete Gas.

Demand for natural gas in Italy was essentially unchanged, rising by 0.5%. The increase reflects the rise in consumption for thermal generation, which more than offset the reduction in consumption by residential and commercial users, largely owing to weather-related factors.

Price developments

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
	2007				2006			
Average user with annual consumption of less than 200,000 m ³ (€c/m ³)								
Price including tax	69.56	66.77	65.68	67.55	65.12	66.51	69.32	69.56

Source: Authority for Electricity and Gas.

In 2007, the sales price of natural gas in Italy decreased by an average of 0.4% over the previous year, although the price rose above €0.69 per cubic meter between the 3rd Quarter of 2006 and the end of the 1st Quarter of 2007.

Regulatory and rate issues

The "Bersani" bill

At the end of the 1st Half of 2006, the Council of Ministers approved the text of a bill containing measures for the completion of the liberalization of the electricity and gas market and to boost energy savings and the use of renewable energy sources. The provisions of the bill have been largely implemented within the scope of other measures, specifically: i) renewable sources are addressed in the Finance Act; ii) Law 125/07 covers the complete liberalization of the electricity market and rules on unbundling; iii) Legislative Decree 164/07 governs electricity derivatives.

General costs of the electricity system

With a decree of March 7, 2007, the Minister for Economic Development and the Minister for the Economy and Finance amended the interministerial decree of June 22, 2005 that established procedures for reimbursement of non-recoverable costs in the electricity sector (stranded costs), reducing the interest due on stranded cost items accrued but not yet reimbursed to 3-month Euribor (the 2005 decree had envisaged a spread of 25 basis points on that rate). The amendment, which entered into force on April 3, 2007, was decided in part in the light of the Authority's Resolution no. 132/06, which provided for more rapid payment of the stranded costs.

At December 31, 2007, Enel had received a total of about €1,451 million and has accrued a receivable of €247 million. As regards the amount established by the Authority for 2008 and 2009, Enel claims reimbursement of stranded costs in the amount of €294 million.

Legislative Decree 164/07 (amendments to the Consolidated Law on Financial Intermediation

Legislative Decree 164 of September 17, 2007, in implementation of Directive 2004/39/EC on markets in financial instruments, amended the Consolidated Law on Financial Intermediation (Legislative Decree 58 of February 24, 1998), granting access to regulated markets in financial instruments to parties other than banks and securities investment firms.

This will allow electricity companies to participate in regulated markets in electricity derivatives. The decree also specifies the division of responsibilities between Consob and the Authority for Electricity and Gas for these markets.

Long-term electricity import contracts

Enel has two contracts for the import of electricity, one with EDF (on the French border, expired on December 31, 2007) and the other with Atel (on the Swiss border, expiring on December 31, 2011). The power imported under the contract with Atel is sold to the Single Buyer at a set price and is used to supply the enhanced protection market.

For 2007, with a decree of December 15, 2006, the Minister for Economic Development decided:

- > to set the sale price to the Single Buyer at €66/MWh in the 1st Quarter of 2007, also providing for the indexing of that value for the subsequent quarters in accordance with criteria defined by the Authority. With Resolution no. 82/07, the Authority established the procedure for updating the price, which has been set at €66.28/MWh for the 2nd Quarter of 2007, €63.75/MWh for the 3rd Quarter and €62.46/MWh for the 4th Quarter;
- > to retain the capacity reserve on the Swiss border with regard to the contract with Atel, with the joint agreement of Italian and Swiss authorities;
- > not to retain the import capacity reserve for the long-term contract with EDF. Accordingly, in 2007 the electricity under the contract was sold by Enel in foreign markets, mainly in France.

Enel's appeal to the French Administrative Court against the decision of the French regulator (CRE) of December 2005 not to reserve any import capacity for the performance of the contract between Enel and EDF for 2006 was rejected by the French Council of State in its ruling no. 289687 of March 30, 2007.

For 2008, with a decree of December 18, 2007, the Minister for Economic Development set a price of €68/MWh for the 1st Quarter of 2008, to be updated for subsequent quarters in accordance with the criteria set by the Authority, which confirmed the procedures in force for 2007 with Resolution no. 329/07. The decree also confirms the capacity reserve on the Swiss border with regard to the contract with Atel.

Domestic Sales

Call Center

In order to safeguard customers, Resolution no. 139/07 of the Authority for Electricity and Gas (applicable to Enel starting from January 1, 2008) establishes strict obligations for companies that sell electricity and natural gas as regards the quality of call center services. The general quality standards are defined on the basis of specific indicators, such as access to the service, average waiting time and level of service. On the basis of these indicators, as well as customer satisfaction surveys, the Authority prepares a comparative ranking of company performance, which will be published on the Authority's website starting from January 1, 2009.

"Social rates" decree

An interministerial decree was issued on December 28, 2007 establishing the criteria and procedures for applying the new social rates for underprivileged residential customers or

residential customers with "life-saving" electronic medical equipment. The income threshold for underprivileged residential customers to participate in the system was set at €7,500 based on the Financial Situation Indicator. The compensation system will be managed by municipal governments, which must evaluate and grant applications from customers who satisfy the requirements. The Authority has opened a consultation to establish the implementing procedures for that portion of the decree. The increased costs resulting from the compensation mechanism will be covered by a specific rate component applicable to all users.

Electricity

Liberalization of electricity sales

On June 18, 2007, the Government adopted Decree Law 73/2007 (subsequently ratified with Law 125/07, which came into force on August 15, 2007) in the run up to the opening of the electricity market to residential customers (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 customers;
- > provisions to ensure non-discriminatory access to metering data;
- > provisions to ensure the supply of electricity by distribution companies, or related sales companies, to residential customers and small businesses (businesses with fewer than 50 employees and annual revenues of less than €10 million) that do not opt for the free market (enhanced protection). For these customers, the provisioning of electricity shall be 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 safeguard supplier, selected by tender, for customers not eligible for the above service (other businesses) that do not opt for the free market or that should find themselves without a supplier. Until the completion of the tender (the rules for which will be established in a decree of the Minister for Economic Development), these customers will temporarily be provided service by distribution or related sales companies without any intermediation by the Single Buyer.

In accordance with the provisions specified above, Enel Distribuzione and Deval will no longer be directly providing service to the customers of the former regulated market. Supply to customers that do not exercise the option to receive service on the free market and that are eligible for enhanced protection will be handled by a special-purpose company. On September 13, 2007, Enel Servizio Elettrico SpA was formed for this purpose. The company began operation on January 1, 2008 to provide electricity to customers eligible for the enhanced protection mechanism and connected to Enel Distribuzione's networks. Enhanced protection customers connected to Deval's networks will be 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 obtain power from the Single Buyer in order to serve these customers.

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 enhanced protection services through auction. Starting May 1, 2008, the safeguard services supplier will be chosen through auctions held on a geographical basis (the Authority has identified six geographical areas) at a price established by the auction. Initially, the

auctions will cover the period from May to December 2008; thereafter, they will cover two-year periods. Until May 1, 2008, safeguard services will continue to be managed by the distribution companies, to which the CIP 6 and physical import rights for to customers eligible for the safeguard market have been transferred. On February 22, 2008, the Single Buyer published the results of the auctions to select the safeguard service providers for the May 1 – December 31, 2008 period. For areas d) Tuscany, Umbria, Marche and Sardinia, e) Lazio, Abruzzo and Molise and f) Campania, Puglia, Basilicata, Calabria and Sicily, the safeguard provider will be Enel Energia SpA.

On June 27, 2007, the Authority for Electricity and Gas issued Resolution no. 156/07, which establishes:

- > the possibility, through September 30, 2007, for safeguard service providers (distribution and sales companies) to obtain electricity through the Single Buyer on the terms established by the Authority (Enel did not exercise this right and obtained power from the Single Buyer only during the month of July 2007);
- > that the Authority shall set the pricing that the enhanced protection suppliers must apply to their customers, providing, in particular, for the application of an electricity and dispatch fee to cover the costs of purchasing electricity and ancillary services incurred by the Single Buyer, as well as introducing a constant value for the marketing cost component for enhanced protection customers compared with the previous system;
- > the methods of self-certification for small businesses for the purposes of admission to the enhanced protection mechanism;
- > the methods and timing with which distributors are to provide transport users with the hourly metering data for customers not handled;
- > the obligation for distributors to prepare a plan for the reprogramming of meters in order to enable metering by the daily time periods defined by the Authority, to be implemented by the end of October 2007, beginning with customers who as at June 30, 2007, had on-peak/off-peak contracts.

Resolution no. 144/07 of the Authority governs the right to withdraw from electricity and natural gas service contracts, in view of the full opening of the market to all residential customers, harmonizing regulation of the two sectors.

For customers that fall within the scope of application of the code of commercial conduct (low-voltage customers), a binding deadline for withdrawal of one month for residential customers and three months for other customers has been established. For customers that do not fall within the scope of application of the code of commercial conduct (medium and high-voltage customers), a withdrawal deadline of three months has been established, although this is not binding and shall not prejudice any other agreements between the parties. For customers on the regulated market that are entering the market for the first time, the withdrawal deadline has been set at one month.

Service providers also have the option to withdraw, with advance notice of no less than six months, unless other agreements have been established with large customers that do not fall under the code of commercial conduct.

Rates and rate updates

With Resolution no. 321/06 of December 28, 2006, the Authority for Electricity and Gas updated electricity rates for the 1st Quarter of 2007 with a reduction in the national average of about €2/MWh from the final quarter of 2006, or 1.6% of the total. In particular, the

Authority reduced the component covering the cost of raw materials and ancillary services by 8.4% (down €8/MWh), while offsetting this reduction primarily with a sharp increase (up 250%) in the UC1 component covering provisioning costs related to previous years.

With Resolution no. 76/07 of March 29, 2007, the Authority updated electricity rates for the 2nd Quarter of 2007 with a reduction in the national average of about €1.2/MWh, or 0.9% of the total, following the reduction in provisioning costs by the Single Buyer. In particular, the Authority reduced, on average, the component covering the cost of raw materials and ancillary services by 1.2% (down €1.3/MWh), while partially offsetting this reduction with a slight increase (up 1.9% or €0.1/MWh) in the UC1 component covering past deficits.

With Resolution no. 159/07 of June 27, 2007, the Authority established the pricing conditions for the provision of the enhanced protection service, revising the structure of the rate components. Specifically, the Authority increased, on average, the rate component covering the cost of raw materials and ancillary services by 0.2% and the A3 component by approximately 7%. The final price of electricity for residential users remained unchanged from the previous quarter.

With Resolution no. 237/07 of September 27, 2007, the Authority established the new dual on-peak/off-peak charges, differentiating between the hours in the F1 time band and those in the F2 and F3 time bands. End users covered by the enhanced protection system and equipped with the appropriate meters, and all customers who had already opted for on-peak/off-peak rates by July 1, 2007 will be able to select the new terms of supply commencing October 1, 2007.

With Resolution no. 238/07 of September 27, 2007, the Authority updated electricity rates and price terms for the enhanced protection system for the October-December 2007 quarter, increasing the average charge to end users by about €3.8/MWh, or 2.4%. In particular, the Authority raised the rate component covering the cost of raw materials and ancillary services by 5.6% (up €5.1/MWh) and lowered the UC1 component, covering past deficits, by about 24% (down €1.3/MWh)

Finally, with Resolution no. 352/07, the Authority established the pricing terms for the provision of the enhanced protection service for the 1st Quarter of 2008, increasing the average charge to end users by about 2.4% above that set for the preceding quarter. Specifically, the Authority raised the rate component covering the cost of raw material and ancillary services by 5.3% (up €5.1/MWh) and lowered the UC1 component by about 30% (down €1.2/MWh), providing for it to be maintained throughout 2008 in order to cover deficits relating to 2007.

Following errors reported by Terna in determining the amount of electricity for the regulated market, the Authority issued Resolution no. 168/07 suspending until further notice the deadlines set in Resolution no. 95/07 on the closure of equalization for 2005 and 2006. At the end of November the Equalization Fund calculated and announced the final equalization amounts for 2004.

With Resolution no. 349 of December 29, 2007, the Authority established the value of the marketing cost component for enhanced protection customers and introduced mechanisms to allow electricity companies to recover costs incurred. The weighted average cost of capital was set at 7%, partly in consideration of the recognition of the cost item related to the writedown of receivables. By the end of 2008, the Authority will enact measures to establish an ex post compensation mechanism for companies selling electricity under the enhanced protection system to recover cost and revenue imbalances exceeding 5%. In addition,

mechanisms will be established to ensure coverage of fixed costs for operators in the event customers leave the enhanced protection system.

Inquiries and fact-finding investigations

With Resolution no. 130/06, the Authority for Electricity and Gas opened a formal inquiry into Enel Distribuzione's alleged failure to observe the provisions of Resolution no. 55/00 concerning invoice transparency. The violation underlying the Authority's measure concerns the absence, through February 2006, of indication on Enel's invoices as to the possibility of paying invoices free of charge. On March 21, 2007, with Resolution no. 66/07, the Authority fined Enel Distribuzione €11.7 million. On May 22, 2007, Enel filed an appeal of the resolution with the Lombardy Regional Administrative Court. On October 30, 2007, observing that the Regional Administrative Court had not yet rendered a decision, Enel Distribuzione paid the fine, reserving the right to claim reimbursement of the amount paid in the event the Court finds in its favor.

With ruling no. 321/08 of February 13, 2008, the Lombardy Regional Administrative Court granted Enel's appeal and voided Resolution no. 66/07. In its ruling, the Court said there was no requirement to publish information on free payment options in invoices and absolved Enel Distribuzione of any charges of misconduct.

On July 19, 2007, the Competition Authority initiated a proceeding for abuse of a dominant position against Enel SpA and Enel Distribuzione SpA. According to the Competition Authority, Enel Distribuzione made the conclusion of new electricity supply contracts conditional upon payment by the new customers of the arrears of previous customers. On August 9, Enel SpA and Enel Distribuzione, exercising the option envisaged by Law 248/2006, submitted undertakings to the Competition Authority to cease any anticompetitive conduct that the inquiry may find. On October 18, the Competition Authority, finding the undertakings sufficient to remove the restrictive conduct, closed the proceedings without imposing sanctions.

With Resolution no. 177/07 the Authority for Electricity and Gas initiated a fact-finding investigation of a number of irregularities found in the quantification of electricity drawn from the NTN in 2005, 2006 and the first few months of 2007. The deadline for the completion of the investigation was initially set for October 31, 2007, but was extended to June 30, 2008, with Resolution no. 336/07.

Rules for the sale of CIP 6 electricity by the Electricity Services Operator (ESO)

The decree of the Minister for Economic Development of December 14, 2006 confirmed for 2007 the sale of CIP 6 energy on the Power Exchange by the ESO and the pro rata assignment of such energy to those requesting it, using contracts for differences, based on average annual electricity consumption. The decree reduced the share going to the Single Buyer to 35%, while the price was set at €64/MWh for the 1st Quarter of 2007, to be adjusted during the year in the manner specified by the Authority for Electricity and Gas. The total quantity assigned for 2007 was 5,400 MW, of which 3,510 MW to the free market (639 MW to Enel) and 1,890 MW to the enhanced protection and safeguard markets. These assignments were updated during the year, taking into account the changes in the numbers of free market customers supplied by each provider in 2007.

With Resolution no. 82/07, the Authority also established procedures for adjusting the price for the sale of CIP 6 energy on a quarterly basis. The price was set at €59.94/MWh for the 2nd Quarter of 2007, €53.64/MWh for the 3rd Quarter and €62.60/MWh for the 4th Quarter.

The decree of December 15, 2007 of the Minister for Economic Development sets a price of €68/MWh for the 1st Quarter of 2008 with a total quantity assigned of 4,900 MW, of which 75% to the free and safeguard markets (1,148 MW to Enel Energia in the allocations made by the ESO at the end of December 2007) and the remaining portion to the Single Buyer for supplying customers in the enhanced protection market. With Resolution no. 311/07, the Authority confirmed that the procedures in effect in 2007 for updating the price will also apply in 2008.

Gas

Rates and rate updates

In conjunction with the updating of the raw materials component of the supply prices of natural gas for the 3rd Quarter of 2006, the Authority for Electricity and Gas altered the updating criteria set out in Resolution no. 248/04. Resolution no. 134/06 modifies certain parameters in the formula for updating the raw materials component for Brent levels above \$60/bbl, permitting remuneration for raw materials more in line with procurement costs. Following the ruling of November 13, 2006 of the Council of State, the Authority issued Resolution no. 79/07, which redefines the criteria for updating the raw materials component of rates for 2005 and for the 1st Half of 2006. The provisions of the earlier Resolution no. 195/02 were applied for 2005, while Resolution no. 248/04 was applied for the 1st Half of 2006. This resulted in the payment to the sales companies of an amount equal to 50% of the difference between the levels the rates would have reached had they been updated based on Resolution no. 195/02 and those they would have reached based on Resolution no. 248/04. Enel completed the renegotiation in accordance with the conditions and deadlines specified by the resolution.

With Resolution no. 240/07, the Authority, in defining the criteria for establishing the supply prices for natural gas to end users, updated the natural gas sale costs component (QVD), increasing it by 11.7%. The Authority, with Resolution no. 347/07, reviewed the breakdown of the QVD component and added a fixed portion of €3.6 per customer in addition to the variable portion.

With Resolution no. 346/07, the Authority updated the rates for natural gas supplies for the 1st Quarter of 2008 in accordance with the method introduced in Resolution no. 134/06, raising the raw materials component by 7.2% compared with the previous quarter, due to the increase in the international price for oil products.

Inquiries and fact-finding investigations

With Resolution no. 131/06, the Authority for Electricity and Gas opened a formal inquiry into Enel Gas (now Enel Energia) for alleged violations of Article 11.1 of the code of commercial conduct, which establishes the minimum content of contracts. In particular, the inquiry concerned the alleged failure to indicate the procedures and timing for meter reading, the methods of payment, and the timing with which the invoices are issued, as well as failure to indicate indemnities in certain types of contract. The results of the Authority's inquiry partially revised the charges, confirming those related to failure to indicate the timing of meter reading and indemnities. With Resolution no. 102/07, the Authority imposed a fine of €127 thousand. Enel Energia paid the fine without appeal.

With Resolution no. 300/07 of December 4, 2007, the Authority opened a formal inquiry against 7 distributors and 36 sellers, including Enel Energia. It alleged violations concerning the incorrect application of the coefficients for correcting the volumes consumed by end customers relating to physical service delivery conditions (temperature and altitude). The allegations regarding Enel Energia relate to two areas with a very limited number of customers served.

The formal inquiry will be completed by July 31, 2008 and any final measures will be adopted by October 31, 2008.

Supplier of last resort

On September 21, 2007, Enel filed an application to participate in the open procedure to select natural gas suppliers of last resort for gas year 2007-2008. Such suppliers are responsible for ensuring natural gas supplies to end users with a consumption of less than 200,000 cubic meters who have been left without a supplier for reasons beyond their control. The procedure identifies a supplier of last resort for each of the five supply macro-areas into which the country is divided. The retail companies thus selected undertake to supply a specific annual quantity of gas at the price bid in the tender.

With Resolution no. 243/07, the Authority published the ranking of bids, which identifies Enel Energia as supplier of last resort for a maximum quantity of gas totaling 30 million cubic meters in the Emilia Romagna, Liguria, Tuscany, Umbria, Marche and upper Lazio macro-area.

Domestic Generation and Energy Management

“Ancillary Services Market” (ASM)

With Resolution no. 111/06, the Authority for Electricity and Gas revised the conditions for ancillary services. The resolution introduced the so-called “Accounts System”, designed to foster the integrated management of the spot and forward markets, thereby enabling companies to adjust forward positions on the day-ahead market. The launch of the system, which was initially planned for January 1, 2007, took place on May 1, 2007.

With Resolution no. 314/06 of December 27, 2006, the Authority issued further modifications to the rules governing the ASM beginning in 2007. The main changes concerned:

- > the possibility for Terna to use forward contracts for dispatching resources in 2007;
- > the extension to 2007 of the change introduced with Resolution no. 165/06 concerning the supplemental bids presented by Terna on the day-ahead market (allowing intervention in the event of divergences of 2% between the forecast needs of Terna and the total demand on the day-ahead market).

With Resolution no. 130/07, the Authority approved Terna’s proposal concerning procedures for concluding forward contracts on the ASM related to 2007. In September, Terna conducted the first competitive procedures for forward products and subsequently signed forwards contracts on the ASM for the 4th Quarter of 2007. Enel Produzione did not take part in these procedures.

Terna also submitted a proposal to the Authority for new competitive procedures for concluding forward contracts on the ASM for 2008, which was approved by the Authority with Resolution no. 308/07. The procedures will be completed in March 2008.

In compliance with Resolution no. 165/06, in December 2007 the Authority set up a working group consisting of institutional representatives and market operators to prepare an overall

reform of the ASM starting from 2008/2009 in order to contain the cost of ancillary services for end users. Resolution no. 330/07 gave Terna the power to modulate generation from wind-based sources in crisis situations for the national electricity system, on a remunerated basis, for producers subject to modulation, with a view to deploying electricity not generated at market prices.

Single Buyer Auctions

In May 2005, Enel exercised the long-term options provided for by the contracts for differences in effect at the time in order to extend their validity through December 31, 2007, for 5,550 MW.

Between November and December 2006, the Single Buyer held three more auctions for contracts for differences in order to cover its needs for 2007. The capacity contracted out totaled 1,216 MW, of which 700 MW was awarded to Enel Produzione through two-way contracts for differences.

The Single Buyer held further auctions for contracts for bilateral contracts with base-load profiles (that is, with a constant profile across all the hours in a year) on September 19, December 12 and December 20, 2007 in order to cover requirements for each year of the three-year period from 2008 through 2010. Enel Produzione was allocated 260 MW for 2008, 550 MW for 2009 and 515 MW for 2010.

Electricity imports

The rules for electricity imports for 2007 were established with a decree of the Minister for Economic Development on December 15, 2006, and by Authority Resolution no. 288/06. For 2007, rights to use transport capacity on the borders with France, Austria, and Greece are assigned through competitive procedures based on methods defined in the agreements between Terna and the system operators of the interconnected countries for the joint allocation of available capacity. The revenues from the auctions for each of the borders are to be distributed equally among the competent system operators.

Conversely, rights to use transport capacity on the borders with Switzerland and Slovenia (for the first few months of 2007) were assigned separately by the respective system operators. Terna held auctions to allocate the rights to use its own portion of capacity (50%).

Up to 30% of Terna's share of the revenues from the assignment procedures are allocated to the Single Buyer, with the remainder going to customers on the free market on a pro rata basis based on capacity.

The decree of December 18, 2007 of the Minister for Economic Development – implemented by Resolution no. 329/07 – confirmed, for 2008, the interconnection capacity allocation procedures in effect for 2007 and confirmed, in the event of a lack of agreement between Terna and the Swiss network manager, the separate allocation (50%-50%) of the rights from the Swiss border, net of the capacity reserve for the performance of the long-term contract. For the Single Buyer, provision was made for the assignment of the proceeds from the assignment procedures for 20% of the total.

Temporary measures concerning the reduction of gas consumption

In order to lower the risk of a system crisis, the Minister for Economic Development, with the decree of August 30, 2007, established:

- > the maximization of gas imports commencing November 5, 2007 through March 31, 2008;
- > the quantities of gas not imported as a result of failure to use the capacity granted and not transferred to third parties will be designated "unauthorized drawing on strategic stocks", leading to the application of fees to be borne by the owner of the unused capacity.

In addition, on September 11, 2007, the Minister issued a decree which introduced procedures for containing gas consumption in the event of emergencies, excluding electricity generators from consumption reduction but not from the levy to fund the procedure.

Authority inquiries and investigations

With regard to the inquiry opened by the Competition Authority on April 6, 2005, concerning Enel SpA and Enel Produzione for alleged competition-limiting conduct on the Power Exchange in 2004 and 2005, on October 17, 2006, exercising the option envisaged under Law no. 248/2006, Enel SpA and Enel Produzione notified the Competition Authority of commitments to take steps aimed at removing the anti-competitive conduct found during the antitrust inquiry, so as to be able to close the inquiry without an adverse ruling or sanctions. Enel SpA and Enel Produzione have committed to providing the market with a virtual power plant (VPP) in the form of two-way contracts for differences for a total of 1,000 MW for 2007 and 700 MW for 2008, having first established Enel's power to unilaterally determine market prices (so-called "pivotality") for 2008. The Competition Authority's resolution of December 20, 2006 closed the inquiry into abuse of dominant position without confirming the infraction.

The procedure for assigning the VPP for 2007 was concluded on December 29, 2006 with the assignment of all capacity provided to the 25 companies selected. After establishing Enel's pivotality for 2008, the Competition Authority found the need for VPPs in the form of two-way contracts for differences for a total of 1,000 MW for 2008, reserving 250 MW of which to the Single Buyer. The assignment procedure was completed on December 29 with the assignment of all the capacity offered by Enel Produzione, including the 250 MW assigned to the Single Buyer.

With Resolution no. 283/06, the Authority for Electricity and Gas fined Enel Trade the amount of €24 million. The sanction was established upon conclusion of a formal investigation into various users of gas stores, including Enel Trade, for inappropriate use of space and peak modulation storage capacity granted for gas years 2004-2005 and 2005-2006. Enel Trade participated in the proceedings, submitting its own defense brief. On February 6, 2007, it paid the fine "without acknowledging any liability" for the portion relating to the 2004-2005 gas year. In a hearing held on June 19, the Lombardy Regional Administrative Court upheld Enel's appeal, voiding Resolution no. 283/06 and the related sanction. The Authority did not appeal to the Council of State.

On June 27, 2007, with Resolution no. 155/07, the Authority initiated a fact-finding inquiry into the interruption of service in Sicily on June 25 and 26, 2007. The interruption also involved a number of Enel's generation plants and its distribution network. With Resolution no. 165/07 of July 3, 2007, the Authority decided to not adopt the measures against the generators (including Enel Produzione) and closed the proceedings.

Monitoring use of gas stores

With Resolution no. 303/07, the Authority established general regulations introducing specific obligations for the use of storage capacity, establishing a monthly withdrawal profile in line with temperature patterns for the period completed or for temperature forecasts for the remaining winter period. Stores must not fall below the level of the smaller of the two values. Quantities exceeding this amount may be used for purposes other than civil modulation.

Other measures by the Authority for Electricity and Gas to promote competition

On August 4, 2005, as a further measure to limit market power, the Authority adopted Resolution no. 175/05, which transferred management of pumping plants that are strategic to system security away from industry companies (for a total capacity of 5,940 MW), and entrusted them to Terna – Rete Elettrica Nazionale. According to the resolution, the plants are to be managed by Terna, which is to be paid a regulated fee for this service. Enel challenged the resolution before the Regional Administrative Court, which, on February 28, 2006, upheld the appeal and voided the resolution. On May 25, 2006, the Authority for Electricity and Gas filed an appeal of the Court's ruling. On December 4, 2007, the Council of State rejected the Authority's appeal, definitively voiding Resolution no. 175/05.

With Resolution no. 212/05 of October 7, 2005, the Authority required Enel to enter into forward contracts (the so-called "virtual power plant") with counterparties to be selected by competitive bidding for 3,600 MW for the southern macro-area and 200 MW for the Sicily macro-area. On October 28, 2005, Enel filed an appeal with the Lombardy Regional Administrative Court against Resolution no. 212/05. The court upheld Enel's appeal of Resolution no. 212/05 and the Council of State, in a hearing held on February 6, 2007 (decision no. 2244/07 published on May 10, 2007), rejected the Authority's appeal.

Reimbursement of 2006 gas costs

Decree Law 19 of January 25, 2006 (ratified with Law 108 of March 8, 2006) adopted urgent measures to counter the gas supply emergency in the winter of 2005-2006, envisaging measures for reducing the consumption of gas for thermal generation as well. Law 108/06 established that the higher costs incurred by producers would be reimbursed based on criteria set out by the Authority in Resolution no. 178/06.

Resolution no. 178/07 established that Enel Produzione will receive a reimbursement of €65.8 million, in line with costs actually incurred.

Capacity payments

With Resolution no. 175/07, the Authority confirmed that the same criteria used in 2006 for the remuneration of producers for available capacity would also be used in 2007.

Guarantee of origin from France

Legislative Decree 387/07 establishes that importers of electricity from renewable sources shall be exempt from the obligation to use green certificates.

The ESO refused to recognize an exemption for Enel related to electricity imported from France in 2005 since, in its opinion, France was late in transposing the EU Directive on renewable sources. On August 1, 2007, Enel filed an appeal of the ESO's decision with the Lazio Regional Administrative Court

Emissions trading

In 2007, Enel Produzione produced emissions of 46.8 million metric tons. Considering emissions allowances allocated free of charge of 40.8 million metric tons and purchased allowances for 2.2 million metric tons during the year, the remaining deficit at December 31, 2007 came to 3.8 million metric tons. This deficit was valued at the market price at the end of the period.

As regards the Emissions Trading Scheme (ETS), on May 15, 2007, the European Commission published its decision regarding Italy's national plan for allocating greenhouse gas emission allowances for 2008-2012, which Italy had presented on December 18, 2006 (in accordance with Directive 2003/87/EC of the European Parliament and of the Council). Approval of the plan is contingent upon making a number of corrections that have been expressly requested by the European Commission. In particular, Italy was required to:

- > reduce the total average annual cap by 6.3% compared with the plan filed;
- > reduce from 25% to 15% the total maximum quantity of CERs and ERUs (credits from the flexible clean development mechanisms – CDMs - and joint implementation – JI – that make it possible to account for reductions in CO₂ emissions resulting from projects in foreign countries for the purposes of meeting Kyoto protocol obligations) that Italian operators can use to cover their emissions;
- > provide more information concerning the treatment of new entrants to the emissions allowance trading system;
- > expand the range of combustion plants included in the ETS, to make it consistent with practices in other Member States.

On December 11, 2007, the National Committee for the management and implementation of Directive 2003/87/EC, formed by the Ministry of the Environment and the Ministry for Economic Development, announced the draft decision on the assignment of emission allowances, pursuant to Art. 8(2) of Legislative Decree 216 of April 4, 2006.

The Committee, taking into account the provisions of the European Commission's decision concerning the inclusion of additional combustion plants among those subject to the Directive and of the 6.3% reduction in total allocations, brought the overall cap on the annual CO₂ allowances to 201.63 million metric tons. The thermal segment was allocated annual CO₂ allowances of 85.29 million metric tons, excluding the reserve for new entrants. The draft decision provides for the differentiated use of CERs and ERUs for operators in the various segments. Specifically, thermal generation benefits from higher percentage limitations (19.3%) than the average required by the EU. The Committee will provide the implementation details in subsequent resolutions, which will be submitted for consultation. The final decision allocates Enel an annual CO₂ allowance of about 33.5 million metric tons for the 2008-2012 period for existing plants, to which should be added further allowances from the reserve earmarked for new entrants, estimated at more than 3 million metric tons a year. In light of these allocations, Enel forecasts a CO₂ allowance deficit of 10 million metric tons per year for the 2008-2012 period which will, in any event, be covered by existing supply strategies.

Recognition of costs for green certificates for the regulated market

With Resolution no. 101/05, the Authority established the reimbursement of charges incurred for the purchase of green certificates related to electricity generation and imports for the regulated market for 2002. With this resolution, the Authority also established the

recognition of green certificates for electricity generated with pumping plants both for 2001 and for 2002. However, the resolution did not recognize the full costs incurred by Enel regarding electricity for the regulated market. Enel filed an appeal with the Regional Administrative Court against Resolution no. 101/05, as this resolution only called for partial reimbursement of the charges incurred. The Court rejected the request for full reimbursement of the charges for green certificates purchased by Enel Produzione, but partially upheld the appeal by establishing that, for the pumping plants, the green certificates should be voided in relation to electricity generated and not to electricity consumed. The Court granted Enel Produzione the right to request that the ESO refund the amounts paid in error in relation to green certificates purchased for the pumping plants' consumption. The Authority has appealed this ruling. Enel has filed a cross appeal of the Court's ruling on Resolution no. 101/05 as concerns the partial reimbursement of green certificate costs. A hearing before the Council of State is pending.

With regard to the charges incurred for the purchase of green certificates related to electricity generation and imports for the regulated market in 2003 and the 1st Quarter of 2004, i.e. prior to the launch of the Power Exchange, on January 24, 2006, Enel requested that the Authority recognize such charges. The Authority rejected Enel's request in a letter dated January 27, 2006. Enel appealed the Authority's decision before the Regional Administrative Court, which, with ruling no. 4694/07 of May 28, 2007, voided the Authority's measure, specifying that as a consequence of the voidance Enel should be compensated for the charges for purchasing green certificates for 2003 and the 1st Quarter of 2004 (in accordance with criteria established by the Authority). The Authority has appealed the Regional Administrative Court's decision concerning 2003 to the Council of State.

Amendment of regulations governing green certificates

In addition to providing for an annual increase (0.75%) in the requirement to generate/import electricity from renewable sources as a percentage of the conventional electricity generated/imported in the preceding year for the years 2008 to 2013 and establishing its incompatibility with other incentives offered by national, regional, local or community authorities involving the energy account, capital account or interest with advance capitalization, the 2008 Finance Act, with reference to power plants coming on line after December 31, 2007, updates the rules on green certificates and reintroduces a support mechanism (recognition of a comprehensive rate) for electricity generation from renewable sources by small power plants.

The updated green certificates 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 ESO (pursuant to Article 11(3) of Legislative Decree 79 of March 16, 1999) as the difference between €180/MWh (value updated every three years) and the average annual sales price of electricity as established by the Authority for Electricity and Gas;
- > at the request of the generator, ESO can withdraw any green certificates (expiring that year) in excess of those needed to meet the obligation.

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.

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 of December 29, 2003. Rates are differentiated based on the size of the solar panels and the extent of their integration in buildings.

Measures concerning thermodynamic solar power plants are still pending.

Domestic Infrastructure and Networks

Electricity

Administrative and accounting unbundling

With Resolution no. 11/07, the Authority for Electricity and Gas approved the integrated text of measures regarding administrative and accounting unbundling for companies operating in the electricity and gas industry and the related publication and notification requirements.

The measure amends the previous rules governing administrative and accounting unbundling (Resolutions nos. 310/01 and 311/01), establishing rules for functional separation in order to ensure, among other things, the independence of the management that operates essential infrastructures. Specifically, it provides for the functional separation of the distribution of electricity and gas, with very tight restrictions that raise corporate governance issues. Enel filed an appeal of the resolution (limited to Article 11 concerning the independent operator) with the Regional Administrative Court and, on April 6, 2007, submitted a request for re-examination to the Authority, asking it to reformulate the rules provided under Resolution no. 11/07 concerning the composition and powers of the board of directors of the independent operator.

The Authority, with Resolution no. 253/07 of October 4, 2007, amending Resolution no. 11/07, safeguarded the decision-making autonomy of the distribution company from the vertically integrated corporation in its operating, management and network development decisions, albeit leaving the holding company and, hence, shareholders the possibility of control over such activities. Enel subsequently withdrew its appeal of Resolution no. 11/07.

Transport rates: new regulatory period

With Resolution no. 348 of December 29, 2007, the Authority, following a consultation begun in August, set the new transmission, distribution and metering rates for the 2008-2011 regulatory period.

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 during the second regulatory period 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.

The Authority has also established that the electricity withdrawals to power auxiliary generation services, including withdrawals of pumping stations, in the event the capacity withdrawn does not exceed 10% of that declared, are exempt from payment of transport costs, system charges and other fees paid by end users.

While awaiting a complete overhaul of the regulations on the delivery of connection service, the Authority has also reorganized the rules concerning the economic conditions for connection to the electricity networks, applying a price cap to connection contributions and fixed fees.

With Resolution no. 333 of December 21, 2007, the Authority 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.

Rates and rate updates

With Resolutions nos. 203/06 and 275/06 issued in September and December 2006, respectively, the Authority updated the rates for distribution services for 2007, also updating the rate component for metering activities (MIS) with an increase of 12%. In line with this change, the distribution rates for residential customers for 2007 were updated. For these customers, the validity of the additional rate plans approved for 2006 was extended until June 30, 2007, i.e. until the complete liberalization of the residential market scheduled for July 1, 2007. The extension does not prejudice the right of operators to suspend the options or modify them in relation to the D1, D2 and D3 rates that came into effect on January 1, 2007. With Resolution no. 135/07 of June 13, 2007, the Authority altered the rate structure, applicable as of July 1, 2007, for residential customers by updating the component that covers transmission, distribution and metering costs. In particular, pending definition by the Government of the regulatory framework to determine the new social rate, the Authority established an interim regime that sets a uniform component to cover the costs of electricity purchases for all types of customers and transfers the existing rate structure by consumption levels (and the related subsidies) from the generation component to the regulated components (transport and system charges).

Energy efficiency

Enel achieved its energy efficiency targets for 2007 of 384.4 ktep (or 61% of the national target), of which 341.9 ktep was attributable to Enel Distribuzione (distribution of electricity) and 42.4 ktep to Enel Rete Gas (distribution of gas). The decree of December 21, 2007, published on December 28, 2007 in the *Gazzetta Ufficiale* 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. With Resolution no. 345/07, the Authority confirmed the rate contribution of €100/tep for the achievement of the 2008 targets.

Inquiries and fact-finding investigations

With Resolution no. 237/06, the Authority for Electricity and Gas initiated an inquiry relating to the possible imposition of a fine on Enel Distribuzione for its failure to meet its obligation under Resolution no. 200/99 to take meter readings at least once a year from customers with contracts for supplies of up to 30 kW. The inquiry covers the years 2003, 2004 and 2005. After the inquiry began, Enel Distribuzione notified the Authority that it had introduced initiatives to improve commercial relations with and to the benefit of consumers. With Resolution no. 314/07, the Authority reinstated the formal inquiry in order to verify whether the proposed commitments were actually undertaken. The final measure is expected to be adopted by September 2008.

With Resolution no. 152/04, the Authority had initiated a formal inquiry to determine the potential liability of electricity generators, distributors and the Electricity Services Operator (ESO) concerning the blackout of September 28, 2003. With Resolution no. 149/07, the Authority also closed the inquiry into Enel Distribuzione. With this resolution, the Authority declared that the penalty proceedings were closed, given that Enel Distribuzione had exercised the option of paying a reduced fine in settlement, and required that the company implement a system of tracking and storing communications regarding out-of-service load reduction equipment.

With Resolution no. 165/07, the Authority closed the inquiry opened into the generators without imposing any measures against Enel Produzione.

Gas

Natural gas distribution concessions

Decree Law 159 of October 1, 2007, ratified by Law 222 of November 29, 2007, the accompanying decree for tax aspects to the 2008 Finance Act, 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 the criteria for the tender and for evaluating bids for awarding gas distribution concessions. The ministers are also required to determine the minimum geographical areas for the tenders, starting with rates, and to develop measures to encourage aggregation. The 2008 Finance Act (Law 244 of December 24, 2007), amending the tax decree as to the expiry of current concessions, provides that the new tender would be called within two years of the identification of the relevant geographical area, which must be completed within one year of the entry into force of the ratification law.

Rates and rate updates

With Resolution no. 125/07, the Authority for Electricity and Gas approved the Enel Rete Gas distribution rates for gas years 2005-2006 and 2006-2007. With Resolution no. 261/07, the Authority provisionally approved the rates proposed by Enel Rete Gas (and other operators) for year 2007-2008, reserving the right to make subsequent determinations in compliance with the Council of State's decisions nos. 2242/2007, 2243/2007 and 3476/2007, which are more favorable to operators. Resolution no. 241/07 provided for an increase in the transport service component in the general supply terms and conditions for natural gas.

International

Electricity markets

Developments in electricity demand

TWh	2007	2006	2007-2006
Spain	276.4	268.8	2.8%
Portugal	50.1	49.2	1.8%
France	480.3	478.4	0.4%
Greece	55.7	54.0	3.1%
Bulgaria	33.8	33.3	1.5%
Romania	53.5	53.0	0.9%
Slovakia	27.3	27.2	0.4%
Russia	985.2	962.5	2.4%
Argentina	102.9	97.6	5.4%
Brazil	443.0	415.0	6.7%
Chile ^{(1) (2)}	41.0	38.0	7.9%
Colombia	53.1	50.8	4.5%
Mexico ⁽¹⁾	180.6	175.4	3.0%
Panama	5.9	5.8	1.7%
Peru ⁽¹⁾	23.0	22.0	4.5%
USA	3,889.4	3,816.8	1.9%

(1) Figures refer to consumption.

(2) Figures for the SIC – Sistema Interconectado Central.

Source: Enel based on data from Terna, Red Electrica, Redes de confiança, Resau de Trasport d'Electricitè, UCTE, RAO UES, EPE, UPME, Energy Secretariat, Centro de Despacho Económico de Carga del Sistema Interconectado Central (CDEC-SIC), Enerdata, Ministerio de Energia y Minas and Energy Information Administration.

Developments in prices in the main markets

€c/kWh	2007	2006	2007-2006
End-user market (residential):⁽¹⁾			
France	9.21	9.05	1.8%
Portugal	14.20	13.30	6.8%
Romania	8.55	7.92	8.0%
Spain	10.04	9.40	6.8%
Slovakia	12.92	12.16	6.3%
End-user market (industrial):⁽²⁾			
France	5.41	5.33	1.5%
Portugal	8.60	8.17	5.3%
Romania	8.42	7.73	8.9%
Spain	8.10	7.21	12.3%
Slovakia	9.32	7.73	20.6%

(1) January price before tax – annual consumption of 3,500 kWh.

(2) January price before tax – annual consumption of 2,000 MWh.

Source: Eurostat.

In 2007 the main electricity markets were characterized by a general rise in prices that essentially reflected the increase in generation costs caused by higher fuel prices.

Regulatory and rate issues

Spain

Electrical systems in extra-peninsular and island territories

Article 12 of the Electricity System Law establishes that electricity distribution in extra-peninsular and island territories will be governed by specific regulations that take account of their location. In this regard, on December 19, 2003 Royal Decree 1747/2003 was enacted, governing extra-peninsular and island electricity system, while on March 30, 2006, the ministerial orders implementing the decree were published.

Royal Decree 1747/2003 governs, *inter alia*, the remuneration of extra-peninsular generation, envisaging the coverage of costs incurred and remuneration of capital employed with a compensation mechanism.

On October 2, 2007, the resolution of the Directorate General for Energy Policy definitively establishing the amount of specific costs that give rise to the compensation of island and extra-peninsular territories for 2001-2005 was approved. The terms of the resolution entitle Endesa, at December 31, 2007, to €910 million for reimbursement of generation costs incurred in the extra-peninsular system. In accordance with Ministerial Order no.

ITC/3860/2007, this amount, plus accrued interest, will be recovered in equal installments over 15 years.

For 2006 and 2007 the specific costs giving rise to the right to reimbursement were not yet definitively calculated. An estimate based on the methodology established by the relevant regulations gives Endesa right to a reimbursement of €917 million.

Financing the deficit of regulated activities

Royal Decree Law 5/2005 establishes that where the revenues of the electricity system generated in the regulated market are not sufficient to cover costs of activities in that system, the deficit must be financed by the main companies that operate in the market on the basis of percentages set in the Decree Law. In the case of Endesa, the largest market operator, the percentage is set at 44.16%.

2005 deficit

The deficit for 2005 was equal to €3,830 million. Accordingly, Endesa paid €1,691 million towards covering the shortfall. On November 20, 2006, Endesa assigned the right to reimbursement of the contribution to a consortium of banks.

2006 deficit

The quantification of the deficit for 2006 was affected by the provisions of Royal Decree 3/2006, which established a number of measures to reduce this system deficit, including:

- > an obligation for bilateral contracting between power generators and distributors of the same group at a regulated price of €42.35/MWh;
- > the deduction from generation remuneration, for volumes corresponding to sales of electricity on the pool market, of the value of emission rights allocated free of charge in the national plan for the period 2005-2007.

However, the decree was implemented for the first point only. On December 30, 2006, the Spanish government published Decree Law 1634/2006 establishing electricity rates for 2007 and changing certain significant aspects of the Spanish electricity market, including elimination of the obligation for bilateral contracting between power generators and distributors of the same group at a regulated price of €42.35/MWh, later updated to €49.23/MWh (Royal Decree 871 of June 30, 2007). The price for 2007 of the bilateral intra-group agreements was set, for the 1st Quarter, as the sum of the exchange price, the capacity payment and the fee paid in remuneration of ancillary services. However, as of March 1, Ministerial Order 400/2007 calls for bilateral agreements to be negotiated freely between the parties without any distinction for intra-group contracts.

Royal Decree 871/2007 concerning rate updates as from July 1 also established:

- > the capacity payment mechanism beginning in October 2007. This will especially reward new investment and existing combined-cycle plants, while nuclear, coal and gas plants and existing hydro plants will not benefit from the new incentives;
- > the *ex ante* establishment of the maximum amount of the rate deficit for the 3rd Quarter of 2007 at €0.75 billion.

In addition, on November 15, 2007, the Ministry of Industry published Ministerial Order 3315/2007 specifying the details necessary to quantify the sums that each generation company must relinquish in return for the deduction of the emissions rights awarded without charge in the national allocation plan for 2006 (the so-called "CO₂ deduction"). The power covered by the measure is all generated under the ordinary regime on the peninsula, and

therefore includes electricity generated by plants that do not benefit from allowances, i.e. are not part of the national allocation plan.

Endesa contests part of the requirements set out in Royal Decree 3/2006 and has lodged an appeal with the Court of Justice. Pending the outcome of the appeal, Endesa estimates the amount to be recovered at December 31, 2007, at €975 million.

2007 deficit

The rules established an *ex ante* deficit, which was provisionally financed using the mechanisms envisaged in Royal Decree 5/2005 pending the organization of the sub-auction of ex-ante deficit coverage rights by the CNE, Spain's electricity and gas authority. Endesa's share of financing the 2007 system deficit came to €583 million.

Resolutions of the Ministry of Industry of April 19 and May 29, 2007

In line with the initial provisions of Royal Decree 1634/2006 and in order to limit the market power of the leading operators and to curb the volatility of market prices, two measures partially modifying the market mechanisms were issued. With a measure of April 19, Endesa and Iberdrola were required to sell capacity through virtual power plant (VPP) auctions to be held on a quarterly basis with delivery as from July 2007. Of the five auctions planned, three have been held to date, with the sale of options for both base and peak load products. Each product is assigned with a quarterly, six-monthly and annual duration.

With the May 29 measure, all distribution companies were required to participate in auctions called CESUR (*Compra de electricidad para el suministro ultimo recurso*) for the provisioning of the electricity needed to meet the needs of their respective customers. To date, three CESUR auctions have been held for a total of 19,500 MW, with pre-set quotas (Endesa 35%, Electra de Viesgo Distribución 3%).

Ministerial Order 1522/2007

On May 24, the Ministry of Industry published Ministerial Order 1522/2007 concerning the promotion of renewable energy sources, specifically governing the guarantee of origin mechanism for high efficiency plants. Generators with plants driven by non-fossil-fuel resources, biomass plants and high-efficiency cogeneration plants are granted certificates of origin that can be traded and sold within the European Union. Any revenues generated have to be used for environmental projects.

Royal Decree 661/2007

On June 26, 2007, the Spanish government issued Royal Decree 661/2007 concerning the remuneration of plants powered by renewable energy sources. In addition to establishing special cogeneration incentives, the new decree establishes that:

- > such plants may choose whether to benefit from a regulated rate or to sell on the power exchange at the system marginal price plus a premium, which will vary on the basis of developments in market prices within a specified floor and cap;
- > the fixed rate, premium, cap and floor are to be indexed to inflation and/or the cost of fuel, depending on the technology adopted.

Ministerial Order 2794/2007

On September 27 the Ministry of Industry published Ministerial Order 2794/2007 concerning the regular quarterly rate update. The measure set out the new capacity payment mechanism (operational as from October 1, 2007), which is divided into medium-term capacity payments (maximum of 1 year) and long-term capacity payments (to remunerate new investment and payable for ten years). Long-term capacity payments are made for plants that entered service after 1998. For plants in service as from October 1, 2007, the amount will be set on the basis of the system coverage index. In line with the provisions of Royal Decree 1634/2006, as from January 1, 2007, nuclear power plants are no longer eligible for any form of capacity payment.

Decree Law 11/2007

On December 7, 2007 the Spanish government issued an urgent decree to prevent market distortion and discrimination between energy trading mechanisms. To this end, for the period from 2008 to 2012, the measure reduces the remuneration of generation activity in reflection of the internalization of the value of the CO₂ allowances granted free of charge under the national allocation plan. Subsequent measures will specify the detailed procedures.

Antitrust proceedings

In 2007 a suspension of payment was obtained for the fine of €2.5 million imposed on December 28, 2006, on Enel Viesgo Generación for abuse of a dominant position in the technical restraints market.

Also in 2007, two other antitrust proceedings initiated in 2005 and 2007 against Enel Viesgo Generación for alleged abuse of a dominant position in the technical restraints market were closed without the imposition of penalties.

In April, another proceeding was initiated against Electra de Viesgo Distribución and all of Spain's leading distribution companies. The proceeding for abuse of dominant position concerning access to customer information are still in the initial inquiry stage.

Emissions trading

On February 26, 2007 the European Commission approved the CO₂ allowance allocation plan for 2008-2012 on the condition that a number of changes be made, including the inclusion of the full list of plants and related allocations.

With Decree 3420 of November 14, 2007, the Spanish government, responding to Commission requests, gave final approval to Spain's national allocation plan for 2008-2012, detailing the allowances granted to each plant.

In 2007, emissions produced by Enel Viesgo Generación amounted to 4.2 million metric tons. Considering allowances granted under the national allocation plan in the amount of 2.6 million metric tons, allowances acquired during 2007 (2.0 million metric tons) and the surplus at the start of the year (0.3 million metric tons), the residual surplus at December 31, 2007, came to 0.7 million metric tons.

In the 4th Quarter of 2007, the estimated emissions produced by Endesa amounted to about 11.6 million metric tons (final verification and certification will be completed by March 31, 2008). Allowances granted under the national allocation plan, calculated on a pro rata basis for the same period, amounted to 9.2 million metric tons. The resulting deficit of about 2.4 million metric tons is entirely covered through the Emissions Trading Scheme mechanisms.

France

Regulatory and rate issues

Last year saw the implementation of the secondary legislation envisaged in the Energy Law of November 8, 2006, creating a "return rate" (the "TARTAM") for industrial customers.

Between March and May 2007, the government published the decrees applying the return rate under which customers on the free market can return to purchase electricity under the regulated regime at a premium of about 20% over the historic rate.

On February 22, despite the decision of the Constitutional Council of November 30, under which new customers would not be entitled to the rate, an amendment to the housing law granted entitlement to the rate regime for new connections until 2010.

Unbundling

Following the enactment of the law of November 2006, legal unbundling of distributors came into effect as from July 1, 2007. In reality, the EDF distributor will be established as a separate entity in January 2008. Customers who do not elect the free market receive electricity from the sales company (article 23 of the law) and no competition is envisaged in this segment. Suppliers of last resort will be selected through auctions.

Emissions trading

On March 26, 2007 the European Commission approved France's proposed CO₂ allowance allocation plan for 2008-2012, subject to a decrease in the reserve for new entrants, which has been set at 2.7 million metric tons a year. The total amount of CO₂ allowances for the French sectors covered by the Emissions Trading Scheme Directive is equal to an average of 132.8 million metric tons of CO₂ per year.

Slovakia

The New Regulatory Act (Law 107 of February 22, 2007)

On March 15, 2007, Law 107 came into force, amending Law 276/2001, which established the Slovakian regulator (URSO). The amendments introduce important changes in the procedure for appointing members of URSO's board and the powers of URSO.

The previous board's term ended on March 15, and the six new board members were appointed in June. Every two years, two board members are to be reappointed by the President of the Republic, who again chooses two names from the lists of two pairs of names presented by the Government and Parliament.

The must-run plants of Slovenské elektrárne (SE)

Slovenské elektrárne (SE) owns two thermal plants that, in compliance with the "general economic interest" clause of the Slovakian Energy Act (Law 658/2004), are required to guarantee availability of capacity and electricity.

The law states that SE is to be compensated for costs, incurred for the operation of these plants, that cannot be recovered through the sale of electricity on the market through a system costs rate component levied on all final consumers. This rate component is set annually by the Slovakian regulator (URSO) based on the expected extra costs to be paid to SE.

SE submitted a proposal to URSO concerning costs forecast for 2008 for the ENO plant (Nováky), while the EVO plant (Vojany) is no longer considered a must-run facility as from 2008. In addition, in 2008 SE will receive the remainder of the system costs reimbursement for 2005. Finally, URSO also agreed to revalue the assets of ENO and EVO by €30 million, to be compensated in 2009-2010.

Emissions trading

As regards the 2008-2012 allocation plan, Slovenské elektrárne was allocated allowances equal to an annual average of 9.2 million metric tons of CO₂ out of a total of 41.3 million metric tons. With Communication COM(2006) 725 of November 29, 2006, the European Commission imposed a 25% reduction in the cap on total emission allowances. In January 2007, the Slovakian government filed a formal appeal against the Commission's decision but nevertheless revised its plan, redistributing the allocation among the plants in the different sectors. In September 2007, the government submitted its revised plan for consultation. Under the new plan, SE would receive an annual allocation of about 4.9 million metric tons of CO₂. On December 7, 2007, the European Commission revised its previous decision, allowing additional allocations totaling 1.78 million metric tons of CO₂ a year. The Slovakian Ministry for the Environment then published the list with the reallocation by operator, assigning SE an average of about 5.2 million metric tons of CO₂ a year.

New market rules

On July 4, 2007, the Slovakian government approved a decision concerning the new market rules as a consequence of the liberalization on July 1, 2007. In particular, the measure calls for the application, beginning on January 1, 2008, of a surcharge equal to the rate component paid by end users to cover the system services (about €10/MWh in 2007) on the electricity generated in Slovakia and exported.

Energy Act

In August a first draft of the framework Energy Act was presented. Slovenské elektrárne has already submitted its comments on the most significant aspects of the legislation, which regard the security of supply, emergencies, the role of the regulator and the definition of operators with a dominant position.

During meetings held in September between the Ministry for the Economy and industry companies, the Ministry expressed its willingness to accept most of the suggestions advanced by Slovenské elektrárne.

Bulgaria

Emissions trading

On October 26, 2007, the European Commission issued its decision on Bulgaria's allowance allocation plan for 2008-2012, requiring a reduction of about 37.4%. It also published its decision on allocations for 2007 (the year Bulgaria joined the European Union), which requires a cut of about 20%. Enel Maritza East 3 submitted its comments to the Ministry for the Environment in support of the request for additional allowances. Overall, it is expected that the impact of the final allocation will be essentially neutral. The Bulgarian government is still waiting to complete the final version of the two allocation plans.

Romania

Rate issues

Distribution rates are established with a system that regulates rates for end users while safeguarding the profits of distributors, covering distribution costs within the limits of a price cap. On October 25, 2007, the regulator ANRE (Autoritatea Nationala De Reglementare In Domeniul Energiei) published a new methodology for determining distribution rates for the second regulatory period (2008-2012). In particular, WACC has been set at 10% rather than 12% (as in the 2005-2007 period), the efficiency factor is calculated on the basis of the arithmetic average (rather than the linear average) of the efficiency achieved in the 2005-2007 period and capital expenditure will be remunerated in relation to investments entering service on a monthly basis rather than the annual average.

On December 21, 2007, the distribution rates for the second regulatory period (2008-2012) were published, with a slight decline for Enel companies (although still better than would have been the case under the old methodology).

In April 2007, end-user rates increased by 3.95%, which produced an additional margin over the level set by the regulations. As from July 1, 2007 the market has been fully liberalized in line with the timetable established at the European level. The mechanism for calculating rates for the supply of power to customers on the regulated market still needs to be updated. In the meantime, the mechanism will remain unchanged for 2008, with a regulated margin of 2.5% over the cost of purchasing the electricity supplied to those customers.

For each supplier, the prices and volumes of the electricity portfolio for customers on the regulated market are determined by ANRE so as to obtain a uniform final rate throughout the country. At the start of January 2008 ANRE assigned the energy portfolios with the associated purchase prices for each supplier for 2008.

Unbundling

On July 1, 2007, the electricity distribution and sales companies met the obligation of corporate unbundling. Separate companies were created to manage sales and the distribution network with separate administration, accounting, and management. Three companies came from the spin-off from Enel Electrica Banat and Enel Electrica Dobrogea: Enel Distributie Banat and Enel Distributie Dobrogea will manage the distribution network, while Enel Energie will handle service provision to customers.

As of the same date, all customers are eligible to choose their supplier. The role of both default supplier (i.e. the supplier of customers of the regulated market who, after July 2007, do not exercise the right to choose their supplier) and the supplier of last resort (which steps in the event of the bankruptcy of the default supplier) of customers on the regulated market who, after July 2007, do not exercise the right to choose their supplier, will be filled by the same companies that sell electricity.

Russia

Regulatory and rate issues

In April 2007, the Russian government officially confirmed the gradual opening of the wholesale power generation market, which will go from 5% in 2007 to 100% by 2011, with the exception of consumption by residential customers (about 15%).

The liberalized share of electricity will be sold through an organized day-ahead market with prices reflecting the position of the generating company in the grid (nodal pricing). Beginning in 2008, the portion of power generation still sold under the administered price system will shift from a cost-plus mechanism to a price cap in order to spur generators to increase efficiency. The indexation mechanism published by the Federal Tariff Office in December 2006 provides for fuel costs to be updated on the basis of price indicators for each fuel type, while other costs will be updated on the basis of Russian inflation. The rates for 2008, which were published in December 2007, are in line with this approach. The liberalization of the gas market, which began in November 2006, envisages the gradual convergence of regulated gas prices to the level of the European net-back price. Heating rates continue to be set using a cost-plus mechanism that does not ensure the profitability of the business.

New energy law

Federal Law 250 of November 4, 2007 concerning energy introduced major amendments to federal laws 35 and 36 of March 26, 2003. Regulated generation rates will be eliminated as from July 2011, by way of the gradual reduction of the volumes of regulated contracts. After that date, regulated generation rates will only remain in force for isolated areas and residential customers. For the latter, regulated supply will be limited to 3 years under specific contracts, with the price to be greater than generation rates. Antitrust rules were made more restrictive: previously, a dominant position was defined as having control of more than 35% of the total capacity in the price zone. With the reform, the threshold has been lowered to 20% and is calculated on the basis of the electricity within the "free flow zones" (the number and location of which remain to be established). The law also authorizes the government to set targets for generation from renewables, with the possibility of implementing support mechanisms. Finally, the law transforms the position of the institutions involved in regulating the industry. First, a state agency (probably the new Federal Energy Agency) will be charged with approving the investment programs of the generation companies in which the state holds a stake and with monitoring their implementation. A new institution, the Market Council, will also be created to prepare draft regulations for the wholesale and retail markets. Generators will also be represented on the new body, although the government will retain a veto.

Capacity market and capacity contracts

A capacity market for power generators is being organized. To that end, the federal utility RAO UES issued consultation documents in 2007 on the market's possible structure. Between 2008 and 2011 short-term auctions will be organized: during the transition period, all units included in the Federal Balance will be eligible for the auctions. For existing plants only, bids will be limited by a price-cap corresponding to their rate. In order to ensure that the capacity envisaged in investment programs is actually made available by generation companies, in August 2007 RAO UES proposed a provisional mechanism under which the installed capacity of the new plant will be remunerated using bilateral capacity contracts between the ATS (Administrator of Trading System) and generators.

Retail

Although the market for non-residential customers has been liberalized, the retail segment remains highly regulated and dominated by the supplier of last resort (the Guaranteeing Supplier). The Guaranteeing Supplier license, issued to the incumbent sales companies, will be auctioned for a period of 3 years. In September 2007, RAO announced a reform of the retail market. The auctions for the Guaranteeing Supplier, which had been expected to be held shortly, will be postponed until 2009 at the earliest.

Greece

Law 3468/2006

As from June 2006 a new incentive mechanism for renewables replaced and repealed the previous system established with Law 2733/1999.

Rates are set for plants on the basis of the technology used and are updated by the Ministry of Development, having obtained the opinion of the Authority for Electricity and taking account of any updates already granted to PPC (Public Power Corporation, the vertically integrated dominant operator in the Greek market). With the full liberalization of the market rates will be updated in relation to inflation. With ministerial decision 14610 of July 4, 2007, rates were updated with retroactive effect as from January 1, 2007 (for hydroelectric and wind facilities the increase was equal to about 3-4%)

Ministerial decision of November 30, 2007

With a ministerial decision of November 30, the Greek government approved the rate increase for the dominant operator PPC as from December 1, 2007, which will remain in force until December 31, 2008. The average rate increase is about 7% for low- and medium-voltage customers and 10% for high-voltage customers. No rate increase was introduced for households with reduced power contracts and those with 3 or more children.

Argentina

Resolution 50/2007

With Resolution 50 of February 1, 2007, the Argentine electricity authority (ENRE) approved the new rate structure, authorizing a significant increase for distribution rates, the first since the crisis of 2001. Distributors, including EDESUR (of which Endesa holds about 99%) will apply the increase with retroactive effect from November 1, 2005 unless legal issues should emerge.

Resolution 466/2007

On July 18, 2007, the Argentine electricity authority published Resolution 466, which, pending the entry into force of the rate revision, extends the "temporary regime" until 2013, the period for which the concession for distribution activities is held by EDESUR. The concession, which has a total duration of 95 years (as from 1993), will be operated over a series of "management periods" of 10 years each.

Chile

Rate updates

Chile's regulator approved a series of measures concerning the updating of regulated rates (nodal prices), which are normally set on a six-monthly basis in April and October. The rate, which reflects the system marginal cost forecast for the subsequent 4 years, was equal to \$67.1/MWh as from November 1, 2006, \$73.3/MWh from May 1, 2007, and \$104.05/MWh from November 1, 2007.

Renewables incentive law

On October 3, 2007, Chile's Chamber of Deputies approved a bill to encourage the use of renewable energy resources on the basis of a green certificates system. On January 18, 2008 the bill was approved by the Senate and returned to the lower house. It is expected to be enacted into law by March 2008. As from January 1, 2010 and until 2014, 5% of electricity sold to distribution companies or end users must be certified as having been generated from unconventional renewable resources (ERNC). The proportion increases by half a percentage point a year from 2015 to 2024, to reach 10%. Failure to meet the requirements will be sanctioned with penalties. The power generated by hydroelectric facilities of up to 40 MW will be fully included in the ERNC percentage up to 20 MW and in a decreasing percentage from 20 to 40 MW.

Colombia

Resolution 31/2007

In April, the Colombian electricity and gas authority (CREG) approved Resolution 31 concerning the conditions and mechanisms for the auctions to be held in May 2008 for the assignment of obligations to supply baseload power to meet part of the country's electricity demand.

Peru

Decree 53/2007

In October 2007, Peru approved a regulation containing the rules implementing Law 27345 concerning the promotion of the efficient use of electricity to encourage intelligent consumption and reduce environmental impact.

Overview of the Group's performance and financial position

Definition of performance indicators

In order to present the results of the Group and analyze its financial structure, Enel has prepared separate reclassified schedules that differ from those envisaged under the IFRS-EU adopted by the Group and presented in the consolidated financial statements. These reclassified schedules contain different performance indicators from those obtained directly from the consolidated financial statements, which management feels are useful in monitoring Group performance and representative of the financial performance of the Group's business. In accordance with recommendation CESR/05-178b published on November 3, 2005, the criteria used to calculate these indicators are described below:

Gross operating margin: an operating performance indicator, calculated as "Operating income" before "Depreciation, amortization and impairment losses" and "Income from equity exchange transaction".

Net non-current assets: calculated as the difference between "Non-current assets" and "Non-current liabilities" with the exception of:

- > "Deferred tax assets";
- > "Financial receivables due from other entities", "Other securities designated at fair value through profit or loss" and other minor items reported under "Non-current financial assets";
- > "Long-term loans";
- > "Post-employment and other employee benefits";
- > "Provisions for risks and charges";
- > "Deferred tax liabilities".

Net current assets: calculated as the difference between "Current assets" and "Current liabilities" with the exception of:

- > "Receivables for factoring advances", "Long-term financial receivables (short-term portion)", "Other securities" and other minor items reported under "Current financial assets";
- > "Cash and cash equivalents";
- > "Short-term loans" and the "Current portion of long-term loans".

Net assets held for sale: calculated as the algebraic sum of "Assets held for sale" and "Liabilities held for sale".

Net capital employed: calculated as the algebraic sum of "Net non-current assets" and "Net current assets", provisions not previously considered, "Deferred tax liabilities" and "Deferred tax assets", as well as "Net assets held for sale".

Net financial debt: a financial structure indicator, determined by "Long-term loans", the current portion of such loans and "Short-term loans" less "Cash and cash equivalents", "Current financial assets" and "Non-current financial assets" not previously considered in other balance sheet indicators.

Main 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 GlobeEq (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 GlobeEq 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 reclassified balance sheet as "Net assets 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 Europe");
- > 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 reclassified income statement, the income or loss, net of the related tax effect, attributable to the net assets held for sale of Endesa Europe is reported under "discontinued operations" as those net assets have been acquired for the sole purpose of their resale.

Group performance

Millions of euro

	2007	2006	2007-2006	
Total revenues	43,673	38,513	5,160	13.4%
Total costs	33,614	29,880	3,734	12.5%
Net income/(charges) from commodity risk management	(36)	(614)	578	94.1%
GROSS OPERATING MARGIN	10,023	8,019	2,004	25.0%
Income from equity exchange transaction	-	263	(263)	-
Depreciation, amortization and impairment losses	3,033	2,463	570	23.1%
OPERATING INCOME	6,990	5,819	1,171	20.1%
Financial income	2,101	513	1,588	-
Financial expense	3,015	1,160	1,855	-
Total financial income/(expense)	(914)	(647)	(267)	-41.3%
Share of gains/(losses) on investments accounted for using the equity method	12	(4)	16	-
INCOME BEFORE TAXES	6,088	5,168	920	17.8%
Income taxes	2,002	2,067	(65)	-3.1%
NET INCOME FROM CONTINUING OPERATIONS	4,086	3,101	985	31.8%
NET INCOME FROM DISCONTINUED OPERATIONS	127	-	127	-
NET INCOME (Group and minority interests)	4,213	3,101	1,112	35.9%
Minority interests	(236)	(65)	(171)	-
GROUP NET INCOME	3,977	3,036	941	31.0%

Revenues

Millions of euro

	2007	2006	2007-2006
Electricity sales and transport and contributions from Electricity Equalization Fund and similar bodies	39,164	34,231	4,933
Gas sold and transported to end users	2,118	1,695	423
Gains on disposal of assets	-	90	(90)
Other services, sales and revenues	2,391	2,497	(106)
Total	43,673	38,513	5,160

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

- > a €4,019 million increase in revenues from foreign operations, €2,648 million of which essentially related to the consolidation from October 1, 2007 of Endesa, €425 million to the consolidation at the end of April 2006 of Slovenské elektrárne, €376 million to the consolidation of RusEnergoSbyt acquired in June 2006, €80 million to the acquisition of Enel Fortuna and Enel Panama on February 2, 2007, and August 1, 2006, respectively, and €276 million related to international energy trading;
- > growth of €713 million in revenues from the transport and sale of electricity in Italy, as a result of the increase in revenues on the free market in the amount of €2,546 million, essentially owing to the increase in volumes sold, partly offset by the reduction of €1,833 million in revenues on the enhanced protection and safeguard markets. 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 in respect of contributions due 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 the increase in quantities partly offset by a decrease in average prices), partly balanced by 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 resellers;
- > a €108 million decrease in revenues from subsidized energy sales to the Electricity Services Operator (ESO) due essentially to the lower volumes generated by CIP 6-qualified plants, primarily because the subsidy period for a number of the plants came to an end, as well as poorer water conditions.

Revenues from **gas sold and transported to end users** increased by €423 million (up 25.0%) due to the increase in revenues on the domestic market (€221 million) and the consolidation of Endesa and SeverEnergia (formerly Enineftegaz), which contributed €191 million and €11 million, respectively. More specifically, the change in revenues on the

domestic market is attributable to the increase in amounts sold and the effects of the application of Resolution no. 79/07 of the Authority for Electricity and Gas, which definitively established the more favorable economic terms for the provision of gas for 2005 and the 1st Half of 2006 than had been envisaged in the earlier Resolutions no. 248/04 and no. 134/06.

Gains on the disposal of assets decreased by €90 million. 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 (€2,497 million in 2006), a decline of €106 million or 4.2%. The reduction is mainly attributable to the following factors:

- > a decrease of €178 million in revenues from the sale of fuels for trading. The change is associated with the contraction of €237 million in revenues on the domestic market, which, despite the rise in volumes sold, were affected by the greater impact of the natural gas component in the sales mix, whose prices in 2007 were lower on average than in 2006. The decline was partially offset by an increase of €59 million in revenues from fuel trading by the Spanish companies;
- > a decrease of €122 million in revenues from contract work in progress due to the 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 ISO, now Terna;
- > an increase of €38 million in connection and activation fees for electricity and gas services, of which €16 million attributable to the consolidation of Endesa;
- > an increase of €236 million in sundry revenues mainly attributable to rental income, gains on the disposal of assets and other grants, connected with the consolidation of Endesa.

Costs

Millions of euro

	2007	2006	2007-2006
Electricity purchases	19,139	17,082	2,057
Consumption of fuel for electricity generation	4,224	4,086	138
Purchase of fuel for trading and natural gas for resale to end users	1,656	1,628	28
Materials	763	750	13
Personnel	3,326	3,210	116
Services, leases and rentals	4,748	3,400	1,348
Charges for CO ₂ emissions	7	84	(77)
Other operating expenses	929	629	300
Capitalized costs	(1,178)	(989)	(189)
Total	33,614	29,880	3,734

Costs for **electricity purchases** increased by €2,057 million in 2007 (up 12.0%). The rise is mainly associated with the change in the scope of consolidation of foreign companies, of which €650 million is 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 enhanced protection and safeguard markets.

Costs for **consumption of fuel for electricity generation** amounted to €4,224 million in 2007, a rise of €138 million on the previous year (up 3.4%) mainly due to the consolidation of Endesa (€560 million), partially offset on the domestic market by the reduction in thermal generation and the improvement in the fuel mix.

Costs for **purchase of fuel for trading and natural gas for resale to end users** came to €1,656 million, up €28 million or 1.7% on 2006. Excluding the effects of the consolidation of Endesa (€95 million), these costs declined by €67 million (down 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) purchases 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 €13 million or 1.7%).

Personnel costs in 2007 amounted to €3,326 million, up €116 million or 3.6%, while the average number of employees rose by 8.8%. Excluding the effects of the change in the scope of consolidation, which mainly regarded foreign companies, the effect of lower charges for retirement incentives and charges recognized in respect of the INPS dispute (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%, and include the charge associated with the renewal of the collective bargaining agreement for the electricity industry (€21 million).

Costs for **services, leases and rentals** came to €4,748 million in 2007, up €1,348 million or 39.6% compared with 2006. Excluding the change in the scope of consolidation connected with the acquisition of Endesa, these costs increased by €892 million (up 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 CO₂ 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 allowance requirement resulting from the difference between amounts produced and those assigned under the national allocation plans.

Other operating expenses came to €929 million in 2007, up €300 million or 47.7% on the previous year due to the change in the scope of consolidation associated with Endesa and increased provisions for risks and charges.

In 2007 **capitalized costs** rose by €189 million (up 19.1%) mainly as a result of the increased in-house activity of the Domestic Infrastructure and Networks Division.

Net income/(charges) from commodity risk management showed a net charge of €36 million in 2007 (compared with a net charge of €614 million the previous year). The change primarily reflects 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).

The **income from the equity exchange transaction** recognized in 2006 regards the measurement of the effects of the exchange of 30.97% of Wind for 20.9% of Weather Investments, which resulted in a gain of €263 million.

Depreciation, amortization and impairment losses increased by €570 million (up 23.1%). Excluding the effects of the consolidation of Endesa (€337 million), these charges rose by €233 million or 9.5%. The rise mainly reflects the combined effect of the different period of consolidation of Slovenské elektrárne and increased impairment losses recognized, mainly on trade receivables for the sale of electricity.

Operating income for 2007 totaled €6,990 million, an increase of €1,171 million on the previous year (up 20.1%). Excluding the income generated by the Wind-Weather equity exchange, equal to €263 million, from the figures for 2006, the rise was €1,434 million, essentially as a result of the new acquisitions.

Other factors in the change in operating income are analyzed in the comments on the performance of the Divisions.

Net financial expense increased by a total of €267 million (up 41.3%). The rise is essentially attributable to the increase of €860 million in net financial expense caused by the rise in average debt during 2007 following the acquisition of Endesa. These developments were partially offset by the dividend of €301 million (distributed before the consolidation of the company) 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 into as part of the acquisition of a further 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 (€136 million).

The result of **investments accounted for using the equity method** in 2007 was a positive €12 million, compared with a net expense of €4 million in 2006. It reflects the effects of the equity-method measurement of OGK-5 and minor associated companies.

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

Analysis of the Group's financial position

Millions of euro

	at Dec. 31, 2007	at Dec. 31, 2006	2007-2006
Net non-current assets:			
- property, plant and equipment and intangible assets	57,374	35,557	21,817
- goodwill	26,274	2,271	24,003
- equity investments accounted for using the equity method	1,972	56	1,916
- other net non-current assets/(liabilities)	(2,063)	(187)	(1,876)
Total	83,557	37,697	45,860
Net current assets:			
- trade receivables	11,576	7,958	3,618
- inventories	1,726	1,209	517
- net receivables from the Electricity Equalization Fund and similar bodies	1,040	407	633
- other net current assets/(liabilities)	(2,566)	(2,634)	68
- trade payables	(9,622)	(6,188)	(3,434)
Total	2,154	752	1,402
Gross capital employed	85,711	38,449	47,262
Provisions:			
- post-employment and other employee benefits	(2,920)	(2,633)	(287)
- provisions for risks and charges and net deferred taxes	(7,327)	(5,101)	(2,226)
Total	(10,247)	(7,734)	(2,513)
Net assets held for sale	4,116	-	4,116
Net capital employed	79,580	30,715	48,865
Total shareholders' equity	23,789	19,025	4,764
Net financial debt	55,791	11,690	44,101

Property, plant and equipment and intangible assets increased by €21,817 million to €57,374 million. The rise is essentially attributable to the expansion in the scope of consolidation associated with the acquisitions made in 2007, of which €20,317 million linked to the consolidation of 67.05% of Endesa, €917 million to SeverEnergia (formerly Enineftegaz) and €197 million to Enel Fortuna, as well as capital expenditure for the year in the amount of €4,929 million. These increases were partially balanced by depreciation, amortization and impairment losses on those assets in the amount of €2,795 million as well as the reclassification of the property, plant and equipment and intangible assets of Enel Viesgo Generación, Enel Viesgo Servicios and Electra de Viesgo Distribución (as well as the equity investments held by them) to *Net assets held for sale* totaling €1,675 million.

Goodwill amounted to €26,274 million, up €24,003 million, mainly reflecting the recognition in 2007 of the overall goodwill connected with the acquisition of Endesa (€24,458 million), Inelec (€100 million), Enel Fortuna (€49 million), SeverEnergia (€44 million) and wind-power

companies in Greece (€42 million). The above figures have been allocated provisionally to goodwill pending completion of the analysis needed to allocate the amounts more accurately to the assets and/or liabilities acquired, with the exception of those in respect of SeverEnergia and Enel Fortuna, for which allocation has been completed.

The increase in 2007 associated with the above acquisitions was partially offset by the classification of the goodwill of Enel Viesgo Generación and Electra De Viesgo Distribución under *Net assets held for sale* in the total amount of €681 million as well as the effects of the completion during the year of the allocation of the cost of the equity investment at the fair value of the assets acquired and liabilities assumed with RusEnergoSbyt (a negative €27 million) and Enel Panama (a negative €14 million). The residual goodwill recognized for them is to be considered definitive.

Equity investments accounted for using the equity method came to €1,972 million, up €1,916 million on the previous year, mainly as a result of the recognition of 37.15% of OGK-5 (€1,652 million) and the change in the scope of consolidation attributable to Endesa (€195 million).

Other net non-current assets/(liabilities) showed a net liability of €2,063 million at December 31, 2007, an increase of €1,876 million compared with December 31, 2006. The change is mainly attributable to the following factors:

- > an increase of €2,289 million in non-current liabilities, primarily as a result of the consolidation of Endesa (€2,230 million), specifically its operating liabilities associated with the deferral of revenues from electricity connection fees;
- > an increase of €1,555 million in non-current financial liabilities, which includes the fair value measurement of the put option granted by Enel to Acciona in the agreement signed on March 26, 2007 (€1,004 million);
- > an increase of €1,147 million in the receivable from the Electricity Equalization Fund and similar bodies, which is essentially attributable to the consolidation of Endesa's receivables in respect of the Spanish electrical system for remuneration of electricity generation in extra-peninsular areas (the Balearic and Canary Islands).

Net current assets came to €2,154 million, up €1,402 million compared with the previous year. The change is mainly attributable to the following:

- > a €3,618 million increase in *trade receivables* due primarily to receivables for the sale of electricity associated with the consolidation of Endesa and greater quantities sold in 2007 on the domestic free market and the Power Exchange;
- > a €517 million increase in *inventories*, mainly attributable to the change in the scope of consolidation with the acquisition of Endesa;
- > a €633 million increase in *net receivables from the Electricity Equalization Fund and similar bodies*, largely due to the recognition of increased receivables in 2007 for the equalization of purchases of power for the domestic enhanced protection and safeguard markets. The increase in receivables attributable to the consolidation of Endesa, equal to €539 million and which includes the short-term portion of receivables for electricity generation in extra-peninsular areas, was partially offset by the increase of €508 million in Endesa's liabilities to the Spanish electricity system;
- > an €68 million decline in *other current liabilities less related assets*. The change is largely attributable to the following developments:
 - an increase in net other non-financial assets amounting to €269 million, of which €173 million in respect of net receivables for VAT and other indirect taxes;

- an increase of €65 million in net income tax liabilities, mainly due to the recognition of current taxes for the year amounting to €1,900 million net of tax payments in settlement and on account of €1,677 million and net receivables for current taxes at the date of consolidation of Endesa in the amount of €129 million;
- an increase of €136 million in net financial liabilities, mainly due to the contribution of Endesa;
- > a €3,434 million increase in *trade payables*, basically attributable to the consolidation of Endesa and greater purchases on the Power Exchange.

Provisions amounted to €10,247 million, an increase of €2,513 million on 2006. The rise is attributable to the following factors:

- > an increase of €2,311 million in provisions for risks and charges, largely due to the change in the scope of consolidation during the year;
- > an increase of €287 million in provisions for post-employment and other employee benefits, essentially reflecting the effects of the consolidation of Endesa, partially offset by greater utilization for terminations compared with accruals for the year;
- > a decrease of €85 million in net deferred taxes, thanks to the adjustment of the deferred taxes of the Italian companies to the new reference rates for taxes in future financial years.

Net assets held for sale totaled €4,116 million. They regard the reclassification of the net assets to be sold in respect of the renewable energy resources held by Endesa and the Endesa Europe assets in the amount of €3,041 million and assets of the Viesgo Group amounting to €1,075 million.

Net capital employed came to €79,580 million at December 31, 2007, and was funded by shareholders' equity attributable to the Group and minority interests in the amount of €23,789 million and net financial debt of €55,791 million. With regard to the latter figure, the debt-to-equity ratio at December 31, 2007, came to 2.35 (compared with 0.61 at December 31, 2006).

Analysis of the financial structure

Net financial debt

Net financial debt and changes in the period are detailed in the table below:

Millions of euro	at Dec. 31, 2007	at Dec. 31, 2006	2007-2006
Long-term debt:			
<i>- bank loans</i>			
- bank loans	28,343	3,677	24,666
- bonds	22,365	8,375	13,990
- preference shares	966	-	966
- other loans	481	142	339
<i>Long-term debt</i>	52,155	12,194	39,961
Long-term financial receivables and securities	(1,339)	(1,090)	(249)
Net long-term debt	50,816	11,104	39,712
Short-term debt:			
<i>Bank loans:</i>			
- short-term portion of long-term debt	461	233	228
- drawings on revolving credit facilities	20	-	20
- other short-term bank debt	1,260	542	718
<i>Short-term bank debt</i>	1,741	775	966
Bonds (short-term portion)	2,033	59	1,974
Other loans (short-term portion)	235	31	204
Commercial paper	3,893	531	3,362
Other short-term financial payables	112	13	99
<i>Other short-term debt</i>	6,273	634	5,639
Long-term financial receivables (short-term portion)	(1,402)	(30)	(1,372)
Factoring receivables	(205)	(211)	6
Other short-term financial receivables	(97)	(10)	(87)
Cash and cash equivalents	(1,335)	(572)	(763)
<i>Cash and cash equivalents and short-term financial receivables</i>	(3,039)	(823)	(2,216)
Net short-term financial debt	4,975	586	4,389
NET FINANCIAL DEBT	55,791	11,690	44,101
Financial debt of "Assets held for sale"	1,725	-	-

Net financial debt was equal to €55,791 million at December 31, 2007, an increase of €44,101 million over December 31, 2006.

The increase mainly reflects the outlays for the acquisition of 67.05% in Endesa at a price of €28,211 million (as well as the effects of the consolidation of the related debt), the acquisition of 37.15% in OGK-5 for €1,644 million and the acquisition of former Yukos assets for €680 million through Enineftegaz (now SeverEnergia).

Net long-term financial debt increased by €39,712 million to €50,816 million compared with the previous year.

More specifically, bank loans amounted to €28,343 million, an increase of €24,666 million, reflecting the drawing by Enel SpA and Enel Finance International of €19,171 million on the 36- and 60-month tranches of the syndicated credit line of €19.5 billion and bank loans attributable to the Endesa consolidation of €4,712 million. Bonds amounted to €22,365 million, an increase of €13,990 million, mainly due to the various bond issues carried out during the year by Enel SpA and Enel Finance International totaling about €9,560 million and bonds associated with the consolidation of Endesa amounting to €5,419 million. The change in net long-term financial debt also reflects the consolidation of the preferences shares of Endesa Capital in the amount of €966 million.

Net short-term financial debt came to €4,975 million at December 31, 2007, a rise of €4,389 million on 2006.

Specifically, other short-term debt came to €6,273 million, up €5,639 million, and includes the commercial paper issues of Enel Finance International, Endesa Internacional BV and Endesa Capital SA in the amount of €3,893 million. Bonds maturing within the subsequent 12 months amounted to €2,033 million, including a public fixed-rate note of €1,000 million issued by Enel SpA in 1998 and the effects of the consolidation of Endesa in the amount of €894 million.

Short-term bank debt amounted to €1,741 million, a rise of €966 million, reflecting the drawing by Enel SpA and Enel Finance International of €279 million on the 12-month tranche of the syndicated credit line of €19.5 billion.

Short-term financial debt was offset by the increase of €2,216 million in cash and cash equivalents, of which €520 million in respect of short-term financial receivables associated with the Endesa consolidation.

Cash flows

Millions of euro

	2007	2006	2007-2006
Cash and cash equivalents at the start of the year	572	508	64
Cash flows from operating activities	6,070	6,756	(686)
Cash flows from investing/disinvesting activities	(35,353)	(2,374)	(32,979)
Cash flows from financing activities	30,226	(4,322)	34,548
Effect of exchange rate changes on cash and cash equivalents	(52)	4	(56)
Cash and cash equivalents at the end of the year ^{(1) (2)}	1,463	572	891

(1) Of which short-term securities equal to €101 million at December 31, 2007.

(2) Of which cash and cash equivalents pertaining to assets held for sale in the amount of €128 million.

Cash flows from operating activities were positive at €6,070 million in 2007, down €686 million or 10.2% compared with the previous year. The improvement in the gross operating margin (thanks in part to the consolidation of Endesa), including the effects of discontinued operations (equal to €2,191 million), was more than offset by increased cash requirements connected with the change in net current assets between the two years.

Cash flows from investing/disinvesting activities for 2007 resulted in a use of funds of €35,353 million, compared with €2,374 million a year earlier.

In particular, investments in property, plant and equipment and intangible assets amounted to €5,230 million, an increase of €2,267 million due primarily to the expansion in the scope of consolidation and increased investment in generation plants in Italy.

Investments in entities and business units, net of cash and cash equivalents acquired in the amount of €699 million, totaled €30,390 million, an increase of €29,308 million. They mainly regarded the acquisition of 67.05% of Endesa for €28,211 million, of 37.15% of OGK-5 for €1,644 million, of Enineftegaz for €680 million, of Enel Fortuna for €125 million and of Inelec for €119 million. Investments in entities and business units, net of cash and cash equivalents acquired, in 2006 had amounted to €1,082 million, mainly in respect of the acquisition of 66% of Slovenské elektrárne for €676 million (Enel had already paid a deposit of €168 million in 2005), of 10 companies of the Rede Group by Enel Brasil Partecipações for €169 million and of Enel Panama for €119 million.

In 2006, the disposal of entities and business units, net of cash and cash equivalents sold, generated a cash flow of €1,518 million, related essentially to cash flow from the payment of the first installment of the price for the 26.1% holding in Weather in the amount of €1,000 million and the sale on February 8, 2006, to a subsidiary of Weather, of a 6.28% stake in Wind for €328 million.

Cash flow from financing activities generated liquidity totaling €30,226 million, compared with a requirement of €4,322 million the previous year. The flow for 2007 includes the effects of the increase in net financial debt (€33,356 million) and the increase in capital and reserves due to the exercise of stock options (€50 million), net of the cash requirement associated with the payment of dividends and interim dividends in the amount of €3,180 million.

The *cash flow from financing activities* of €30,226 million and the *cash flow from operating activities* of €6,070 million made it possible to meet the cash needs generated by investment activity in 2007. The surplus increased cash and cash equivalents, which at December 31, 2007, came to €1,463 million (including that pertaining to net assets held for sale in the amount of €128 million), compared with €572 million at the end of 2006. Exchange rate changes had a negative impact of €52 million on the surplus.

Results by Division

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, account is not taken of the new organizational arrangements introduced in December 2007, which will become operational as from January 1, 2008.

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.

Results by Division for 2007 and 2006

Segment information - 2007 ⁽¹⁾

Millions of euro	Dom. Sales	Domestic GEM	Dom. Infr. and Net.	Int'l	Services Company	Parent and Other Activities	Eliminations and adjustments	Total
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

Segment information - 2006 ⁽¹⁾

Millions of euro	Dom. Sales	Domestic GEM	Dom. Infr. and Net.	Int'l	Services Company	Parent and Other Activities	Eliminations and adjustments	Total
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.

Millions of euro	at Dec. 31, 2007	at Dec. 31, 2006
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
- <i>of which:</i>		
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
- <i>of which:</i>		
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".

Domestic Sales

The Domestic Sales Division is responsible for commercial activities, with the objective of creating an integrated package of electricity and gas products and services for end users. The activities are carried out by:

- > Enel Distribuzione and Deval (the operations of the latter are limited to the Valle d'Aosta region) for the sale of electricity on the regulated market;
- > Enel Energia for the sale of electricity on the free market and the sale of natural gas to end users;
- > Enel.si, which is responsible for engineering and franchising.

Operations

Electricity sales

Millions of kWh

	2007	2006	2007-2006
Free market:			
- mass-market customers	18,369	3,036	15,333
- business customers ⁽¹⁾	21,578	19,231	2,347
Total for free market	39,947	22,267	17,680
			79.4%
Enhanced protection and safeguard markets	102,493	120,385	(17,892)
Total	142,440	142,652	(212)
			-0.1%

(1) Supplies to large customers and large-scale power users (annual consumption greater than 1 GWh).

Electricity sold on the free market in 2007 came to 39,947 million kWh, for an increase of 17,680 million kWh from the previous year due primarily to greater market liberalization, which led, conversely, to a decrease in the volume of energy sold on the enhanced protection and safeguard markets.

No. customers

	2007	2006	2007-2006
Free market:			
- mass-market customers	1,202,069	268,220	933,849
- business customers ⁽¹⁾	23,986	29,242	(5,256)
Total for free market ⁽²⁾	1,226,055	297,462	928,593
			-
Enhanced protection and safeguard markets	29,489,225	29,970,325	(481,100)
Total	30,715,280	30,267,787	447,493
			1.5%

(1) Supplies to large customers and large-scale power users (annual consumption greater than 1 GWh).

(2) Includes dual-energy customers.

The process of liberalizing the electricity market affected the dynamics of the types of customers served by the Domestic Sales Division. Specifically, there was a reduction in the number of customers on the enhanced protection and safeguard markets, while the number

of customers on the free market increased, thanks primarily to the acquisition of mass-market customers after July 1, 2007.

Gas sales and customers

	2007	2006	2007-2006	
Gas sold (millions of m³)				
- mass-market customers ⁽¹⁾	2,865	2,973	(108)	-3.6%
- business customers	2,032	1,572	460	29.3%
Total sales	4,897	4,545	352	7.7%
Customers at end of period ⁽²⁾				
- mass-market customers ⁽¹⁾	2,460,423	2,329,184	131,239	5.6%
- business customers	1,992	1,867	125	6.7%
Total customers	2,462,415	2,331,051	131,364	5.6%

(1) Includes residential customers and microbusinesses.

(2) Includes dual-energy customers.

Gas sales for 2007 totaled 4,897 million cubic meters, an increase of 352 million cubic meters from the previous year. This was due to the increase in sales to business customers related to the growth in the number of customers and to the higher volumes sold to such customers, which was partially offset by a decrease in sales to mass-market customers due to the effects of the weather in the first part of 2007.

At December 31, 2007, mass-market customers served numbered some 2.5 million, for an increase of about 0.2 million over December 31, 2006.

Performance

Millions of euro	2007	2006	2007-2006
Revenues	22,271	21,360	911
Net income/(charges) from commodity risk management	44	(4)	48
<i>Gross operating margin</i>	325	167	158
Operating income	109	(6)	115
Operating assets	8,269	6,948	1,321
Operating liabilities	6,138	6,272	(134)
Employees at year-end (no.)	4,772	5,176	(404)
Capital expenditure	59	56	3

Total **revenues** for 2007 amounted to €22,271 million, up €911 million (up 4.3%) over 2006, due mainly to the following factors:

- > a €2,382 million increase in revenues on the free electricity market related to the higher level of sales to mass-market customers thanks to customer-acquisition campaigns;
- > a €201 million increase in revenues from the sale of natural gas due primarily to an increase in the number of customers and in quantities sold, as well as to the positive

effect of the application of Resolution no. 79/07 and the recognition in 2007 of prior-year items in the amount of €31 million;

- > a €1,733 million decrease in revenues on the enhanced protection and safeguards electricity markets, due primarily to the reduction in quantities sold (down 17.9 TWh).

Gross operating margin came to €325 million, increasing by €158 million compared with the €167 million posted in 2006. This increase is due primarily to the following factors:

- > 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;
- > a €52 million increase in margins on the free market, essentially related to the higher volumes sold;
- > a €108 million increase in margins on the enhanced protection and safeguard markets due primarily to the different method of determining the pricing conditions for the safeguarding service as of July 1, 2007, following the application of the aforementioned Resolution no. 156/07, as well as to the increase in the rate component for sales costs (COV) and the positive impact of "domestic" equalization payments;
- > an increase of €55 million in operating costs (including €24 million in respect of customer-acquisition costs), the recognition in 2006 of reimbursements on lower gas purchases (€15 million) and the charge recognized in 2007 related to the fine levied with Resolution no. 66/07 (€12 million).

Total ***operating income***, after depreciation, amortization and impairment losses in the amount of €216 million (€173 million for the previous year), came to €109 million, increasing by €115 million from 2006. The increase in depreciation, amortization and impairment losses was primarily due to an increase in impairments on trade receivables recognized in 2007.

Capital expenditure

Capital expenditure came to €59 million, essentially in line with the figure for the previous year.

Domestic Generation and Energy Management

This Division operates in the field of electricity generation and energy products.

The activities of the Domestic Generation and Energy Management Division are as follows:

- > the generation and sale of electricity:
 - electricity generation in Italy through Enel Produzione;
 - trading on international and domestic markets through Enel Trade;
- > the supply and sale of energy products through Enel Trade:
 - provisioning for all of the Group's needs;
 - the sale of natural gas to distributors;
- > engineering and construction through Enel Produzione.

Operations

Net electricity generation

Millions of kWh

	2007	2006	2007-2006
Thermal	67,334	73,842	(6,508) -8.8%
Hydroelectric	21,183	24,475	(3,292) -13.5%
Geothermal	5,233	5,195	38 0.7%
Other resources	473	398	75 18.8%
Total net generation	94,223	103,910	(9,687) -9.3%

For 2007, net electricity generation totaled 94,223 million kWh, a decrease of 9.3% from 2006, essentially attributable to the increase in generation by other producers and the unavailability of Enel power plants undergoing transformation. More specifically, thermal generation posted a decline of 6,508 million kWh, while hydroelectric generation fell 3,292 million kWh due mainly to less favorable conditions of water availability for the period.

Contribution to gross thermal generation

Millions of kWh

	2007		2006		2007-2006
High-sulfur fuel oil (S>0.25%)	2,746	3.8%	7,704	9.8%	(4,958) -64.4%
Low-sulfur fuel oil (S<0.25%)	4,799	6.7%	8,330	10.6%	(3,531) -42.4%
<i>Total fuel oil</i>	<i>7,545</i>	<i>10.5%</i>	<i>16,034</i>	<i>20.4%</i>	<i>(8,489) -52.9%</i>
Natural gas	33,959	47.1%	33,402	42.4%	557 1.7%
Coal	30,171	41.9%	29,010	36.9%	1,161 4.0%
Other fuels	349	0.5%	256	0.3%	93 36.3%
TOTAL	72,024	100.0%	78,702	100.0%	(6,678) -8.5%

In 2007, the fuel mix used in thermal generation saw a decrease in the use of fuel oil and a rise in natural gas and coal.

In any case, gross thermal generation posted a generalized decline of 8.5% from 2006. In particular, fuel oil generation fell sharply (down 52.9%) due in part to a change in the mix in favor of coal and in part to the decree of the Ministry for Economic Development, which established certain changes to the operating conditions of thermal plants in early 2006 in order to reduce the consumption of gas for electricity generation. While natural gas generation remained essentially unchanged, the increase in coal-fired generation (up 4.0%) reflected the greater reliability achieved by section 2 of the Sulcis plant and section 3 of the La Spezia plant, which offset the negative impact of the downtime in the latter part of 2006 for sections 1 and 2 of the Fusina plant for environmental upgrading.

Enel's net efficient domestic generation capacity

MW	Dec. 31, 2007	Dec. 31, 2006	2007-2006
Thermal plants ⁽¹⁾	25,005	25,117	(112)
Hydroelectric plants	14,401	14,379	22
Geothermal plants	671	671	-
Other resources	319	308	11
Total	40,396	40,475	(79)

(1) 2,081 MW and 2,605 MW of which unavailable due to transformation activities and 990 MW and 287 MW unavailable due to long-term technical issues, at December 31, 2007, and December 31, 2006, respectively.

Net efficient domestic generation capacity as of December 31, 2007, is essentially in line with that at the end of 2006.

Performance

Millions of euro	2007	2006	2007-2006
Revenues	18,207	15,657	2,550
Net income/(charges) from commodity risk management	(206)	(697)	491
<i>Gross operating margin</i>	3,541	3,157	384
Operating income	2,600	2,205	395
Operating assets	17,917	16,752	1,165
Operating liabilities	5,076	4,019	1,057
Employees at year-end (no.)	9,306	9,573	(267)
Capital expenditure	1,167	897	270

Revenues for 2007 totaled €18,207 million, up €2,550 million or 16.3% over 2006, due primarily to the following factors:

- > a €2,128 million increase in revenues, mainly due to the increase in amounts 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 the reduction in operations by the Domestic Generation and Energy Management Division on the free market;

- > an increase in revenues of €717 million from electricity sales on the Power Exchange related primarily to the increase in quantities sold, which was partially offset by a decline in average sales prices;
- > a €252 million increase in revenues from electricity trading on international markets related to the higher volumes traded (up 3.4 TWh);
- > a €195 million increase in revenues for contract work in progress due to the increase in engineering and construction for companies of the International Division;
- > a €133 million decline in revenues from the sale of fuel for trading resulting from the €108 million decrease in gas sales and the €25 million decline in sales of other fuels;
- > a €108 million decline in sales of CIP 6 energy due primarily to the ending of incentives for a number of plants;
- > a €65 million decline in revenues from the sale of green certificates to the other divisions of the Group and CO₂ emission allowances. In the latter case, the decline is essentially attributable to the fall in their average price between the two periods;
- > the recognition in 2006 of €92 million in revenues related to the implementation of the settlement agreements with Siemens (€51 million) and the settlement of past items with the ISO, now Terna (€41 million).

The **gross operating margin** came to €3,541 million, up €384 million or 12.2% from the €3,157 million posted in 2006. This increase was essentially related to the change in fair value measurement of the contracts for differences (up €103 million) and an improvement in the margin on power generation (up €232 million), the recognition of lower charges in respect of fees for public land usage pursuant to Law 266/05 (€45 million) paid in previous years, and lower charges for retirement incentives (€96 million). These factors were partially offset by the smaller contribution of past items discussed in relation to revenues recognized in 2006 (€92 million).

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, as well as to a reduction in depreciation as a result of the retirement of a number of plants (down €41 million), which more than offset the recognition of gains in 2006 for the reversal of a number of provisions in previous years for impairment losses (€27 million).

Capital expenditure

Millions of euro

	2007	2006	2007-2006
Generation plants:			
- thermal	773	627	146
- hydroelectric	182	130	52
- geothermal	91	77	14
- other resources	74	31	43
Total generation plants	1,120	865	255
Other investments in property, plant and equipment	30	15	15
Investments in intangible assets	17	17	-
TOTAL	1,167	897	270
			30.1%

Capital expenditure totaled €1,167 million, of which €1,120 million for generation plants. The main investments in 2007 regarded the continuation of projects on thermal plants in the amount of €773 million (including the coal conversion of the Torrevaldaliga Nord plant for €511 million), refurbishing and repowering works at various hydroelectric plants in the amount of €182 million, and various projects concerning geothermal generation plants in the amount of €91 million (including €21 million for drilling as part of the mining activities for new geothermal generation development opportunities), wind plants in the amount of €65 million and photovoltaic facilities totaling €9 million.

Domestic Infrastructure and Networks

The Domestic Infrastructure and Networks Division is mainly responsible for operating the electricity and gas distribution networks.

The activities are carried out by:

- > Enel Distribuzione and Deval (the latter's operations are limited to the Valle d'Aosta region) for the distribution of electricity to the free and regulated markets;
- > Enel Rete Gas for the distribution of gas;
- > Enel Sole for public and artistic lighting.

Operations

Electricity distribution and transport networks

	2007	2006	2007-2006
High-voltage lines at year-end (km)	18,930	18,804	126
Medium-voltage lines at year-end (km)	338,644	336,517	2,127
Low-voltage lines at year-end (km)	747,406	740,979	6,427
Electricity transported on Enel network (millions of kWh) ⁽¹⁾	255,787	255,038	749

(1) Not including electricity transported in the previous period but considered for commercial purposes in the two periods in question, in the amount of 1.3 TWh in 2007 and 0.6 TWh in 2006.

The size of the electricity distribution network and the quantities of electricity transported showed no significant changes from the previous year, posting increases of 0.8% and 0.3%, respectively.

Gas distribution and transport networks

	2007	2006	2007-2006
Gas transported (millions of m³)			
For Enel Group companies	2,864	3,252	(388)
For non-Enel Group companies	587	412	175
Total gas transported	3,451	3,664	(213)
Network at year-end (km)	31,243	31,113	130

The decrease of about 5.8% in gas transported as compared with the previous year was due to the weather conditions during the first part of 2007, which led to a reduction in the consumption of natural gas in Italy.

Performance

Millions of euro	2007	2006	2007-2006
Electricity			
Revenues	5,437	5,421	16
<i>Gross operating margin</i>	3,544	3,297	247
Operating income	2,743	2,558	185
Gas			
Revenues	325	286	39
<i>Gross operating margin</i>	182	121	61
Operating income	90	31	59
Total			
Revenues	5,762	5,707	55
<i>Gross operating margin</i>	3,726	3,418	308
Operating income	2,833	2,589	244
Operating assets	17,611	16,875	736
Operating liabilities	4,319	4,042	277
Employees at year-end (no.)	22,710	24,701	(1,991)
Capital expenditure	1,587	1,459	128

Total **revenues** for 2007 amounted to €5,762 million, up €55 million or 1.0% over 2006, due mainly to the following factors:

- > a €16 million increase in revenues from the electricity network primarily attributable to the rise in rate revenues related to electricity transport activities (€34 million) and to the recognition in 2007 of the remuneration for the electricity metering services (metering equalization in the amount of €46 million), as well as to greater gains for refunds from customers in the amount of €21 million. These increases were partially offset by the gain recognized in 2006 for the sale of the distribution network of a number of municipalities in the Province of Modena (€85 million);
- > a €39 million increase in revenues from the gas distribution network, due essentially to the recognition in 2007 of past items related to gas transport for 2004-2006 (€35 million) and the increase in average sales prices, which more than offset the decline in volumes transported.

The **gross operating margin** totaled €3,726 million, up by €308 million, due to:

- > a €247 million increase in revenues from the electricity network 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 in-house activities and new construction in the amount of €52 million. These factors were partially offset by the gain recognized in 2006 from the sale of the distribution network of a number of municipalities in the Province of Modena (€85 million);

- > a €61 million increase in revenues from the gas distribution network due essentially to the recognition of past items related to gas transport for 2004, 2005 and 2006, as mentioned in the section on revenues, as well as to the €20 million decline in operating costs (€5 million of which related to the decline in retirement incentive charges).

Total ***operating income***, after depreciation, amortization and impairment losses in the amount of €893 million (€829 million in 2006), came to €2,833 million, an increase of €244 million (up 9.4%) over 2006.

Capital expenditure

Millions of euro

	2007	2006	2007-2006
Electricity distribution network	1,204	1,200	4 0.3%
Gas distribution network	91	88	3 3.4%
Alternative-resource generation plant	9	-	9 -
Other investments in property, plant and equipment	124	93	31 33.3%
Investments in intangible assets	159	78	81 103.8%
Total	1,587	1,459	128 8.8%

Capital expenditure rose by €128 million, mainly due to expenditure on intangible assets, including those for the Giove project and other IT systems and for the implementation of energy efficiency projects to obtain white certificates.

International

Since 2006, all resources used in international activities are concentrated within the International Division. The chief geographic areas of operation for this Division are:

- > the Iberian peninsula, where the Division is engaged in power generation (Enel Viesgo Generación and Enel Unión Fenosa Renovables) and power distribution, sales and support services (Electra de Viesgo Distribución, Enel Viesgo Energía and Enel Viesgo Servicios) in Spain;
- > Central Europe, where it is engaged in power trading (Enel France) and wind-power development (Enel Erelis) in France, and power generation in Slovakia (Slovenské elektrárne);
- > South-eastern Europe, where it is active in generation and support services in Bulgaria (Enel Maritza East 3 and Enel Operations Bulgaria), power distribution, sales and support services in Romania (Enel Distributie Banat, formerly Enel Electrica Banat; Enel Distributie Dobrogea, formerly Enel Electrica Dobrogea; Enel Energie; Enel Romania; and Enel Servicii Comune), and wind-power development in Greece (Enelco, International Windpower, Wind Parks of Thrace, and International Wind Parks of Thrace) and Romania (Blue Line);
- > Russia, with upstream activities in the gas industry (SeverEnergia, formerly Enineftegaz), energy trading and sales (RusEnergoSbyt), and generation plant management (ESN Energo) in the Russian Federation;
- > the Americas, where it is engaged in generating power from renewable resources (Enel North America, Enel Latin America, Enel Fortuna, Enel Panama and Inelec).

As of the effective date of consolidation within the Group, the Division also includes the figures related to the acquisition of Endesa. Endesa operates primarily in the generation, distribution and sale of electricity and gas, as well as other activities related to its core business. Endesa's operations are concentrated in Spain, Portugal and Latin America (in particular, Chile, Argentina, Colombia, Peru and, to a lesser extent, Brazil). In order to facilitate a comparison of the two periods, the figures related to Endesa are shown separately.

Operations

Net electricity generation

Millions of kWh	of which			2007-2006
	2007	2006	Endesa	
Thermal	23,868	13,246	9,640	14,228 -
Nuclear	18,159	4,052	10,692	7,467 69.8%
Hydroelectric	15,794	6,800	6,011	9,783 -
Wind	1,079	260	846	233 27.5%
Other resources	372	29	327	45 13.8%
Total net generation	59,272	24,387	27,516	31,756 115.4%

Net generation abroad for 2007 totaled 59,272 million kWh, an increase of 31,756 million kWh over 2006 due primarily to the consolidation of Endesa (24,387 million kWh). Of

Endesa's net generation, 13,965 million kWh is related to generation on the Iberian peninsula (8,972 million kWh of which from thermal sources and 4,052 million kWh from nuclear power generation) and 10,416 million kWh is related to Latin America (6,140 million kWh of which related to hydroelectric power generation).

The increase in net power generation abroad also reflects the increased generation of Slovenské elektrárne (5,848 million kWh) due primarily to the different consolidation period.

Contribution to gross thermal generation

Millions of kWh	of which Endesa						
	2007			2006		2007-2006	
High-sulfur fuel oil (S>0.25%)	1,231	2.7%	1,231	6.7%	148	0.7%	1,083
Low-sulfur fuel oil (S<0.25%)	30	0.1%	30	0.2%	-	-	30
<i>Total fuel oil</i>	<i>1,261</i>	<i>2.8%</i>	<i>1,261</i>	<i>6.9%</i>	<i>148</i>	<i>0.7%</i>	<i>1,113</i>
Natural gas	5,146	11.3%	5,137	28.2%	129	0.6%	5,017
Coal	18,776	41.1%	6,722	36.8%	10,578	47.0%	8,198
Nuclear	19,574	42.9%	4,240	23.2%	11,633	51.7%	7,941
Other fuels	889	1.9%	889	4.9%	-	-	889
Total	45,646	100.0%	18,249	100.0%	22,488	100.0%	23,158
							103.0%

As regards the the mix of fuels used in thermal generation in 2007, the increase over the previous year in the use of natural gas and fuel oil is attributable to the consolidation of Endesa in the 4th Quarter of 2007. For the other companies of the Division, there was an increase in nuclear and coal generation due to the consolidation of Slovenské elektrárne as of the 2nd Quarter of 2006, which more than offset the downtime of a number of that company's nuclear plants at the end of 2006.

Enel's net efficient generation capacity abroad

MW	of which Endesa		
	at Dec. 31, 2007	at Dec. 31, 2006	2007-2006
Thermal plants	15,559	12,929	3,740
Hydroelectric plants	13,490	9,509	3,772
Wind plants	1,492	950	283
Nuclear plants	4,491	2,441	2,460
Alternative resources	95	41	46
Total ⁽¹⁾	35,127	25,870	24,826

(1) Of which 1,149 MW (1,559 MW at December 31, 2006) for Slovenské elektrárne subject to the carve-out: 410 MW for the EBO V1 nuclear plant (820 MW at December 31, 2006) and 739 MW for hydroelectric plants (unchanged from December 31, 2006), of which 720 MW at Gabčíkovo.

Net efficient generation capacity abroad posted an increase of 24,826 MW due primarily to the consolidation of Endesa, which contributed 25,870 MW to the overall increase. Of Endesa's net efficient generation capacity, 15,748 MW is located on the Iberian peninsula (8,618 of which from thermal generation, 3,721 MW from hydroelectric generation, and 2,441 MW from nuclear generation) and 10,111 MW is in Latin America (5,788 MW of which from hydroelectric generation and 4,310 MW from thermal generation). The increase attributable to the consolidation of Endesa was partially offset by the 731 MW decline in net efficient generation capacity of Enel Viesgo Generación as a result of the halting of operations at a number of thermal plants.

Electricity distribution and transport networks

	<i>of which</i> <i>Endesa</i>	2006	2007-2006
	2007		
High-voltage lines at year-end (km)	28,993	22,845	6,142
Medium-voltage lines at year-end (km)	192,736	159,425	33,050
Low-voltage lines at year-end (km)	246,659	202,496	43,770
Electricity transported on Enel distribution network (millions of kWh)	43,261	30,560	12,570
			30,691

At December 31, 2007, the size of the electricity distribution network abroad was substantially larger than the previous year, essentially as a result of the Endesa consolidation.

The increase in electricity transported was also affected by the same factor, which contributed 30,560 million kWh to the increase.

Electricity sales

Millions of kWh	of which Endesa			
	2007	2006		2007-2006
Free market:				
- Iberian peninsula	7,663	6,798	649	7,014
- Romania	644	-	446	198
- France	394	-	-	394
- Russia	17,222	-	7,575	9,647
- Latin America	328	328	-	328
Total for free market	26,251	7,126	8,670	17,581
Regulated market:				
- Iberian peninsula	16,094	12,109	3,968	12,126
- Romania	4,274	-	4,446	(172)
- Russia	203	-	69	134
- Latin America	7,069	7,069	-	7,069
Total for regulated market	27,640	19,178	8,483	19,157
Total	53,891	26,304	17,153	36,738
- of which Iberian peninsula	23,757	18,907	4,617	19,140
- of which Romania	4,918	-	4,892	26
- of which France	394	-	-	394
- of which Russia	17,425	-	7,644	9,781
- of which Latin America	7,397	7,397	-	7,397

Electricity sold by the International Division in 2007 increased by 36.7 billion kWh, with growth related primarily to the change in the scope of consolidation (up 26.7 billion kWh, of which 26.3 billion kWh attributable to Endesa), as well as to an increase in activity for RusEnergoSbyt in Russia (up 9.8 billion kWh).

Performance

Millions of euro	2007	2006	2007-2006
International (excluding Endesa)			
Revenues	4,207	3,068	1,139
Net income/(charges) from commodity risk management	107	91	16
<i>Gross operating margin</i>	1,151	918	233
Operating income	602	519	83
Endesa			
Revenues	3,447	-	3,447
Net income/(charges) from commodity risk management	20	-	20
<i>Gross operating margin</i>	1,229	-	1,229
Operating income	892	-	892
Total			
Revenues	7,654	3,068	4,586
Net income/(charges) from commodity risk management	127	91	36
<i>Gross operating margin</i>	2,380	918	1,462
Operating income	1,494	519	975
Operating assets	67,492 ⁽¹⁾	10,008	57,484
Operating liabilities	13,609 ⁽²⁾	4,037	9,572
Employees at year-end (no.)	31,754 ⁽³⁾	13,861	17,893
Capital expenditure	1,983	467	1,516

(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".

(3) Of which 2,614 in units classified as "Held for sale".

The table below shows performance by geographic area.

Revenues

Millions of euro	Excluding Endesa	Endesa	Total	2006	2007-2006
		2007			
Iberian peninsula	1,134	2,030	3,164	1,049	2,115
Central Europe	1,505	97	1,602	975	627
South-eastern Europe	703	-	703	670	33
Russia	592	-	592	202	390
Americas	273	1,320	1,593	172	1,421
Total	4,207	3,447	7,654	3,068	4,586

Gross operating margin

Millions of euro	Excluding Endesa	Endesa	Total	2006	2007-2006
		2007			
Iberian peninsula	235	691	926	235	691
Central Europe	565	7	572	389	183
South-eastern Europe	186	-	186	180	6
Russia	16	-	16	7	9
Americas	149	531	680	107	573
Total	1,151	1,229	2,380	918	1,462

Operating income

Millions of euro	Excluding Endesa	Endesa	Total	2006	2007-2006
		2007			
Iberian peninsula	137	522	659	110	549
Central Europe	230	6	236	198	38
South-eastern Europe	114	-	114	127	(13)
Russia	11	-	11	7	4
Americas	110	364	474	77	397
Total	602	892	1,494	519	975

International Division (excluding Endesa)

Revenues rose by €1,139 million or 37.1%, going from €3,068 million to €4,207 million. This increase was primarily due to the change in the scope of consolidation with the acquisitions of Slovenské elektrárne (€456 million), RusEnergoSbyt (€379 million), Enel Panama and Enel Fortuna (€87 million), Enel France (€74 million), SeverEnergia (formerly Enineftegaz, in the amount of €11 million), the Greek wind generation companies (€4 million), and the sale of the 30% stake in Enel Unión Fenosa Renovables (down €11 million). In addition to this net increase, revenues rose by €97 million at the Spanish firms (related primarily to an increase in electricity and fuel trading activities), by €56 million at the Romanian firms (related primarily to an increase in rates) and by €13 million at the companies in the Americas, all of which was only partially offset by a €27 million decline in revenues for the Bulgarian companies due to the refunds received in 2006 related to disputes over project delays.

The **gross operating margin** came to €1,151 million, an increase of €233 million (up 25.4%) over 2006, of which €244 million related to the change in the scope of consolidation (essentially Slovenské elektrárne in the amount of €191 million and Enel Panama and Enel Fortuna in the amount of €51 million) and €28 million related to the improvement in margins for the Romanian firms. This increase was partially offset by the €25 million decline in

margins for the Bulgarian companies (due primarily to the recognition of the refunds mentioned above), as well as by the €8 million decrease in margins for the American firms.

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 for Slovenské elektrárne and €43 million for Enel Panama and Enel Fortuna, and €28 million to the improved operating performance of the Spanish firms. These factors were only partially offset by the aforementioned refunds recognized in 2006 by the Bulgarian firms and by the €10 million operating loss at the American firms.

Endesa

Revenues for Endesa for the first period of consolidation came to €3,447 million, €2,030 million of which from the Iberian peninsula and €1,320 million from Latin America. More specifically, the revenues for the Iberian peninsula were related primarily 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 for electricity distribution and sales and €506 million for power generation.

The **gross operating margin** came to €1,229 million, €691 million of which from the Iberian peninsula and €531 million from Latin America. More specifically, the gross operating margin for the Iberian peninsula was related primarily 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.

Operating income came to €892 million, €522 million of which from the Iberian peninsula and €364 million from Latin America. More specifically, operating income for the Iberian peninsula was related primarily 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.

Capital expenditure

Millions of euro	of which Endesa		
	2007	2006	2007-2006
Generation plants:			
- thermal	684	305	139
- hydroelectric	64	29	27
- geothermal	19	-	2
- nuclear	136	18	57
- alternative energy resources	349	11	84
Total generation plants	1,252	363	309
Investments in electricity distribution networks	593	420	124
Investments in gas distribution networks	4	4	-
Other investments in property, plant and equipment	82	70	11
Investments in intangible assets	52	29	23
TOTAL	1,983	886	467
			1,516

Capital expenditure amounted to €1,983 million, an increase of €1,516 million on the previous year, of which €886 million related to the consolidation of Endesa. In particular, the increase in investments in generation plants, equal to €943 million, reflects the Endesa consolidation and an increase in investments in Spain (regarding in particular the transformation of the Escatrón plant to combined-cycle technology) in the amount of €266 million, €209 million in the Americas (primarily in relation to the Smoky Hills and Snyder wind projects) and €68 million in Slovakia (mainly in the nuclear field). The increase in spending on distribution networks abroad, equal to €49 million net of the impact of the consolidation of Endesa, mainly reflects the increase in investment in Romania (€44 million).

Parent Company and Other Activities

Millions of euro	2007	2006	2007-2006
Parent Company			
Revenues	950	1,178	(228)
Net income/(charges) from commodity risk management	(1)	(4)	3
<i>Gross operating margin</i>	(59)	177	(236)
Income from equity exchange transaction	-	263	(263)
Operating income	(75)	423	(498)
Operating assets	1,228	1,013	215
Operating liabilities	1,221	1,275	(54)
Employees at year-end (no.)	735	652	83
Capital expenditure	19	13	6
Services and Other Activities			
Revenues	1,147	1,161	(14)
<i>Gross operating margin</i>	130	179	(49)
Operating income	49	86	(37)
Operating assets	1,609	1,771	(162)
Operating liabilities	1,354	1,128	226
Employees at year-end (no.)	4,223	4,585	(362)
Capital expenditure	114	71	43

Parent Company

In its capacity as an industrial holding company, Enel SpA defines strategic targets for the Group and coordinates activities of subsidiaries.

In addition, Enel SpA manages central treasury operations and insurance risk coverage, providing assistance and guidelines on organization, personnel management and labor relations, accounting, administrative, fiscal, legal, and corporate matters. Moreover, Enel retains title to long-term electricity import contracts.

Operating performance

Revenues for 2007 came to €950 million, down €228 million or 19.4% from 2006. This decrease is primarily related to the 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 gains connected with the reversal to the 2006 income statement of the gain recognized directly in equity in 2005 (€23 million) resulting from the fair value measurement of Terna's bonus shares. These factors were partially offset by a rise in revenues associated with the increased activities carried out by the Parent Company for Group companies related to the implementation of the Sarbanes-Oxley Act procedures as well as greater activity in support of the international acquisitions and the raising of the necessary financial resources.

The **gross operating margin** for 2007 came to a negative €59 million, a decrease of €236 million from 2006, due primarily to the reduction in energy margin (down €240 million) and the aforementioned gain related to the Terna's 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.

Operating income came to a negative €75 million, a decrease of €498 million from 2006 (€423 million) due to the decline in gross operating margin, as well as to the recognition in 2006 of the gain on the Wind-Weather share swap in the amount of €263 million.

Services and Other Activities

The primary purpose of the Services and Other Activities area is to provide competitive services to the companies of the Group, such as real estate and facility management services, IT services, personnel training and administration, general administrative services, and factoring and insurance services.

Operating performance

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

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

Operating income for 2007 came to €49 million, down €37 million from 2006.

Outlook

With the acquisition of Endesa and the entry into the Russian market, Enel has completed this phase of growth through major acquisitions. The size achieved represents a launch platform for developing strategic continuity for the Group. Accordingly, Enel will focus primarily on creating value in the companies acquired while continuing to seek out targeted growth opportunities in the areas and businesses in which the Group already operates. Enel will also continue to invest in research and development and in renewables, as well as to pursue technological excellence and address environmental issues. The operating cash flows generated by the companies acquired and by the Enel Group as a whole and portfolio optimization initiatives will improve the Group's financial position. The consolidation of our international activities and the development and efficiency initiatives planned by the operating Divisions will also have a positive impact in 2008, improving Group performance even further.

Research and development

In 2007, activities to increase competitiveness and ensure the Group's technological and environmental leadership were expanded with the launch of the Environment and Innovation project. The new initiatives are aimed at developing and demonstrating innovative technologies in the fields of the capture and sequestration of CO₂, generation from renewable energy resources, distributed power generation and energy efficiency. Plans call for expenditure of some €800 million over five years. With the start of the projects, research spending incurred in 2007 came to about €29 million (compared with €22 million in 2006) and capital expenditure rose from €3.2 million to €6.6 million.

During the year, all design activity for the project was begun and many initiatives also started the experimentation stage. In particular, the detailed engineering for a 12 MW hydrogen-powered thermoelectric unit to be located at Enel's Fusina plant was completed and construction was begun.

In the field of CO₂ capture and sequestration, development and design work began for the construction of a pilot plant for an innovative oxygen combustion system and the first experimental phase was completed at the test plant. The preliminary design work for a pilot plant with post-combustion capture technology at Enel's Brindisi plant was also completed and the tender for its acquisition has been launched. Work has also begun on geological analysis to characterize sites in Italy suitable for CO₂ storage.

In the field of renewables, the design of the Archimede thermal solar plant was completed, with construction scheduled to begin in early 2008. In addition, the creation of an advanced center for the development and experimentation of innovative photovoltaic generation solutions was begun at Enel's Catania facilities.

Another initiative getting under way during the year was the "Green Islands" project, which saw the installation on the island of Capraia of a new bio-oil power plant to replace the existing diesel-powered generation facility. Application has also been made for permits to build a photovoltaic plant.

In parallel with these initiatives, research continued on optimizing power plant operations, with efforts in 2007 focusing on the development of systems to increase the reliability of plants and optimize their maintenance.

In this regard, a diagnostics system for the gas turbine and steam-cycle system for the Santa Barbara and Termini Imerese plants was developed and work continued on implementing the maintenance information support system for the new coal-fired plant at Torrevaldaliga Nord.

As regards the elimination of pollutant from emissions, activities begun in 2006 for the control of trace metals, especially mercury, continued.

With regard to the geothermal zero-emissions project, work was completed on the study into the process of reducing sulfuric acid tail gas from the cooling towers, with the design of an AMIS β plant, which further develops the widely used AMIS technology.

Human resources and organization

Organization

In 2007, Enel consolidated the reorganization aimed at supporting the Company in the newly liberalized domestic market and its international expansion.

In particular, at the end of the 2nd Half of 2007, the Group's new organization was confirmed with the creation of two new divisions:

- > one, Iberia and Latin America, was created in order to develop strategies, provide market coverage, and coordinate Enel activities in electricity and gas markets in Spain, Portugal and Latin America, partly in response to the Endesa acquisition;
- > the second, Engineering and Innovation, was established with the mission of managing the engineering processes related to the development and construction of power plants, as well as of coordinating and supplementing the activities related to the development of opportunities for innovation in all of the Group's areas of business, with a particular emphasis on initiatives of environmental importance.

In order to increase the efficiency of strategic processes at the corporate level, the activities previously handled by the Regulatory Affairs and Corporate Strategy and Communications departments have been reorganized. The former now focuses more on managing regulatory and antitrust issues, while the latter has been renamed External Relations and has taken over responsibility for institutional relations. Furthermore, given the creation of the two divisions mentioned above, the structure of the units within the Administration, Planning and Control Department responsible for planning and control has been redesigned.

Within Italy, the necessary steps have been taken for the functional separation of electricity distribution activities from those of sales. In particular, the Enel Distribuzione business unit responsible for sales to customers on the regulated market has been spun off to Enel Servizio Elettrico.

In this context, the Infrastructure and Networks Division has also been reorganized in order to rationalize and increase the efficiency of the units and operating processes of the electricity network by promoting synergies and facilitating investment planning in order to improve the quality of the electrical service by dividing the territory into 4 macro-areas (each containing a number of Regional Technical Units, now redenominated Departments), as well as by reducing the number of Zones and concentrating work planning and execution activities within the Departments.

Within the International Division, activities in Romania and Bulgaria have been appropriately structured in order to support the reorganization of the assets acquired in previous years, while the acquisition of important investments in Russia in 2007 prompted the creation of a dedicated unit.

In the area of shared services, another important step forward was made with the transfer of purchasing activities from the Parent Company, Enel Produzione and Enel Distribuzione to Enel Servizi effective as of January 1, 2008.

Within the Group, Project Zenith is designed to pursue operational excellence. The goal of this project is to make Enel the benchmark for excellence in the energy industry by redesigning processes to be more streamlined and more effective, based on three enabling core concepts: the dissemination of a culture of constant improvement; the sharing of experience and best practices; and an incentives and motivation system. As part of the project, more than 140 key improvement initiatives have already begun, both domestically and abroad.

From the organizational standpoint, the beginning of 2008 will essentially be dedicated to reorganization activities resulting from the creation of the two new divisions and the rationalization of the organization of the Sales Division, which will result in a greater integration of the processes related to the various sales units and a division of the territory into four main areas.

Development and training

Development and training in 2007 worked towards the general objective of ensuring excellence in our core competencies, as well as to ensure the proper management of growth, to respond to the issues raised by the climate survey at the end of 2006, and to provide concrete support to the company's process of internationalization. In order to achieve these objectives, a special unit, Enel University, was created specifically to manage hiring and training. The primary initiatives involved:

- > the definition and dissemination of the new leadership model, which included holding seminars for members of middle management who show particular potential which focused on the areas for improvement encountered;
- > the design of a new performance appraisal system in line with the values and criteria underlying the leadership model as a means of implementing the system of meritocracy;
- > the design of the new Talent Management system, which involves customized training and development for the talents at various levels of the organization;
- > the development of international training programs for employees both in Italy and abroad. In particular, company orientation programs were held for newly hired university graduates, "learning tours" for executives, and initiatives to assist expatriates with cultural integration.

The main initiatives planned for 2008 concern:

- > the implementation of the new performance appraisal system; for those involved in the management-by-objectives (MBO) program in particular, the annual performance appraisals will be accompanied by a conduct evaluation of leadership quality;
- > the completion of the process of identifying Enel talent and the start of the related training and development;
- > the dissemination of training initiatives aimed at developing leadership skills at various levels of the organization;
- > the strengthening of training and development initiatives to support internationalization.

Hiring

During 2007, the Hiring and University Relations unit worked both to promote the hiring of young university and secondary-school graduates who can grow within the organization and to focus a part of its operations internationally, in part to meet the organization's pressing needs of internationalization.

The recruiting process in particular was expanded further thanks to the launch of Enel's international website, to partnerships with recruiting firms abroad, and to new agreements with foreign schools and universities.

The selection process is tailored according to the type and number of positions to be covered and is comprised of an assessment of both attitude and motivation, as well as technical and professional skills.

In 2007, approximately 800 people were hired in Italy, of which 21% were recent university graduates (with 48% of these being women) and 56% secondary-school graduates.

The international hiring project "Energy Without Frontiers" was also launched and led to the hiring of 30 foreign university graduates.

During the year, partnerships were established with foreign universities, both with the signing of specific memorandums of understanding (Polytechnic University of Bucharest and the Bucharest Academy of Economic Studies) and through internships (ENSTA in Paris and the Technical University of Delft). An agreement was also signed with UNITECH, an international community formed by 7 prestigious European universities (including Politecnico di Milano) for the purpose of conducting university exchange programs.

As part of the partnership between Enel management and a number of prestigious international universities, including Harvard, foreign students were offered internships within Enel offices both in Italy and abroad.

Compensation and incentive systems

The compensation and incentive policies for 2007 focused on strengthening integration between the compensation and performance-evaluation processes, as well as on increasing the weight of variable remuneration linked to company performance and on the selectivity of changes in the fixed component, thereby confirming a merit-based policy aimed at rewarding valued skills within each professional family.

Short-term incentives continued to be based primarily on management by objectives (MBO), involving about 95% of senior management and about 15% of middle management, as well as a specially designed system of incentives for all sales-related employees.

In 2007, the new information system to support MBO simplified the process and improved the definition and communication of objectives in line with the principles of corporate governance.

With regard to medium to long-term incentives, a stock option plan was implemented again in 2007 for top management of the Group and for a number of executives of the foreign companies. In accordance with unbundling rules, an alternative long-term incentive program was designed and implemented specifically for the top management of the Infrastructure and Networks Division and which is based on specific targets for that Division.

For 2008, in line with the policies of recent years, the customization of compensation packages for the most critical segments of our workforce is expected to be more aggressive and will include total-reward strategies.

Labor relations

Electricity area

At the industry level, throughout the 2nd Half of 2007, negotiations focused on the renewal of the financial terms of the national collective bargaining agreement for the industry for 2007-2009, with the talks coming to a successful conclusion on December 18.

At the company level, important discussions were held with the Italian trade unions concerning the reorganization of the Group and its divisions. Upon completion of the reorganization of the staff and service activities, by the end of the year, the procedures pursuant to Article 47 of Law 428/90 are to be completed for the transfer of the purchasing units of Enel SpA, Enel Distribuzione and Enel Produzione to Enel Servizi, effective as of January 1, 2008. The Sales Division concluded the national agreement for the discontinuation of half-shifts and a new organization for the work of the contact centers, and also fulfilled all of regulatory requirements concerning unbundling with the creation of Enel Servizio Elettrico and the consequent transfer of the business unit from Enel Distribuzione. The Generation and Energy Management Division renewed the agreement with the trade unions concerning the remuneration of maintenance personnel and concluded the discussion of the new organizational structure at Torrevaldiga Nord. The division also met with various regional unions for the signature of memorandums of understanding concerning the issues of investments, staffing level and the environment, as well as to establish a work-site safety observatory in the Lazio region.

The Infrastructure and Networks Division completed, at both the local and the national level, the new territorial organization of the electricity network, as well as all of the organizational changes concerning the technical functions of the head office, and also began preparing for the renewal of regional economic agreements.

Gas area

In addition to the renewal of the national collective bargaining agreement for the gas and water industry in Italy for the period 2005-2009, in December negotiations began for the renewal of the financial terms of the bargaining agreement for the period 2008-2009. The agreement was also signed for the rules portion of the performance bonus for the period 2007-2010 and the financial portion for the period 2008-2009.

At the company level, in accordance with the current rules on the allocation of Italian post-employment benefits (the *TFR* severance pay scheme), an agreement was reached to select FOPEN to serve as the supplementary pension fund.

Furthermore, in November, Enel and the national trade unions defined a plan for the progressive alignment, over the next three years, of the productivity bonuses for employees on both the gas/water and electricity industry contracts, given the substantial integration of related activities.

Staffing levels

As of December 31, 2007, the Enel Group employed a total of 73,500 people.

During 2007, the Group's workforce increased by 14,952 employees essentially as the net result of the change in the scope of consolidation due to acquisitions abroad (an increase of 18,971 employees) and a generalized net reduction in the existing workforce through hiring and terminations of employment (a net decline of 4,019).

The period included:

- > the acquisition of Enel Fortuna (an increase of 74 employees in Panama);
- > the sale of a business unit of Slovenské elektrárne (a decrease of 49 employees in Slovakia);
- > the acquisition of the RusEnergoSbyt business unit (an increase of 26 employees in Russia);
- > the acquisition of SeverEnergia (formerly Enineftegaz, an increase of 103 employees in Russia);
- > the acquisition of International Windpower, Wind Parks of Thrace, and International Wind Parks of Thrace (an increase of 25 employees in Greece);
- > the acquisition of Endesa (an increase of 18,792 employees in Spain, Portugal and Latin America).

Terminations of employment were primarily related to consensual early retirement incentive programs.

As of December 31, 2007, the number of employees of foreign subsidiaries of the Group was 31,906.

Changes in the total number of employees compared with December 31, 2006, are summarized in the table below:

Employees at December 31, 2006	58,548
Changes in the scope of consolidation:	
- Enel Fortuna	74
- Slovenské elektrárne	(49)
- RusEnergoSbyt ⁽¹⁾	26
- SeverEnergia (formerly Enineftegaz) ⁽²⁾	103
- International Windpower, Wind Parks of Thrace, and International Wind Parks of Thrace	25
- Endesa ⁽³⁾	18,792
	18,971
Hirings	2,362
Terminations of employment	(6,381)
Employees at December 31, 2007 ⁽⁴⁾	73,500

(1) Equal to 49.5% of the total workforce.

(2) Equal to 40% of the total workforce.

(3) Equal to 67.05% of the total workforce.

(4) Of which 2,614 in units classified as "Held for sale".

Stock option plans

Since 2000 the Enel has implemented stock option 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 belonging in our key personnel, and ensuring their enduring and constant effort to create value, thus creating a convergence of interests between shareholders and management.

The remainder of this section describes the features of the stock option plans adopted by Enel and still in place in 2007.

2002 plan

In May 2001, accepting the proposals made by the Board of Directors (in consideration of the insufficiency of the remaining capital increase authorized by the shareholders in December 1999 to implement additional stock option plans to those adopted in 2000 and 2001), an extraordinary meeting of Enel's shareholders initiated a new stock option plan, resolving:

- > to revoke, with regard to the part not yet exercised by the Board of Directors, the enabling authority to increase the share capital granted in December 1999, while confirming all the acts carried out in the exercise of this power;
- > to again grant the Board of Directors the authority for five years to increase share capital by a maximum of €60,630,750 (slightly less than 1% of capital at the time) through the issue of 60,630,750 ordinary shares with a par value of €1.00 each, bearing full dividend rights, to be offered for subscription against payment to executives – to be selected by the Board of Directors – of Enel itself and/or its subsidiaries, with the consequent exclusion of the preemptive rights pursuant to the Civil Code and the Consolidated Law on Financial Intermediation.

In carrying out this mandate from the shareholders, in March 2002 the Board of Directors approved the stock option plan for 2002 (supplemented in September of the same year), together with the Regulations for implementing it. The Regulations provided for the executives selected by the Board of Directors to be granted personal rights, non-transferable *inter vivos* (options), to subscribe a corresponding number of newly issued ordinary Enel shares. As established by the Board of Directors, the executives were divided into different brackets and the number of options granted to those in each bracket was determined by applying a multiplier to the ratio between the reference gross annual compensation of the bracket concerned and the value of a three-year option, determined on the basis of its market valuation. The right to subscribe the shares is subordinated to the condition that the executives concerned remain employed within the Group, with a few exceptions (such as, 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 beneficiaries of the 2002 stock option plan also included those persons who had held, at different times, the position of Enel's Chief Executive Officer during that year and participated in their capacity as General Manager.

The Regulations also established that the options granted – in the event the conditions of exercise were met – would be exercisable as follows: 30% as from the first year following

the one in which they were granted, an additional 30% as from the second year subsequent to the one in which they were granted, and the remaining 40% as from the third year following the one in which they were granted, with the requirement that the deadline for exercising all the options is the fifth year following that in which they were granted.

This deadline therefore expired on December 31, 2007.

In any event, the options are exercisable each year only during three time 'windows' of fifteen trading days on the Italian Stock Exchange following: (i) the Board of Directors' examination of the preliminary consolidated data, (ii) the Annual General Meeting's approval of the financial statements of Enel SpA, and (iii) the Board of Directors' approval of the 3rd-Quarter report.

With regard to conditions of exercise – suspensory in nature – the Regulations established that all the options granted would become exercisable in the event that (i) Group EBITDA for the year in which the options were granted as estimated in the budget approved by the Board of Directors is exceeded and (ii) the percentage change in the price of Enel shares recorded on Borsa Italiana's electronic stock exchange during the year in which the options were granted was greater – according to the calculation criteria set out in the Regulations – than the performance of a specific reference index, determined by the Regulations as the average of the MIBtel index (weighting: 50%) and the FTSE Eurotop 300 Electricity index (weighting: 50%). If both objectives are not jointly achieved, all the options automatically lapse, there being no provision for a mechanism allowing them to be recovered.

The Regulations established that the strike price of the shares was to be determined by the Board of Directors as no less than the arithmetic average of the reference prices of Enel shares on Borsa Italiana SpA's electronic stock exchange during the period between the date on which the options were granted and the same day of the preceding solar month.

Subscription of the shares at the strike price is to be charged entirely to the beneficiaries, as the plan does not provide for any facilitated terms to be granted in this respect.

Developments in the 2002 stock option plan

Under the Regulations, the 2002 stock option plan involved the granting of a total of 41,748,500 options to 383 Group executives at a strike price of €6.426 (€6.480 for the options granted in September 2002). The review conducted by the Board of Directors to verify satisfaction of the conditions of exercise ascertained that during the year in which the options were granted both objectives – surpassing Group EBITDA and the performance of Enel's shares with respect to the benchmark – were achieved, enabling exercise of all the options. Because of the early termination of employment of the related grantees, of the 41,748,500 options that were granted and became exercisable, 4,872,500 lapsed in the period between the date of granting of the options and the end of 2006, while no option lapsed during 2007.

Capital increase to serve the 2002 stock option plan

As a consequence of the foregoing, in April 2003 the Board of Directors, in partial execution of the enabling authority granted it by the Extraordinary Shareholders' Meeting held in May 2001, approved a divisible capital increase (representing a maximum potential dilution of less than 0.7% of capital at the time) to serve the options granted with the stock option plan for 2002.

Specifically, on this occasion the Board of Directors approved a capital increase of a maximum of €41,748,500, to be subscribed by December 31, 2007, serving all the options granted under the 2002 plan (which had become exercisable), at a strike price amounting to (i) €6.426 for the 39,245,000 options granted in March 2002 and (ii) €6.480 for the 2,503,500 options granted in September 2002.

In execution of the Board resolution, in 2007 a total of 755,300 ordinary shares were issued and subscribed to serve the stock options for the 2002 plan exercised between February 2 and February 22, 2007, May 28 and June 15, 2007 and November 9 and November 29, 2007. They add to the 36,120,700 ordinary shares issued and subscribed serving the same number of stock options under the 2002 plan exercised in 2004, 2005 and 2006.

2003 plan

In May 2003, accepting the proposals made by the Board of Directors (in consideration of the insufficiency of the residual amount of the preceding authorization, granted by the shareholders in May 2001, to establish additional stock option plans) an extraordinary meeting of Enel's shareholders initiated a new stock option plan, resolving:

- > to revoke, with regard to the part not yet exercised by the Board of Directors, the enabling authority to increase share capital granted in May 2001, while confirming all the acts carried out in the exercise of this power;
- > to grant the Board of Directors new authority to increase share capital by a maximum of €47,624,005 (about 0.8% of capital at the time), endowed with the same characteristics as the authority granted in May 2001 and to be used to serve the stock option plan for 2003, as already approved by the Board of Directors in April 2003.

The 2003 plan – whose beneficiaries include Enel's Chief Executive Officer in his capacity as General Manager – is founded on the same rationale as the 2002 plan, following the provisions of the implementing Regulations with regard to the various features of the plan described earlier (specifically, the criteria that govern both the granting of the options to the beneficiaries of the plan and the preservation of entitlement to exercise the options, the vesting period of the options and the exercise of the options in pre-set time 'windows', the conditions for exercising the options, the procedures for determining the strike price of the shares and the absence of facilitated conditions for payment by the executives participating in the plan).

Developments in the 2003 stock option plan

The stock option plan for 2003 involved the granting of a total of 47,624,005 options to 549 Group executives at a strike price of €5.240. The review carried out by the Board of Directors to verify the satisfaction of the conditions of exercise ascertained that both objectives – surpassing Group EBITDA during the year in which the options were granted and the performance of Enel's shares with respect to the benchmark index described in the Regulations that implement the plan – were achieved. It should be noted that the period for measuring the performance of both Enel's shares and the benchmark – which, according to the Regulations, was to expire on December 31, 2003 – was extended by the Board of Directors until March 26, 2004. This was done in order to permit normal trading conditions to return and thus allow a more objective evaluation of whether the targets had been achieved in view of the placement of Enel shares with institutional investors carried out by the Ministry for the Economy and Finance in October 2003, which in itself was extraneous to the

management of Enel, but because of its extraordinary size had a considerable influence on the performance of the shares. Therefore the conditions for exercising all the options granted under the 2003 plan were satisfied. Because of the early termination of employment of the related grantees, of the 47,624,005 options that were granted and became exercisable, 3,348,716 lapsed during the period between the date of granting of the options and the end of 2006, while no option lapsed in 2007.

Capital increase to serve the 2003 stock option plan

In April 2004 the Board of Directors, entirely exercising the enabling authority granted it by the Shareholders' Meeting held in May 2003, approved a divisible, paid capital increase (entailing a maximum potential dilution amounting to about 0.8% of capital at the time) to serve the options granted under the 2003 plan. This increase, amounting to a maximum of €47,624,005, is to be subscribed by December 31, 2008 and serves all the options assigned under the 2003 plan, which have become exercisable and have a strike price of €5.240. To implement this Board resolution, in 2007 711,212 ordinary shares were issued and subscribed to serve the equal number of stock options in the 2003 plan that were exercised in the periods February 2 to February 22, 2007, May 28 to June 15, 2007, and November 9 to November 29, 2007. They add to the 42,226,504 ordinary shares issued and subscribed to serve an equal number of stock options in the 2003 plan exercised during 2004, 2005 and 2006.

2004 plan

In May 2004, an extraordinary meeting of the shareholders of Enel initiated a new stock option plan by resolving to grant the Board of Directors a new authorization to increase share capital by a maximum of €38,527,550 (about 0.6% of capital at the time), with characteristics similar to those of the previous authorizations granted in May 2001 and May 2003, and to be used to serve the 2004 stock option plan, as already approved by the Board of Directors in March 2004.

The 2004 plan – whose beneficiaries include Enel's Chief Executive Officer in his capacity as General Manager – is founded on the same rationale as the 2002 and 2003 plans, following most of the provisions of their implementing Regulations and departing from them only in manner described below.

In particular, although the division of the beneficiaries of the plan into brackets is maintained, provision is made for granting the options using proportional criteria and no longer through the application of a multiplier of the ratio between the reference annual gross compensation of the bracket to which the executive concerned belongs and the value of a three-year option as determined on the basis of market valuations.

Furthermore, the Regulations establish that – once the conditions of exercise have been satisfied – 15% of the options granted may be exercised as from the first year subsequent to the grant year, an additional 15% as from the second year subsequent to the grant year, an additional 30% as from the third year subsequent to the grant year, and the remaining 40% as from the fourth year subsequent to the grant year, with the deadline for exercising all the options being the fifth year subsequent to the grant year.

The time 'windows' for exercising the options have also been eliminated. The options may be exercised each year at any time, with the exception of two blocking periods lasting

indicatively one month before the approval of the draft annual financial statements of Enel SpA and the half-year report by the Board of Directors.

With regard to the conditions of exercise – which remain suspensory in nature – while the Group EBITDA target has not changed, that connected with the performance of Enel shares with respect to the benchmark index is considered for the first time from a total shareholder return perspective, i.e. taking into account (both for Enel shares and for the benchmark) of the effect of the reinvestment of the respective gross dividends in the same securities. This change was adopted to ensure that the actual return that Enel shares are capable of earning for their shareholders, including in terms of the distribution of dividends, is consistent with the actual return, in the same terms, on the reference securities.

Developments in the 2004 stock option plan

The stock option plan for 2004 involved the granting of a total of 38,527,550 options to 640 Group executives at a strike price of €6.242. The review carried out by the Board of Directors to verify the materialization of the exercise conditions ascertained that both objectives – surpassing Group EBITDA during the year in which the options were granted and the performance of Enel shares with respect to the benchmark index described in the implemental Regulations of the plan – were achieved. It should be noted that the period for measuring the performance of both Enel's shares and the reference index – which, according to the Regulations, was to expire on December 31, 2004 – was extended by the Board of Directors until March 25, 2005 in order to ensure normal trading conditions and thus permit an objective evaluation of whether the target had been achieved. This decision was prompted by the placement of Enel shares through a global offering carried out by the Ministry for the Economy and Finance in October 2004, which in itself was extraneous to the management of Enel and, because of its extraordinary size, could have distorted the performance of the shares.

The conditions for exercising all the options assigned under the 2004 plan were therefore satisfied. Because of early termination of the employment of the related grantees, of the 38,527,550 options that were granted and became exercisable (i) 1,959,800 lapsed in the period between the date on which the options were granted and the end of 2006 and (ii) 105,400 lapsed during 2007.

Capital increase to serve the 2004 stock option plan

In March 2005 the Board of Directors, entirely exercising the authority granted it by the Shareholders' Meeting held in May 2004, approved a divisible, paid capital increase (entailing a maximum potential dilution of about 0.6% of capital at the time) to serve the options granted under the 2004 plan. This increase, amounting to a maximum of €38,527,550, is to be subscribed by December 31, 2009 and serves all the options assigned under the 2004 plan (insofar as they have become exercisable) at a strike price of €6.242.

To implement this Board resolution, in 2007 6,705,062 ordinary shares were issued and subscribed to serve the exercise of an equal number of stock options in the 2004 plan. They add to the 18,472,553 ordinary shares issued and subscribed to serve an equal number of stock options in the 2004 plan exercised during 2005 and 2006.

2006 plan

In May 2006, an extraordinary meeting of the shareholders of Enel initiated a new stock option plan by resolving to grant the Board of Directors a new authorization to increase share capital by a maximum of €31,790,000 (about 0.5% of capital at the time), with characteristics similar to those of the previous authorizations granted in May 2001, May 2003 and May 2004 and to be used to serve the 2006 stock option plan, as approved by the same shareholders' meeting in ordinary session (pursuant to the new regulations introduced in the Consolidated Law on Financial Intermediation by the law on the protection of savings).

The 2006 plan – whose beneficiaries include Enel's Chief Executive Officer in his capacity as General Manager – is founded on the same rationale as the 2002, 2003 and 2004 plans, but is now even more consistent with international best practices, thanks to the establishment of multi-year performance objectives (rather than annual targets) in order to encourage the consolidation of results and accentuate the medium-term characteristics of this tool.

The 2006 plan largely adopts the provisions of the Regulations of the 2004 plan, differing only in the following respects.

The most significant difference regards the multi-year duration of the exercise conditions for the options, which retain their suspensory nature and continue to be linked to the same objectives (Group EBITDA and the performance of Enel's share price with respect to the benchmark index) with a view to ensuring full convergence between the interests of shareholders and management.

More specifically, the 2006 plan establishes that an initial 25% of the options granted may be exercised on the condition that both of the objectives are achieved in the two years covering the year the options were granted and the subsequent year, while the remaining 75% may be exercised subject to achievement of both objectives during the three years covering the year the options were granted and the subsequent two years. If one or both of the objectives are not achieved in the two-year period indicated above, the initial 25% of the options can be recovered with the achievement of both objectives over the longer three-year period indicated above.

In addition, once the conditions of exercise have been satisfied, 25% of the options granted may be exercised as from the second year subsequent to the grant year, an additional 35% as from the third year subsequent to the grant year, and the remaining 40% as from the fourth year subsequent to the grant year, with the deadline for exercising all the options being the sixth year subsequent to the grant year.

Developments in the 2006 stock option plan

The 2006 plan involved the granting of a total of 31,790,000 options to 461 Group executives at a strike price of €6.842.

The review conducted by the Board of Directors to verify satisfaction of the exercise conditions for the first tranche of 25% granted found that in 2006-2007 the target for exceeding Group EBITDA had been achieved, whereas Enel shares did not outperform the benchmark index. Accordingly, this tranche of 25% of options can only be exercised if, on the occasion of the approval of the draft financial statements for 2008, the Board of Directors determines that both of those objectives have been achieved for the 2006-2008 period.

Where these conditions are met, the remaining 75% of the shares will also become exercisable; otherwise, all the options granted under the 2006 plan will automatically lapse.

Because of early termination of the employment of the related grantees, of the 31,790,000 options that were granted and became exercisable, (i) 286,000 lapsed in the period between the date on which the options were granted (August 2006) and the end of 2006 and (ii) 619,000 lapsed in 2007.

2007 plan

In May 2007, the Shareholders' Meeting of Enel approved the launch of a new stock option plan, authorizing the Board of Directors to increase share capital by up to €27,920,000 (about 0.45% of capital at the time), with the same powers as those granted in May 2001, May 2003, May 2004 and May 2006, to back the stock option plan for 2007 approved by the shareholders' meeting in ordinary session.

The 2007 plan –whose beneficiaries include Enel's Chief Executive Officer in his capacity as General Manager – is founded on the same rationale as the 2006 plan, adopting most of the implementing provisions, differing only as follows.

As regards exercise conditions – which are again suspensory – while the Group EBITDA target is unchanged, that concerning the performance of Enel's shares against a benchmark index has been modified slightly. Specifically, the composition of the index is now the average performance of the MIBtel index (weight: 50%) and the Bloomberg World Electric index (weight: 50%). The latter is more representative of the performance of electricity operators at the international level and has therefore been selected to replace the FTSE Eurotop 300 Electricity index.

The strike price has been set at the reference price for Enel shares observed on the electronic stock exchange of Borsa Italiana on 2 January 2007, in order to ensure that the structure of the plan is fully consistent with the reference time period and the period in which the exercise conditions for the options are observed.

Developments in the 2007 stock option plan

The 2007 plan involved the granting of a total of 27,920,000 options to 379 Group executives at a strike price of €7.859.

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.

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.

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).

Payment of a bonus connected with the portion of the dividends attributable to asset disposals, to be made in conjunction with the exercise of stock options

In March 2004, the Board of Directors voted to grant a special bonus, beginning in 2004, to the beneficiaries of the various stock option plans who exercise the options granted to them, establishing that the amount is to be determined each time by the Board itself when it adopts resolutions concerning the allocation of earnings and is based on the portion of the "disposal dividends" (as defined below) distributed after the granting of the options.

The rationale underlying this initiative is that the portion of dividends attributable to extraordinary transactions regarding the disposal of property and/or financial assets ("disposal dividends") should be considered a form of return to shareholders of part of the value of the Company, and as such capable of affecting the performance of the shares.

The beneficiaries of the bonus are thus the beneficiaries of the stock option plans who – either because they choose to do so or because of the restrictions imposed by the exercise conditions or the vesting periods – exercise their options after the ex dividend date of the "disposal dividends" and therefore could be penalized. The bonus is not paid, however, for the portion of other kinds of dividends, such as those generated by ordinary business activities or reimbursements associated with regulatory measures.

Essentially, when beneficiaries of the stock option plans have exercised the options granted to them, as from 2004 they have been entitled to receive a sum equal to the "disposal dividends" distributed by Enel after the options have been granted but before they have been exercised. The bonus will be paid by the company of the Group that employs the beneficiary and is subject to ordinary taxation as income from employment.

Under these rules, to date the Board of Directors has approved: (i) a bonus amounting to €0.08 per option exercised, with regard to the dividend (for 2003) of €0.36 per share payable as from June 24, 2004; (ii) a bonus amounting to €0.33 per option exercised, with regard to the interim dividend (for 2004) of the same amount per share payable as from November 25, 2004; (iii) a bonus amounting to €0.02 per option exercised, with regard to the balance of the dividend (for 2004) of €0.36 per share payable as from June 23, 2005; and (iv) a bonus amounting to €0.19 per option exercised, with regard to the interim dividend (for 2005) of the same amount per share payable as from November 24, 2005.

It should be noted that the overall dilution of share capital as of December 31, 2007 attributable to the exercise of the stock options granted under the various plans amounts to 1.96% and that further developments in the plans could, in theory, increase the dilution up to a maximum of 3.08%.

The following table summarizes developments in the stock option plans in 2007.

Options	2002 plan				2003 plan				2004 plan				2006 plan				2007 plan			
	(year of expiration: 2007)				(year of expiration: 2008)				(year of expiration: 2009)				(year of expiration: 2012)				(year of expiration: 2013)			
	Number of options	Exercise price (euro)	Market price (euro) ⁽¹⁾	Number of options	Exercise price (euro)	Market price (euro) ⁽¹⁾	Number of options	Exercise price (euro)	Market price (euro) ⁽¹⁾	Number of options	Exercise price (euro)	Market price (euro) ⁽¹⁾	Number of options	Exercise price (euro)	Market price (euro) ⁽¹⁾	Number of options	Exercise price (euro)	Market price (euro) ⁽¹⁾		
Options outstanding at January 1, 2007	755,300	6.426	7.859	2,048,785	5.240	7.859	18,095,197	6.242	7.859	31,504,000	6.842	7.859	-	-	-	-	-	-		
New options granted in 2007	-	-	-	-	-	-	-	-	-	-	-	-	27,920,000	7.859	7.916	-	-	-		
Options exercised in 2007	755,300	6.426	8.217	711,212	5.240	8.293	6,705,062	6.242	8.137	-	-	-	-	-	-	-	-	-		
Options lapsed in 2007	-	-	-	-	-	-	105,400	6.242	7.866	619,000	6.842	7.823	147,000	7.859	7.741	-	-	-		
Options outstanding at December 31, 2007	-	-	-	1,337,573	5.240	8.135	11,284,735	6.242	8.135	30,885,000	6.842	8.135	27,773,000	7.859	8.135	-	-	-		
- of which exercisable at December 31, 2007	-	-	-	1,337,573	5.240	8.135	3,216,314	6.242	8.135	-	-	-	-	-	-	-	-	-		

(1) Market prices are calculated on the basis of Consob instructions set out in Recommendation no. 11508 of February 15, 2000 regarding disclosures on stock option plans.

Reconciliation of shareholders' equity and net income of Enel SpA and the corresponding consolidated figures

Pursuant to Consob Notice no. DEM/6064293 of July 28, 2006, the following table provides a reconciliation of Group results for the year and shareholders' equity with the corresponding figures for the Parent Company.

Millions of euro	Income statement	Shareholders' equity	Income statement	Shareholders' equity
	2007 at Dec. 31, 2007		2006 at Dec. 31, 2006	
Financial statements - Enel SpA	3,887	15,711	3,347	14,600
- Carrying amount and impairment adjustments of consolidated equity investments and equity investments accounted for using the equity method	(19)	(55,067)	64	(18,010)
- Shareholders' equity and net income (calculated using harmonized accounting policies) of the consolidated companies and groups and those accounted for using the equity method, net of minority interests	4,374	37,051	2,733	21,905
- Consolidation differences at the Group consolidation level	-	22,967	27	983
- Intragroup dividends	(4,282)	-	(3,084)	-
- Elimination of unrealized intragroup income, net of tax effects and other minor adjustments	17	(1,031)	(51)	(1,018)
TOTAL GROUP	3,977	19,631	3,036	18,460
TOTAL MINORITY INTERESTS	236	4,158	65	565
CONSOLIDATED FINANCIAL STATEMENTS	4,213	23,789	3,101	19,025

Consolidated financial statements

Consolidated Income Statement

Millions of euro	Notes	2007		2006	
		of which with related parties		of which with related parties	
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	
<i>Earnings per share (euro)</i>		0.68		0.50	
<i>Diluted earnings per share (euro) ⁽¹⁾</i>		0.67		0.50	
<i>Earnings from continuing operations per share</i>		0.66		0.50	
<i>Diluted earnings from continuing operations per share ⁽¹⁾</i>		0.65		0.50	
<i>Earnings from discontinued operations per share</i>		0.02		-	
<i>Diluted earnings from discontinued operations per share ⁽¹⁾</i>		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

Millions of euro	Notes		
ASSETS		at Dec. 31, 2007	at Dec. 31, 2006
		of which with related parties	of which with related parties
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
	<i>[Total]</i>	93,339	41,500
Current assets			
Inventories	20	1,726	1,209
Trade receivables	21	11,576	2,388
Tax receivables	22	1,146	431
Current financial assets	23	2,414	402
Cash and cash equivalents	24	1,234	547
Other current assets	25	4,080	146
	<i>[Total]</i>	22,176	13,000
Assets held for sale	26	8,233	175
	TOTAL ASSETS	123,748	54,500

Millions of euro	Notes	at Dec. 31, 2007	at Dec. 31, 2006		
		of which with related parties	of which with related parties		
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		
<i>[Total]</i>		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		
<i>[Total]</i>		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
<i>[Total]</i>		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

Millions of euro	Notes	2007	2006
		of which with related parties	of which with related parties
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)
<i>Cash flow from operating activities before changes in net current assets</i>		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

Millions of euro	Notes	2007	2006
<i>of which assets held for sale</i>			
Effective portion of change in the fair value of cash flow hedges		287	4
Change in the fair value of financial investments available for sale		56	10
Exchange rate differences		(235)	1
Net income for period recognized in equity	27	108	15
Net income for period recognized in income statement		4,213	127
Total recognized income and expenses for the period		4,321	142
Attributable to:			
- shareholders of the Parent Company		4,144	141
- minority interests		177	1
		3,238	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:

Millions of euro	Enel Unión Fenosa Renovables ⁽¹⁾	RusEnergoSbyt	Endesa ⁽¹⁾	SeverEnergia (formerly Enineftegaz)
at Dec. 31, 2007				
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	118	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 calculated by discounting the corresponding expected cash flows.

The assets acquired regard exploration potential, probable reserves, possible reserves and proven reserves 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 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 effect 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 will have 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 no 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:

Millions of euro	Notional value	
	2007	2006
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.

Millions of euro	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
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)

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

Expected cash flows from interest rate derivatives

Millions of euro	Fair value		Stratification of expected cash flows					
	at Dec. 31, 2007	2008	2009	2010	2011	2012	Beyond	
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.

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).

Millions of euro	Notional value	
	2007	2006
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.

The following table reports the notional amount and fair value of exchange rate derivatives at December 31, 2007 and December 31, 2006.

Millions of euro	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
Cash flow hedge derivatives:								
- forwards	88	26	-	-	1	-	(1)	-
- CCIRSSs	7,127	-	(440)	-	98	-	(538)	-
Fair value hedge derivatives:								
- CCIRSSs	603	-	(118)	-	-	-	(118)	-
Trading derivatives:								
- forwards	5,629	1,468	(53)	(22)	68	2	(121)	(24)
- options	83	80	(4)	-	-	-	(4)	-
- CCIRSSs	1	-	-	-	-	-	-	-
Total forwards	5,717	1,494	(53)	(22)	69	2	(122)	(24)
Total options	83	80	(4)	-	-	-	(4)	-
Total CCIRSSs	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

Millions of euro	Fair value at Dec. 31, 2007	Stratification of expected cash flows					
		2008	2009	2010	2011	2012	Beyond
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.

Millions of euro	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
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. 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.

Millions of euro	-10%	Scenario		+10%
		at Dec. 31, 2007		
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 on 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.

Millions of euro	-10%	Scenario	+10%
at Dec. 31, 2007			
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 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;
- a negative €302 million relating to an embedded derivative on the SKK/USD exchange rate;
- 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)

Millions of euro	US inflation	Aluminum spot price	SKK/USD exchange rate
10% decrease	11	1	7
Scenario at Dec. 31, 2007	8	8	8
10% increase	6	24	9

Fair value of embedded derivative (b)

Millions of euro	SKK/USD exchange rate
10% decrease	(326)
Scenario at Dec. 31, 2007	(302)
10% increase	(279)

Fair value of embedded derivative (c)

Millions of euro	Gas price
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

Millions of euro	at Dec. 31, 2007	2008	2009	2010	2011	2012	Beyond
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 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 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 GlobeEq 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 Europe");
- > 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 Europe 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.

Balance sheet of RusEnergoSbyt at the acquisition date

Millions of euro	Book values before June 21, 2006	Fair value adjustments	Book values at June 21, 2006
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

Millions of euro	Book values before August 1, 2006	Fair value adjustments	Book values at August 1, 2006
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

Millions of euro	Book values before February 2, 2007	Fair value adjustments	Book values at February 2, 2007
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

Millions of euro	Book values before April 4, 2007	Fair value adjustments	Book values at April 4, 2007
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.

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⁾

Millions of euro	Dom. Sales	Domestic GEM	Infr. and Net.	Int'l	Services Parent and Company	Eliminations Other Activities	and adjustments	Total
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

Results for 2006 ⁽¹⁾

Millions of euro	Dom. Sales	Domestic GEM	Infr. and Net.	Int'l	Services Parent and Company	Eliminations Other Activities	and adjustments	Total
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.

Millions of euro	at Dec. 31, 2007	at Dec. 31, 2006
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
- <i>of which:</i>		
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
- <i>of which:</i>		
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

Millions of euro

	2007	2006	2007-2006
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 (€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:

Millions of euro	2007	2006
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

Millions of euro	2007	2006	2007-2006
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

Millions of euro

	2007	2006	2007-2006
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
<i>- of which capitalized</i>	(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

Millions of euro

	2007	2006	2007-2006
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

Millions of euro

	2007	2006	2007-2006
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
<i>- of which capitalized</i>	(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	4,950	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

Millions of euro	2007	2006	2007-2006
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

Millions of euro	2007	2006	2007-2006
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.

Millions of euro

	2007	2006	2007-2006
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
- <i>of which trading/non IFRS-IAS hedge derivatives</i>	4	(453)	457
- <i>of which ineffective portion of CFH</i>	-	-	-

10. Financial income/(expense) – €(914) million

Millions of euro	2007	2006	2007-2006
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.

Millions of euro

	2007	2006	2007-2006
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

Millions of euro

	2007	2006	2007-2006
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

Millions of euro

	2007	2006	2007-2006
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.

Millions of euro

	2007	2006		
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:

Millions of euro	Land	Buildings	Plants and machinery	Industrial and commercial equipment	Mineral assets	Other assets	Leased assets	Improvement and construction and advances	Assets under construction and advances	Total
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.

The following table reports the minimum lease payments and the related present value.

Millions of euro	Minimum lease payments	Present value
at Dec. 31, 2006		
2007	14	11
2008-2012	31	14
After 2012	99	64
Total	144	89

Millions of euro	Minimum lease payments	Present value
at Dec. 31, 2007		
2008	25	17
2009-2013	78	51
After 2013	138	69
Total	241	137

The following tables report the net values at December 31, 2007 and December 31, 2006 for property, plant and equipment based on the use of the assets.

Millions of euro

	2007	2006
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 networks	20,629	12,827
Gas distribution networks	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.

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.

Millions of euro

	2007	2006
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

Capital 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:

Millions of euro	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
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.

	Change in scope of consolidation	Exchange rate gains/ (losses)	Reclassification to "Assets held for sale"	Other changes	at Dec. 31, 2007
at Dec. 31, 2006					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)	-	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)	-	41
Nuove Energie	-	26	-	-	26
Enel Erelis	14	-	-	-	14
Enel Maritza East 3	15	-	-	-	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.

Millions of euro	Amount	Tax rate	Growth rate ⁽¹⁾	WACC ⁽²⁾	Ke ⁽³⁾	Discount rate	
						Explicit period of cash flows	
at Dec. 31, 2007							
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".

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.

Millions of euro		Increase/ (Decrease) taken to income statement consolidation	Changes in scope of consolidation	Other changes	Reclassification to "Assets held for sale"					
	at Dec. 31, 2006					at Dec. 31, 2007				
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:

Millions of euro	% holding	Acquisitions	Change in scope of consolidation	Capital increases	Income effect	Other changes	% holding
at Dec. 31, 2006							at Dec. 31, 2007
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. 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.

Millions of euro	Assets	Liabilities	Revenues	Net income/ (loss)	Net income/ (loss)		
					Assets	Liabilities	Revenues
at Dec. 31, 2007							at Dec. 31, 2006
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

Millions of euro	at Dec. 31, 2007	at Dec. 31, 2006	2007-2006
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.

Millions of euro	% holding		% holding		2007-2006
	at Dec. 31, 2007	at Dec. 31, 2006			
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 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).

Millions of euro	Carrying amount	Fair value	Carrying amount	Fair value	at Dec. 31, 2006
	at Dec. 31, 2007				
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 show the notional amounts and the fair value of derivative contracts classified under non-current financial assets.

Millions of euro	Notional value		Fair value		
	at Dec. 31, 2007	at Dec. 31, 2006	at Dec. 31, 2007	at Dec. 31, 2006	2007-2006
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

Millions of euro	at Dec. 31, 2007	at Dec. 31, 2006	2007-2006
Receivables from Electricity Equalization Fund and similar bodies			
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 the 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.⁽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.

“Net assets of personnel programs” reports assets backing a number of employee benefit plans net of liabilities.

Current assets

20. Inventories – €1,726 million

Millions of euro	at Dec. 31, 2007	at Dec. 31, 2006	2007-2006
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

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.

(1) The fund and its assets are managed entirely by the government.

21. Trade receivables – €11,576 million

Millions of euro

	at Dec. 31, 2007	at Dec. 31, 2006	2007-2006
Customers:			
- sale and transport of electricity			
- 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 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

Millions of euro

	at Dec. 31, 2007	at Dec. 31, 2006	2007-2006
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.

Millions of euro	Notional value		Fair value		2007-2006
	at Dec. 31, 2007	at Dec. 31, 2006	at Dec. 31, 2007	at Dec. 31, 2006	
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.

Millions of euro

	at Dec. 31, 2007	at Dec. 31, 2006	2007-2006
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

Millions of euro

	at Dec. 31, 2007	at Dec. 31, 2006	2007-2006
Receivables due from Electricity Equalization Fund and similar bodies	2,281	1,355	926
Receivable 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.

Millions of euro

	at Dec. 31, 2007	at Dec. 31, 2006	2007-2006
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).

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 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.

Reserve 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.

Millions of euro	Gains/(Losses) recognized in equity for the year	Released to income statement			at Dec. 31, 2007	
		of which held for sale			of which held for sale	
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.

Statement of changes in equity

Millions of euro	Share capital and reserves attributable to the shareholders of the Parent Company								Equity attributable to the shareholders of the Parent Company	Equity attributable to minority interests	Total shareholders' equity
	Share capital	Share premium	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			
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 period 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.

Millions of euro	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
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

Millions of euro	Balance at Dec. 31, 2007	Nominal value at Dec. 31, 2006	Balance at Dec. 31, 2006	Current average interest rate at Dec. 31, 2007	Current effective interest rate
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

Millions of euro	Nominal value at Dec. 31, 2006	Repayments	Change in own bonds consolidation	Changes in scope of consolidation	New financing	Exchange rate differences	Nominal value at Dec. 31, 2007
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.

Millions of euro	Carrying amount at Dec. 31, 2007	Fair value at Dec. 31, 2007	Carrying amount at Dec. 31, 2006	Fair value at Dec. 31, 2006
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)

Millions of euro	Carrying amount at Dec. 31, 2007	Carrying amount at Dec. 31, 2006	2007-2006
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

Millions of euro	Carrying amount at Dec. 31, 2007	Carrying amount at Dec. 31, 2006	2007-2006
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 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 \$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.

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.

Millions of euro

	at Dec. 31, 2007	at Dec. 31, 2006	2007-2006
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.

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.

Millions of euro	Benefits due on termination of employment and other long-term benefits		Post-employment benefits under defined-benefit plans	
	2007	2006	2007	2006
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.

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
Interest cost	77	74	65
Expected return on plan assets	(13)	(14)	(17)
Amortization of actuarial (gains)/losses	(4)	(14)	3
(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.

	Italy	Abroad	Italy	Abroad
	2007			2006
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

Millions of euro	Taken to income statement		Changes in scope of consolidation	Utilization and other changes	Reclassification to "Liabilities held for sale"					
at Dec. 31, 2006				at Dec. 31, 2007						
Provision for litigation, risks and other charges:										
- nuclear decommissioning	2,189	112	-	166	1	-				
- non-nuclear plant retirement and site restoration	223	25	-	114	(2)	-				
- litigation	348	83	(32)	240	(57)	(11)				
- CO ₂ emissions charges	9	-	(9)	-	-	-				
- other	960	429	(205)	593	(206)	(24)				
Total	3,729	649	(246)	1,113	(264)	(35)				
Provision for early-retirement incentives	422	205	(1)	1,301	(411)	-				
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 for 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.

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.

Millions of euro	Increase/ (Decrease) taken to income statement	Change in scope of consolidation	Other changes	Reclassification to "Liabilities held for sale"	
at Dec. 31, 2006					at Dec. 31, 2007
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, to be exercised in accordance with the terms and conditions of that accord, 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:

Millions of euro	Notional value		Fair value		
	at Dec. 31, 2007	at Dec. 31, 2006	at Dec. 31, 2007	at Dec. 31, 2006	2007-2006
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

Millions of euro

	at Dec. 31, 2007	at Dec. 31, 2006	2007-2006
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.

	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
	at Dec. 31, 2007		at Dec. 31, 2006		2007-2006	
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

Millions of euro

	at Dec. 31, 2007	at Dec. 31, 2006	2007-2006
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.

Millions of euro	Notional value		Fair value		
	at Dec. 31, 2007	at Dec. 31, 2006	at Dec. 31, 2007	at Dec. 31, 2006	2007-2006
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

Millions of euro

	at Dec. 31, 2007	at Dec. 31, 2006	2007-2006
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.

Millions of euro

	at Dec. 31, 2007	at Dec. 31, 2006	2007-2006
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).

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:

Millions of euro	Balance sheet		Income statement	
	Receivables	Payables	Costs	Revenues
	at Dec. 31, 2007		2007	
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.

Millions of euro	Balance sheet		Income statement	
	Receivables	Payables	Costs	Revenues
	at Dec. 31, 2007		2007	
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.

Millions of euro	at Dec. 31, 2007
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 30 November 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 36/2001 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. 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 quinque 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 quinque 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. 55/2000) 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 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 Construções 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 Construções, 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 February 11, 2008, the number of shares (as verified subsequently) 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 €972 million.

On March 12, 2008, the Enel Board of Directors acknowledged the advanced state of negotiations between EIH and two international financial organisations (the European Bank for Reconstruction and Development and the International Finance Corporation) for the sale to these organisations 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
<i>- of which vested at December 31, 2007</i>	<i>-</i>	<i>1,337,573</i>	<i>3,216,314</i>	<i>-</i>	<i>-</i>	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
Directors and General Manager									
Gnudi	Piero	Chairman	1/2007-12/2007	Approv. fin. stat. 2007	700,000.00	12,543.78 ⁽¹⁾	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 ⁽⁴⁾	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 ⁽⁵⁾				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									
					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 €600,000.00), once the achievement of the Group targets set for that year has been verified.

(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.

Corporate governance

Report on corporate governance

Section I: Governance structure

Introduction

During 2007, the corporate governance structure in place at Enel (hereinafter, also the "Company") and in the group of companies that it controls (hereinafter, for the sake of brevity, the "Group") continued to reflect the principles contained in the new edition of the Self-regulation Code of Italian listed companies promoted by Borsa Italiana and published in March 2006 (hereinafter, for the sake of brevity, the "Self-regulation Code"), as well as the recommendations made in this regard by the CONSOB and, more generally, international best practice.

The aim of this corporate governance system is essentially the creation of value for the shareholders, taking into account the social importance of the Group's activities and the consequent need, in carrying them out, to adequately consider all the interests involved.

Ownership structure

The capital stock of the Company consists exclusively of registered ordinary shares fully paid up and entitled to full voting rights at both Ordinary and Extraordinary Shareholders' Meetings.

Since November 1999, the Company's shares have been listed on the Electronic Stock Exchange organized and managed by Borsa Italiana, as well as the New York Stock Exchange (in the latter case, in the form of ADSs – American Depository Shares). In December 2007, the New York Stock exchange delisted Enel's ADSs at the Company's request, because of the low trading volume and the financial and administrative burdens connected with maintaining the listing and the registration of the aforesaid ADSs in the United States. It is expected that the procedure of deregistering Enel's ADSs (and ordinary shares) at the Securities and Exchange Commission (SEC), which the Company initiated in December 2007, will be completed in March 2008. When the deregistration is completed, the Company's reporting obligations provided for by the Securities Exchange Act of 1934 will cease and the provisions regarding corporate governance contained in the Sarbanes-Oxley Act will no longer be applicable to Enel. In this regard it should be noted that, even when the deregistration has been completed, the essence of internal controls over financial reporting required by Section 404 of the Sarbanes-Oxley Act will still be applied by the Company and the Group.

According to the entries in Enel's stock register, the reports made to the CONSOB, and the information available, as of March 2008 no shareholder – with the exception of the Ministry of the Economy and Finance, which owns 21.10% of the share capital, the Cassa Depositi e Prestiti (a joint-stock company controlled by the aforesaid Ministry), which owns 10.15% of the share capital, and Barclays Global Investors U.K. Holdings Ltd., which owns 2.23% of the share capital – owns more than 2% of the Company's share capital, nor, to the Company's knowledge, do any agreements regarding Enel's shares exist among its shareholders.

The Company is therefore subject to the de facto control of the Ministry of the Economy and Finance, which has sufficient votes to exercise a dominant influence at Ordinary Shareholders' Meetings. However, the aforesaid Ministry has declared that it is not in any way involved in managing and coordinating the Company.

Since the beginning of 2007, the Assicurazioni Generali group (from July to December 2007), the Monte dei Paschi di Siena group (during November 2007), the Intesa-San Paolo group (during June 2007), and the Crédit Suisse group (first in November 2007 and then in January 2008) have been temporarily in possession of a shareholding constituting slightly more than 2% of the Company's share capital.

Limit to the ownership of shares

Implementing a provision of the regulations regarding privatizations, the Company's bylaws provide that – except for the government, public bodies, and parties subject to their respective control – no shareholder may own, directly or indirectly, Enel shares that constitute more than 3% of the share capital.

The voting rights regarding the shares owned in excess of the aforesaid limit of 3% may not be exercised, and the voting rights to which each of the parties concerned by the limit to share ownership would have been entitled will be proportionately reduced, unless there are prior joint instructions from the shareholders concerned. In case of noncompliance, resolutions of Shareholders Meetings may be challenged in court if the majority required would not have been attained without the votes expressed in excess of the aforesaid limit. According to the regulations regarding privatizations, the provisions of the bylaws concerning the limit to share ownership will lapse if the limit of 3% is exceeded following a takeover bid in consequence of which the bidder holds shares amounting to at least 75% of the capital with the right to vote on resolutions regarding the appointment or removal of Directors.

Special powers of the Italian government

Implementing the provisions of the regulations regarding privatizations, the Company's bylaws assign the Italian government (represented for this purpose by the Ministry of the Economy and Finance) several "special powers", which are exercisable regardless of the number of shares owned by the aforesaid Ministry.

Specifically, the Ministry of the Economy and Finance, in agreement with the Ministry of Productive Activities, has the following "special powers", to be used according to the criteria established by the Prime Minister's Decree of June 10, 2004:

- > opposition to the acquisition of significant shareholdings (that is to say, amounting to or exceeding 3% of Enel's share capital) by parties to whom the aforesaid limit to share ownership applies. Grounds for the opposition must be given and the opposition may be expressed only in cases in which the Ministry considers the transaction to be in actual fact detrimental to vital national interests;
- > opposition to shareholders' agreements referred to in the Unified Financial Act if they concern 5% or more of Enel's share capital. In this case, too, grounds must be given for the opposition, which may be expressed only in cases in which the shareholders' agreements are liable to cause concrete detriment to vital national interests;
- > veto of the adoption of resolutions liable to have a major impact on the Company (by which is understood resolutions to wind up, transfer, merge, or split up the Company or to move its headquarters abroad or change its corporate purpose, as well as those aimed at abolishing or changing the content of the "special powers"). Grounds for the veto must in any case be given and the veto may be exercised only in cases in which such resolutions are liable to cause concrete detriment to vital national interests;
- > appointment of a Director without the right to vote (and of the related substitute in case he or she leaves the office).

Appointment and replacement of Directors and amendments of the bylaws

The rules that regulate the appointment and replacement of Directors are examined in the second section of this document (under "Board of Directors – Appointment, replacement, composition, and term").

As far as the rules applicable to amendments of the bylaws are concerned, Extraordinary Shareholders Meetings resolve thereon according to the majorities provided for by the law. As allowed by the law, however, the Company's bylaws assign to the authority of the Board of Directors resolutions concerning:

- > mergers by absorption of entirely or at least 90% owned companies, as well as demergers corresponding to the latter;
- > the establishment or closing of secondary headquarters;
- > which Directors are entrusted with representing the Company;
- > the reduction of the share capital in the event one or more shareholders withdraw;
- > the harmonization of the bylaws with provisions of the law;
- > moving the registered office within Italy.

Furthermore, implementing the provisions of the regulations regarding privatizations, the Company's bylaws assign to the Italian government (represented for this purpose by the Ministry of the Economy and Finance) the "special power" to veto the adoption of several resolutions – specified in detail in the preceding paragraph – liable to have a major impact on the Company and, at the same time, to entail the amendment of its bylaws.

Authorizations to increase the share capital and to buy back shares

As of March 2008, two authorizations are pending for the Board of Directors to increase the share capital for stock-option plans addressed to the Company's and Group's executives, with the consequent exclusion of the shareholders' preemptive rights.

Specifically, in May 2006 the extraordinary session of a Shareholders' Meeting authorized the Board of Directors, for a period of five years, to increase the share capital one or more times, divisibly, by a maximum amount of euro 31,790,000 for the 2006 stock-option plan, which had been approved by the ordinary session of the same Shareholders' Meeting.

Similarly, in May 2007 the extraordinary session of a Shareholders' Meeting authorized the Board of Directors, for a period of five years, to increase the share capital one or more times, divisibly, by a maximum amount of euro 27,920,000 for the 2007 stock-option plan, which had been approved by the ordinary session of the same Shareholders' Meeting.

The total amount of the aforesaid two authorizations could entail a maximum total dilution amounting to 0.97% of the share capital as recorded at the beginning of March 2008.

For the sake of completeness, it should be pointed out that the total actual dilution of the share capital as of the end of 2007 in consequence of the exercise of the stock options assigned through the plans preceding the aforesaid ones amounted to 1.96%.

As of March 2008, there are no authorizations for the Board of Directors to either issue financial instruments granting shareholding or to buy back shares.

Change-of-control clauses

A) The Enel-Acciona Contract

In March 2007, Enel, its subsidiary Enel Energy Europe S.r.l., and the Spanish companies Acciona S.A. and Finanzas Dos S.A. (the latter a subsidiary of Acciona) entered into a cooperation contract, which was modified in April 2007 (hereinafter, for the sake of

brevity, the "Enel-Acciona Contract"), for the purpose of developing a project for the joint management of the Spanish company Endesa S.A. by making a takeover bid for the latter's entire share capital. This bid was concluded successfully in October 2007.

The Enel-Acciona Contract provides that, in the event there is a change of control in any of the contracting companies that is significant according to the criteria established by Section 4 of the Spanish law regarding the security market (*Ley del Mercado de Valores*), the other parties will have the right to demand that Endesa's assets be divided in accordance with the procedure regulated by the aforesaid Contract. However, the contracting parties expressly agreed in this regard that if Enel were to be privatized, either entirely or partially, such change of control would not entitle the other parties to demand that Endesa's assets be divided.

B) The Credit Agreement for purchasing Endesa shares

In order to finance the purchase of Endesa shares as part of the takeover bid referred to in paragraph A) above, in April 2007 Enel and its subsidiary Enel Finance International S.A. entered into a syndicated term and guarantee facility agreement (hereinafter, for the sake of brevity, the "Credit Agreement") with a pool of banks for a total amount of euro 35 billion. In consequence of the sums repaid, the amount of the Credit Agreement that is outstanding as of March 2008 is euro 19.5 billion.

This contract makes specific provisions for the cases (hereinafter, for the sake of brevity, the "cases of change of control") in which (i) control of Enel is acquired by one or more parties other than the Italian government or (ii) Enel or any of its subsidiaries contributes (including through mergers) a substantial portion of the assets of the Group to parties that are not part of the latter, so that the Group's creditworthiness is significantly compromised in the opinion of the pool of banks.

Specifically, if one of the aforesaid hypothetical cases of change of control occurs:

- > each bank belonging to the pool may propose to renegotiate the terms and conditions of the Credit Agreement or communicate its intention of withdrawing from the contract;
- > Enel and its subsidiary Enel Finance International may decide to advance the repayment of the sums received and to cancel without penalties the entire financial commitment assumed by each bank belonging to the pool (i) with which the renegotiation of the terms and conditions of the Credit Agreement has not been successful or (ii) that has communicated its intention to withdraw from the contract;
- > each of the latter banks belonging to the pool may demand the early repayment of the sums paid out and the cancellation of the entire financial commitment it assumed;
- > in the event none of the banks belonging to the pool either proposes to renegotiate the terms and conditions of the Credit Agreement or communicates its intention to withdraw from the contract, the Credit Agreement remains fully effective according to the terms and conditions originally agreed on.

C) The Revolving Credit Facility Agreement

In order to meet general treasury requirements, in November 2005 Enel entered into a revolving credit facility agreement with a pool of banks for a total amount of euro 5 billion. This contract provides for rules regarding changes of control and the related effects that are essentially the same as those in the Credit Agreement described in paragraph B) above.

D) The EIB loan to Enel Produzione

In order to increase its investment in the field of renewable energy and environmental protection, in June 2007 the subsidiary Enel Produzione S.p.A. entered into a loan contract with the European Investment Bank (hereinafter, for the sake of brevity, the EIB) for up to euro 450 million, which expires in July 2027.

This contract provides that both Enel Produzione and Enel are obliged to inform the EIB of any changes in their control. If it deems that such changes could have negative consequences on the creditworthiness of Enel Produzione or Enel, the EIB may demand additional guarantees, changes in the contract, or alternative measures that it considers satisfactory. If Enel Produzione does not accept the solutions it proposes, the EIB has the right to unilaterally rescind the loan contract in question.

E) The EIB loans to Enel Distribuzione

In order to expand its plan for installing digital meters, in December 2003 the subsidiary Enel Distribuzione S.p.A. entered into a loan contract with the EIB in the amount of euro 500 million, which expires in December 2018.

Subsequently, in order to develop the process of making its electricity network more efficient, in November 2006 the aforesaid Enel Distribuzione entered into another loan contract with the EIB in the amount of euro 600 million, which expires in December 2026. Both of the contracts in question are accompanied by a guarantee contract (not yet effective as of March 2008) entered into by the EIB and Enel, which provides that the Company, in its capacity as guarantor of the aforesaid loans, is obliged to inform the EIB of any changes in its control structure. After receiving such information, the EIB will examine the new situation in order to decide on a possible change in the conditions regulating the aforesaid loans to Enel Distribuzione.

Compensation of the Directors in case of resignation, dismissal, or termination of the relationship following a takeover bid

The pay arrangements with the persons who currently hold, respectively, the positions of Chairman and Chief Executive Officer (as well as General Manager) of Enel provide for forms of compensation in case of their resignation or their dismissal without a just cause.

Specifically, it is provided that, in case of their justified resignation or their removal without a just cause, the Chairman and the Chief Executive Officer of Enel be paid compensation amounting to:

- > in the Chairman's case, the total sum of the fixed and variable pay that he would have received until the expiry of his term (assuming, with regard to the variable part, the average pay received in the last two years or, absent that, 50% of the maximum amount provided for);
- > in the Chief Executive Officer's (and General Manager's) case, the total sum of the fixed and variable pay (assuming, with regard to the variable part of the same, the average pay received in the last two years or, absent that, 50% of the maximum amount provided for) that he would have received as Chief Executive Officer and as General Manager until the expiry of the relationships concerned.

In addition to the foregoing, when his employment as an executive ends (in consequence of the termination of his relationship as a Director, including if the latter occurs before the end of his term, because of his justified resignation or his removal without a just cause), the General Manager will be paid compensation amounting to four years of (i) the fixed pay

received in such capacity, as well as (ii) 50% of the variable pay received in the same capacity, amounting to a total sum of euro 4,200,000. This compensation includes indemnity in lieu of notice and entails the waiver by the person concerned of any demands that could be made on the basis of the national collective bargaining agreement for executives of industrial firms.

It should be pointed out, however, that no specific compensation is provided for in the event the relationship of any member of the Board of Directors is terminated following a takeover bid.

A description of the total pay of the members of the Board of Directors and the members of the related Committees, as well as the Chairman and the Chief Executive Officer is provided in the second section of this report (under "Board of Directors – Pay").

Organizational structure

In compliance with the current regulations applicable in Italy to companies with listed shares, the organizational structure of the Company includes:

- > a Board of Directors entrusted with the management of the Company;
- > a Board of Statutory Auditors responsible for (i) ensuring compliance with the law and the Company's bylaws, as well as the observance of correct management principles in the carrying out of the Companies activities, (ii) checking the adequacy of the Company's organizational structure, internal auditing system, and administration and accounting system, and (iii) ascertaining how the corporate governance rules provided by the Self-regulation Code are actually implemented;
- > Shareholders' Meetings, called to resolve – in either an ordinary or an extraordinary session – on, among other things, (i) the appointment and removal of members of the Board of Directors and the Board of Statutory Auditors, as well as their compensation and responsibilities, (ii) the approval of the financial statements and the allocation of net income, (iii) the acquisition and sale of own shares, (iv) stock-option plans, (v) amendments of the Company's bylaws, and (vi) the issue of convertible bonds.

The external audit of the Company's and Group's accounts is entrusted to a specialized firm registered with the CONSOB and expressly appointed, after the Board of Statutory Auditors has made a grounded proposal, by a Shareholders' Meeting.

In addition to the prohibition regarding the performance of specific kinds of services imposed on auditing firms by the Unified Financial Act (with provisions introduced at the end of 2005), the Group's Code of Ethics has for some time established that the external audit of the Company's financial statements and of the consolidated financial statements is incompatible with the performance of consulting activities for any Group company and that such incompatibility extends to the external auditor's entire network.

Section II: Implementation of the recommendations of the Self-regulation Code and additional information

Board of Directors

Role and powers

The Board of Directors plays a central role in the Company's organization and is entrusted with the powers and the responsibility for strategic and organizational policies, as well as with verifying the existence of the controls necessary for monitoring the performance of the Company and the Group. In consideration of its role, the Board of Directors meets regularly and is organized and works so as to ensure the effective performance of its duties.

In this context, and in accordance with the provisions of the law and specific resolutions of its own (and, in particular, of the one adopted in November 2005), the Board of Directors:

- > establishes the corporate governance system for the Company and the Group and sees to the constitution and the definition of the duties of the Board's internal committees, whose members it appoints;
- > delegates and revokes the powers of the Chief Executive Officer, defining their content, limits, and the procedures, if any, for exercising them. In accordance with the delegations in force, the Chief Executive Officer is vested with the broadest powers for the management of the Company, with the exception of those that are assigned otherwise by the law or by the Company's bylaws or are reserved to the Board of Directors according to resolutions of the latter, which are described below;
- > receives, together with the Board of Statutory Auditors, constant and exhaustive information from the Chief Executive Officer regarding the activities carried out in the exercise of his powers, which is summarized in a special quarterly report. In particular, with regard to all the most significant transactions carried out using the powers of his office (including atypical or unusual transactions or ones with related parties whose approval is not reserved to the Board of Directors), the Chief Executive Officer reports to the Board on (i) the features of the transactions, (ii) the parties concerned and any relation they might have with the Group companies, (iii) the procedures for determining the considerations concerned, and (iv) the related effects on the income statement and the balance sheet;
- > determines, on the basis of the proposals made by the dedicated Committee and after receiving the opinion of the Board of Statutory Auditors, the compensation of the Chief Executive Officer and of the other Directors who hold specific offices;
- > evaluates, on the basis of the analyses and proposals made by the dedicated Committee, the criteria adopted for the compensation of the Company's and the Group's executives with strategic responsibilities and decides with regard to the adoption of the stock-options plans addressed to executives to be submitted to Shareholders' Meetings for approval;
- > evaluates the adequacy of the Company's and the Group's organizational, administrative, and accounting structure and resolves on the changes in the organizational structure proposed by the Chief Executive Officer;
- > establishes the corporate structure of the Group and checks if it is appropriate;
- > examines and approves the strategic, business, and financial plans of the Company and the Group. In this regard, the current division of powers within the Company specifically provides for the Board of Directors to resolve on the approval of:

- the annual budget and the long-term plan (which includes the aggregates of the annual budgets and long-term plans of the Group companies);
- strategic agreements, also determining – upon proposal by the Chief Executive Officer and after the Chairman has expressed his opinion – the strategic objectives of the Company and the Group;
- > examines and approves beforehand the transactions of the Company and the Group that have a significant impact on their strategy, balance sheets, income statements, and cash flows, particularly in cases where they are carried out with related parties or are otherwise characterized by a potential conflict of interest.
- > In particular, all financial transactions of a significant size – by which is meant taking on loans exceeding the value of euro 50 million, as well as granting loans and issuing guarantees in favor of third parties exceeding the value of euro 25 million – must be approved beforehand (if they concern the Company) or evaluated (if they regard the Group companies) by the Board of Directors.

In addition, the acquisition and disposal of equity investments amounting to more than euro 25 million must be approved beforehand (if they are carried out directly by the Company) or evaluated (if they concern Group companies) by the Board of Directors.

Finally, the latter approves agreements (with ministries, local governments, etc.) that entail expenditure commitments exceeding euro 25 million;

- > provides for the exercise of voting rights at shareholders' meetings of the companies directly controlled by the Parent Company and designates the directors and statutory auditors of the aforesaid companies;
- > appoints the General Manager and grants the related powers;
- > evaluates the general performance of the Company and the Group, with particular reference to conflicts of interest, using the information received from the Chief Executive Officer and verifying periodically the achievement of the objectives set;
- > formulates proposals to submit to Shareholders' Meetings and reports during the latter on the activities that have been carried out and planned, seeing that the shareholders have adequate information on the elements necessary for them to participate in a well-informed manner in the decisions that are within the authority of such Meetings.

Appointment, replacement, composition, and term

Pursuant to the provisions of the Company's bylaws, the Board of Directors consists of from three to nine members, who are appointed by an Ordinary Shareholders' Meeting (which determines their number within such limits) for a term not exceeding three accounting periods and may be reappointed at the expiration of their term. To them may be added a non-voting Director, whose appointment is reserved to the Italian government in virtue of the legislation regarding privatizations and a specific provision of the bylaws (as previously explained). To date, the Italian government has not exercised such power of appointment. According to the current legislation, Directors must possess the requisites of honorableness required of (i) company representatives of financial intermediaries, as well as (ii) statutory auditors of listed companies.

In compliance with the legislation regulating privatizations and in accordance with the amendments made at the end of 2005 to the Unified Financial Act, the bylaws also provide for the appointment of the entire Board of Directors to take place according to the "slate-vote" mechanism aimed at ensuring the presence on the Board of Directors of members

nominated by minority shareholders amounting to three-tenths of the Directors to be elected. In the event this number is a fraction, it is to be rounded up to the nearest integer. According to the amendments of the bylaws made in May 2007, each slate must include at least two candidates possessing the requisites of independence established by the law (that is to say, those provided for the statutory auditors of listed companies), distinctly mentioning such candidates and listing one of them first on the slate.

The slates must list the candidates in numerical order and may be presented by the outgoing Board of Directors or by shareholders who, individually or together with other shareholders, represent at least 1% of the share capital. The slates must be filed at the Company's registered office and published in newspapers with a nation-wide circulation sufficiently in advance of the date of the Shareholders' Meeting concerned – 20 days in advance being the deadline if the slate is presented by the outgoing Board of Directors and 10 days if the slates are presented by shareholders – so as to ensure a transparent process for the appointment of the Board of Directors. In this regard, it should be noted that, beginning with the next election of the Board of Directors, shareholders will be requested to file their slates at least 15 days before the date of the Shareholders' Meeting in accordance with the recommendations of the Self-regulation Code, as will be specifically noted in the notice of the Meeting.

A report with exhaustive information regarding the personal and professional characteristics of the candidates, accompanied by a statement as to whether or not the latter qualify as independent according to the Self-regulation Code, must be filed at the Company's registered office together with the slates, as well as published promptly on both the Company's and Borsa Italiana's websites.

According to the amendments to the bylaws made in May 2007, for the purposes of identifying the Directors to be elected, candidates listed on slates that receive a number of votes amounting to less than half the percentage required for presenting the aforesaid slates are not taken into account.

For the appointment of Directors who, for whatever reason, are not elected according to the "slate-vote" system, a Shareholders' Meeting resolves in accordance with the majorities required by the law, ensuring in any case the presence of the necessary number of Directors possessing the requirements of independence established by the law (that is to say, at least one Director if the Board consists of no more than seven members or two Directors if the Board consists of more than seven members).

The replacement of Directors is regulated by the provisions of the law. In addition to such provisions, the bylaws provide that:

- > if one or more of the Directors leaving their office vacant were drawn from a slate also containing candidates who were not elected, the replacement must be made by appointing, in numerical order, persons drawn from the slate to which the Directors in question belonged, provided that said persons are still eligible and willing to accept the office;
- > in any case, in replacing Directors who leave their office vacant, the Board of Directors must ensure the presence of the necessary number of Directors possessing the requirements of independence established by the law;
- > if the majority of the Directors appointed by a Shareholders' Meeting leave their office vacant, the entire Board is to be deemed to have resigned and the Directors still in office must promptly call a Shareholders' Meeting to elect a new Board.

In December 2006, the Board of Directors confirmed that it can defer the creation within itself of a special nomination committee, because to date there has been no evidence that it

is difficult for shareholders to find suitable candidates, so as to achieve a composition of the Board of Directors that conforms to the provisions of the law and is in line with the recommendations of the Self-regulation Code.

As resolved by the Ordinary Shareholders' Meeting of May 26, 2005, the incumbent Board of Directors consists of nine members, whose term expires when the financial statements for 2007 are approved. As a result of the appointments made at the aforesaid Shareholders' Meeting, the Board thus currently consists of the following members, whose professional profiles are summarized below, together with the specification of the slates on which they were nominated. The slates were presented by the Ministry of the Economy and Finance (which at the time owned 31.34% of the Company's share capital) and by a group of 16 institutional investors (which at the time owned a total of 1.65% of the Company's share capital).

> **Piero Gnudi**, 69, Chairman (designated on the slate presented by the Ministry of the Economy and Finance).

A graduate in economics and commerce (1962) of the University of Bologna and proprietor of an accounting firm located in Bologna, he has served on the board of directors and board of statutory auditors of numerous important Italian companies, including STET, ENI, Enichem, and Credito Italiano. In 1995 and 1996 he was economic advisor to the Minister of Industry. Since 1994, he has been on the board of directors of IRI, where he has also held the positions of supervisor of privatizations (from 1997 to 1999) and chairman and chief executive officer (1999-2000); later, from 2000 to 2002, he served as chairman of the IRI liquidation committee. A member of the executive of Confindustria, the steering committee of Assonime (an association of Italian corporations), the committee in charge of strategic development of the Italian Financial Markets, the executive committee of the Aspen Institute, the committee on the corporate governance of listed companies reconstituted on the initiative of Borsa Italiana in April 2005, and president of the Mediterranean Energy Observatory (OME), he currently also holds the positions of chairman of Emittenti Titoli and director of Unicredito Italiano. He has been chairman of the board of directors of Enel since May 2002.

> **Fulvio Conti**, 60, Chief Executive Officer and General Manager (designated on the slate presented by the Ministry of the Economy and Finance).

A graduate of the University of Rome "La Sapienza" with a degree in economics and commerce, in 1969 he joined the Mobil Group, where he held a number of executive positions in Italy and abroad and in 1989-90 was in charge of finance for Europe. The head of the accounting, finance, and control department of Montecatini from 1991 to 1993, he subsequently was in charge of finance at Montedison-Compart (between 1993 and 1996), overseeing the financial restructuring of such Group. The general manager and chief financial officer of the Italian National Railways between 1996 and 1998, he also held important positions in other companies of such Group (including Metropolis and Grandi Stazioni). Vice-chairman of Eurofima in 1997, in 1998-99 he was general manager and chief financial officer of Telecom Italia, holding also in this case important positions in other companies of such Group (including Finsiel, TIM, Sirti, Italtel, Meie and STET International). From 1999 to June 2005 he was Enel's chief financial officer. He has been chief executive officer and general manager of Enel since May 2005. He is currently also director of Barclays plc and AON Corporation as well as National Academy of Santa Cecilia.

> **Giulio Ballio**, 68, Director (designated on the slate presented by institutional investors). A graduate (1963) with a degree in aeronautical engineering of the Milan Polytechnic Institute, he has also made his academic career there. A professor since 1975, since 1983 he has held the chair of steel constructions at the school of engineering and since 2002 has been president of the Institute. The author of many publications (which have also been published abroad), he has carried on an extensive scientific activity. Alongside his academic activity, since 1964 he has worked with several engineering firms and in 1970 founded an engineering services company (B.C.V. Progetti), where he has been involved in numerous projects as designer, site engineer, and consultant, both in Italy and abroad. A member of the National Research Council's committee on regulations for constructing with steel from 1970 to 2000, he was a member of the Board of steel experts from 1975 to 1985 and chairman in 1981-82, as well as a member of the chairman's council of the Italian Calibration Service from 1997 to 2002. He has been involved in the renovation of several important monumental buildings (including the Accademia Bridge in Venice) and has coordinated research activities in the field of construction both in Italy and abroad. He has been a director of Enel since May 2005 and RCS Quotidiani since April 2007.

> **Augusto Fantozzi**, 67, Director (designated on the slate presented by institutional investors).

A graduate (1963) in law from the University of Rome "La Sapienza", he is a lawyer and the owner of a law firm with offices in Rome, Milan, Bologna, and Lugano, as well as a professor of tax law at "La Sapienza" and the LUISS "Guido Carli". The 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 – he was subsequently the Minister of Foreign Trade in Prime Minister Romano Prodi's Cabinet (from May 1996 to October 1998). A member of the Chamber of Deputies in the thirteenth legislature (from May 1996 to May 2001), he was chairman of the Budget, Treasury, and Economic Planning Committee (from September 1999). He 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 Fiscal Association, he is the author of numerous publications and has been a member of the editorial board of Italian and international law reviews. He has also been on the board of directors of numerous companies, including the Benetton Group, Lloyd Adriatico, and Citinvest, and currently holds the office of deputy chairman of the board of directors of Banca Antonveneta. He has been a director of Enel since May 2005.

> **Alessandro Luciano**, 56, Director (designated on the slate presented by the Ministry of the Economy and Finance).

After graduating from law school, he earned a master's degree in economics and finance in London. A lawyer, he began his career in 1974, consulting in currency law for leading Italian and foreign banks and pleading before the Currency Commission of the Treasury Ministry. At the same time, he was also concerned with the incorporation of companies and with loans from abroad, contributing to the conclusion of several transactions in favor of industries, insurance groups, and state-owned companies. Starting in 1984 he began extending his sphere of activity to the telecommunications industry, where he has been involved with entrepreneurial as well as financial and technical aspects. Formerly a consultant of STET, Techint, Snam Progetti, Aquater, Comerint, and the American company DSC Communications

(on behalf of which he participated in trial studies in Italy for the ISDN, MDS, Airspan, and Video-on-demand systems), he has also been vice president of two committees of the Italian Soccer Federation. From October 1998 to March 2005, he was a commissioner of the Italian Communications Authority, where he was a member of the Board and of the Infrastructure and Networks Committee. At the Authority he was concerned with, among other things, the development, competition, and interconnection of communication networks, resolving disputes between telecommunications companies and their users. In June 2005, he became the chairman of the board of directors of Centostazioni (Italian National Railways group). In November 2007, he was appointed as member of the Federal Court at the Italian Football Federation. He has been a Director of Enel since May 2005.

> **Fernando Napolitano**, 43, Director (designated on the slate presented by the Ministry of the Economy and Finance).

A graduate in economics and commerce (1987) of the University of Naples, he completed his studies in the United States, earning at first a master's degree in management at Brooklyn Polytechnic University and later attending the advanced management program at Harvard Business School. He began his career by working in the marketing division of Laben (Finmeccanica Group) and then that of Procter & Gamble Italia; in 1990 he joined the Italian office of Booz Allen Hamilton, a management and technology consulting firm, where he was appointed partner and vice-president in 1998. Within this office he was in charge of developing activities in the fields of telecommunications, media, and aerospace, while also gaining experience in Europe, the United States, Asia and the Middle East. He is currently chief executive officer of Booz Allen Hamilton Italia and also carries out assignments with an international scope. From November 2001 to April 2006 he served on the committee for surface digital television instituted by the Communications Ministry and from July 2002 to September 2006 he was director of the Italian Centre for Aerospace Research. He has been a director of Enel since May 2002 and Data Service since May 2007.

> **Francesco Taranto**, 67, Director (designated on the slate presented by institutional investors).

He began his career in 1959 in the office of a stockbroker in Milan and subsequently (from 1965 to 1982) worked at the Banco di Napoli, where he eventually became head of the marketable securities service. He then held numerous executive positions in the mutual funds industry, where he was first in charge of investment management at Eurogest (from 1982 to 1984) and then general manager of Interbancaria Gestioni (from 1984 to 1987). After that he worked for the Prime group (from 1987 to 2000), serving for a long time as chief executive officer of the parent company. He has also been a member of the steering committee of Assogestioni and a member of the committee for the corporate governance of listed companies sponsored by Borsa Italiana. A director of Enel since October 2000, he currently holds the same office at Banca Carige, Cassa di Risparmio di Firenze, Unicredit Xelion Banca, Pioneer Global Asset Management (part of the Unicredito Group), Kedrios and Alto Partners SGR.

> **Gianfranco Tosi**, 60, Director (designated on the slate presented by the Ministry of the Economy and Finance).

A graduate in mechanical engineering (1971) of the Polytechnic Institute of Milan, since 1972 he has held a number of positions at the same institute, becoming professor of iron

metallurgy in 1982 and from 1992 also giving the course on the technology of metal materials (together with the same position at the University of Lecco). The author of more than 60 publications, he has been extensively involved in scientific activities. A member of the board of directors of several companies and consortia, he has also held positions in associations, including the vice-presidency of the Gruppo Giovani Federlombarda (with duties as regional delegate on the Comitato Centrale Giovani Imprenditori instituted within the Confindustria) and the office of member of the executive committee of the Unione Imprenditori of the Province of Varese. From December 1993 to May 2002 he was mayor of the city of Busto Arsizio. The President of the Center for Lombard Culture, established by the Lombardy Region to defend and develop the local culture, he is also a member of the association of journalists. He has been a director of Enel since May 2002.

> **Francesco Valsecchi**, 43, Director (designated on the slate presented by the Ministry of the Economy and Finance).

After graduating with honors (1987) with a degree in law from the University of Rome "La Sapienza", he held a number of positions both there and at the LUISS "Guido Carli" in Rome regarding specifically the field of commercial law. From 1990 to 1992 he was the academic coordinator of the course for corporate lawyers organized by the LUISS business school. A lawyer and the author of several publications, since November 2001 he has been a member of the committee on the reform of civil trials instituted by the Minister of Justice and since March 2002 has taught at the Civil Service School. Since December 1994 he has been an extraordinary member of the Technical Council of the Communications Ministry and since April 2003 has been on the committee of experts of the High Commission for the coordination of public finance and the tax system. A member of the board of directors of the Italian Postal Service (from May 2002 to May 2005), he has subsequently held important positions in several companies of such Group, including the chairmanship of BancoPosta Fondi SGR (since April 2003) and Postecom (from July 2002 to April 2003). He has been a director of Enel since May 2005.

The Directors are aware of the duties and responsibilities connected with the office they hold and are constantly informed by the relevant corporate departments of the most important legislative and regulatory changes concerning the Company and the performance of their duties. In order to be able to perform their role even more effectively, they also participate in initiatives aimed at increasing their knowledge of the world and dynamics of the Company. The Directors perform their duties with full knowledge of the facts and in complete autonomy, pursuing the primary objective of creating value for the shareholders within a medium-long time frame.

Pay

Shareholders' Meetings determine the fees of the members of the Board of Directors. After the Board of Statutory Auditors has expressed its opinion, the Board of Directors itself sets the additional fees for the members of the Committees with advisory and proactive duties instituted within the Board of Directors. The total pay to which the Chairman and the Chief Executive Officer are entitled is also established by the Board of Directors, following a proposal by the Compensation Committee and after the Board of Statutory Auditors has expressed its opinion.

Specifically, in May 2005 an Ordinary Shareholders' Meeting established euro 85,000 gross a year as the fee to which each Director is entitled, in addition to the reimbursement of the expenses necessary to perform his duties.

In July 2005, after receiving the opinion of the Board of Statutory Auditors, the Board of Directors set the additional fees to be paid to the Directors for their participation on the Compensation Committee and the Internal Control Committee. For the coordinators of such Committees, the fee is euro 35,000 gross a year, while for the other members the fee is euro 30,000 gross a year. An attendance fee of euro 250 gross a session is also provided for.

In November 2005, upon proposal by the Compensation Committee and after receiving the opinion of the Board of Statutory Auditors, the Board of Directors determined the total pay of the Chairman and the Chief Executive Officer/General Manager. This pay, whose features are described below, was established after a careful analysis carried out with the assistance of a qualified external consultant, in which the remuneration of persons in positions similar to those of the persons concerned (including international comparisons) was taken into account. Specifically, the Chairman is entitled to fixed pay of euro 700,000 gross a year and variable pay of up to a maximum of euro 210,000 gross a year. The variable pay is tied to the achievement of specific and objective annual goals connected with the business plan and established by the Board of Directors upon proposal by the Compensation Committee. The total pay thus determined includes the base fee of euro 85,000 gross a year set by the Shareholders' Meeting for each Director, as well as the fee to which the Chairman is entitled if he sits on the boards of directors of Enel subsidiaries or affiliates, which therefore the person concerned must waive or transfer to Enel.

The Chairman was also assigned, for the entire duration of his term, a phantom-stock-option plan with the following features: (i) 2,500,000 options assigned; (ii) a strike price of euro 7.03; (iii) options exercisable only after the approval of Enel's 2007 financial statements (i.e. after the end of his term) and within the following two years.

Enel has taken out several insurance policies in favor of the Chairman connected with the carrying out of his assignment (in case of death, permanent invalidity, injury, and work-related illness) and the termination of the assignment itself (in order to ensure his severance pay). Finally, the Chairman is entitled to compensation in case of his justified resignation or his removal without a just cause, the features of which are described in the first section of this report (under "Ownership structure" – "Compensation of Directors in case of resignation, dismissal, or termination of the relationship following a takeover bid").

With regard to his capacity of Chief Executive Officer, the Chief Executive Officer/General Manager is entitled to fixed pay of euro 600,000 gross a year and variable pay of up to a maximum of euro 600,000 gross a year. The amount of his variable pay depends on the achievement of objective and specific annual goals connected with the business plan, which are established by the Board of Directors upon proposal by the Compensation Committee. The total pay thus determined includes the base fee of euro 85,000 gross a year set by the Shareholders' Meeting for each Director.

With regard to his capacity of General Manager, the Chief Executive Officer/General Manager is also entitled to fixed pay of euro 700,000 gross a year and variable pay of up to a maximum of euro 700,000 gross a year. In this case, too, the amount of the variable pay depends on the achievement of objective and specific annual goals connected with the business plan, which are established by the Board of Directors upon proposal by the Compensation Committee. The total pay thus determined includes the fee to which he is entitled if he sits on the boards of directors of Enel subsidiaries or affiliates, which therefore

the person concerned must waive or transfer to Enel. The General Manager's relationship as an executive exists for the entire duration of his relationship as a Director and expires at the same time as the latter.

In his capacity as General Manager, the Chief Executive Officer/General Manager is one of the beneficiaries of the long-term incentive plans (based on stock-options and, more recently, restricted share units) addressed to the executives of the Company and the Group. As a supplement to the stock options assigned him during 2005 in his previous capacity as head of Enel's Accounting, Finance, and Control Department, the person concerned has also been assigned a phantom-stock-option plan for the entire duration of his term, which has the following features: (i) 2,000,000 options assigned; (ii) a strike price of euro 7.03; (iii) options exercisable only after the approval of Enel's 2007 financial statements (i.e. after the expiry of his term as Chief Executive Officer) and within the following two years.

Enel ensures the Chief Executive Officer/General Manager compensation in case of death or permanent invalidity during the carrying out of his assignment and has taken out insurance policies to ensure his severance pay.

In exchange for the payment of a consideration, the Chief Executive Officer/General Manager has undertaken to not engage – for one year as from the termination of his relationship as a Director – personally and directly, in any business activities anywhere in the European Union that could be in competition with those carried on by Enel.

Finally, it should be pointed out that the person concerned is entitled to (i) in his capacity as Chief Executive Officer, compensation in case of his justified resignation or his removal without a just cause and (ii) in his capacity as General Manager, compensation at the termination of his relationship as an executive (in consequence of the expiry of his relationship as a Director). The features of such compensation are described in the first section of this report (under "Ownership structure" – "Compensation of Directors in case of resignation, dismissal, or termination of the relationship following a takeover bid").

Limit to the number of offices held by Directors

The Directors accept their office and maintain it in the belief that they can dedicate the necessary time to the diligent performance of their duties, taking into account both the number and the nature of the offices they hold on the boards of directors and the boards of statutory auditors of other companies of significant size and the commitment required by the other professional activities they carry on and the offices they hold in associations.

In this regard, it should be noted that in December 2006 the Board of Directors approved (and formalized in a specially provided document) a policy regarding the maximum number of offices that its members may hold on the boards of directors and the boards of statutory auditors of other companies of significant size in order to ensure that the persons concerned have sufficient time available to effectively perform the role they have on the Board of Directors of Enel.

In accordance with the recommendations of the Self-regulation Code, the aforesaid policy considers to this end the offices held on the boards of directors and the boards of statutory auditors of the following kinds of companies:

- a) companies with shares listed on regulated markets, including foreign ones;
- b) Italian and foreign companies with shares not listed on regulated markets and doing business in the fields of insurance, banking, securities intermediation, mutual funds, or finance (as far as the last field is concerned, only with regard to finance companies

subject to the prudential supervision of the Bank of Italy and included on the special list referred to in article 107 of the Unified Banking Act);

c) other Italian and foreign companies with shares not listed on regulated markets that, even though they do business in fields other than those specified under letter b) above, have assets exceeding euro 1 billion or revenues exceeding euro 1.7 billion according to their latest approved financial statements.

In accordance with the recommendations of the Self-regulation Code, the policy formulated by the Board of Directors thus establishes differentiated limits to the number of offices (made measurable by a system of specific "weights" for each kind of office), depending on (i) the commitment connected with the role performed by each Director, both on the Board of Directors of Enel and on the boards of directors and the boards of statutory auditors of other companies of significant size, as well as (ii) the nature of the companies where the other roles are performed, excluding from the related calculation those performed in Enel's subsidiaries and affiliates.

On the basis of the information provided by the Directors of the Company to implement the aforesaid policy, as well as the inquiry carried out by the Board of Directors in January 2008, it has been ascertained that each Enel Director currently holds a number of offices on the boards of directors or boards of statutory auditors of other companies of significant size that is compatible with the limit established by the aforesaid policy.

Board meetings and the role of the Chairman

In 2007 the Board of Directors held 21 meetings, which lasted an average of about 3 hours. Director participation was regular and the meetings were also attended by the Board of Statutory Auditors and by a magistrate representing the Court of Accounts. As far as 2008 is concerned, 6 Board meetings have been scheduled up to the month of June (that is, up to the end of the term of the incumbent Board of Directors), of which 3 have already been held. The activities of the Board of Directors are coordinated by the Chairman, who calls its meetings, establishes their agenda, and presides over them, ensuring that – except in cases of urgency and necessity – the necessary documents and information are provided to the Board members in time for the Board to express its informed opinion on the matters under examination. He also ascertains whether the Boards resolutions are implemented, chairs Shareholders' Meetings, and – like the Chief Executive Officer – is empowered to represent the Company legally.

In short, the Chairman's role is to stimulate and supervise the functioning of the Board of Directors as part of the fiduciary powers that make him the overseer for all shareholders of the legality and transparency of the Company's activities.

According to a Board resolution of November 2005, the Chairman is also entrusted with the duties of (i) participating in the formulation of corporate strategies in agreement with the Chief Executive Officer, the powers granted the latter by the Board of Directors being understood, as well as (ii) overseeing auditing in agreement with the Chief Executive Officer, with the Internal Auditing Department remaining under the latter. In this regard, however, it is provided that decisions concerning the appointment and removal of the head and top executives of the aforesaid department are to be made jointly by the Chairman and the Chief Executive Officer.

Finally, in agreement and coordination with the Chief Executive Officer, the Chairman maintains relations with institutional bodies and authorities.

Evaluation of the functioning of the Board of Directors and its Committees

During the last quarter of 2007, the Board of Directors, with the assistance of a specialized company, began (and completed in March 2008) an evaluation of the size, composition, and functioning of the Board itself and its Committees (so-called board review), in accordance with the most advanced practices of corporate governance found abroad that have been adopted by the Self-regulation Code. This board review follows similar initiatives undertaken by the Board of Directors during 2004 and 2006.

Conducted by means of a questionnaire filled out by each Director during individual interviews carried out by the consultancy firm, the analysis once again focused on the most significant issues regarding the Board of Directors, such as: (i) the structure, composition, role, and responsibilities of such body; (ii) the conduct of Board meetings, the related flows of information and the decision-making processes adopted; (iii) the composition and functioning of the Committees instituted within the Board; (iv) the strategies pursued and the performance objectives set; (v) the relations between the Board, the shareholders, and the stakeholders; and (vi) the evaluation of the appropriateness of the corporate organizational structure.

Among the most positive aspects that emerged from the 2007 board review (whose results showed improvement with respect to those of the board review carried out in 2006) was, first of all, the atmosphere of great cohesiveness existing within the Board of Directors, which fosters open and constructive discussion that is respectful of the contributions of each Director and that tends to converge on decisions characterized by broad agreement. The review also showed that the Board's decision-making process is supported by flows of information that the Directors consider timely and effective and is accurately reported in the minutes. It was emphasized that the Directors' understanding of the corporate processes and their knowledge about the issues that are most significant for Enel showed improvement with respect to the review carried out in 2006, which made the functioning of the Board of Directors even more effective. The Directors gave a positive evaluation of the Chairman's Board leadership, as well as with regard to the effectiveness of the role performed by the Chief Executive Officer. The structure of the Board of Directors and the number and duration of Board meetings were considered appropriate. The process of investigating and agreeing on medium-to-long-term strategies was unanimously considered one of the strong points of the Board of Directors. As far as the Committees instituted within the Board are concerned, there was a broad consensus on the appropriateness of their composition, their role, and the effectiveness of the activity carried out.

The 2007 board review also included a request addressed by the outgoing Board of Directors to the shareholders for the latter to take into account: (i) the need to also maintain on the next Board of Directors expertise specific to a holding company (auditing, management control, finance, legal affairs, corporate affairs) with a strategic orientation, while at the same time consolidating and further developing capabilities specific to the electricity business (and, more generally, the energy industry) with a managerial character, including experience on the international scene, as well as (ii) the need to align the pay of non-executive Directors with that of other companies (including foreign ones) comparable to Enel. Finally, the review pointed out the advisability of setting up a structured induction program addressed to the new members of the Board of Directors, so that they can perform their role appropriately from the beginning.

Continuing an initiative introduced after the first board review (conducted in 2004), the annual strategic meeting was again organized in 2007, in October, and was dedicated to the

analysis and in-depth study by the Board of Directors of the long-term strategies of the Company and the Group.

Non-executive Directors

The Board of Directors consists of executive and non-executive Directors.

In accordance with the recommendations of the Self-regulation Code, the following are considered executive Directors:

- > the Chief Executive Officer of the Company (or of strategically significant Group companies), as well as the related Chairman who has been granted individual powers of management or who has a specific role in the formulation of the Company's strategies;
- > Directors who hold executive positions in the Company (or in strategically significant Group companies) or in the controlling entity, if the position also regards the Company. Directors who do not correspond to any of the aforesaid categories qualify as non-executive. According to the analysis carried out by the Board of Directors in December 2006, with the exception of the Chairman and the Chief Executive Officer, the other 7 members of the Board of Directors currently in office (Giulio Ballio, Augusto Fantozzi, Alessandro Luciano, Fernando Napolitano, Francesco Taranto, Gianfranco Tosi, and Francesco Valsecchi) qualify as non-executive Directors.

As far as the Chairman is concerned, it should be noted that the characterization of the latter as an executive Director derives from the specific role that the current division of powers assigns him with regard to the formulation of the Company's strategies, while the person concerned does not have any individual powers of management.

The number, expertise, authoritativeness, and availability of time of the non-executive Directors are therefore sufficient to ensure that their judgment can have a significant influence on the decisions made by the Board.

The non-executive Directors bring their specific expertise to the Board's discussions, so as to facilitate an examination of the questions under discussion from different perspectives and consequently the adoption of well-considered and well-informed decisions that correspond to the corporate interest.

Independent Directors

Basing itself on the information provided by the individual persons concerned or, in any case, at the Company's disposal, in December 2006 and in January 2008 the Board of Directors attested that all the non-executive Directors qualify as independent.

Specifically, Directors were considered independent if they neither have nor have recently had relations, not even indirectly, with the Company or with parties connected with the Company that could currently condition the autonomy of their judgment.

The procedure followed in this regard by the Board of Directors began with an examination of a document with information showing the offices held and the relations maintained by the non-executive Directors that could be significant for the purpose of assessing their respective independence. This phase was followed by the self-assessment carried out by each of the non-executive Directors regarding his personal position, after which came the final assessment made collectively by the Board of Directors, with the abstention, in turn, of the individual members whose position was under examination.

In evaluating the independence of the non-executive Directors, the Board of Directors took into account the cases in which, according to the Self-regulation Code, the requisite of

independence should be considered lacking and, in this regard, applied the principle of the prevalence of substance over form recommended by the aforesaid Code.

When it carried out its reviews in December 2006 and January 2008, the Board of Directors ascertained that all the non-executive Directors also possessed the requisite of independence provided for the statutory auditors of listed companies, in accordance with the amendments to the Unified Financial Act made at the end of 2005.

During March 2007 and February 2008, the Board of Statutory Auditors established that, in carrying out the aforesaid evaluations of the independence of its non-executive members, the Board of Directors correctly applied the criteria recommended by the Self-regulation Code, following to that end a transparent assessment procedure that enabled the Board to learn about relations that were potentially significant for the purpose of the evaluation of independence.

The independent Directors held special meetings, without the presence of the other Directors, in February 2007 and February 2008.

In December 2006, the Board of Directors also ascertained the absence of the conditions that, according to the Self-regulation Code, require the institution of a lead independent director, in consideration of the fact that at Enel the Chairman of the Board of Directors is not the Chief Executive Officer, nor owns a controlling interest in the Company.

Although independence of judgment characterizes the activity of all the Directors, whether executive or not, an adequate presence (in terms of both number and expertise) of Directors who qualify as independent, according to the aforesaid definition, and have significant roles on both the Board of Directors and its Committees is considered a suitable means of ensuring that the interests of all the shareholders are appropriately balanced.

Committees

In order to ensure that it performs its duties effectively, as early as January 2000 the Board of Directors set up as part of itself a Compensation Committee and an Internal Control Committee, assigning them both advisory and proactive duties and entrusting them with issues that are sensitive and sources of possible conflicts of interest.

Each Committee consists of at least 3 non-executive Directors, the majority of whom are independent, and are appointed by the Board of Directors, which names one of them as coordinator and also establishes the duties of the Committee by a special resolution.

In December 2006, the Board of Directors approved special organizational regulations that govern the composition, tasks, and working procedures of each Committee.

In carrying out their duties, the Committees in question are empowered to access the information and corporate departments necessary to perform their respective tasks and may avail themselves of outside consultants at the Company's expense within the limits of the budget approved by the Board of Directors.

Each Committee appoints a secretary, who need not be one of its members, to whom the task of drawing up the minutes of the meetings is entrusted.

The meetings of each Committee may be attended by the members of the other Committee, as well as by other members of the Board of Directors or other persons whose presence may help the Committee to perform its duties better and who have been expressly invited by the related coordinator.

The meetings of the Internal Control Committee are also attended by the Chairman of the Board of Statutory Auditors or another regular Statutory Auditor designated by him (in consideration of the specific duties regarding the supervision of the internal control system

with which the aforesaid Board is entrusted by the laws in force concerning listed companies) and, as from December 2006, the Chairman of the Board of Directors (in his capacity as an executive Director entrusted with supervising the functioning of the internal control system). The head of internal control may also attend the aforesaid meetings.

Compensation Committee

The compensation of the Directors is established in an amount that is sufficient to attract, retain, and motivate Directors endowed with the professional qualities required for successfully managing the Company.

In this regard, the Compensation Committee must ensure that a significant portion of the compensation of the executive Directors and executives with strategic responsibilities is tied to the economic results achieved by the Company and the Group, as well as the attainment of specific objectives established beforehand by the Board of Directors, or – with regard to the aforesaid executives – by the Chief Executive Officer, in order to align the interests of the persons concerned with the pursuit of the primary objective of creating value for the shareholders in a medium-to-long time frame.

The compensation of non-executive Directors is commensurate with the commitment required of each of them, taking into account their participation on the Committees. It should be noted in this regard that, in line with the recommendations of the Self-regulation Code, this compensation is in no way tied to the economic results achieved by the Company and the Group and that the non-executive Directors are not beneficiaries of stock-based incentive plans.

Specifically, then, the Compensation Committee is entrusted with the following tasks, which are both advisory and proactive (as last redefined by the Board of Directors in December 2006 to implement the recommendations of the Self-regulation Code):

- > to present proposals to the Board of Directors for the compensation of the Chief Executive Officer and the other Directors who hold particular offices, monitoring the implementation of the resolutions adopted by the Board. It should be noted in this regard that the Directors in question are not allowed to attend the meetings of the Committee during which the latter formulates the proposals regarding the related compensation to present to the Board of Directors;
- > to periodically review the criteria adopted for the compensation of executives with strategic responsibilities, monitor their application on the basis of the information provided by the Chief Executive Officer, and formulate general recommendations for the Board of Directors in this regard.

As part of its duties, the Compensation Committee also plays a central role in elaborating and monitoring the performance of stock-option plans addressed to executives and conceived as instruments for providing incentives and developing loyalty and aimed at attracting and motivating resources with adequate ability and experience and further increasing their sense of belonging and ensuring their constant, enduring effort to create value. The 2007 stock-option plan, which was drawn up by the Compensation Committee and then submitted by the Board of Directors to a Shareholders' Meeting for its approval, also included among its beneficiaries the Company's Chief Executive Officer in his capacity as General Manager.

In addition to those recommended by the Self-regulation Code, the Compensation Committee also performs the task of assisting the Chief Executive Officer and the relevant

corporate departments in developing the potential of the Company's managerial resources, recruiting talented people, and promoting related initiatives with universities.

During 2007, the Compensation Committee (i) consisted entirely of non-executive, independent Directors in the persons of Francesco Taranto (acting as coordinator), Giulio Ballio, Fernando Napolitano, and Gianfranco Tosi, (ii) held 6 meetings, which all of its members attended regularly and which lasted an average of 1 hour and 15 minutes, and, finally, (iii) called on external consultants at the Company's expense.

During 2007, the Compensation Committee – in addition to elaborating the stock-option plan for that year and carrying out a review of the performance of the existing stock-option plans – worked on establishing the applicative aspects of the variable component of the compensation of the Chairman and the Chief Executive Officer, in particular setting the annual economic and managerial objectives to assign them and verifying the attainment of the objectives of the previous year. The Committee also reviewed the compensation policies and the management methods of executives in place in the Company and the Group, carrying out in this regard benchmark comparisons with the compensation paid by companies comparable to Enel. Finally, the Committee examined the content of a long-term incentive plan addressed to the executives of the Infrastructure and Network Division, which is characterized by objectives regarding the specific business area and was adopted in consideration of the impossibility of including such executives among the beneficiaries of the Group stock-option plans because of the new regulatory framework concerning unbundling.

Internal Control Committee

The Internal Control Committee has the task of assisting the Board of Directors in the latter's evaluations and decisions regarding the internal control system, the approval of the financial statements and the half-year report, and the relations between the Company and the external auditor by preliminarily gathering the relevant facts.

Specifically, the Internal Control Committee is entrusted with the following tasks, which are both advisory and proactive (as last redefined by the Board of Directors, in December 2006, to implement the recommendations of the Self-regulation Code):

- > to assist the Board of Directors in performing the tasks regarding internal control entrusted to the latter by the Self-regulation Code;
- > to evaluate, together with the executive in charge of preparing the corporate accounting documents and the external auditors, the proper use of accounting principles and their uniformity for the purpose of drawing up the consolidated financial statements;
- > to express opinions, at the request of the executive Director who is assigned the task, on specific aspects regarding the identification of the Company's and the Group's main risks, as well as the planning, implementation, and management of the internal control system;
- > to examine the work plan prepared by the head of internal auditing, as well as the latter's periodical reports;
- > to assess 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;
- > to oversee the effectiveness of the external audit process;
- > to perform the additional tasks assigned it by the Board of Directors, with particular regard to the checks aimed at ensuring the transparency and fairness of transactions with related parties;

- > 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.

During 2007, the Internal Control Committee consisted entirely of non-executive, independent Directors, in the persons of Augusto Fantozzi (acting as coordinator), Alessandro Luciano, and Francesco Valsecchi. In December 2006, the Board of Directors acknowledged that the coordinator, Augusto Fantozzi, has the qualifications of adequate experience in accounting and finance provided for by the Self-regulation Code.

During 2007, the Internal Control Committee held 8 meetings, which were regularly attended by its members (as well as by the Chairman of the Board of Statutory Auditors, and the Chairman of the Board of Directors, the latter in his capacity as the executive Director entrusted with overseeing the functioning of the internal control system), and lasted an average of 2 hours and 30 minutes each.

During 2007, the activity of the Internal Control Committee focused on the evaluation of (i) the work plans prepared by both the head of internal auditing and the external auditor, as well as (ii) the results of the audits performed during the preceding year and (iii) the content of the letter of suggestions prepared by the external auditor regarding the accounting period in question. The Committee also supervised the preparation of the sustainability report, monitored the observance of the compliance program adopted pursuant to legislative decree n. 231 of June 8, 2001 (also seeing to the updating of the aforesaid program), examined several transactions with related parties, and – within the limits of its own authority – made a positive assessment of the adequacy, effectiveness, and actual functioning of the internal control system during the preceding accounting period.

Board of Statutory Auditors

According to the provisions of the law and the Company's bylaws, the Board of Statutory Auditors consists of three regular Auditors and two alternates, who are appointed by an Ordinary Shareholders' Meeting for a period of three accounting periods and may be re-appointed when their term expires.

During 2005, in adjusting its governance rules to the regulations of the United States on audit committees contained in the Sarbanes-Oxley Act – which applies to Enel because the Company's ADSs, or American Depository Shares, as well as its ordinary shares, are registered at the Securities and Exchange Commission (SEC) and which will therefore cease to have effect with regard to the Company once the deregistration procedure is completed, as explained in the first section of this report (under "Ownership structure") – the Company strengthened the supervisory role already entrusted to the Board of Statutory Auditors by Italian law, the description of which is contained in the first section of the present report (under "Organizational structure").

Since July 2005, therefore, in connection with the provisions of the U.S. regulations on audit committees, the Board of Statutory Auditors has also had the following duties: (i) to supervise the work of the external auditor and to approve beforehand the entrusting of the latter with additional assignments, which must in any case regard accounting; (ii) to oversee the corporate procedures that regulate the presentation of complaints and reports concerning accounting practices and the internal control system, with the possibility of availing itself of external consultants.

In order to ensure that the Board of Statutory Auditors can effectively perform its duties and in accordance with the recommendations of the Self-regulation Code, in December 2006, the

Board of Directors, within the limits of its own authority, expressly granted the Board of Statutory Auditors:

- > the power to oversee the independence of the external auditor (confirming the provisions of the U.S. regulations on audit committees), monitoring both compliance with the relevant regulatory provisions and the nature and extent of the services other than auditing that the external auditor and the firms belonging to the latter's network may perform for the Company and the Group;
- > the power – which may also be exercised individually by the Statutory Auditors – to request the Company's Internal Auditing Department to perform checks on specific corporate operating areas or transactions;
- > the power to promptly exchange information relevant for performing their respective duties with the Internal Control Committee.

According to the legislation in force, the members of the Board of Statutory Auditors must possess the requisites of honorableness provided for the company representatives of financial intermediaries, in addition to those established for the statutory auditors of listed companies. They must also possess the requisites of professional competence required by the law of statutory auditors of listed companies, as supplemented by special provisions of the bylaws. Finally, they must possess the requisites of independence specified by the law for statutory auditors of listed companies.

In accordance with the provisions of the Unified Financial Act, the limit to the number of offices on the boards of directors and the boards of statutory auditors that the members of Enel's Board of Statutory Auditors may hold in Italian corporations were established by the CONSOB in special regulations, the provisions of which will become fully effective as from the end of June 2008.

As in its provisions for the Board of Directors – and in compliance with the regulations regarding privatizations, as well as in accordance with the amendments to the Unified Financial Act made at the end of 2005 – the bylaws provide that the appointment of the entire Board of Statutory Auditors take place according to the "slate vote" mechanism, which aims to ensure the presence on the Board of a regular Auditor (who is entitled to the office of Chairman) and an alternate Auditor (who will take over the office of Chairman if the incumbent leaves it before the end of his term) designated by minority shareholders.

This electoral system provides that shareholders who, alone or together with other shareholders, represent at least 1% of the share capital may present slates, on which candidates must be listed in numerical order. The slates must be filed at the Company's registered office and published in daily newspapers with a nationwide circulation at least 10 days before the date of the Shareholders' Meeting. It should be noted in this regard that, for the last election of the Board of Statutory Auditors, shareholders were requested to file their slates at least 15 days before the date of the Shareholders' Meeting, in compliance with the recommendations of the Self-regulation Code and according to a specific note contained in the notice of the Meeting.

In order to ensure a transparent procedure for the appointment of the Board of Statutory Auditors, exhaustive information about the personal and professional characteristics of the candidates must be filed at the Company's registered office together with the slates, as well as promptly published on the Company's and Borsa Italiana's websites.

For the appointment of Statutory Auditors who, for whatever reason are not elected according to the "slate-vote" system, a Shareholders' Meeting resolves in accordance with the majorities required by the law and without following the aforesaid procedure, but in any

case in such a way as to ensure observance of the principle regarding the representation of the minority shareholders on the Board of Statutory Auditors.

In any case, the Statutory Auditors act autonomously and independently, including with regard to the shareholders who elected them.

Having been elected by the ordinary Shareholders' Meeting of May 25, 2007, the incumbent Board of Statutory Auditors has a term that will expire when the 2009 financial statements are approved. As a result of the appointments made at the aforesaid Shareholders' Meeting, the Board of Statutory Auditors thus currently consists of the following regular members, for whom brief professional profiles are provided below, together with the specification of the slates on which they were nominated. The latter were presented by the Ministry of the Economy and Finance (which at the time owned 21.12% of the Company's share capital) and by a group of 15 institutional investors (which at the time owned a total of 1.02% of the Company's share capital).

> **Franco Fontana**, 64, Chairman (designated on the slate presented by institutional investors).

A certified public accountant and a professor of economics and business management, since 1973 he has taught at a number of Italian universities and since 1995 has served as the Dean of the School of Economics at the Guido Carli LUISS University. From 2004 to 2006, he was Director of the Business School of the aforesaid University. He has also served as a member of several technical committees for the reorganization of the Civil Service (Ministry of the Postal Service and Telecommunications, Ministry of Finance, Ministry of Industry, and 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&C. (Meliorbanca). He is currently chairman of the board of statutory auditors of Alcatel Alenia Space Italia, Ansaldo Breda, Agip Rete and Polimery Europa, as well as a regular statutory auditor of Exxon Mobil Mediterranea, Essocard, and ST Microelectronics Srl. A member of Enel's Board of Statutory Auditors since 2001, he was appointed Chairman of the Company's Board of Statutory Auditors in 2007. He is also the author of numerous publications regarding business management and organization.

> **Carlo Conte**, 60, regular Auditor (designated on the slate presented by the Ministry of the Economy and Finance).

After graduating with a degree in Economics and Commerce from "La Sapienza" University in Rome, he remained active in the academic world, teaching at the University of Chieti (1988-1989) and the Guido Carli LUISS in Rome (1989-1995). He currently teaches public accounting at the latter's School of Management, the Civil Service School, and the Economy and Finance School, as well as administration and governmental accounting at Bocconi University in Milan. A certified public accountant, he is also the author of a number of publications. In 1967 he started his career in the Civil Service at the Government Accounting Office, becoming a General Manager in 2002. He currently represents the Office on a number of commissions and committees and in various research and work groups, as well as representing Italy on several committees of the OECD. A Statutory Auditor of Enel since 2004, he has also performed and still performs the same duties in a number of other bodies, institutions, and companies.

> **Gennaro Mariconda**, 65, regular Auditor (designated on the slate presented by the Ministry of the Economy and Finance).

He has been a notary public since 1970 and a notary public in Rome since 1977. From 1995 to 2001 he was a member of the National Council of Notaries, of which he was President from 1998 to 2001. As part of his activity as a notary, he has taken part in the most important reorganizations, transformations, and mergers of banks and other Italian companies, such as Banca di Roma, Medio Credito Centrale, Capitalia, IMI-San Paolo, Beni Stabili, and Autostrade. Since 1966 he has taught at a number of Italian universities and is currently a professor of private law at the University of Cassino's School of Economics and Commerce. He has served as a director of RCS Editori and Beni Stabili, as well as a trustee of the Istituto Regionale di Studi Giuridici Arturo Carlo Jemolo. He is currently a member of the editorial board of the journals "Notariato" and "Rivista dell'esecuzione forzata". A Statutory Auditor of Enel since 2007, he is the author of numerous technical legal studies – mainly on civil and commercial law – and he has also published articles, interviews, and essays in the most important Italian newspapers and magazines.

Shareholders' Meetings determine the fee of the regular members of the Board of Statutory Auditors. Specifically, in May 2007 an Ordinary Shareholders' Meeting set the fee to which the Chairman of the Board of Statutory Auditors is entitled at euro 75,000 gross a year and the fee to which each of the other regular Statutory Auditors is entitled at euro 65,000 gross a year, in addition to the reimbursement of the expenses necessary for them to perform their duties.

During 2007, the Board of Statutory Auditors held 23 meetings, lasting an average of about 1 hour and 30 minutes, which were regularly attended by the regular Auditors and the magistrate representing the Court of Accounts.

During June 2007 and February 2008, the Board of Statutory Auditors established that the Chairman, Franco Fontana, and the regular Auditor Gennaro Mariconda possess the requisite of independence provided for by the Self-regulation Code with regard to directors. As far as the regular Auditor Carlo Conte is concerned, the Board of Statutory Auditors established that, even though he does not possess the aforesaid requisite of independence (because he is a General Manager at the Ministry of the Economy and Finance, the reference shareholder of the Company), he does possess the characteristics of independence provided for by the Unified Financial Act (and the related implementation regulations) with regard to statutory auditors of listed companies.

Auditing firm

The external audit of Enel's financial statements and the Group's consolidated financial statements is entrusted to KPMG S.p.A.

The assignment was awarded to this firm first for the three-year period 2002-2004 (by the Shareholders' Meeting on May 24, 2002), then for the three-year period 2005-2007 (by the Shareholders' Meeting on May 26, 2005), and, finally, was extended for the three-year period 2008-2010 (by the Shareholders' Meeting on May 25, 2007). The extension was granted to make the total duration of the external audit assignment awarded to KPMG S.p.A. correspond to the new nine-year limit set by the Unified Financial Act (according to the amendments introduced at the end of 2006).

Oversight of the Court of Accounts

The Court of Accounts oversees the financial management of Enel, availing itself for this purpose of an appointed magistrate. This role was performed for all of 2007 by Ignazio de Marco (in accordance with a resolution of the Presidential Council of the Court of Accounts at its meeting on October 15-16, 2002) and, as from January 2008, has been performed by Michael Sciascia (in accordance with a resolution of the Presidential Council of the Court of Accounts at its meeting on December 19-20, 2007).

The magistrate appointed by the Court of Accounts attends the meetings of the Board of Directors and the Board of Statutory Auditors. The Court of Accounts presents an annual report on the results of the oversight performed to the office of the President of the Senate and the office of the President of the House of Deputies.

Executive in charge of preparing the corporate accounting documents

In compliance with the provisions introduced at the end of 2005 in the Unified Financial Act, a clause was inserted in the Company's bylaws on the basis of which in June 2006 the Board of Directors, after receiving the opinion of the Board of Statutory Auditors, appointed the head of the Company's Accounting, Planning, and Control Department (in the person of Luigi Ferraris) to the position of executive in charge of preparing the corporate accounting documents.

In compliance with the additional amendments made to the Unified Financial Act at the end of 2006, during May 2007 the bylaws were amended to specify the professional qualifications of the executive in charge of preparing the corporate accounting documents, taking into account particularly the specific duties that the latter is called on to perform in the Company. During June 2007, the Board of Directors established that the head of the Company's Accounting, Planning, and Control Department possesses such qualifications.

The duty of this executive is to establish appropriate administrative and accounting procedures for the preparation of the financial statements of the Parent Company and the consolidated financial statements, as well as all other financial documents.

The Board of Directors ensures that this executive has adequate powers and means, as well as seeing that the administrative and accounting procedures that he establishes are actually observed.

The executive in question issues a declaration that accompanies the corporate documents and communications released to the market regarding financial information, including interim information, and certifies that such information corresponds to what is recorded in the Company's documents, account books, and book entries.

Together with the Chief Executive Officer, the aforesaid executive also certifies in a specially provided report attached to the financial statements of the Parent Company, the consolidated financial statements, and the half-year financial report: (i) the adequacy and actual application of the aforesaid administrative and accounting procedures during the period to which such accounting documents refer; (ii) the conformance of the content of these documents to the international accounting standards applicable within the European Union; (iii) the correspondence of the aforesaid documents to the accounting records and their suitability for providing a true and fair view of the Company's and the Group's balance sheet, income statements, and cash flows; (iv) that the report on operations accompanying the financial statements of the Parent Company and the consolidated financial statements contains a reliable analysis of the performance and results of the year, as well as of the situation of the Company and the Group and the main risks and uncertainties to which they

are exposed; (v) that the report on operations included in the half-year financial report contains a reliable analysis of the most important events that occurred during the first six months of the period, together with a description of the main risks and uncertainties in the remaining six months of the period and information on the significant transactions with related parties.

The content of the certification that the executive in question and the Chief Executive Officer must issue in accordance with the foregoing was established by the CONSOB in specially provided regulations, which will be supplemented by the end of May 2008 to incorporate the amendments in this regard introduced in the Unified Financial Act during November 2007.

Internal control system

With regard to internal control, several years ago the Group adopted a special system aimed at (i) checking the adequacy of Group procedures in terms of effectiveness, efficiency, and costs, (ii) ensuring the reliability and correctness of accounting records, as well as the safeguard of Company and Group assets, and (iii) ensuring that operations comply with internal and external regulations, as well as with the corporate directives and guidelines for sound and efficient management.

The Group's internal control system is divided into two distinct areas of activity:

- > line auditing, which consists of all the auditing activities that the individual operating units or Group companies carry out on their own processes. Such auditing activities are primarily the responsibility of operating executives and are considered an integral part of every corporate process;
- > internal auditing, which is entrusted to the Company's related department and is aimed essentially at the identification and containment of corporate risk of any kind. This objective is pursued through the monitoring of line auditing, in terms of both the appropriateness of the audits themselves and the results actually achieved by their application. This auditing activity is therefore applied to all the corporate processes of the Company and of the Group companies. The personnel in charge of said activity is responsible for indicating both the corrective actions deemed necessary and for carrying out follow-up actions aimed at checking the results of the measures suggested.

The responsibility for adopting an adequate internal control system consistent with the reference models and existing national and international best practice is entrusted to the Board of Directors, which to this end and availing itself of the Internal Control Committee:

- > establishes the guidelines of such system, so that the main risks regarding the Company and its subsidiaries are correctly identified, as well as properly measured, managed, and monitored, and then ensures the compatibility of such risks with sound and correct corporate management. It should be observed in this regard that in December 2006, the Board of Directors took note of the identification of the main risks regarding the Group and the establishment of specially provided criteria for measuring, managing, and monitoring the aforesaid risks – in accordance with the content of a special document drawn up by the Company's Internal Auditing Department – and agreed on the compatibility of the aforesaid risks with sound and correct corporate management. In February 2008, the Board of Directors examined an updated Group risk assessment prepared by the Company's Internal Auditing Department;
- > appoints one or more executive Directors to supervise the functioning of the internal control system. In this regard, it should be noted that in December 2006 the Board of Directors entrusted this role to both the Chief Executive Officer and the Chairman,

assigning the latter the task of regularly participating in the meetings of the Internal Control Committee;

- > evaluates the adequacy, efficiency, and actual functioning of the internal control system at least once a year. It should be noted that in March 2007 and February 2008 the Board of Directors expressed a positive evaluation in this respect;
- > appoints, and removes, one or more persons to be in charge of the internal control system, establishing the related compensation in line with the relevant corporate policies. In this regard, in December 2006 the Board of Directors confirmed that the person in charge of the internal control system is the head of the Company's Internal Auditing Department (in the person of Antonio Cardani, at that time) and established his compensation as the same as he was already receiving. In January 2008, the Board of Directors, having taken note that there was a new head of the Company's Internal Auditing Department (in the person of Francesca Di Carlo), confirmed the latter as the person in charge of the internal control system and confirmed her compensation as the same as she was already receiving.

The executive Directors assigned to supervise the functioning of the internal control system in turn:

- > oversee the identification of the main corporate risks, taking into account the characteristics of the activities carried out by the Company and its subsidiaries, and then submit them periodically to the Board of Directors for examination;
- > carry out the guidelines established by the Board of Directors, seeing to the planning, implementation, and management of the internal control system and constantly monitoring its overall adequacy, effectiveness, and efficiency. They also supervise the adaptation of this system to the dynamics of operating conditions and the legislative and regulatory framework;
- > make proposals to the Board of Directors regarding the appointment, removal, and compensation of one or more persons to be in charge of the internal control system.

The person in charge of the internal control system:

- > is entrusted with ensuring that the internal control system is always adequate, fully operative and functioning;
- > is not the head of any operating area and is not hierarchically dependent on any head of an operating area;
- > has direct access to all the information that is useful for the performance of his or her duties;
- > has adequate means at his or her disposal for performing the assigned tasks;
- > reports on his or her activities to the executive Directors assigned to supervise the functioning of the internal control system, the Internal Control Committee, and the Board of Statutory Auditors. Specifically, he or she reports on the procedures through which risk management is conducted, as well as on the observance of the plans devised to limit them, and expresses his or her evaluation of the suitability of the internal control system for achieving an acceptable level of overall risk.

Transactions with related parties

In December 2006, the Board of Directors – in compliance with the provisions of the Italian Civil Code and the recommendations of the Self-regulation Code – adopted regulations that establish the procedures for approving and carrying out transactions undertaken by the

Company or its subsidiaries with related parties, in order to ensure the transparency and correctness, both substantial and procedural, of the aforesaid transactions.

According to these regulations, the Internal Control Committee is entrusted with the prior examination of the various kinds of transactions with related parties, with the exception of those that present a low level of risk for the Company and the Group (the latter including the transactions carried out between companies entirely owned by Enel, as well as those that are typical or usual, those that are regulated according to standard conditions, and those whose consideration is established on the basis of official market prices or rates established by public authorities).

After the Internal Control Committee has completed its examination, the Board of Directors gives its prior approval (if the transactions regard the Company) or prior evaluation (if the transactions regard Group companies) of the most significant transactions with related parties, by which is meant (i) atypical or unusual transactions; (ii) transactions with a value exceeding euro 25 million (with the exception of the previously mentioned ones that present a low level of risk for the Company and the Group); and (iii) other transactions that the Internal Control Committee thinks should be examined by the Board of Directors.

Transactions whose value amounts to or is less than euro 25 million and in which the relationship exists with a Director, a regular Statutory Auditor of Enel, or an executive of the Company or the Group with strategic responsibilities (or with a related party through such persons) are always submitted to the Internal Control Committee for its prior examination.

For each of the transactions with related parties submitted for its prior approval or evaluation, the Board of Directors receives adequate information on all the significant aspects and the related resolutions adequately explain the reasons for and the advantageousness for the Company and the Group of the aforesaid transactions.

Furthermore, it is provided for the Board of Directors to receive detailed information on the actual carrying out of the transactions that it has approved or evaluated.

In order to prevent a transaction with related parties from being entered into on conditions that are different from those that would probably have been negotiated between unrelated parties, both the Internal Control Committee and the Board of Directors have the authority to avail themselves – depending on the nature, value, or other characteristics of the transaction – of one or more independent experts of recognized professional competence.

If the relationship exists with a Director of the Company or with a related party through the latter, the Director concerned must promptly inform the Board of Directors of the nature, terms, origin, and extent of his interest and leave the Board meeting when the resolution is adopted, unless that prejudices the quorum or the Board of Directors decides otherwise.

If the relationship exists with the Chief Executive Officer of the Company or with a related party through the latter, in addition to the foregoing he abstains from carrying out the transaction and leaves the decision to the Board of Directors.

If the relationship exists with one of the regular Statutory Auditors of the Company or with a related party through the latter, the Auditor concerned promptly informs the other regular Auditors and the Chairman of the Board of Directors of the nature, terms, origin, and extent of his interest.

Finally, a system of communications and certifications is provided for the purpose of promptly identifying, as early as the negotiation phase, transactions with related parties that involve Directors and regular Statutory Auditors of Enel, as well as Company and Group executives with strategic responsibilities (or parties related through such persons).

Processing of corporate information

As early as February 2000, the Board of Directors approved special rules (to which additions were made in March 2006) for the management and processing of confidential information, which also contain the procedures for the external circulation of documents and information concerning the Company and the Group, with particular reference to privileged information. The Directors and Statutory Auditors of the Company are obliged to comply with the provisions contained in such rules and, in any case, to maintain the confidentiality of the documents and information acquired in carrying out their duties.

The rules are aimed at keeping confidential information secret, while at the same time ensuring that the information regarding the Company and the Group made available to the market is correct, complete, adequate, timely, and non-selective.

The rules entrust Enel's Chief Executive Officer and the chief executive officers of the Group companies with the general responsibility of managing the confidential information concerning their respective spheres of authority, establishing that the divulgence of information regarding individual subsidiaries must in any case be agreed upon with the Parent Company's Chief Executive Officer.

The rules also establish specific procedures to be followed in circulating information regarding the Company and the Group outside the Group – with particular emphasis on privileged information – and carefully regulate the ways in which Company and Group representatives enter into contact with the press and other mass media (or financial analysts and institutional investors).

Taking into account the provisions introduced in the U.S.A. by the Sarbanes-Oxley Act – which apply to Enel as explained above – in June 2003 the Board of Directors formalized the practices and procedures applied within the Group regarding corporate information in a special document (called "Disclosure Controls and Procedures"), with the aim of ensuring the transparency, timeliness, and completeness of the documentation produced by Enel in the United States of America in accordance with the local laws applicable to listed companies. Following the adoption by Italian law of the E.U. regulations regarding market abuse and the coming into force of the secondary regulations issued by the CONSOB, in April 2006 the Company instituted (and began to regularly update) a Group register recording the persons, both legal and natural, who have access to privileged information because of the professional or other work they do or because of the tasks they perform on behalf of the Company or Group companies. The purpose of this register is to make the persons recorded therein aware of the value of the privileged information at their disposal, while at the same time facilitating the CONSOB's supervision of compliance with the regulations provided to safeguard market integrity.

Also following the adoption by Italian law of the E.U. regulations regarding market abuse and the coming into force of the secondary regulations issued by the CONSOB, as from April 2006 radical changes were introduced regarding internal dealing, that is, the transparency of transactions involving the Company's shares and financial instruments connected with them carried out by the largest shareholders, Company representatives, and persons closely connected with them.

The new E.U. regulations replaced those previously adopted by Borsa Italiana, which had regulated the matter since January 2003. Therefore, as from April 2006, the Enel Group's Dealing Code – which the Board of Directors had adopted in December 2002 in compliance with the regulations issued by Borsa Italiana – also became inapplicable. The new regulations regarding internal dealing apply to the purchase, sale, subscription, and exchange of Enel

shares and of financial instruments connected with them by "important persons". This category includes shareholders who own at least 10% of the Company's share capital and the Directors and regular Statutory Auditors of Enel, as well as 16 managerial positions currently identified within the Company in accordance with the relevant regulations, because they have regular access to privileged information and are authorized to make managerial decisions that could influence Enel's evolution and prospects.

The obligations of transparency apply to all the aforesaid transactions whose total value is at least euro 5,000 in a given year, even if carried out by persons closely connected with the "important persons".

In enacting measures to implement the aforesaid new regulations, the Board of Directors considered it advisable to provide that "important persons" (other than the shareholders who possess an interest amounting to or exceeding 10% of the Company's share capital) are obliged to abstain from carrying out transactions subject to the regulations regarding internal dealing during two blocking periods, lasting approximately one month each, around the time the Board of Directors approves the Company's proposed financial statements and the half-year report.

This initiative of the Board of Directors was prompted by the will to improve the Company's governance standards with respect to the relevant regulations, maintaining in force a provision formerly contained in the Enel Group's Dealing Code and aimed at preventing the carrying out of transactions by "important persons" that the market could perceive as suspect, because they are carried out during periods of the year that are especially sensitive to corporate information.

Relations with institutional investors and shareholders in general

Ever since the listing of its shares on the stock market, the Company has deemed it appropriate for its own specific interest – as well as its duty with respect to the market – to establish an ongoing dialogue based on mutual understanding of their respective roles, with its shareholders in general, as well as with institutional investors. Such dialogue, in any case, was to take place in accordance with the rules and procedures that regulate the divulgence of privileged information.

In this regard, in consideration of the size of the Group, it was deemed that such dialogue could be facilitated by the creation of dedicated corporate units.

The Company therefore created (i) an investor relations unit, which is currently part of its Finance Department, and (ii) a unit within its Department of Corporate Affairs in charge of communicating with shareholders in general.

It was also decided to further facilitate communication with investors through the creation of a special section of the Company's website (www.enel.it, investor relations section), providing both financial information (financial statements, half-year and quarterly reports, presentations to the financial community, analysts' estimates, and information on trading of the securities issued by the Company) and up-to-date data and documents of interest to shareholders in general (press releases, the members of Enel's Boards, the Company's bylaws and Shareholders'-Meeting regulations, information and documents regarding Shareholders' Meetings, documents regarding corporate governance, the Code of Ethics, and the compliance program pursuant to legislative decree n. 231/2001, as well as a general chart of the organization of the Group).

Shareholders' Meetings

The suggestion contained in the Self-regulation Code to consider shareholders' meetings important occasions for discussion between a company's shareholders and its board of directors (even with the availability of a number of different communication channels between listed companies and shareholders, institutional investors, and the market) was carefully evaluated and fully accepted by the Company, which – in addition to ensuring the regular attendance of its Directors at Shareholders' Meetings – deemed it advisable to adopt specific measures to adequately enhance the latter.

In effect, in line with the recommendations of the special legislation regarding listed companies, a specific provision was inserted in Enel's bylaws aimed at facilitating the collection of vote proxies from shareholders who are Group employees, thus favoring their involvement in the decision-making processes at Shareholders' Meetings.

With regard to the rules that govern the right to attend Shareholders' Meetings, in compliance with the relevant regulations, the bylaws assign such right to those who deposit their shares at least two days before the date set for a given Meeting and do not withdraw them before the Meeting takes place. This rule was intended to satisfy the Company's interest in knowing in advance the identity and number of the shareholders entitled to attend the Shareholders' Meeting – *inter alia*, for the purpose of seeing in a timely manner if the quorum can be reached – without at the same time prejudicing the possibility for the latter to sell the shares already deposited, if they so wish (in this case, however, losing the right to attend the Shareholders' Meeting, in accordance with the relevant regulations in force).

Furthermore, in September 1999, and thus with the listing of its shares imminent, the Company adopted special regulations to ensure the orderly and efficient conduct of Shareholders' Meetings through the detailed regulation of their different phases, while respecting the fundamental right of each shareholder to request clarification of the different matters under discussion, to express his or her opinion, and to make proposals.

Even though they do not constitute provisions of the bylaws, these regulations must be approved at an Ordinary Shareholders' Meeting, as specifically stated in the bylaws. During 2001, their content was updated in order to ensure that they correspond to the most advanced models for listed companies expressly drawn up by several professional associations (Assonime and ABI).

In the event of a significant change in the market capitalization of the Company or the composition of the shareholders, the Board of Directors evaluates the advisability of proposing to a Shareholders' Meeting amendments to the bylaws with regard to the minimum percentage required for exercising the actions and rights provided for to protect minority shareholders.

Code of Ethics

Awareness of the social and environmental effects that accompany the activities carried out by the Group, as well as consideration of the importance of both a cooperative approach with stakeholders and the good reputation of the Group (in both internal and external relations) inspired the drawing up of the Enel Group's Code of Ethics, which was approved by the Company's Board of Directors in March 2002 and updated in March 2004.

The Code expresses the commitments and ethical responsibilities involved in the conduct of business, regulating and harmonizing corporate behavior in accordance with standards requiring maximum transparency and fairness with respect to all stakeholders. Specifically, the Code of Ethics consists of:

- > general principles regarding relations with stakeholders, which define the reference values guiding the Group in the carrying out of its activities. Among the aforesaid principles, specific mention should be made of the following: honesty, impartiality, confidentiality, the creation of value for shareholders, the value of human resources, the transparency and completeness of information, service quality, and the protection of the environment;
- > criteria of behavior towards each class of stakeholders, which specify the guidelines and rules that Enel's officers and employees must follow in order to ensure observance of the general principles and prevent the risk of unethical actions;
- > implementation mechanisms, which describe the control system devised to ensure observance of the Code of Ethics and its continual improvement.

Taking into account the obligations under the Sarbanes-Oxley Act of companies with shares listed in the United States of America, in June 2004 the Board of Directors also approved an additional code of ethical principles regarding financial matters, which applies specifically to the Company's Chief Executive Officer and to the heads of the Finance Department and the Accounting, Planning, and Control Department.

In accordance with the requirements of U.S. law, the code concerned consists of a series of rules aimed at reasonably prevent illegal behavior, as well as promoting:

- > honest and transparent financial management, which gives due consideration to any conflicts of interest that may exist;
- > fair, comprehensible, complete, exact, and prompt information in the documents sent to the authorities supervising financial markets and in all other public notices;
- > compliance with government rules and regulations;
- > the establishment of internal procedures aimed at ensuring that any violations of the provisions of the code are promptly communicated to the persons designated therein;
- > adequate public transparency regarding the observance of the provisions of the code.

Compliance program pursuant to legislative decree n. 231 of June 8, 2001

In July 2002, the Board of Directors approved a compliance program in accordance with the requirements of legislative decree n. 231 of June 8, 2001, which introduced into the Italian legal system a regime of administrative (but in fact criminal) liability with respect to companies for several kinds of crimes committed by their directors, executives, or employees in the interest of or to the benefit of the companies themselves.

The content of the aforesaid program is consistent with the guidelines on the subject established by industry associations and with the best practice of the United States and represents another step towards strictness, transparency, and a sense of responsibility in both internal relations and those with the external world. At the same time, it offers shareholders adequate assurance of efficient and fair management.

The program in question consists of a "general part" (in which are described, among other things, the content of legislative decree n. 231/2001, the objectives of the program and how it works, the duties of the internal control body responsible for supervising the functioning of and compliance with the program and seeing to its updating, and the penalty regime) and separate "special parts" concerning the different kinds of crimes provided for by legislative decree n. 231/2001, which the aforesaid program aims to prevent.

During 2006, the compliance program was completely revised. As proposed by the Internal Control Committee, the Board of Directors (i) updated both the "general part" and the "special parts" regarding corporate crimes and crimes against the civil service, in order to take into account court rulings and the applicative experience acquired during the first years

of implementation of the program, and (ii) approved new "special parts" concerning crimes of terrorism and subversion of the democratic order, crimes against the person, and crimes and administrative wrongdoing involving market abuse.

In February 2008, the Board of Directors approved an additional "special part" of the program in question concerning the crimes of manslaughter and accidental injury committed in violation of the regulations for the prevention of industrial accidents and the protection of workplace hygiene and on-the-job health, which the most recent legislation includes among the crimes constituting a condition of the liability regulated by legislative decree n. 231/2001.

At the same time, the Board of Directors also updated the composition of the internal control body entrusted with the supervision of the functioning and observance of the program and with seeing to its updating, which was transformed from a one-member body into a collective one in order to bring its characteristics into line with the prevalent practice of the most important listed companies and the trends of court decisions.

"Zero tolerance of corruption" plan

In June 2006, the Board of Directors approved the adoption of the "zero tolerance of corruption – ZTC" plan in order to give substance to Enel's adherence to the Global Compact (an action program sponsored by the U.N. in 2000) and the PACI – Partnership Against Corruption Initiative (sponsored by the Davos World Economic Forum in 2005).

The ZTC plan neither replaces nor overlaps with the Code of Ethics and the compliance program adopted pursuant to legislative decree n. 231/2001, but represents a more radical step regarding the subject of corruption and adopts a series of recommendations for implementing the principles formulated on the subject by Transparency International.

Attached below are three tables that summarize some of the information contained in the second section of the report.

TABLE 1: Structure of Enel's Board of Directors and Committees

Board of Directors				****	Number of other offices **	Internal Control Committee		Compensation Committee		Nomination Committee (if any)		Executive Committee (if any)	
Office	Members	executive	non-executive	independent		***	****	***	***	***	***	***	
Chairman	Gnudi Piero	X			100%	1							
Chief Executive Officer/General Manager	Conti Fulvio	X			100%	2							
Director	Ballio Giulio (*)	X	X		86%	-			X	83%			
Director	Fantozzi Augusto (*)	X	X		95%	1	X	100%					Non-existent
Director	Luciano Alessandro	X	X		100%	-	X	100%					Non-existent
Director	Napolitano Fernando	X	X		86%	2			X	100%			
Director	Taranto Francesco (*)	X	X		100%	6			X	100%			
Director	Tosi Gianfranco	X	X		100%	-			X	100%			
Director	Valsecchi Francesco	X	X		100%	1	X	100%					

Quorum required for the presentation of slates for the appointment of the Board of Directors: 1% of the share capital.

Number of meetings held in 2007 Board of Directors: **21**; Internal Control Committee: **8**; Compensation Committee: **6**; Nomination Committee: **N.A.**; Executive Committee: **N.A.**

NOTE

* The presence of an asterisk indicates that the Director was designated on a slate presented by minority shareholders.

** This column shows the number of offices held by the person concerned on the boards of directors or the boards of statutory auditors of other companies of significant size, as defined by the policy established in this regard by the Board of Directors.

*** In these columns, an "X" indicates the Committee(s) of which each Director is a member.

**** These columns show the percentage of the meetings of, respectively, the Board of Directors and the Committee(s) attended by each Director. All absences were appropriately explained.

TABLE 2: Enel's Board of Statutory Auditors

Office	Members	Percentage of Board meetings attended	Number of other offices**
Chairman	Pinto Eugenio (***)	100%	3
Chairman	Fontana Franco (*) (****)	96%	-
Regular Auditor	Conte Carlo	91%	-
Regular Auditor	Gennaro Mariconda (*****)	100%	-
Alternate Auditor	Giordano Giancarlo	N.A.	-
Alternate Auditor	Sbordoni Paolo (*)	N.A.	-

Quorum required for the presentation of slates for the appointment of the Board of Statutory Auditors: 1% of the share capital.

Number of meetings held in 2007: **23**

NOTES

* The presence of an asterisk indicates that the Statutory Auditor was designated on a slate presented by minority shareholders.

** This column shows the number of offices held by the person concerned on the boards of directors or the boards of statutory auditors of other companies listed on regulated Italian markets.

*** In office until May 2007.

**** Regular Auditor from January 2007 to May 2007. Chairman of the Board of Statutory Auditors since May 2007.

***** In office since May 2007.

TABLE 3: Other provisions of the Self-regulation Code

	YES	NO	Summary of the reasons for any deviation from the recommendations of the Code
Delegation system and transactions with related parties			
Has the Board of Directors delegated powers and established:	X		
a) their limits	X		
b) how they are to be exercised	X		
c) and how often it is to be informed?	X		
Has the Board of Directors reserved the power to examine and approve beforehand transactions having a significant impact on the company's strategy, balance sheet, income statement, or cash flow (including transactions with related parties)?	X		
Has the Board of Directors established guidelines and criteria for identifying "significant" transactions?	X		
Are the aforesaid guidelines and criteria described in the report?	X		
Has the Board of Directors established special procedures for the examination and approval of transactions with related parties?	X		
Are the procedures for approving transactions with related parties described in the report?	X		
Procedures of the most recent election of the Board of Directors and the Board of Statutory Auditors			
Were the candidacies for the office of Director filed at least 10 days (*) beforehand?	X		
Were the candidacies for the office of Director accompanied by exhaustive information on the personal and professional characteristics of the candidates?	X		
Were the candidacies for the office of Director accompanied by a statement that the candidates qualify as independent according to the Self-regulation Code?	X		
Were the candidacies for the office of Statutory Auditor filed at least 10 days (*) beforehand?	X		
Were the candidacies for the office of Statutory Auditor accompanied by exhaustive information on the personal and professional characteristics of the candidates?	X		
Shareholders' Meetings			
Has the company approved regulations for Shareholders' Meetings?	X		
Are the regulations attached to the report (or is it stated where they can be obtained/downloaded)?	X		
Internal control			
Has the Company appointed the person in charge of internal control?	X		
Is the person in charge hierarchically independent of the heads of operating areas?	X		
Organizational position of the person in charge of internal control			Head of the Internal Auditing Department
Investor relations			
Has the Company appointed a head of investor relations?	X		
Organizational unit of the head of investor relations and related contact information			<p>Relations with institutional investors Investor Relations – Viale Regina Margherita, 137 – 00198 Rome, Italy – tel. ++39 06/83053437 – fax ++39 06/83053771 – e-mail: investor.relations@enel.it</p> <p>Relations with retail shareholders Department of Corporate Affairs – Viale Regina Margherita, 137 – 00198 Rome, Italy – tel. ++39 06/83054000 – fax ++39 06/83052129 – e-mail: azionisti.retail@enel.it</p>

(*) It should be noted that in the 2006 edition of the Self-regulation Code the recommended deadline for filing slates of candidates for the offices of director and statutory auditor was increased from 10 to 15 days.

**Declaration of the chief
executive officer and the
manager responsible for the
preparation of the company's
financial reports**

Declaration of the chief executive officer and the manager responsible for the preparation of the financial reports of the Enel Group at December 31, 2007, pursuant to the provisions of Article 154-bis, paragraph 5, of Legislative Decree 58 of February 24, 1998 and Article 81-ter of Consob Regulation no. 11971 of May 14, 1999

1. The undersigned Fulvio Conti and Luigi Ferraris, in their respective capacities as Chief Executive Officer and manager responsible for the preparation of the financial reports of Enel SpA, hereby certify, taking account of the provisions of Article 154-bis, paragraphs 3 and 4, of Legislative Decree 58 of February 24, 1998:
 - a. the appropriateness of the financial reports with respect to the characteristics of the Enel Group (taking due account of the changes in the scope of consolidation in 2007) and
 - b. the effective adoption of the administrative and accounting procedures for the preparation of the consolidated financial statements of the Enel Group in the period between January 1, 2007 and December 31, 2007.
2. In this regard, we report that:
 - a. the appropriateness of the administrative and accounting procedures used in the preparation of the consolidated financial statements of the Enel Group has been verified in an assessment of the internal control system. The assessment was carried out on the basis of the guidelines set out in the "Internal Controls - Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The scope of the assessment did not include the internal control system of Endesa SA, as Enel SpA acquired control – together with Acciona SA – shortly before (October 2007) the reference date for the consolidated financial statements of the Enel Group (December 31, 2007);
 - b. the assessment of the internal control system did not identify any material issues.
3. In addition, we certify that the consolidated financial statements of the Enel Group at December 31, 2007:
 - a. correspond to the information in the books and other accounting records;
 - b. prepared in compliance with (i) international accounting standards (International Accounting Standards – IAS, or International Financial Reporting Standards – IFRS) and the related interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and the Standing Interpretations Committee (SIC) endorsed by the European Union, and (ii) the measures issued by Consob in implementation of Article 9, paragraph 3, of Legislative Decree 38 of February 28, 2005, provide a true and fair representation of the performance and financial position of the issuer and the companies included in the scope of consolidation.

Rome, March 12, 2008

Fulvio Conti

Chief Executive Officer of Enel SpA

Luigi Ferraris

*Manager responsible for the preparation
of the financial reports of Enel SpA*

Attachments

Subsidiaries, associates and other significant equity investments of the Enel Group at December 31, 2007

In compliance with Consob Notice no. DEM/6064293 of July 28, 2006 and Article 126 of Consob Resolution no. 11971 of May 14, 1999, a list of subsidiaries and associates of Enel SpA at December 31, 2007, pursuant to Article 2359 of the Italian Civil Code, and of other significant equity investments is provided below. Enel has full title to all investments. The following information is included for each company: name, registered office, activity, share capital, currency of account, Group companies that have a stake in the company and their respective ownership share, and the Group's ownership share.

Subsidiaries consolidated on a line-by-line basis at December 31, 2007 ⁽¹⁾

Company name	Registered office	Country	Activity	Share capital	Currency	Held by	% holding	Group % holding
at Dec. 31, 2007								
Parent company:								
Enel SpA	Rome	Italy	Holding company	6,184,367,853	EUR	-	-	-
Subsidiaries:								
Aiten AS	Trnava	Slovakia	IT services	6,000,000	SKK	Slovenské elektrárne AS	66.00%	43.56%
Americas Generation Corporation	Panama	Panama	Holding company	2,000	USD	Americas Holding Corporation	100.00%	100.00%
Americas Holding Corporation	Panama	Panama	Holding company	3,000	USD	Enel Panama Ltd (formerly HQI Latin America Ltd) Enel Fortuna SA (formerly Globaleq Holdings – Fortuna – SA)	50.00% 50.00%	100.00%
Amiagas Srl	Carrara	Italy	Gas sales	50,000	EUR	Enel Energia SpA	90.00%	90.00%
Avisio Energia SpA	Trento	Italy	Gas distribution	6,500,000	EUR	Enel Rete Gas SpA	100.00%	99.84%
Barra Electricas Galaico Asturianas SA	Lugo	Spain	Electricity distribution	15,689,796.62	EUR	Electra de Viesgo Distribución SL	54.95%	54.95%
Barra Electricas Generación SL	Lugo	Spain	Electricity generation	1,374,136.05	EUR	Enel Viesgo Generación SL	55.01%	55.01%
Blue Energy Srl	Tulcea	Romania	Electricity generation from renewable resources	1,000	RON	Enel Investment Holding BV Blue Line Impex Srl	1.00% 99.00%	100.00%
Blue Line Impex Srl	Sat Rusu de Sus Nuseni	Romania	Electricity generation from renewable resources	500,000	RON	Enel Investment Holding BV	100.00%	100.00%
Co.Im. Gas SpA	Santa Maria a Italy Colle (Lucca)		Management of gas distribution plant and gas sales	1,479,000	EUR	Enel Rete Gas SpA	80.00%	79.87%
Concert Srl	Rome	Italy	Product, plant and equipment certification	10,000	EUR	Enel Produzione SpA	51.00%	51.00%
Consorzio Sviluppo Solare	Rome	Italy	-	100,000	EUR	Enel Produzione SpA Enel.si - Servizi integrati Srl	30.00% 70.00%	100.00%
Deval SpA	Aosta	Italy	Electricity distribution and sales in Valle d'Aosta	37,500,000	EUR	Enel SpA	51.00%	51.00%
Deval Energie Srl	Aosta	Italy	Electricity sales	200,000	EUR	Deval SpA	100.00%	51.00%
Electra de Viesgo Distribución SL	Santander	Spain	Electricity distribution and sales	77,792,000	EUR	Enel Distribuzione SpA	100.00%	100.00%
Electrogroup Srl	Baia Mare	Romania	Electricity generation from renewable resources	200	RON	Blue Line Impex Srl	100.00%	100.00%
Empresa de Generación Electrica Fortuna SA	Panama	Panama	Electricity generation from renewable resources	309,457,729	USD	Americas Generation Corporation	49.00%	49.00%
Enel Capital Srl	Rome	Italy	Holding company	8,500,000	EUR	Enel SpA	100.00%	100.00%
Enel Comercializadora de Gas SA	Santander	Spain	Electricity and gas sales	61,000	EUR	Enel Trade SpA	100.00%	100.00%
Enel Distributie Banat SA (formerly Enel Electrica Banat SA)	Timisoara	Romania	Electricity distribution	382,158,580	RON	Enel Distribuzione SpA	51.00%	51.00%

Company name	Registered office	Country	Activity	Share capital	Currency	Held by	% holding	Group % holding
at Dec. 31, 2007								
Enel Distributie Dobrogea SA (formerly Enel Electrica Dobrogea SA)	Costanza	Romania	Electricity distribution	280,285,560	RON	Enel Distribuzione SpA	51.00%	51.00%
Enel Distribuzione SpA	Rome	Italy	Electricity distribution	2,600,000,000	EUR	Enel SpA	100.00%	100.00%
Enel Energia SpA	Rome	Italy	Gas and electricity sales	302,039	EUR	Enel SpA	100.00%	100.00%
Enel Energie SA	Bucharest	Romania	Electricity sales	140,000,000	RON	Enel Distribuzione SpA	51.00%	51.00%
Enel Energy Europe Srl	Rome	Italy	Holding company	10,000	EUR	Enel SpA	100.00%	100.00%
Enel Erelis Sas (formerly Erelis Sas)	Lyon	France	Electricity generation from renewable resources	7,544,497.53	EUR	Enel France Sas	100.00%	100.00%
Enel ESN Energo LLC	Moscow	Russian Federation	Management and maintenance of power plants	1,000,000	RUB	Enel ESN Management BV	100.00%	75.00%
Enel ESN Management	Amsterdam	Netherlands	Holding company	18,000	EUR	Enel Produzione SpA	75.00%	75.00%
Enel Finance International SA	Luxembourg	Luxembourg	Finance	1,391,900,230	EUR	Enel SpA	100.00%	100.00%
Enel Fortuna SA (formerly Globaleq Holdings – Fortuna – SA)	Panama	Panama	Holding company	10,000	USD	Enel Investment Holding BV	100.00%	100.00%
Enel France Sas	Paris	France	Holding company	34,937,000	EUR	Enel Investment Holding BV	100.00%	100.00%
Enel Green Power International SA	Luxembourg	Luxembourg	Holding company for companies operating in electricity generation from renewable resources	156,650,000	EUR	Enel Produzione SpA Enel Investment Holding BV	67.11% 32.89%	100.00%
Enel Investment Holding BV	Amsterdam	Netherlands	Holding company	1,593,050,000	EUR	Enel SpA	100.00%	100.00%
Enel Ireland Finance Ltd	Dublin	Ireland	Finance	1,000,000	EUR	Enel Finance International SA	100.00%	100.00%
Enel Latin America LLC (1)	Wilmington (Delaware)	USA	Electricity generation from renewable resources	-		Enel Green Power International SA	100.00%	100.00%
Enel M@p Srl	Rome	Italy	Metering, remote control and communication services managed on the electricity network	100,000	EUR	Enel Distribuzione SpA	100.00%	100.00%
Enel Maritza East 3 AD	Sofia	Bulgaria	Electricity generation	265,943,600	BGN	Maritza East III Power Holding BV	73.00%	73.00%
Enel Maritza East 4 Bulgaria EAD	Sofia	Bulgaria	Construction, management and maintenance of power plants	50,000	BGN	Enel Investment Holding BV	100.00%	100.00%
Enel North America Inc (1)	Wilmington (Delaware)	USA	Electricity generation from renewable resources	14.25	USD	Enel Green Power International SA	100.00%	100.00%
Enel Operations Bulgaria AD	Galabovo	Bulgaria	Management and maintenance of power plants	50,000	BGN	Maritza O&M Holding Netherlands BV	73.00%	73.00%
Enel Panama Ltd (formerly HQI Latin America Ltd)	Tortola	British Virgin Island	Holding company	40,555,726	USD	Enel Investment Holding BV	100.00%	100.00%

Company name	Registered office	Country	Activity	Share capital	Currency	Held by	% holding	Group % holding
at Dec. 31, 2007								
Enel Produzione SpA	Rome	Italy	Electricity generation	2,400,000,000	EUR	Enel SpA	100.00%	100.00%
Enel Rete Gas SpA	Milan	Italy	Gas distribution	54,139,160	EUR	Enel Distribuzione SpA	99.84%	99.84%
Enel Romania Srl (formerly Enel Servicii Srl)	Judetul Ilfov	Romania	Business services	200,000	RON	Enel SpA Enel Distribuzione SpA	80.00% 20.00%	100.00%
Enel Service UK Ltd	London	United Kingdom	Energy services	100	GBP	Enel Trade SpA	100.00%	100.00%
Enel Servicii Comune SA	Bucharest	Romania	Energy services	33,000,000	RON	Enel Distributie Banat SA (formerly Enel Electrica Banat SA) Enel Distributie Dobrogea (formerly Enel Electrica Dobrogea SA)	50.00% 50.00%	51.00%
Enel Servizi Srl	Rome	Italy	Personnel administration activities, information technology and business services	50,000,000	EUR	Enel SpA	100.00%	100.00%
Enel Servizio Elettrico SpA	Rome	Italy	Electricity sales	1,000,000	EUR	Enel SpA	100.00%	100.00%
Enel Sole Srl	Rome	Italy	Public lighting systems	4,600,000	EUR	Enel SpA	100.00%	100.00%
Enel Trade Hungary Kft	Budapest	Hungary	Electricity sourcing and trading	50,000,000	HUF	Enel Trade SpA	100.00%	100.00%
Enel Trade Romania Srl	Bucharest	Romania	Electricity sourcing and trading	2,000,200	RON	Enel Trade SpA	100.00%	100.00%
Enel Trade SpA	Rome	Italy	Fuel trading and logistics – Electricity sales	90,885,000	EUR	Enel SpA	100.00%	100.00%
Enel Viesgo Energía SL	Santander	Spain	Electricity and gas sales	1,000,000	EUR	Enel Viesgo Generación SL	100.00%	100.00%
Enel Viesgo Generación SL	Santander	Spain	Electricity generation and sales	425,311,006	EUR	Enel Produzione SpA	100.00%	100.00%
Enel Viesgo Servicios SL	Santander	Spain	Business services	3,010	EUR	Enel SpA Enel Produzione SpA Enel Distribuzione SpA	60.00% 20.00% 20.00%	100.00%
Enel.Factor SpA	Rome	Italy	Factoring	12,500,000	EUR	Enel SpA	100.00%	100.00%
Enel.NewHydro Srl	Rome	Italy	Engineering and water systems	1,000,000	EUR	Enel SpA	100.00%	100.00%
Enel.Re Ltd	Dublin	Ireland	Reinsurance	3,000,000	EUR	Enel Investment Holding BV	100.00%	100.00%
Enel.si - Servizi integrati Srl	Rome	Italy	Plant engineering and energy related services	5,000,000	EUR	Enel SpA	100.00%	100.00%
Enelco SA	Athens	Greece	Plant construction, operation and maintenance	986,160	EUR	Enel Investment Holding BV	75.00%	75.00%
Enelpower SpA	Milan	Italy	Engineering and construction	2,000,000	EUR	Enel SpA	100.00%	100.00%
Enelpower Contractor and Development Saudi Arabia Ltd	Riyadh	Saudi Arabia	Plant construction, operation and maintenance	5,000,000	SAR	Enelpower SpA	51.00%	51.00%
Enelpower do Brasil Ltda	Rio de Janeiro	Brazil	Electrical engineering	1,242,000	BRL	Enel Latin America LLC Enel Brasil Participações Ltda	0.01% 99.99%	100.00%
Enelpower UK Ltd	London	United Kingdom	Electrical engineering	1,000	GBP	Enelpower SpA	100.00%	100.00%

Company name	Registered office	Country	Activity	Share capital	Currency	Held by	% holding	Group % holding
at Dec. 31, 2007								
Energoslužby AS	Trnava	Slovakia	Business services	261,000,000 SKK		Slovenské elektrárne AS	100.00%	66.00%
Geotermica Nicarguense SA	Managua	Nicaragua	Electricity generation from renewable resources	50,000 NIO		Enel Produzione SpA	60.00%	60.00%
Hidroelectricidad del Pacifico Srl de cv	Mexico City	Mexico	Electricity generation from renewable resources	30,890,636 MXN		Impulsora Nacional de Electricidad Srl de cv	99.99%	99.99%
Hidromac Energy BV	Amsterdam	Netherlands	Holding company	18,000 EUR		Latin America Energy Holding BV	100.00%	100.00%
Hydrogen Park - Marghera per l'idrogeno Scrl	Venice	Italy	Development of studies and projects for the use of hydrogen	245,000 EUR		Enel Produzione SpA	55.10%	55.10%
Impulsora Nacional de Electricidad Srl de cv	Mexico City	Mexico	Holding company	308,628,665 MXN		Enel Investment Holding BV	30.00%	
						Maya Energy BV	23.34%	100.00%
						Hidromac Energy BV	23.33%	
						SLAP BV	23.33%	
International Wind Parks of Thrace SA	Maroussi	Greece	Electricity generation from renewable resources	13,957,500 EUR		Enel Investment Holding BV	100.00%	100.00%
International Windpower SA	Maroussi	Greece	Electricity generation from renewable resources	6,615,300 EUR		Enel Investment Holding BV	100.00%	100.00%
Latin America Energy Holding BV	Amsterdam	Netherlands	Holding company	18,000 EUR		Enel Investment Holding BV	100.00%	100.00%
Maritz East III Power Holding BV	Amsterdam	Netherlands	Holding company	100,000,000 EUR		Enel Produzione SpA	100.00%	100.00%
Maritz O&M Holding Netherlands BV	Amsterdam	Netherlands	Holding company	40,000 EUR		Enel Produzione SpA	100.00%	100.00%
Maya Energy BV	Amsterdam	Netherlands	Holding company	18,000 EUR		Latin American Energy Holding BV	100.00%	100.00%
Mexicana de Hidroelectricidad Mexhidro Srl de cv	Mexico City	Mexico	Electricity generation from renewable resources	181,727,301 MXN		Impulsora Nacional de Electricidad Srl de cv	99.99%	99.99%
Nuove Energie Srl	Rome	Italy	Construction and management of LNG regassification infrastructure	99,000 EUR		Enel Trade SpA	90.00%	90.00%
Ochrana a bezpečnosť SE AS	Mochovce	Slovakia	Security services	1,000,000 SKK		Slovenské elektrárne AS	100.00%	66.00%
Parc Eolien du Mazet Saint Voy Sarl	Meze	France	Electricity generation from renewable resources	4,000 EUR		Enel Erelis Sas (formerly Erelis Sas)	100.00%	100.00%
Pragma Energy SA	Lugano	Switzerland	Coal trading	4,000,000 CHF		Enel Investment Holding BV	100.00%	100.00%
Proveedora de Electricidad de Occidente Srl de cv	Mexico City	Mexico	Electricity generation from renewable resources	89,707,135 MXN		Impulsora Nacional de Electricidad Srl de cv	99.99%	99.99%
Reti Gas Scrl	Milan	Italy	Construction of gas distribution networks	11,000 EUR		Enel Rete Gas SpA	95.00%	94.85%
Sfera - Società per la formazione e le risorse aziendali Srl	Rome	Italy	Human resources and training	2,000,000 EUR		Enel SpA	100.00%	100.00%
SLAP BV	Amsterdam	Netherlands	Holding company	18,000 EUR		Latin America Energy Holding BV	100.00%	100.00%
Slovenské elektrárne AS	Bratislava	Slovakia	Electricity generation	38,238,803,000 SKK		Enel Produzione SpA	66.00%	66.00%

Company name	Registered office	Country	Activity	Share capital	Currency	Held by	% holding	Group % holding
at Dec. 31, 2007								
Slovenské elektrárne Finance BV	Rotterdam	Netherlands	Finance	18,200	EUR	Slovenské elektrárne AS	100.00%	66.00%
Société Armoricaine d'Energie Eolienne Sarl	Lyon	France	Electricity generation from renewable resources	1,000	EUR	Enel Erelis Sas (formerly Erelis Sas)	100.00%	100.00%
Société du Parc Eolien du Chemin de la Ligue Snc	Meyzieu	France	Electricity generation from renewable resources	1,000	EUR	Enel Erelis Sas (formerly Erelis Sas)	100.00%	100.00%
Société du Parc Eolien du Mazer Saint Voy Sarl	Mese	France	Electricity generation from renewable resources	4,000	EUR	Enel Erelis Sas (formerly Erelis Sas)	100.00%	100.00%
Société du Parc Eolien Lyon Grandes Terres Est Eurl		France	Electricity generation from renewable resources	1,000	EUR	Enel Erelis Sas (formerly Erelis Sas)	100.00%	100.00%
Société du Parc Eolien Lyon Grandes Terres Ouest Eurl		France	Electricity generation from renewable resources	1,000	EUR	Enel Erelis Sas (formerly Erelis Sas)	100.00%	100.00%
Vallenergie SpA	Aosta	Italy	Electricity sales	120,000	EUR	Enel SpA	51.00%	51.00%
Vyzkонт sro	Trnava	Slovakia	Radioactive waste storage	200,000	SKK	Slovenské elektrárne AS	51.00%	33.66%
Water & Industrial Services Company SpA	Monza	Italy	Sewage treatment	15,615,000	EUR	Enel.NewHydro Srl	51.00%	51.00%
Wind Parks of Thrace SA	Maroussi	Greece	Electricity generation from renewable resources	13,537,200	EUR	Enel Investment Holding BV	100.00%	100.00%

(1) The companies held by Enel North America Inc and Enel Latin America LLC fully consolidated on a line-by-line basis are listed separately.

Subsidiaries held by Enel North America Inc. consolidated on a line-by-line basis at December 31, 2007 ⁽¹⁾

Company name	Registered office Country	Share capital ⁽²⁾ Currency	Held by ⁽³⁾	% holding	Group % holding
at Dec. 31, 2007					
Parent company:					
Enel North America Inc	Wilmington (Delaware)	USA	14.25 USD	Enel Green Power International SA	100.00% 100.00%
Subsidiaries:					
Agassiz Beach LLC	Minneapolis (Minnesota)	USA	-	Chi Minnesota Wind LLC	49.00% 49.00%
Aquenergy Systems Inc	Greenville (South Carolina)	USA	10,500 USD	Consolidated Hydro Southeast Inc	100.00% 100.00%
Asotin Hydro Company Inc	Wilmington (Delaware)	USA	100 USD	Enel North America Inc	100.00% 100.00%
Autumn Hills LLC	Minneapolis (Minnesota)	USA	-	Chi Minnesota Wind LLC	49.00% 49.00%
Aziscohos Hydro Company Inc	Wilmington (Delaware)	USA	100 USD	Enel North America Inc	100.00% 100.00%
Barnet Hydro Company	Burlington (Vermont)	USA	-	Sweetwater Hydroelectric Inc	100.00% 100.00%
Beaver Falls Water Power Company	Philadelphia (Pennsylvania)	USA	-	Beaver Valley Holdings Ltd	67.50% 67.50%
Beaver Valley Holdings Ltd	Philadelphia (Pennsylvania)	USA	2 USD	Hydro Development Group Inc	100.00% 100.00%
Beaver Valley Power Company	Philadelphia (Pennsylvania)	USA	30 USD	Hydro Development Group Inc	100.00% 100.00%
Black River Hydro Assoc.	New York (New York)	USA	-	(Cataldo) Hydro Power Associates	75.00% 75.00%
Boott Field LLC	Wilmington (Delaware)	USA	-	Boott Hydropower Inc	100.00% 100.00%
Boott Hydropower Inc	Boston (Massachusetts)	USA	-	Boott Sheldon Holdings LLC	100.00% 100.00%
Boott Sheldon Holdings LLC	Wilmington (Delaware)	USA	-	Hydro Finance Holding Company Inc	100.00% 100.00%
BP Hydro Associates	Boise (Idaho)	USA	-	Chi Idaho Inc Chi Magic Valley Inc	68.00% 32.00% 100.00%
BP Hydro Finance Partnership	Salt Lake City (Utah)	USA	-	BP Hydro Associates Fulcrum Inc	75.92% 24.08% 100.00%
Bypass Limited	Boise (Idaho)	USA	-	El Dorado Hydro	100.00% 100.00%
Bypass Power Company	Los Angeles (California)	USA	-	Chi West Inc	100.00% 100.00%
Canastota Wind Power LLC	Wilmington (Delaware)	USA	-	Essex Company	100.00% 100.00%
(Cataldo) Hydro Power Associates	New York (New York)	USA	-	Hydro Development Group Inc Chi Black River Inc	50.00% 50.00% 100.00%
Chi Acquisitions Inc	Wilmington (Delaware)	USA	100 USD	Enel North America Inc	100.00% 100.00%
Chi Acquisitions II Inc	Wilmington (Delaware)	USA	100 USD	Chi Finance LLC	100.00% 100.00%
Chi Black River Inc	Wilmington (Delaware)	USA	100 USD	Chi Finance LLC	100.00% 100.00%
Chi Canada Inc	Montreal (Quebec)	Canada	100 CAD	Chi Finance LLC	100.00% 100.00%
Chi Dexter Inc	Wilmington (Delaware)	USA	100 USD	Chi Finance LLC	100.00% 100.00%
Chi Finance LLC	Wilmington (Delaware)	USA	-	Enel North America Inc	100.00% 100.00%

Company name	Registered office	Country	Share capital ⁽²⁾	Currency	Held by ⁽³⁾	% holding	Group % holding
at Dec. 31, 2007							
Chi Highfalls Inc	Wilmington (Delaware)	USA	-		Chi Finance LLC	100.00%	100.00%
Chi Hydroelectric Company Inc	St. John (Newfoundland)	Canada	100	CAD	Chi Canada Inc	100.00%	100.00%
Chi Idaho Inc	Wilmington (Delaware)	USA	100	USD	Chi Acquisitions Inc	100.00%	100.00%
Chi Magic Valley Inc	Wilmington (Delaware)	USA	100	USD	Chi Acquisitions Inc	100.00%	100.00%
Chi Minnesota Wind LLC	Wilmington (Delaware)	USA	-		Chi Finance LLC	100.00%	100.00%
Chi Mountain States Operations Inc	Wilmington (Delaware)	USA	100	USD	Chi Acquisitions Inc	100.00%	100.00%
Chi Operations Inc	Wilmington (Delaware)	USA	100	USD	Enel North America Inc	100.00%	100.00%
Chi Power Inc	Wilmington (Delaware)	USA	100	USD	Enel North America Inc	100.00%	100.00%
Chi Power Marketing Inc	Wilmington (Delaware)	USA	100	USD	Enel North America Inc	100.00%	100.00%
Chi S. F. LP	Montreal (Quebec)	Canada	-		Chi Hydroelectric Company Inc	100.00%	100.00%
Chi Universal Inc	Wilmington (Delaware)	USA	100	USD	Enel North America Inc	100.00%	100.00%
Chi West Inc	Wilmington (Delaware)	USA	100	USD	Chi Acquisitions Inc	100.00%	100.00%
Chi Western Operations Inc	Wilmington (Delaware)	USA	100	USD	Chi Acquisitions Inc	100.00%	100.00%
Conerooss Power Corporation Inc	Greenville (South Carolina)	USA	110,000	USD	Aquenergy Systems Inc	100.00%	100.00%
Consolidated Hydro Mountain States Inc	Wilmington (Delaware)	USA	100	USD	Chi Acquisitions Inc	100.00%	100.00%
Consolidated Hydro New Hampshire Inc	Wilmington (Delaware)	USA	130	USD	Chi Universal Inc	100.00%	100.00%
Consolidated Hydro New York Inc	Wilmington (Delaware)	USA	200	USD	Enel North America Inc	100.00%	100.00%
Consolidated Hydro Southeast Inc	Wilmington (Delaware)	USA	100	USD	Chi Acquisitions II Inc Gauley River Power Partners LP	95.00% 5.00%	100.00%
Consolidated Pumped Storage Inc	Wilmington (Delaware)	USA	100	USD	Enel North America Inc	80.00%	80.00%
Copenhagen Associates	New York (New York)	USA	-		Hydro Development Group Inc Chi Dexter Inc	50.00% 49.00%	99.00%
Crosby Drive Investments Inc	Boston (Massachusetts)	USA	-		Asotin Hydro Company Inc	100.00%	100.00%
El Dorado Hydro	Los Angeles (California)	USA	-		Olympe Inc Motherlode Hydro Inc	82.50% 17.50%	100.00%
Enel Alberta Wind Inc	Calgary	Canada	10,000	CAD	Chi Canada Inc	100.00%	100.00%
Enel Cove Fort LLC	Wilmington (Delaware)	USA	-		Enel Geothermal LLC	100.00%	100.00%
Enel Cove Fort II LLC	Wilmington (Delaware)	USA	-		Enel Geothermal LLC	100.00%	100.00%
Enel Geothermal LLC	Wilmington (Delaware)	USA	-		Essex Company	100.00%	100.00%
Enel Kansas LLC	Wilmington (Delaware)	USA	-		Enel North America Inc	100.00%	100.00%

Company name	Registered office	Country	Share capital ⁽²⁾	Currency	Held by ⁽³⁾	% holding	Group % holding
at Dec. 31, 2007							
Enel Salt Wells LLC	Wilmington (Delaware)	USA	-		Enel Geothermal LLC	100.00%	100.00%
Enel Smoky LLC	Wilmington (Delaware)	USA	-		Enel Kansas LLC	100.00%	100.00%
Enel Stillwater LLC	Wilmington (Delaware)	USA	-		Enel Geothermal LLC	100.00%	100.00%
Enel Surprise Valley LLC	Wilmington (Delaware)	USA	-		Enel Geothermal LLC	100.00%	100.00%
Enel Texkan Inc	Wilmington (Delaware)	USA	-		Chi Power Inc	100.00%	100.00%
Essex Company	Boston (Massachusetts)	USA	-		Enel North America Inc	100.00%	100.00%
Florence Hills LLC	Minneapolis (Minnesota)	USA	-		Chi Minnesota Wind LLC	49.00%	49.00%
Fulcrum Inc	Boise (Idaho)	USA	1,002.50	USD	Consolidated Hydro Mountain States Inc	100.00%	100.00%
Gauley Hydro LLC	Wilmington (Delaware)	USA	-		Essex Company	100.00%	100.00%
Gauley River Management Corporation	Williston (Vermont)	USA	-		Chi Finance LLC	100.00%	100.00%
Gauley River Power Partners LP	Williston (Vermont)	USA	-		Gauley River Management Corporation	100.00%	100.00%
Gestion Cogeneration Inc	Montreal (Quebec)	Canada	100	CAD	Hydrodev Inc	100.00%	100.00%
Hadley Ridge LLC	Minneapolis (Minnesota)	USA	-		Chi Minnesota Wind LLC	49.00%	49.00%
Highfalls Hydro Company Inc	Wilmington (Delaware)	USA	-		Chi Finance LLC	100.00%	100.00%
Hope Creek LLC	Minneapolis (Minnesota)	USA	-		Chi Minnesota Wind LLC	49.00%	49.00%
Hosiery Mills Hydro Company Inc	Wilmington (Delaware)	USA	100	USD	Chi Acquisitions Inc	100.00%	100.00%
Hydrodev Inc	Montreal (Quebec)	Canada	100	CAD	Chi Canada Inc	100.00%	100.00%
Hydrodev Limited Partnership	Montreal (Quebec)	Canada	-		Chi Canada Inc Hydrodev Inc	48.90% 0.10%	49.00%
Hydro Development Group Inc	Albany (New York)	USA	12.25	USD	Chi Acquisitions II Inc	100.00%	100.00%
Hydro Energies Corporation	Williston (Vermont)	USA	5,000	USD	Chi Finance LLC	100.00%	100.00%
Hydro Finance Holding Company Inc	Wilmington (Delaware)	USA	100	USD	Enel North America Inc	100.00%	100.00%
Jack River LLC	Minneapolis (Minnesota)	USA	-		Chi Minnesota Wind LLC	49.00%	49.00%
Jessica Mills LLC	Minneapolis (Minnesota)	USA	-		Chi Minnesota Wind LLC	49.00%	49.00%
Julia Hills LLC	Minneapolis (Minnesota)	USA	-		Chi Minnesota Wind LLC	49.00%	49.00%
Kings River Hydro Company Inc	Wilmington (Delaware)	USA	100	USD	Chi Finance LLC	100.00%	100.00%
Kinneytown Hydro Company Inc	Wilmington (Delaware)	USA	100	USD	Enel North America Inc	100.00%	100.00%
LaChute Hydro Company Inc	Wilmington (Delaware)	USA	100	USD	Enel North America Inc	100.00%	100.00%
Lawrence Hydroelectric Associates LP	Boston (Massachusetts)	USA	-		Essex Company Crosby Drive Investments Inc	92.50% 7.50%	100.00%

Company name	Registered office	Country	Share capital ⁽²⁾	Currency	Held by ⁽³⁾	% holding	Group % holding
at Dec. 31, 2007							
Littleville Power Company Inc	Boston (Massachusetts)	USA	-		Hydro Development Group Inc	100.00%	100.00%
Lower Saranac Corporation	New York (New York)	USA	2 USD		Twin Saranac Holdings LLC	100.00%	100.00%
Lower Saranac Hydro Partners	Wilmington (Delaware)	USA	-		Lower Saranac Corporation	100.00%	100.00%
Mascoma Hydro Corporation	Concord (New Hampshire)	USA	-		Chi Acquisitions II Inc	100.00%	100.00%
Metro Wind LLC	Minneapolis (Minnesota)	USA	-		Chi Minnesota Wind LLC	49.00%	49.00%
Mill Shoals Hydro Company Inc	Wilmington (Delaware)	USA	100 USD		Chi Finance LLC	100.00%	100.00%
Minnewawa Hydro Company Inc	Wilmington (Delaware)	USA	100 USD		Enel North America Inc	100.00%	100.00%
Missisquoi Associates	Los Angeles (California)	USA	-		Sheldon Vermont Hydro Company Inc Sheldon Springs Hydro Associates LP	1.00% 99.00%	100.00%
Motherlode Hydro Inc	Los Angeles (California)	USA	-		Chi West Inc	100.00%	100.00%
Newbury Hydro Company	Burlington (Vermont)	USA	-		Sweetwater Hydroelectric Inc	100.00%	100.00%
NeWind Group Inc	St. John (Newfoundland)	Canada	100 CAD		Chi Canada Inc	100.00%	100.00%
Northwest Hydro Inc	Wilmington (Delaware)	USA	100 USD		Chi West Inc	100.00%	100.00%
Notch Butte Hydro Company Inc	Wilmington (Delaware)	USA	100 USD		Chi Finance LLC	100.00%	100.00%
O&M Cogeneration Inc	Montreal (Quebec)	Canada	15 CAD		Hydrodev Inc	66.66%	66.66%
Olympe Inc	Los Angeles (California)	USA	-		Chi West Inc	100.00%	100.00%
Ottauquechee Hydro Company Inc	Wilmington (Delaware)	USA	100 USD		Chi Finance LLC	100.00%	100.00%
Pelzer Hydro Company Inc	Wilmington (Delaware)	USA	100 USD		Consolidated Hydro Southeast Inc	100.00%	100.00%
Pyrites Associates	New York (New York)	USA	-		Hydro Development Group Inc Chi Dexter Inc	50.00% 50.00%	100.00%
Rock Creek Limited Partnership	Los Angeles (California)	USA	-		EI Dorado Hydro	100.00%	100.00%
Rutherford Ridge LLC	Minneapolis (Minnesota)	USA	-		Chi Minnesota Wind LLC	49.00%	49.00%
SE Hazelton A. LP	Los Angeles (California)	USA	-		Bypass Limited	100.00%	100.00%
Sheldon Springs Hydro Associates LP	Wilmington (Delaware)	USA	-		Sheldon Vermont Hydro Company Inc	100.00%	100.00%
Sheldon Vermont Hydro Company Inc	Wilmington (Delaware)	USA	-		Boott Sheldon Holdings LLC	100.00%	100.00%
Slate Creek Hydro Associates LP	Los Angeles (California)	USA	-		Slate Creek Hydro Company Inc	100.00%	100.00%
Slate Creek Hydro Company Inc	Wilmington (Delaware)	USA	100 USD		Chi Acquisitions II Inc	100.00%	100.00%
Smoky Hills Wind Farm LLC	Topeka (Kansas)	USA	-		Enel Texkan Inc	100.00%	100.00%
Snyder Wind Farm LLC	Dallas (Texas)	USA	-		Texkan Wind LLC	100.00%	100.00%

Company name	Registered office	Country	Share capital ⁽²⁾	Currency	Held by ⁽³⁾	% holding	Group % holding
at Dec. 31, 2007							
Soliloquoy Ridge LLC	Minneapolis (Minnesota)	USA	-		Chi Minnesota Wind LLC	49.00%	49.00%
Somersworth Hydro Company Inc	Wilmington (Delaware)	USA	100	USD	Chi Universal Inc	100.00%	100.00%
Southwest Transmission LLC	Minneapolis (Minnesota)	USA	-		Chi Minnesota Wind LLC	49.00%	49.00%
Spartan Hills LLC	Minneapolis (Minnesota)	USA	-		Chi Minnesota Wind LLC	49.00%	49.00%
St.-Felicien Cogeneration	Montreal (Quebec)	Canada	-		Gestion Cogeneration Inc	50.00%	50.00%
Summit Energy Storage Inc	Wilmington (Delaware)	USA	8,200	USD	Enel North America Inc	75.00%	75.00%
Sun River LLC	Minneapolis (Minnesota)	USA	-		Chi Minnesota Wind LLC	49.00%	49.00%
Sweetwater Hydroelectric Inc	Concord (New Hampshire)	USA	250	USD	Chi Acquisitions II Inc	100.00%	100.00%
Texkan Wind LLC	Wilmington (Delaware)	USA	-		Enel Texkan Inc	100.00%	100.00%
TKO Power Inc	Los Angeles (California)	USA	-		Chi West Inc	100.00%	100.00%
Triton Power Company	New York (New York)	USA	-		Chi Highfalls Inc Highfalls Hydro Company Inc	2.00% 98.00%	100.00%
Tsar Nicholas LLC	Minneapolis (Minnesota)	USA	-		Chi Minnesota Wind LLC	49.00%	49.00%
Twin Falls Hydro Associates	Seattle (Washington)	USA	-		Twin Falls Hydro Company Inc	51.00%	51.00%
Twin Falls Hydro Company Inc	Wilmington (Delaware)	USA	10	USD	Twin Saranac Holdings LLC	100.00%	100.00%
Twin Lake Hills LLC	Minneapolis (Minnesota)	USA	-		Chi Minnesota Wind LLC	49.00%	49.00%
Twin Saranac Holdings LLC	Wilmington (Delaware)	USA	-		Enel North America Inc	100.00%	100.00%
Western New York Wind Corporation	Albany (New York)	USA	300	USD	Enel North America Inc	100.00%	100.00%
Willimantic Power Corporation	Hartford (Connecticut)	USA	-		Chi Acquisitions Inc	100.00%	100.00%
Winter's Spawn LLC	Minneapolis (Minnesota)	USA	-		Chi Minnesota Wind LLC	49.00%	49.00%

(1) All the companies are engaged in electricity generation from renewable resources.

(2) In many cases, the subsidiaries are formed as entities that do not require the payment of share capital.

(3) For companies in which the holding is less than 50% Enel North America Inc holds preference shares that enable it to determine the financial and operational policies of the company and therefore to exercise a dominant influence.

Subsidiaries held by Enel Latin America LLC consolidated on a line-by-line basis at December 31, 2007 ⁽¹⁾

Company name	Registered office Country	Share capital ⁽²⁾ Currency	Held by ⁽³⁾	% holding	Group % holding
at Dec. 31, 2007					
Parent company:					
Enel Latin America LLC	Wilmington (Delaware)	USA	-	Enel Green Power International SA	100.00% 100.00%
Subsidiaries:					
Agricola Rio Sahuil Ltda	Santiago	Chile	200,000,000 CLP	Agricola Y Constructora Rio Guanehue SA	99.90% 99.90%
Agricola Y Constructora Rio Guanehue SA	Santiago	Chile	-	Empresa Electrica Panguipulli SA Enel Chile Ltda	99.93% 0.07% 100.00%
Alvorada Energia SA	Rio de Janeiro	Brazil	17,117,415.92 BRL	Enel Brasil Participações Ltda	100.00% 100.00%
Apiacás Energia SA	Rio de Janeiro	Brazil	21,216,846.33 BRL	Enel Brasil Participações Ltda	100.00% 100.00%
Braço Norte Energia SA	Rio de Janeiro	Brazil	13,478,767.05 BRL	Enel Brasil Participações Ltda	100.00% 100.00%
Central American Power Services Inc	Wilmington (Delaware)	USA	1 USD	Enel Latin America LLC	100.00% 100.00%
Conexion Energetica Centroamericana El Salvador SA de cv	San Salvador	El Salvador	7,950,600 SVC	Grupo EGI SA de cv Enel Latin America LLC	40.86% 59.14% 100.00%
Constructora Cerro Pitren Ltda	Santiago	Chile	200,000,000 CLP	Agricola Y Constructora Rio Guanehue SA	99.90% 99.90%
Cuiabà Energia SA	Rio de Janeiro	Brazil	3,261,038.39 BRL	Enel Brasil Participações Ltda	100.00% 100.00%
EGI Costa Rica Viento SA	San José	Costa Rica	100,000 CRC	Enel de Costa Rica SA (formerly Energía Global de Costa Rica SA)	100.00% 100.00%
Electrificadora Ecologica SA	San José	Costa Rica	113,200,000 CRC	ZMZ General SA	100.00% 51.00%
Empresa Electrica Panguipulli SA	Santiago	Chile	-	Energia Alerce Ltda Enel Chile Ltda	0.01% 99.99% 100.00%
Empresa Electrica Puyehue SA	Santiago	Chile	11,169,752,000 CLP	Energia Alerce Ltda Enel Chile Ltda	0.10% 99.90% 100.00%
Empresa Nacional de Geotermia SA	Santiago	Chile	-	Enel Chile Ltda	51.00% 51.00%
Enel Brasil Participações Ltda	Rio de Janeiro	Brazil	466,000,000 BRL	Enel Green Power International SA Enel Latin America LLC	0.01% 99.99% 100.00%
Enel Chile Ltda	Santiago	Chile	15,414,240,752 CLP	Enel Latin America LLC Energia Alerce Ltda	0.01% 99.99% 100.00%
Enel de Costa Rica SA (formerly Energía Global de Costa Rica SA)	San José	Costa Rica	35,000,000 CRC	Enel Latin America LLC	100.00% 100.00%
Enel Guatemala SA	Guatemala	Guatemala	5,000 GTQ	Enel Green Power International SA Enel Latin America LLC	2.00% 98.00% 100.00%
Energia Alerce Ltda	Santiago	Chile	1,000,000 CLP	Enel Green Power International SA Enel Latin America LLC	0.10% 99.90% 100.00%
Energia Global Operaciones SA	San José	Costa Rica	10,000 CRC	Enel de Costa Rica SA (formerly Energía Global de Costa Rica SA)	100.00% 100.00%
Energia Global SA de cv	Andover (Massachusetts)	USA	50,000 MXN	Enel Latin America LLC	99.00% 99.00%
Generadora de Occidente Ltda	Guatemala	Guatemala	16,261,697.33 GTQ	Enel Latin America LLC Enel Guatemala SA	99.00% 1.00% 100.00%

Company name	Registered office	Country	Share capital ⁽²⁾	Currency	Held by ⁽³⁾	% holding	Group % holding
at Dec. 31, 2007							
Generadora Montecristo SA	Guatemala	Guatemala	5,000 GTQ		Enel Latin America LLC Enel Guatemala SA	99.00% 1.00%	100.00%
Geotermica del Norte SA	Santiago	Chile	-		Enel Chile Ltda	51.00%	51.00%
Grupo EGI SA de cv	San Salvador	El Salvador	200,000 SVC		Enel Green Power International SA Enel Latin America LLC	0.05% 99.95%	100.00%
Isamu Ikeda Energia SA	Rio de Janeiro	Brazil	82,974,475.77 BRL		Enel Brasil Participações Ltda	100.00%	100.00%
Molinos de Viento del Arenal SA	San José	Costa Rica	9,709,200 USD		Electrificadora Ecologica SA	49.00%	24.99%
Operacion Y Mantenimiento Tierras Morenas SA	San José	Costa Rica	30,000 CRC		Electrificadora Ecologica SA	85.00%	43.35%
P.H. Don Pedro SA	San José	Costa Rica	100,001 CRC		Enel de Costa Rica SA (formerly Energía Global de Costa Rica SA)	33.44%	33.44%
P.H. Guacimo SA	San José	Costa Rica	50,000 CRC		Enel Latin America LLC Enel de Costa Rica SA (formerly Energía Global de Costa Rica SA)	30.00% 10.00%	40.00%
P.H. Rio Volcan SA	San José	Costa Rica	100,001 CRC		Enel de Costa Rica SA (formerly Energía Global de Costa Rica SA)	34.32%	34.32%
Primavera Energia SA	Rio de Janeiro	Brazil	29,556,575.78 BRL		Enel Brasil Participações Ltda	100.00%	100.00%
Quatiara Energia SA	Rio de Janeiro	Brazil	12,148,511.80 BRL		Enel Brasil Participações Ltda	100.00%	100.00%
Socibe Energia SA	Rio de Janeiro	Brazil	33,969,032.25 BRL		Enel Brasil Participações Ltda	100.00%	100.00%
Tecnoguat SA	Guatemala	Guatemala	30,948,000 GTQ		Enel Latin America LLC	75.00%	75.00%
Vale Energética SA	Rio de Janeiro	Brazil	18,589,343.63 BRL		Enel Brasil Participações Ltda	100.00%	100.00%
VP Energia SA	Rio de Janeiro	Brazil	12,137,505.52 BRL		Enel Brasil Participações Ltda	100.00%	100.00%
ZMZ General SA	San José	Costa Rica	500,000 CRC		EGI Costa Rica Viento SA	51.00%	51.00%

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(3) For companies in which the holding is less than 50% Enel Latin America LLC holds preference shares that enable it to determine the financial and operational policies of the company and therefore to exercise a dominant influence.

Companies consolidated proportionately at December 31, 2007

Company name	Registered office	Country	Activity	Share capital	Currency	Held by	Group % holding
at Dec. 31, 2007							
Parent company:							
Endesa SA	Madrid	Spain	Holding company	1,270,502,540.4 EUR		Enel Energy Europe Srl	67.05% 67.05%
Subsidiaries:							
Aerodis SA	Ennery	France	Electricity generation from renewable resources	37,000 EUR		Société Nationale d'Electricité et de Thermique SA	100.00% 43.58%
Aguas Santiago Poniente SA	Santiago	Chile	Services	5,586,660,769 CLP		Inmobiliaria Manso de Velasco Ltda Sociedad Agrícola Pastos Verdes Ltda	25.82% 32.06% 53.06%
Aguilon 20 SA	Zaragoza	Spain	Electricity generation from renewable resources	60,400 EUR		Endesa Cogeneración Y Renovables SA	50.99% 34.19%
Aiolikh Sidrokastroy SA Athens	Athens	Greece	Electricity generation from renewable resources	3,360,000 EUR		Mytilhnaios Aiolikh Energeiakhs Ellados SA Endesa Hellas Power Generation and Supplies Societe Anonyme	99.00% 26.83% 1.00%
Aioliki Androu Tsirovldi Athens SA	Athens	Greece	Electricity generation from renewable resources	60,000 EUR		Mytilhnaios Aiolikh Energeiakhs Ellados SA Endesa Hellas Power Generation and Supplies Societe Anonyme	99.00% 26.83% 1.00%
Aioliki Androu Xirokampi SA	Athens	Greece	Electricity generation from renewable resources	60,000 EUR		Mytilhnaios Aiolikh Energeiakhs Ellados SA Endesa Hellas Power Generation and Supplies Societe Anonyme	99.00% 26.83% 1.00%
Aioliki Evias Chelona SA	Athens	Greece	Electricity generation from renewable resources	60,000 EUR		Mytilhnaios Aiolikh Energeiakhs Ellados SA Endesa Hellas Power Generation and Supplies Societe Anonyme	99.00% 26.83% 1.00%
Aioliki Evias Diakoftis SA	Athens	Greece	Electricity generation from renewable resources	60,000 EUR		Mytilhnaios Aiolikh Energeiakhs Ellados SA Endesa Hellas Power Generation and Supplies Societe Anonyme	99.00% 26.83% 1.00%
Aioliki Evias Pounta SA Athens	Athens	Greece	Electricity generation from renewable resources	60,000 EUR		Mytilhnaios Aiolikh Energeiakhs Ellados SA Endesa Hellas Power Generation and Supplies Societe Anonyme	99.00% 26.83% 1.00%
Aioliki Evias Pyrgos SA Athens	Athens	Greece	Electricity generation from renewable resources	60,000 EUR		Mytilhnaios Aiolikh Energeiakhs Ellados SA Endesa Hellas Power Generation and Supplies Societe Anonyme	99.00% 26.83% 1.00%
Aioliki Samothrakis SA Athens	Athens	Greece	Electricity generation from renewable resources	60,000 EUR		Mytilhnaios Aiolikh Energeiakhs Ellados SA Endesa Hellas Power Generation and Supplies Societe Anonyme	99.00% 26.83% 1.00%
Almussafes Servicios Energéticos SL	Barcelona	Spain	Maintenance and management of power stations	3,010 EUR		Endesa Cogeneración Y Renovables SA	100.00% 67.05%
Altek Alarko Santrallari Istanbul Tesis Isletme Ve Ticaret AS	Istanbul	Turkey	Electricity sales	2,000,000 TRY		Société Nationale d'Electricité et de Thermique SA	50.00% 21.79%

Company name	Registered office	Country	Activity	Share capital	Currency	Held by	% holding	Group % holding
at Dec. 31, 2007								
Ambon Energies EurL	Rueil-Malmaison	France	Electricity generation from renewable resources	12,100	EUR	Société Nationale d'Electricité et de Thermique SA	100.00%	43.58%
Ampla Energía e Serviços SA	Rio de Janeiro	Brazil	Electricity generation, transmission and distribution	998,200,000	BRL	Enersis SA Chilectra SA Chilectra Inversud SA Endesa Brasil SA	13.68% 10.34% 21.02% 46.89%	37.37%
Ampla Investimentos e Serviços SA	Rio de Janeiro	Brazil	Electricity generation, transmission and distribution	120,000,000	BRL	Enersis SA Chilectra SA Chilectra Inversud SA Endesa Brasil SA	13.68% 10.34% 21.02% 46.89%	37.37%
Ananeosimes Pigesboriou Aigaiou SA	Athens	Greece	Electricity generation from renewable resources	60,000	EUR	Mytilhnaios Aiolikh Energeiak Ellados SA	100.00%	26.83%
Andorra Desarrollo SA	Teruel	Spain	Regional development	901,500	EUR	Endesa Generación SA	100.00%	67.05%
Antrel AIE	Girona	Spain	Cogeneration of electricity and heat	325,000	EUR	Endesa Cogeneración Y Renovables SA	50.00%	33.53%
Apamea 2000 SL	Madrid	Spain	Services	3,000	EUR	Endesa SA	100.00%	67.05%
Aragonesa de Actividades Energéticas SA	Teruel	Spain	Electricity generation	60,100	EUR	Endesa Generación SA	100.00%	67.05%
Asociación Nuclear Ascó-Vandellós II AIE	Tarragona	Spain	Maintenance and management of power stations	19,232,400	EUR	Endesa Generación SA	85.41%	57.27%
Atacama Finance Co	N.A.	Cayman Islands	Holding company	6,300,000	USD	Inversiones Gas Atacama Holding Ltda Gas Atacama SA	99.90% 0.10%	12.19%
Atelgen - Produção de Energia Ace	Barcelos	Portugal	Electricity generation	-		TP - Sociedade Térmica Portuguesa SA	51.00%	17.10%
Bioaise SA	Bogotá D.C.	Colombia	Electricity generation and sales	1,955,000,000	COP	Endesa Cogeneración Y Renovables SA	95.00%	63.70%
Biowatt - Recursos Energéticos Lda	Porto	Portugal	Marketing of projects for electricity generation from renewable resources	4,000	EUR	Finerge-Gestao de Projectos Energéticos SA	51.00%	34.20%
Bolonia Real Estate SL	Madrid	Spain	Real estate	3,008	EUR	Endesa SA	100.00%	67.05%
Cam Brasil Multiservicios Ltda	Rio de Janeiro	Brazil	Purchase and resale of electrical products	14,327,826	BRL	Compañía Americana de Multiservicios de Chile Ltda	100.00%	40.65%
Caminhos de Santiago	Valença	Spain	Electricity generation from renewable resources	50,000	EUR	Eevm - Empreendimentos Eólicos Vale do Minho SA	84.99%	21.37%
Campos - Recursos Energéticos Ace	Barroselas	Portugal	Electricity generation	-		TP - Sociedade Térmica Portuguesa SA	95.00%	31.85%
Carboex SA	Madrid	Spain	Fuel supply	24,040,480	EUR	Endesa Generación SA	100.00%	67.05%
Carbones de Berga SA	Barcelona	Spain	Mining	649,080	EUR	Minas Y Ferrocarril de Utrillas SA	100.00%	67.05%
Carbopego - Abastecimientos e Combustíveis SA	Abrantes	Portugal	Fuel supply	50,000	EUR	Endesa Generación SA	50.00%	33.53%
Carvemagere - Manutenção e Energias Renováveis Lda	Barcelos	Portugal	Cogeneration of electricity and heat	85,000	EUR	Finerge-Gestao de Projectos Energéticos SA	65.00%	43.58%
Centrais Elétricas Cachoeira Dourada SA	Goiania	Brazil	Electricity generation and sales	289,000,000	BRL	Endesa Brasil SA	99.61%	39.39%

Company name	Registered office	Country	Activity	Share capital	Currency	Held by	% holding	Group % holding
at Dec. 31, 2007								
Central Dock Sud SA	Buenos Aires	Argentina	Electricity generation, transmission and distribution	468,186,000	ARS	Sociedad Inversora Dock Sud SA	76.16%	29.18%
Central Eólica Canela SA	Santiago	Chile	Electricity generation from renewable resources	11,280,760,000	CLP	Endesa Eco SA	75.00%	18.28%
Central Geradora Termelétrica Fortaleza SA	Caucaia	Brazil	Thermal generation plants	93,000,000	BRL	Endesa Brasil SA	100.00%	39.55%
Centro Energía Ferrara SpA	Rome	Italy	Cogeneration of electricity and heat and sales	165,000	EUR	Endesa Europa SL	58.35%	39.12%
Centro Energía Teverola SpA	Rome	Italy	Cogeneration of electricity and heat	15,301,020	EUR	Endesa Europa SL	58.35%	39.12%
Cerveirenses	Vila Nova de Cerveira	Portugal	Electricity generation from renewable resources	50,000	EUR	Eevm - Empreendimentos Eólicos Vale do Minho SA	84.99%	21.37%
Chilectra Inversud SA	Santiago	Chile	Holding company	892,012,110.92	USD	Chilectra SA	100.00%	24.16%
Chilectra SA, Agencia En Islas Caiman	N.A.	Cayman Islands	-	-	-	Chilectra SA	100.00%	24.16%
Chilectra SA	Santiago	Chile	Holding company	2,364,494	CLP	Inmobiliaria Manso de Velasco Ltda Enersis SA	0.01% 99.08%	40.28%
Cogeneración J. Vilaseca AIE	Barcelona	Spain	Combined-cycle generation plant	721,210	EUR	Endesa Cogeneración Y Renovables SA	40.00%	26.82%
Cogeneración Tolosana Guipuzcoa AIE	Guipuzcoa	Spain	Cogeneration of electricity and heat	601,010	EUR	Endesa Cogeneración Y Renovables SA	25.00%	16.76%
Colina - Produção de Energia Eléctrica Lda	Lisbon	Portugal	Electricity generation	5,486.78	EUR	Empreendimentos Eólicos da Serra do Sicó SA	52.00%	9.13%
Comercializadora de Energía Del Mercosur SA	Capital Federal	Argentina	Electricity sales	14,010,000	ARS	Endesa Internacional SA Endesa Argentina SA	55.00% 45.00%	67.05%
Companhia Energética do Ceará SA	Fortaleza	Brazil	Electricity generation, transmission and distribution	433,000,000	BRL	Endesa Brasil SA Investluz SA	2.27% 56.59%	23.28%
Companhia Térmica do Lisbon Beato Ace	Lisbon	Portugal	Electricity generation	-	-	TP - Sociedade Térmica Portuguesa SA	65.00%	21.79%
Companhia Térmica do Paços de Serrado Ace	Paços de Brandão	Portugal	Electricity generation	-	-	TP - Sociedade Térmica Portuguesa SA	51.00%	17.10%
Companhia Térmica Hectare Ace	Alcochete	Portugal	Electricity generation	-	-	TP - Sociedade Térmica Portuguesa SA	60.00%	20.12%
Companhia Térmica Lusitana Ace	Riachos	Portugal	Electricity generation	-	-	TP - Sociedade Térmica Portuguesa SA	95.00%	31.85%
Companhia Térmica Lusol Ace	Barreiro	Portugal	Electricity generation	-	-	TP - Sociedade Térmica Portuguesa SA	95.00%	31.85%
Companhia Térmica Oliveira Ferreira Ace	Riba de Ave	Portugal	Electricity generation	-	-	TP - Sociedade Térmica Portuguesa SA	95.00%	31.85%
Companhia Térmica Ponte da Pedra Ace	Maia	Portugal	Electricity generation	-	-	TP - Sociedade Térmica Portuguesa SA	95.00%	31.85%
Companhia Térmica Ribeira Vella Ace	S. Paio de Oleiros	Portugal	Electricity generation	-	-	TP - Sociedade Térmica Portuguesa SA	51.00%	17.10%
Compañía Americana de Multiservicios de Argentina Ltda	Capital Federal	Argentina	Services	1,000,000	ARS	Compañía Americana de Multiservicios de Chile Ltda	100.00%	40.65%

Company name	Registered office	Country	Activity	Share capital	Currency	Held by	% holding	Group % holding
at Dec. 31, 2007								
Compañía Americana de Multiservicios de Chile Ltda	Santiago	Chile	Services	2,572,038,000	CLP	Enersis SA Synapsis Soluciones Y Servicios It Ltda	99.99% 0.01%	40.65%
Compañía Americana de Multiservicios de Colombia Ltda	Bogotá D.C.	Colombia	Services	1,615,500,000	COP	Compañía Americana de Multiservicios de Chile Ltda	100.00%	40.65%
Compañía Americana de Multiservicios Del Perú Ltda	Lima	Peru	Services	5,220,000	PEN	Compañía Americana de Multiservicios de Chile Ltda	100.00%	40.65%
Compañía de Interconexión Energética SA	Rio de Janeiro	Brazil	Electricity generation, transmission and distribution	285,000,000	BRL	Endesa Brasil SA	100.00%	39.55%
Compañía de Transmisión Del Mercosur SA	Capital Federal	Argentina	Electricity generation, transmission and distribution	14,176,000	ARS	Compañía de Interconexión Energética SA	100.00%	39.55%
Compañía Distribuidora Bogotá D.C. Y Comercializadora de Energía SA	Bogotá D.C.	Colombia	Electricity distribution and sales	13,209,330,000	COP	Enersis SA Chilectra SA Endesa Internacional SA Empresa de Energía de Bogotá SA Esp	12.47% 9.35% 26.66% 51.51%	40.64%
Compañía Eléctrica Cono Sur SA	Panama	Panama	Holding company	840,782,000,000	CLP	Empresa Nacional de Electricidad SA	100.00%	24.38%
Compañía Eléctrica San Santiago Isidro SA		Chile	Electricity generation, transmission and distribution	28,679	CLP	Empresa Nacional de Electricidad SA	100.00%	24.38%
Compañía Eléctrica Tarapacá SA	Santiago	Chile	Electricity generation, transmission and distribution	49,772,000,000	CLP	Empresa Nacional de Electricidad SA Endesa Inversiones Generales SA	99.94% 0.06%	24.38%
Compañía Peruana de Electricidad SA	Lima	Peru	Holding company	98,538,403	PEN	Enersis SA Chilectra SA Endesa Internacional SA	0.10% 50.90% 49.00%	40.65%
Compostilla Re SA	Luxembourg	Luxembourg	Reinsurance	3,000,000	EUR	Endesa SA	100%	67.05%
Concentrasolar SL	Seville	Spain	Photovoltaic plant	10,000	EUR	Endesa Cogeneración Y Renovables SA	50.00%	33.53%
Confirel AIE	Girona	Spain	Cogeneration of electricity and heat	30,050	EUR	Endesa Cogeneración Y Renovables SA	50.00%	33.53%
Consorcio Ara-Ingendesa Ltda	Santiago	Chile	Design and consulting services	1,000,000	CLP	Empresa de Ingeniería Ingendesa SA	50.00%	12.19%
Consorcio Eólico Marino Cádiz Cabo de Trafalgar SL		Spain	Wind plants	200,000	EUR	Endesa Cogeneración Y Renovables SA	50.00%	33.53%
Consorcio Ingendesa-Minmetal Ltda	Santiago	Chile	Engineering services	2,000,000	CLP	Empresa de Ingeniería Ingendesa SA	50.00%	12.19%
Constructora Y Proyectos Los Maitenes SA	Santiago	Chile	Engineering and construction	3,110,050,000	CLP	Inmobiliaria Manso de Velasco Ltda	55.00%	22.36%
Coreysa Cogeneración SA	Seville	Spain	Cogeneration of electricity and heat	533,400	EUR	Endesa Cogeneración Y Renovables SA	65.00%	43.58%
Courenses	Paredes de Coura	Spain	Electricity generation from renewable resources	50,000	EUR	Eevm - Empreendimentos Eólicos Vale do Minho SA	84.99%	21.37%
Cte - Central Termica do Estuário Lda	Porto	Portugal	Cogeneration of electricity and heat	564,000	EUR	Finerge-Gestao de Projectos Energéticos SA	100.00%	67.05%
Desaladora de Carboneras UTE	Carboneras (Almeria)	Spain	Construction and management of a desalination plant	6,010	EUR	Endesa Participadas SA	75.00%	50.29%

Company name	Registered office	Country	Activity	Share capital	Currency	Held by	% holding	Group % holding
at Dec. 31, 2007								
Distribución Y Comercialización de Gas Extremadura Dicogexsa SA	Badajoz	Spain	Gas distribution	21,632,400	EUR	Endesa Gas SAU	47.00%	31.51%
Distribuidora de Energía Eléctrica Del Bages SA	Barcelona	Spain	Electricity distribution and sales	108,240	EUR	Hidroeléctrica de Catalunya SL Endesa Red SA	45.00% 55.00%	67.05%
Distribuidora Eléctrica Del Puerto de La Cruz SA	Tenerife	Spain	Electricity purchasing, transmission and distribution	12,621,210	EUR	Endesa Red SA	100.00%	67.05%
Distrilec Inversora SA	Capital Federal Argentina	Argentina	Holding company	505	ARS	Enersis SA Chilectra SA Empresa Nacional de Electricidad SA	27.19% 23.42% 0.89%	20.93%
Edegel SA	Lima	Peru	Electricity generation, distribution and sales	2,064,301,735	PEN	Generandes Perú SA Generalima SA	55.44% 5.62%	8.88%
Fed - Empreendimentos Eólicos do Douro SA	Porto	Portugal	Electricity generation from renewable resources	50,000	EUR	Finerge-Gestao de Projectos Energéticos SA	100.00%	67.05%
Eevm - Empreendimentos Eólicos Vale do Minho SA	Porto	Portugal	Electricity generation from renewable resources	200,000	EUR	Eol Verde Energia Eólica SA	50.00%	25.14%
Eléctrica de La Franja SL	Barcelona	Spain	Electricity generation	3,010	EUR	Endesa Distribución Eléctrica SL	100.00%	67.05%
Eléctrica de Lijar SL	Cádiz	Spain	Electricity transmission and distribution	1,081,820	EUR	Endesa Red SA	50.00%	33.53%
Electricidad de Puerto Real SA	Cádiz	Spain	Electricity distribution and supply	6,611,110	EUR	Endesa Distribución Eléctrica SL	50.00%	33.53%
Elektrocieplownia Bialystok SA	Bialystok	Polonia	Electricity generation and sales	3,922,000	EUR	Société Nationale d'Electricité et de Thermique SA	69.58%	30.32%
Ellinki Fotovoltaiki SA	Athens	Greece	Electricity generation from renewable resources	60,000	EUR	Mytilinaios Aiolikh Energeiakh Ellados SA	100.00%	26.83%
Emgesa SA ESP	Bogotá D.C.	Colombia	Electricity generation and sales	1,100,000,000,000	COP	Empresa Nacional de Electricidad SA Endesa Internacional SA Empresa de Energía de Bogotá SA Esp Compañía Eléctrica Cono Sur SA	1.45% 21.61% 51.51% 25.43%	24.38%
Empreendimento Eólico da Raia Lda	Porto	Portugal	Electricity generation from renewable resources	5,000	EUR	Finerge-Gestao de Projectos Energéticos SA	100.00%	67.05%
Empreendimento Eólico de Rego Lda	Porto	Portugal	Electricity generation from renewable resources	5,000	EUR	Finerge-Gestao de Projectos Energéticos SA	51.00%	34.20%
Empreendimentos Eólicos da Serra do Sicó SA	Porto	Portugal	Electricity generation from renewable resources	50,000	EUR	TP - Sociedade Térmica Portuguesa SA	52.38%	17.56%
Empreendimentos Eólicos de Alvadia Lda	Porto	Portugal	Electricity generation from renewable resources	1,150,000	EUR	Finerge-Gestao de Projectos Energéticos SA	48.00%	32.18%
Empreendimentos Eólicos de Pracana Lda	Porto	Portugal	Electricity generation from renewable resources	5,000	EUR	Finerge-Gestao de Projectos Energéticos SA	100.00%	67.05%

Company name	Registered office	Country	Activity	Share capital	Currency	Held by	% holding	Group % holding
at Dec. 31, 2007								
Empreendimentos Eólicos de Ribabelide SA	Porto	Portugal	Electricity generation from renewable resources	50,000	EUR	Finerge-Gestao de Projectos Energéticos SA	100.00%	67.05%
Empreendimentos Eólicos de Viade Lda	Porto	Portugal	Electricity generation from renewable resources	5,000	EUR	Finerge-Gestao de Projectos Energéticos SA	100.00%	67.05%
Empreendimentos Eólicos do Verde Horizonte SA	Porto	Portugal	Electricity generation from renewable resources	50,000	EUR	Finerge-Gestao de Projectos Energéticos SA	100.00%	67.05%
Empresa Carbonífera Del Sur SA	Madrid	Spain	Mining	18,030,000	EUR	Endesa Generación SA	100.00%	67.05%
Empresa de Distribución Eléctrica de Lima Norte SA	Lima	Peru	Electricity distribution and sales	738,563,900	PEN	Inversiones Distrilima SA	60.00%	21.01%
Empresa de Ingeniería Ingendesa SA	Santiago	Chile	Engineering services	2,037,887,609	CLP	Empresa Nacional de Electricidad SA Endesa Inversiones Generales SA	98.75% 1.25%	24.38%
Empresa Distribuidora Sur SA	Capital Federal Argentina	Argentina	Electricity distribution and sales	898,858,000	ARS	Enersis SA Chilectra SA Endesa Internacional SA Distrilec Inversora SA	16.02% 20.85% 6.22% 56.36%	40.42%
Empresa Eléctrica Cabo Lima Blanco SA	Peru	Peru	Holding company	46,508,170	PEN	Endesa Internacional SA	80.00%	53.64%
Empresa Eléctrica de Colina Ltda	Santiago	Chile	Electricity generation, transmission and distribution	85,000,000	CLP	Chilectra SA	100.00%	24.16%
Empresa Eléctrica de Piura SA	Lima	Peru	Electricity generation	73,982,594	PEN	Empresa Eléctrica Cabo Blanco SA	60.00%	32.18%
Empresa Eléctrica Pangue SA	Santiago	Chile	Electricity generation, transmission and distribution	69,014	CLP	Empresa Nacional de Electricidad SA Endesa Inversiones Generales SA Endesa Internacional SA	94.98% 0.01% 5.01%	24.38%
Empresa Eléctrica Pehuenche SA	Santiago	Chile	Electricity generation, transmission and distribution	157,972,199,000	CLP	Empresa Nacional de Electricidad SA	92.65%	22.59%
Empresa Nacional de Electricidad SA	Santiago	Chile	Electricity generation, transmission and distribution	979,157	CLP	Enersis SA	59.98%	24.38%
Endesa Argentina SA	Capital Federal Argentina	Argentina	Holding company	514,260,000	ARS	Empresa Nacional de Electricidad SA Endesa Inversiones Generales SA	99.66% 0.34%	24.38%
Endesa Brasil Participações Ltda	Rio de Janeiro	Brazil	Holding company	1,256,900	BRL	Empresa Nacional de Electricidad SA Endesa Argentina SA	5.00% 95.00%	24.38%
Endesa Brasil SA	Rio de Janeiro	Brazil	Holding company	916,800,000	BRL	Enersis SA Chilectra SA Chilectra Inversud SA Endesa Internacional SA Compañía Eléctrica Cono Sur SA Edegel SA Luz de Río Ltda	19.99% 4.53% 2.31% 27.71% 35.29% 4.07% 3.40%	39.55%
Endesa Capital Finance LLC	Delaware	USA	Finance	100	USD	International Endesa BV	100.00%	67.05%
Endesa Capital SA	Madrid	Spain	Finance	60,200	EUR	Endesa SA	100.00%	67.05%
Endesa Cogeneración Y Renovables SA	Seville	Spain	Cogeneration of electricity and heat and generation from renewable resources	127,674,800	EUR	Endesa Generación SA	100.00%	67.05%

Company name	Registered office	Country	Activity	Share capital	Currency	Held by	% holding	Group % holding
at Dec. 31, 2007								
Endesa Costanera SA	Capital Federal	Argentina	Electricity generation and sales	146,990,000	ARS	Empresa Nacional de Electricidad SA Endesa Argentina SA Southern Cone Power Argentina SA	12.33% 51.60% 5.50%	16.93%
Endesa Distribución Eléctrica SL	Barcelona	Spain	Electricity generation	1,204,540,060	EUR	Endesa Red SA	100.00%	67.05%
Endesa Eco SA	Santiago	Chile	Studies and projects in the renewable resources field	580,000,000	CLP	Empresa Nacional de Electricidad SA Endesa Inversiones Generales SA	99.99% 0.01%	24.38%
Endesa Energía Xxi SL	Madrid	Spain	Marketing and electricity services	3,010	EUR	Endesa Energía SA	100.00%	67.05%
Endesa Energía SA	Madrid	Spain	Marketing of energy products	12,981,860	EUR	Endesa SA	100.00%	67.05%
Endesa Europa Power & Papigno Fuel Srl (Terni)	Italy		Trading	10,000,000	EUR	Endesa Trading SA	100.00%	67.05%
Endesa Europa SL	Madrid	Spain	Holding company	367,104,260	EUR	Endesa SA	100.00%	67.05%
Endesa Financiación Filiales SA	Madrid	Spain	Finance	4,621,003,000	EUR	Endesa SA	100.00%	67.05%
Endesa Gas Distribución SAU	Madrid	Spain	Gas distribution	14,610,970	EUR	Endesa Gas SAU	100.00%	67.05%
Endesa Gas Transportista SLU	Zaragoza	Spain	Regassification and gas storage	5,445,000	EUR	Endesa Gas SAU	100.00%	67.05%
Endesa Gas SAU	Zaragoza	Spain	Gas production, transmission and distribution	45,261,350	EUR	Endesa Red SA	100.00%	67.05%
Endesa Generación II SA	Seville	Spain	Electricity generation	63,107	EUR	Endesa SA	100.00%	67.05%
Endesa Generación Portugal SA	Paço D'arcos- Oieiras	Portugal	Electricity generation	50,000	EUR	Endesa Cogeneración Y Renovables SA Endesa Generación SA Finerge-Gestao de Proyectos Energéticos SA Endesa Energía SA Energías de Aragón II SL	0.20% 99.20% 0.20% 0.20% 0.20%	67.05%
Endesa Generación SA	Seville	Spain	Electricity generation and sales	1,945,329,830	EUR	Endesa SA	100.00%	67.05%
Endesa Hellas Power Generation and Supplies Societe Anonyme	Moschato (Attica)	Greece	Electricity generation	4,961.51	EUR	Endesa Europa SL	50.01%	33.53%
Endesa Ingeniería SL - Laxtron Energías Renovables SL UTE	Las Palmas de Gran Canaria	Spain	Engineering and consulting services	3,100	EUR	Endesa Ingeniería SLU	50.00%	33.53%
Endesa Ingeniería SLU	Seville	Spain	Engineering and consulting services	1,000,000	EUR	Endesa Red SA	100.00%	67.05%
Endesa Internacional SA	Madrid	Spain	Holding company	1,500,000,000	EUR	Endesa SA	100.00%	67.05%
Endesa Inversiones Generales SA	Santiago	Chile	Holding company	952.05	CLP	Empresa Nacional de Electricidad SA Empresa Eléctrica Pehuenche SA	99.51% 0.49%	24.38%
Endesa Italy Power & Fuel Srl	Rome	Italy	Electricity and fuel distribution and trading	100,000	EUR	Endesa Italy SpA	100.00%	53.64%
Endesa Italy SpA	Rome	Italy	Holding company	700,824,290	EUR	Endesa Europa SL	80.00%	53.64%

Company name	Registered office	Country	Activity	Share capital	Currency	Held by	% holding	Group % holding
at Dec. 31, 2007								
Endesa Network Factory SL	Madrid	Spain	New technologies	23,149,170	EUR	Endesa Servicios SL	100.00%	67.05%
Endesa North América Inc	New York (New York)	USA	Representative office	1	USD	Endesa SA	100.00%	67.05%
Endesa Operaciones Y Servicios Comerciales SL	Barcelona	Spain	Services	10,138,580	EUR	Endesa Red SA	100.00%	67.05%
Endesa Participadas SA Madrid	Spain	Holding company	327,706,460	EUR		Endesa SA	100.00%	67.05%
Endesa Polska Spółka ZWarsaw Ograniczona Odpowiedzialnoscia	Poland	Electricity generation and trading	60,000	PLN		Endesa Europa SL	98.33%	65.93%
Endesa Power Trading Ltd	London	United Kingdom	Trading	1,000	GBP	Endesa SA	100.00%	67.05%
Endesa Red SA	Barcelona	Spain	Electricity distribution	729,555,911.85	EUR	Endesa SA	100.00%	67.05%
Endesa Servicios SL	Madrid	Spain	Services	89,999,790	EUR	Endesa SA	100.00%	67.05%
Endesa Trading SA	Madrid	Spain	Trading	2,408,160	EUR	Endesa Europa SL	100.00%	67.05%
Endesa SA (Chile) Agencia En Islas Caiman	N.A.	Cayman Islands	-	-		Empresa Nacional de Electricidad SA	100.00%	24.38%
Enercampo - Produção Porto de Energia Lda	Portugal	Cogeneration of electricity and heat	249,000	EUR		Finerge-Gestao de Projetos Energéticos SA	100.00%	67.05%
Enercor - Produção de Montijo Energia Ace	Portugal	Electricity generation	-			TP - Sociedade Térmica Portuguesa SA	70.00%	23.47%
Energética de Rosselló AIE	Barcelona	Spain	Cogeneration of electricity and heat	3,606,060	EUR	Endesa Cogeneración Y Renovables SA	27.00%	18.10%
Energética Mataró SA	Barcelona	Spain	Construction and management of a plant for the disposal of industrial waste	1,502,400	EUR	Endesa Cogeneración Y Renovables SA	85.00%	56.99%
Energex Co	N.A.	Cayman Islands	Holding company	10,000	USD	Gasoducto Atacama Chile SA	100.00%	12.18%
Energías Alternativas Del Sur SL	Las Palmas de Gran Canaria	Spain	Electricity generation from renewable resources	601,010	EUR	Endesa Cogeneración Y Renovables SA	50.00%	33.53%
Energías de Aragón I SL	Zaragoza	Spain	Electricity transmission, distribution and sales	3,200,000	EUR	Endesa Generación SA	100.00%	67.05%
Energías de Aragón II SL	Zaragoza	Spain	Electricity generation	18,500,000	EUR	Endesa Cogeneración Y Renovables SA	100.00%	67.05%
Energías de Graus SL	Barcelona	Spain	Hydroelectric plants	1,298,160	EUR	Endesa Cogeneración Y Renovables SA	66.67%	44.70%
Energías de La Mancha SA	Villarta de San Juan (Ciudad Real)	Spain	Biomass	280,000	EUR	Endesa Cogeneración Y Renovables SA	52.14%	34.96%
Energie Electrique de Tahaddart SA	Tanger	Morocco	Combined-cycle generation plant	750,400,000	MAD	Endesa Europa SL	32.00%	21.46%
Enerlousado Lda	Porto	Portugal	Combined-cycle generation plant	5,000	EUR	TP - Sociedade Térmica Portuguesa SA	50.00%	33.53%
Enernisa - Produção de Porto Energia Lda		Portugal	Cogeneration of electricity and heat	249,000	EUR	Finerge-Gestao de Projetos Energéticos SA	90.00%	60.35%

Company name	Registered office	Country	Activity	Share capital	Currency	Held by	% holding	Group % holding
at Dec. 31, 2007								
Enersis SA	Santiago	Chile	Electricity generation and distribution	2,415,284,412,000,000	CLP	Endesa Internacional SA	60.62%	40.65%
Enersis SA, Agencia En N.A. Islas Caiman		Cayman Islands	-		-	Enersis SA	100.00%	40.65%
Enerviz - Produção de Energia de Vizela Lda	Porto	Portugal	Cogeneration of electricity and heat	673,000	EUR	Finerge-Gestao de Projectos Energéticos SA	100.00%	67.05%
Eol Verde Energia Eólica SA	Porto	Portugal	Water treatment and distribution	50,000	EUR	Finerge-Gestao de Projectos Energéticos SA	75.00%	50.29%
Eolcinf - Produção de Energia Eólica Lda	Porto	Portugal	Electricity generation from renewable resources	5,000	EUR	Finerge-Gestao de Projectos Energéticos SA	51.00%	34.20%
Eolflor - Produção de Energia Eólica Lda	Porto	Portugal	Electricity generation from renewable resources	5,000	EUR	Finerge-Gestao de Projectos Energéticos SA	51.00%	34.20%
Eólica Del Noroeste SL	La Coruña	Spain	Wind plant development	36,100	EUR	Endesa Cogeneración Y Renovables SA	51.00%	34.20%
Eólica Valle Del Ebro SA	Zaragoza	Spain	Electricity generation from renewable resources	5,559,340	EUR	Endesa Cogeneración Y Renovables SA	50.50%	33.86%
Eólicas de Agaete SL	Las Palmas de Gran Canaria	Spain	Electricity generation from renewable resources	240,400	EUR	Endesa Cogeneración Y Renovables SA	80.00%	53.64%
Eólicas de Fuencaliente SA	Las Palmas de Gran Canaria	Spain	Electricity generation from renewable resources	216,360	EUR	Endesa Cogeneración Y Renovables SA	55.00%	36.88%
Eólicas de La Patagonia SA	Buenos Aires	Argentina	Electricity generation from renewable resources	480,930	ARS	Endesa Cogeneración Y Renovables SA	50.00%	33.53%
Eólicas de Tenerife AIE	Santa Cruz de Tenerife	Spain	Electricity generation from renewable resources	420,710	EUR	Endesa Cogeneración Y Renovables SA	50.00%	33.53%
Eólicas de Tirajana AIE	Las Palmas de Gran Canaria	Spain	Electricity generation from renewable resources	-		Endesa Cogeneración Y Renovables SA	60.00%	40.23%
Eólicas do Marao - Produção de Energia Lda	Porto	Portugal	Electricity generation from renewable resources	25,000	EUR	Finerge-Gestao de Projectos Energéticos SA	100.00%	67.05%
Eólicos Touriñán SA	La Coruña	Spain	Electricity generation from renewable resources	601,000	EUR	Endesa Cogeneración Y Renovables SA	100.00%	67.05%
Erca Cinco Villas-1 SL	Zaragoza	Spain	Cogeneration of electricity and heat	210,350	EUR	Endesa Cogeneración Y Renovables SA	40.00%	26.82%
Ercasa Cogeneración SA	Zaragoza	Spain	Cogeneration of electricity and heat	601,000	EUR	Endesa Cogeneración Y Renovables SA	50.00%	33.53%
Erfei AIE	Tarragona	Spain	Cogeneration of electricity and heat	720,000	EUR	Endesa Cogeneración Y Renovables SA	42.00%	28.16%
Ergon Energía Srl	Brescia	Italy	Electricity supply	600,000,000	EUR	Endesa Europa SL	50.00%	33.53%
Ergosud SpA	Rome	Italy	Construction and management of a combined-cycle plant	-		Endesa Europa SL	50.00%	33.53%
Espiga	Caminha	Portugal	Electricity generation from renewable resources	50,000	EUR	Eevm - Empreendimentos Eólicos Vale do Minho SA	84.99%	21.37%

Company name	Registered office	Country	Activity	Share capital	Currency	Held by	% holding	Group % holding
at Dec. 31, 2007								
Eurohueco Cogeneración AIE	Barcelona	Spain	Cogeneration of electricity and heat	2,606,000	EUR	Endesa Cogeneración Y Renovables SA	30.00%	20.12%
Explotaciones Eólicas de Aldehuelas SL	Soria	Spain	Electricity generation from renewable resources	480,800	EUR	Endesa Cogeneración Y Renovables SA	47.50%	31.85%
Explotaciones Eólicas de Escucha SA	Zaragoza	Spain	Electricity generation from renewable resources	3,305,000	EUR	Endesa Cogeneración Y Renovables SA	70.00%	46.94%
Explotaciones Eólicas ElTeruel Puerto SA		Spain	Electricity generation from renewable resources	3,230,000	EUR	Endesa Cogeneración Y Renovables SA	73.60%	49.35%
Explotaciones Eólicas Saso Plano SA	Zaragoza	Spain	Electricity generation from renewable resources	5,488,500	EUR	Endesa Cogeneración Y Renovables SA	70.00%	46.94%
Explotaciones Eólicas Sierra Costera SA	Zaragoza	Spain	Electricity generation from renewable resources	8,046,800	EUR	Endesa Cogeneración Y Renovables SA	90.00%	60.35%
Explotaciones Eólicas Sierra La Virgen SA	Zaragoza	Spain	Electricity generation from renewable resources	4,200,000	EUR	Endesa Cogeneración Y Renovables SA	90.00%	60.35%
Fábrica do Arco - Recursos Energéticos SA	Santo Tirso	Portugal	Electricity generation	500,000	EUR	Finerge-Gestao de Projectos Energéticos SA	50.00%	33.53%
Fermicaise SA de cv	Distrito Federal	Mexico	Cogeneration of electricity and heat	7,667,000	MXN	Endesa Cogeneración Y Renovables SA	99.99%	67.04%
Finerge-Gestao de Projectos Energéticos SA	Porto	Portugal	Cogeneration of electricity and heat and generation from renewable resources	750,000	EUR	Endesa Cogeneración Y Renovables SA	100.00%	67.05%
Gas Alicante SAU	Elda (Alicante) Spain		Gas distribution	3,942,560	EUR	Endesa Gas SAU	100.00%	67.05%
Gas Aragón SA	Zaragoza	Spain	Gas distribution	5,889,920	EUR	Endesa Gas SAU	60.67%	40.68%
Gas Atacama Generación SA	Santiago	Chile	Electricity generation	120,897,639	USD	Gas Atacama SA Inversiones Endesa Norte SA	99.90% 0.05%	12.18%
Gas Atacama SA	Santiago	Chile	Holding company	291,484,088	USD	Inversiones Gas Atacama Holding Ltda	100.00%	12.19%
Gas Extremadura Transportista SL	Badajoz	Spain	Gas transport and storage	5,000,000	EUR	Endesa Gas Transportista SLU	40.00%	26.82%
Gas Y Electricidad Generación SAU	Palma de Mallorca	Spain	Electricity generation	213,775,700	EUR	Endesa Generación SA	100.00%	67.05%
Gasificadora Regional Canaria SA	Las Palmas de Gran Canaria Spain		Gas distribution	121,200	EUR	Endesa Gas SAU	65.00%	43.58%
Gasoducto Atacama Argentina SA	Santiago	Chile	Gas transport	208,173,125	USD	Gas Atacama SA Inversiones Endesa Norte SA Energex Co	57.23% 0.03% 42.71%	12.19%
Gasoducto Atacama Argentina SA Sucursal Argentina	Buenos Aires	Argentina	Gas transport	-		Gasoducto Atacama Argentina SA	100.00%	12.19%
Gasoducto Atacama Chile SA	Santiago	Chile	Gas transport	64,127,547	USD	Gas Atacama SA Inversiones Endesa Norte SA	99.90% 0.05%	12.18%
Gasoducto Taltal SA	Santiago	Chile	Gas transport	15,946,040,000,000	CLP	Gasoducto Atacama Chile SA Gasoducto Atacama Argentina SA	99.88% 0.12%	12.18%
Generación de Energía Solar Extremadura SL	Jerez de Los Caballeros (Badajoz)	Spain	Photovoltaic plant	3,500	EUR	Endesa Cogeneración Y Renovables SA	51.00%	34.20%

Company name	Registered office	Country	Activity	Share capital	Currency	Held by	% holding	Group % holding
at Dec. 31, 2007								
Generalima SA	Lima	Peru	Holding company	124,076,735	PEN	Endesa Internacional SA	100.00%	67.05%
Generandes Perú SA	Lima	Peru	Holding company	873,000,000	PEN	Compañía Eléctrica Cono Sur SA	59.63%	14.54%
Gesa Gas SAU	Palma de Mallorca	Spain	Gas distribution	17,128,500	EUR	Endesa Gas SAU	100.00%	67.05%
Gresaise SA de cv	Distrito Federal	Mexico	Cogeneration of electricity and heat	7,647,000	MXN	Endesa Cogeneración Y Renovables SA	99.99%	67.04%
Guadarranque Solar 1 SL Unipersonal	Seville	Spain	Electricity generation from renewable resources	3,006	EUR	Endesa Cogeneración Y Renovables SA	100.00%	67.05%
Guadarranque Solar 10 Seville SL Unipersonal		Spain	Electricity generation from renewable resources	3,006	EUR	Endesa Cogeneración Y Renovables SA	100.00%	67.05%
Guadarranque Solar 11 Seville SL Unipersonal		Spain	Electricity generation from renewable resources	3,006	EUR	Endesa Cogeneración Y Renovables SA	100.00%	67.05%
Guadarranque Solar 12 Seville SL Unipersonal		Spain	Electricity generation from renewable resources	3,006	EUR	Endesa Cogeneración Y Renovables SA	100.00%	67.05%
Guadarranque Solar 13 Seville SL Unipersonal		Spain	Electricity generation from renewable resources	3,006	EUR	Endesa Cogeneración Y Renovables SA	100.00%	67.05%
Guadarranque Solar 14 Seville SL Unipersonal		Spain	Electricity generation from renewable resources	3,006	EUR	Endesa Cogeneración Y Renovables SA	100.00%	67.05%
Guadarranque Solar 15 Seville SL Unipersonal		Spain	Electricity generation from renewable resources	3,006	EUR	Endesa Cogeneración Y Renovables SA	100.00%	67.05%
Guadarranque Solar 16 Seville SL Unipersonal		Spain	Electricity generation from renewable resources	3,006	EUR	Endesa Cogeneración Y Renovables SA	100.00%	67.05%
Guadarranque Solar 17 Seville SL Unipersonal		Spain	Electricity generation from renewable resources	3,006	EUR	Endesa Cogeneración Y Renovables SA	100.00%	67.05%
Guadarranque Solar 18 Seville SL Unipersonal		Spain	Electricity generation from renewable resources	3,006	EUR	Endesa Cogeneración Y Renovables SA	100.00%	67.05%
Guadarranque Solar 19 Seville SL Unipersonal		Spain	Electricity generation from renewable resources	3,006	EUR	Endesa Cogeneración Y Renovables SA	100.00%	67.05%
Guadarranque Solar 2 SL Unipersonal	Seville	Spain	Electricity generation from renewable resources	3,006	EUR	Endesa Cogeneración Y Renovables SA	100.00%	67.05%
Guadarranque Solar 3 SL Unipersonal	Seville	Spain	Electricity generation from renewable resources	3,006	EUR	Endesa Cogeneración Y Renovables SA	100.00%	67.05%
Guadarranque Solar 4 SL Unipersonal	Seville	Spain	Electricity generation from renewable resources	3,006	EUR	Endesa Cogeneración Y Renovables SA	100.00%	67.05%
Guadarranque Solar 5 SL Unipersonal	Seville	Spain	Electricity generation from renewable resources	3,006	EUR	Endesa Cogeneración Y Renovables SA	100.00%	67.05%
Guadarranque Solar 6 SL Unipersonal	Seville	Spain	Electricity generation from renewable resources	3,006	EUR	Endesa Cogeneración Y Renovables SA	100.00%	67.05%
Guadarranque Solar 7 SL Unipersonal	Seville	Spain	Electricity generation from renewable resources	3,006	EUR	Endesa Cogeneración Y Renovables SA	100.00%	67.05%

Company name	Registered office	Country	Activity	Share capital	Currency	Held by	% holding	Group % holding
at Dec. 31, 2007								
Guadarranque Solar 8 SL Unipersonal	Seville	Spain	Electricity generation from renewable resources	3,006	EUR	Endesa Cogeneración Y Renovables SA	100.00%	67.05%
Guadarranque Solar 9 SL Unipersonal	Seville	Spain	Electricity generation from renewable resources	3,006	EUR	Endesa Cogeneración Y Renovables SA	100.00%	67.05%
Hídricas de Viseu SA	Maia	Portugal	Hydroelectric plants	986,000	EUR	Endesa Cogeneración Y Renovables SA TP - Sociedade Térmica Portuguesa SA	16.50% 33.50%	33.53%
Hidroeléctrica de Catalunya SL	Barcelona	Spain	Electricity transmission and distribution	126,210	EUR	Endesa Red SA	100.00%	67.05%
Hidroeléctrica Del Serradó SL	Barcelona	Spain	Management of hydroelectric plants	721,200	EUR	Endesa Cogeneración Y Renovables SA	100.00%	67.05%
Hidroeléctrica El Chocón SA	Capital Federal	Argentina	Electricity generation and sales	298,580,000	ARS	Empresa Nacional de Electricidad SA Endesa Argentina SA Hidroinvest SA	2.48% 6.19% 59.00%	16.50%
Hidroflamicell SL	Barcelona	Spain	Electricity distribution and sales	78,120	EUR	Hidroeléctrica de Catalunya SL	75.00%	50.29%
Hidroinvest SA	Capital Federal	Argentina	Holding company	17,870,000	ARS	Empresa Nacional de Electricidad SA Endesa Argentina SA	41.94% 54.16%	23.43%
Ingendesa do Brasil Ltda	Rio de Janeiro	Brazil	Design, engineering and consulting	500,000	BRL	Endesa Brasil Participações Ltda Empresa de Ingeniería Ingendesa SA	1.00% 99.00%	24.38%
Iniciativas de Gas SL	Madrid	Spain	Natural gas and related services	1,300,010	EUR	Endesa Generación SA	40.00%	26.82%
Inmobiliaria Manso de Velasco Ltda	Santiago	Chile	Engineering and construction	19,790	CLP	Enersis SA	100.00%	40.65%
International Endesa BV	N.A.	Netherlands	Holding company	15,882,308	EUR	Endesa SA	100.00%	67.05%
Inversiones Codensa SA	Bogotá D.C.	Colombia	Electricity transmission and distribution	10,000,000	COP	Compañía Distribuidora Y Comercializadora de Energía SA Inversora Codensa Ltda U	94.50% 5.20%	40.52%
Inversiones Distrilima SA	Lima	Peru	Holding company	394,150,505	PEN	Enersis SA Chilectra SA Endesa Internacional SA Compañía Peruana de Electricidad SA	30.14% 0.51% 30.49% 25.00%	35.01%
Inversiones Endesa Norte SA	Santiago	Chile	Investments in energy projects	68,064.27	CLP	Empresa Nacional de Electricidad SA	100.00%	24.38%
Inversiones Gas Atacama Holding Ltda	Santiago	Chile	Gas transport	68,064.27	CLP	Inversiones Endesa Norte SA	50.00%	12.19%
Inversora Codensa Ltda U	Bogotá D.C.	Colombia	Electricity transmission and distribution	5,000,000	COP	Compañía Distribuidora Y Comercializadora de Energía SA	100.00%	40.64%
Investluz SA	Fortaleza	Brazil	Holding company	965,000,000	BRL	Endesa Brasil SA Ampila Investimentos e Serviços SA	63.57% 36.43%	39.55%
Italaise SA de cv	Distrito Federal	Mexico	Cogeneration of electricity and heat	7,481,000	MXN	Endesa Cogeneración Y Renovables SA	99.99%	67.04%
Joint Venture Solar-Voulgarakis	Athens	Greece	Electricity generation from renewable resources	60,000	EUR	Ellinki Fotovoltaiki SA	70.00%	18.78%

Company name	Registered office	Country	Activity	Share capital	Currency	Held by	% holding	Group % holding
at Dec. 31, 2007								
Livorno Holding Srl	Livorno	Italy	Construction, development and management of a regassification terminal	10,000	EUR	Endesa Europa SL	50.00%	33.53%
Luz Andes Ltda	Santiago	Chile	Electricity and fuel transmission, distribution and sales	1	CLP	Chilectra SA Synapsis Soluciones Y Servicios It Ltda	99.90% 0.10%	24.16%
Luz de Río Ltda	Rio de Janeiro	Brazil	Holding company	755,000	BRL	Enersis SA Chilectra SA	43.24% 56.76%	40.65%
Mataró Tractament Tèrmic Eficient SA	Barcelona	Spain	-	1,878,000	EUR	Energética Mataró SA	80.00%	45.59%
Medidas Ambientales SL	Medina de Pomar (Burgos)	Spain	Environmental studies	60,100	EUR	Nucenor SA	50.00%	16.76%
Melgacenses	Melgaço	Portugal	Electricity generation from renewable resources	50,000	EUR	Evm - Empreendimentos Eólicos Vale do Minho SA	84.99%	21.37%
Mer. Wind Srl	Sicily	Italy	Electricity generation from renewable resources	10,500	EUR	Endesa Europa SL	100.00%	67.05%
Metka Aiolika Platanoy SA	Athens	Greece	Electricity generation from renewable resources	60,000	EUR	Mytilhnaios Aiolikh Energeiakh Ellados SA Endesa Hellas Power Generation and Supplies Societe Anonyme	99.00% 1.00%	26.83%
Micasa SA de cv	Distrito Federal	Mexico	Cogeneration of electricity and heat	47,132,000	MXN	Endesa Cogeneración Y Renovables SA	51.00%	34.20%
Minas de Estercuel SA	Madrid	Spain	Mineral deposits	93,160	EUR	Minas Gargallo SL	99.65%	66.76%
Minas Gargallo SL	Madrid	Spain	Mineral deposits	150,000	EUR	Endesa Generación SA	99.91%	66.99%
Minas Y Ferrocarril de Utrillas SA	Barcelona	Spain	Mineral deposits	3,850,320	EUR	Endesa Generación SA	100.00%	67.05%
Monte Santo	Monçao	Portugal	Electricity generation from renewable resources	50,000	EUR	Evm - Empreendimentos Eólicos Vale do Minho SA	84.99%	21.37%
Mpe Energía Srl	Rome	Italy	Electricity sales	1,900,000	EUR	Endesa Europa SL	50.00%	33.53%
Muzillac Energies EurL	Rueil-Malmaison	France	Electricity generation from renewable resources	7,500	EUR	Société Nationale d'Electricité et de Thermique SA	100.00%	43.58%
Mytilhnaios Aiolikh Energeiakh Ellados SA	Athens	Greece	Electricity generation from renewable resources	4,167,000	EUR	Endesa Hellas Power Generation and Supplies Societe Anonyme	80.00%	26.83%
Mytilhnaios Aioliki Neapoleos SA	Athens	Greece	Electricity generation from renewable resources	60,000	EUR	Mytilhnaios Aiolikh Energeiakh Ellados SA Endesa Hellas Power Generation and Supplies Societe Anonyme	99.00% 1.00%	26.83%
Nubia 2000 SL	Madrid	Spain	Electricity generation	3,000	EUR	Endesa SA	100.00%	67.05%
Nucenor SA	Burgos	Spain	Nuclear power plant	102,000,000	EUR	Endesa Generación SA	50.00%	33.53%
Nueva Compañía de Distribución Eléctrica 4 SL	Madrid	Spain	Electricity generation	3,000	EUR	Endesa SA	100.00%	67.05%
Nueva Marina Real Estate SL	Madrid	Spain	Real estate	3,200	EUR	Endesa SA	60.00%	40.23%
Olt Offshore Lng Toscana SpA	Rome	Italy	Regassification	9,610,000	EUR	Endesa Europa SL	30.46%	20.42%

Company name	Registered office	Country	Activity	Share capital	Currency	Held by	% holding	Group % holding
at Dec. 31, 2007								
Paravento SL	Lugo	Spain	Electricity generation from renewable resources	3,010	EUR	Endesa Cogeneración Y Renovables SA	90.00%	60.35%
Parco Eolico Poggi Alti Srl	Scansano (Grosseto)	Italy	Electricity generation from renewable resources	30,000	EUR	Endesa Europa SL	100.00%	67.05%
Parco Eolico Di Florinas Rome Srl		Italy	Electricity generation from renewable resources	21,000,000	EUR	Endesa Italy SpA	99.99%	53.63%
Parco Eolico Iardino Srl	Rome	Italy	Electricity generation from renewable resources	30,000	EUR	Endesa Europa SL	100.00%	67.05%
Parco Eolico Marco Aurelio Severino Srl	Terranova Di Sibari / Tarsia	Italy	Electricity generation from renewable resources	30,000	EUR	Endesa Europa SL	100.00%	67.05%
Parco Eolico Monte Cute Srl	Brindisi Montagna	Italy	Electricity generation from renewable resources	30,000,000	EUR	Endesa Europa SL	100.00%	67.05%
Parco Eolico Piano Di Corda Srl	Rome	Italy	Electricity generation from renewable resources	30,000	EUR	Endesa Europa SL	100.00%	67.05%
Parco Eolico Serra Pelata Srl	Rome	Italy	Electricity generation from renewable resources	30,000	EUR	Endesa Europa SL	100.00%	67.05%
Parque Eólico A. Capelada AIE	La Coruña	Spain	Electricity generation from renewable resources	5,857,700	EUR	Endesa Cogeneración Y Renovables SA	50.00%	33.53%
Parque Eólico Carretera de Arinaga SA	Las Palmas de Gran Canaria	Spain	Electricity generation from renewable resources	1,007,000	EUR	Endesa Cogeneración Y Renovables SA	80.00%	53.64%
Parque Eólico Costa Vicentina SA	Porto	Portugal	Electricity generation from renewable resources	50,000	EUR	Finerge-Gestao de Projectos Energéticos SA	100.00%	67.05%
Parque Eólico de Aragón AIE	Zaragoza	Spain	Electricity generation from renewable resources	601,000	EUR	Endesa Cogeneración Y Renovables SA	80.00%	53.64%
Parque Eólico de Barbanza SA	La Coruña	Spain	Electricity generation from renewable resources	3,606,000	EUR	Endesa Cogeneración Y Renovables SA	50.00%	33.53%
Parque Eólico de Cabo Vilano AIE	Madrid	Spain	Electricity generation from renewable resources	980,700	EUR	Endesa Cogeneración Y Renovables SA	50.00%	33.53%
Parque Eólico de Enix SA	Seville	Spain	Electricity generation from renewable resources	3,005,100	EUR	Endesa Cogeneración Y Renovables SA	95.00%	63.70%
Parque Eólico de Gevancas SA	Porto	Portugal	Electricity generation from renewable resources	50,000	EUR	Finerge-Gestao de Projectos Energéticos SA	100.00%	67.05%
Parque Eólico de Manique Lda	Porto	Portugal	Electricity generation from renewable resources	5,000	EUR	Finerge-Gestao de Projectos Energéticos SA	100.00%	67.05%
Parque Eólico de Santa Lucía SA	Las Palmas de Gran Canaria	Spain	Electricity generation from renewable resources	901,500	EUR	Endesa Cogeneración Y Renovables SA	65.67%	44.03%
Parque Eólico do Alto da Vaca Lda	Porto	Portugal	Electricity generation from renewable resources	125,000	EUR	Finerge-Gestao de Projectos Energéticos SA	75.00%	50.29%
Parque Eólico do Moinho do Céu SA	Porto	Portugal	Electricity generation from renewable resources	50,000	EUR	TP - Sociedade Térmica Portuguesa SA	100.00%	33.53%
Parque Eólico do Outeiro Ltda	Porto	Portugal	Electricity generation from renewable resources	5,000	EUR	Finerge-Gestao de Projectos Energéticos SA	100.00%	67.05%

Company name	Registered office	Country	Activity	Share capital	Currency	Held by	% holding	Group % holding
at Dec. 31, 2007								
Parque Eólico do Vale do Abade Lda	Porto	Portugal	Electricity generation from renewable resources	5,000	EUR	Finerge-Gestao de Projectos Energéticos SA	51.00%	34.20%
Parque Eólico Dos Fiéis Porto Lda	Portugal	Portugal	Electricity generation from renewable resources	100,000	EUR	Finerge-Gestao de Projectos Energéticos SA	100.00%	67.05%
Parque Eólico Finca de Mogán SA	Las Palmas de Gran Canaria	Spain	Construction and management of wind plants	3,810,340	EUR	Endesa Cogeneración Y Renovables SA	90.00%	60.35%
Parque Eólico Montes de Las Navas SA	Madrid	Spain	Construction and management of wind plants	6,540,000	EUR	Endesa Cogeneración Y Renovables SA	55.50%	37.21%
Parque Eólico Punta de Tenerife Teno SA	Spain	Spain	Electricity generation from renewable resources	528,880	EUR	Endesa Cogeneración Y Renovables SA	52.00%	34.87%
Parque Eólico Serra da Capucha SA	Porto	Portugal	Electricity generation from renewable resources	50,000	EUR	TP - Sociedade Térmica Portuguesa SA Finerge-Gestao de Projectos Energéticos SA	50.00% 50.00%	33.53%
Pegop - Energía Eléctrica SA	Abrantes	Portugal	Electricity generation	50,000	EUR	Endesa Generación SA	50.00%	33.53%
Planta de Regasificación de Sagunto SA	Madrid	Spain	Sale of gas and fuel	1,500,000	EUR	Iniciativas de Gas SL	50.00%	13.41%
Planta Eólica Europea SA	Seville	Spain	Electricity generation from renewable resources	1,198,530	EUR	Endesa Cogeneración Y Renovables SA	56.12%	37.63%
PP - Co-Geração SA	S. Paio de Oleiros	Portugal	Cogeneration of electricity and heat	50,000	EUR	TP - Sociedade Térmica Portuguesa SA	100.00%	33.53%
Printerel SL	Barcelona	Spain	Construction and management of a cogeneration plant	270,450	EUR	Endesa Cogeneración Y Renovables SA	39.00%	26.15%
Productor Regional de Energia Renovable I SA	Valladolid	Spain	Development and construction of wind plants	60,500	EUR	Endesa Cogeneración Y Renovables SA	75.00%	50.29%
Productor Regional de Energía Renovable SA	Valladolid	Spain	Development and construction of wind plants	260,500	EUR	Endesa Cogeneración Y Renovables SA	85.00%	56.99%
Progas	Santiago	Chile	Gas distribution	1,306,000,000	CLP	Gasoducto Atacama Chile SA Gas Atacama Generación SA	99.90% 0.10%	12.18%
Propaise	Bogotá D.C.	Colombia	Electricity purchasing, generation and sales	1,875,000,000	COP	Endesa Cogeneración Y Renovables SA	94.99%	63.69%
Proyectos Eólicos Valencianos SA	Valencia	Spain	Electricity generation	1,100,000	EUR	Endesa Cogeneración Y Renovables SA	55.00%	36.88%
Releco Santiago AIE	Huesca	Spain	Cogeneration of electricity and heat	300,510	EUR	Endesa Cogeneración Y Renovables SA	45.00%	30.17%
Sacme SA	Capital Federal	Argentina	Monitoring of electricity system	12	ARS	Empresa Distribuidora Sur SA	50.00%	20.21%
Saltos de San Rafael SL	Seville	Spain	Hydroelectric plants	461,410	EUR	Endesa Cogeneración Y Renovables SA	50.00%	33.53%
Saltos Del Nansa I SA	Cantabria	Spain	Electricity generation, transmission and distribution	7,212,000	EUR	Endesa Cogeneración Y Renovables SA	100.00%	67.05%
Saltos Y Centrales de Catalunya SA	Barcelona	Spain	Hydroelectric plants	120,200	EUR	Endesa Cogeneración Y Renovables SA	100.00%	67.05%

Company name	Registered office	Country	Activity	Share capital	Currency	Held by	% holding	Group % holding
at Dec. 31, 2007								
Scs Les Vents de Cernon	N.A.	France	Electricity generation from renewable resources	100	EUR	Société Nationale d'Electricité et de Thermique SA	100.00%	43.58%
Sea Power & Fuel Srl	N.A.	Italy	Natural gas supply	10,000	EUR	Endesa Europa SL	50.00%	33.53%
Sealve - Sociedade Eléctrica de Alvalázere SA	Porto	Portugal	Electricity generation from renewable resources	50,000	EUR	Finerge-Gestao de Projectos Energéticos SA	100.00%	67.05%
Sere - Sociedade Exploradora de Recursos Eléctricos Lda	Porto	Portugal	Electricity generation	5,000	EUR	Finerge-Gestao de Projectos Energéticos SA	100.00%	67.05%
Sisconer - Exploraçao de Sistemas de Conversao de Energia Lda	Porto	Portugal	Electricity generation from renewable resources	5,000	EUR	Finerge-Gestao de Projectos Energéticos SA	55.00%	36.88%
Sociedad Agrícola de Cameros Ltda	Santiago	Chile	-	5,738,046,495	CLP	Inmobiliaria Manso de Velasco Ltda	57.50%	23.37%
Sociedad Agrícola Pastos Verdes Ltda	Santiago	Chile	-	37,029,389,730	CLP	Inmobiliaria Manso de Velasco Ltda	55.00%	22.36%
Sociedad Concesionaria Túnel El Melón SA	Santiago	Chile	Engineering	7,804	CLP	Empresa Nacional de Electricidad SA Endesa Inversiones Generales SA	99.99% 0.01%	24.38%
Sociedad Consorcio Ingendesa-Ara Limitada	Santiago	Chile	Engineering services	1,000,000	CLP	Empresa de Ingeniería Ingendesa SA	50.00%	12.19%
Sociedad de Gestión de Madrid Activos Distribución Eléctrica SL	Spain	Spain	Electricity distribution	3,000	EUR	Endesa SA	100.00%	67.05%
Sociedad Eólica Los Lances SA	Seville	Spain	Electricity generation from renewable resources	2,404,040	EUR	Endesa Cogeneración Y Renovables SA	50.00%	33.53%
Sociedad Inversora Dock Sud SA	Capital Federal	Argentina	Holding company	241,500,000	ARS	Endesa Internacional SA	57.14%	38.31%
Société Nationale d'Electricité et de Thermique SA	Rueil-Malmaison	France	Electricity generation	569,397,000	EUR	Endesa Europa SL	65.00%	43.58%
Sodesa - Comercialização de Energia Electrica SA	Porto	Portugal	Electricity distribution and services	750,000	EUR	Endesa Energía SA	50.00%	33.53%
Soternix - Produção de Energia Ace	Barcelos	Portugal	Electricity generation	-		TP - Sociedade Térmica Portuguesa SA	51.00%	17.10%
Southern Cone Power Argentina SA	Capital Federal	Argentina	Holding company	19,870,000	ARS	Empresa Nacional de Electricidad SA Endesa Inversiones Generales SA	98.03% 1.97%	24.38%
Spider Energeiakh SA	Athens	Greece	Electricity generation from renewable resources	250,000	EUR	Mytilhnaios Aiolikh Energeiakh Ellados SA	100.00%	26.83%
Suministradora Eléctrica de Cádiz SA	Cádiz	Spain	Distribution and supply of electricity	12,020,000	EUR	Endesa Distribución Eléctrica SL	33.50%	22.46%
Suministro de Luz Y Fuerza SL	Torroella de Montgrí (Girona)	Spain	Electricity distribution	2,800,000	EUR	Hidroeléctrica de Catalunya SL	60.00%	40.23%
Surschiste SA	Mazingarbe	France	-	2,488,000	EUR	Société Nationale d'Electricité et de Thermique SA	100.00%	43.58%
Synapsis Argentina Ltda	Buenos Aires	Argentina	IT services	466,129	ARS	Enersis SA Synapsis Soluciones Y Servicios It Ltda	5.00% 95.00%	40.65%

Company name	Registered office	Country	Activity	Share capital	Currency	Held by	% holding	Group % holding
at Dec. 31, 2007								
Synapsis Brasil Ltda	Rio de Janeiro	Brazil	IT services	4,241,890	BRL	Synapsis Argentina Ltda Synapsis Soluciones Y Servicios It Ltda	99.95% 0.05%	40.65%
Synapsis Colombia Ltda	Bogotá D.C.	Colombia	IT services	238	COP	Enersis SA Synapsis Brasil Ltda Synapsis Argentina Ltda Synapsis Soluciones Y Servicios It Ltda	0.20% 2.40% 2.50% 94.90%	40.65%
Synapsis Perú Ltda	Lima	Peru	IT and telecommunications services and projects	1	PEN	Compañía Americana de Multiservicios de Chile Ltda Synapsis Soluciones Y Servicios It Ltda	0.20% 99.80%	40.65%
Synapsis Soluciones Y Servicios It Ltda	Santiago	Chile	IT services	3,943,579,923	CLP	Enersis SA Chilectra SA	99.99% 0.01%	40.65%
Tejo Energía. Produção Paço D'arcos e Distribuição de Energía Eléctrica SA	Portugal		Electricity generation, transmission and distribution	5,025,000	EUR	Endesa Generación SA	38.89%	26.07%
Tenegúia Gestión Financiera SL	Tenerife	Spain	Finance	20,000,000	EUR	Endesa Financiación Filiales SA	100.00%	67.05%
Tenegúia Gestión Financiera SL S. Com.	Tenerife	Spain	Finance	1,567,000,000	EUR	Endesa Financiación Filiales SA Tenegúia Gestión Financiera SL	94.45% 5.55%	67.05%
Terminal Alpi Adriatico Srl	Lazio	Italy	Construction and management of a regassification plant	10,000	EUR	Endesa Europa SL	100.00%	67.05%
Toledo Pv AEIE	Madrid	Spain	Photovoltaic plant	26,890	EUR	Endesa Cogeneración Y Renovables SA	33.33%	22.35%
TP - Sociedade Térmica Lisbon Portuguesa SA	Portugal		Cogeneration of electricity and heat	7,500,000	EUR	Endesa Cogeneración Y Renovables SA	50.00%	33.53%
Transmisora Eléctrica de Quillota Ltda	Santiago	Chile	Electricity transmission and distribution	3,867	CLP	Compañía Eléctrica San Isidro SA	50.00%	12.19%
Transportadora de Energía SA	Capital Federal	Argentina	Electricity generation, transmission and distribution	55,512,000	ARS	Compañía de Interconexión Energética SA	100.00%	39.55%
Transportes Y Distribuciones Eléctricas SA	Olot (Girona)	Spain	Electricity transmission	72,120	EUR	Endesa Distribución Eléctrica SL	73.33%	49.17%
Unelco Cogeneraciones Sanitarias Del Archipiélago SA	Las Palmas de Gran Canaria	Spain	Cogeneration of electricity and heat	1,202,020	EUR	Endesa Cogeneración Y Renovables SA	100.00%	67.05%
Unión Eléctrica de Canarias Generación SAU	Las Palmas de Gran Canaria	Spain	Electricity generation	190,171,520	EUR	Endesa Generación SA	100.00%	67.05%
Ute Biogas Garraf	Barcelona	Spain	Electricity generation with biogas	3,000,000	EUR	Endesa Cogeneración Y Renovables SA	50.00%	33.53%
Ute Hospital Juan Ramón Jimenez	Madrid	Spain	-	6,000	EUR	Endesa Energía SA	50.00%	33.53%
Vapeltar AIE	Barcelona	Spain	Cogeneration of electricity and heat	-		Endesa Cogeneración Y Renovables SA	40.00%	26.82%
Ventominho	Esposende	Spain	Electricity generation from renewable resources	50,000	EUR	Eevm - Empreendimentos Eólicos Vale do Minho SA	99.99%	25.14%

Company name	Registered office	Country	Activity	Share capital	Currency	Held by	% holding	Group % holding
at Dec. 31, 2007								
Parent company:								
Enel Unión Fenosa Renovables SA	Madrid	Spain	Electricity generation from renewable resources	32,505,000	EUR	Enel Investment Holding BV	50.00%	50.00%
Subsidiaries:								
Aridos Energias Especiales SL	Villalbilla	Spain	Electricity generation from renewable resources	600,000	EUR	Enel Unión Fenosa Renovables SA	41.05%	20.53%
Azucarera Energias SA	Madrid	Spain	Electricity generation from renewable resources	570,600	EUR	Enel Unión Fenosa Renovables SA	40.00%	20.00%
Boiro Energia SA	Boiro	Spain	Electricity generation from renewable resources	601,010	EUR	Enel Unión Fenosa Renovables SA	40.00%	20.00%
Cogeneración Del Noroeste SL	Santiago de Compostela	Spain	Electricity generation from renewable resources	3,606,000	EUR	Enel Unión Fenosa Renovables SA	40.00%	20.00%
Depuracion Destilacion Reciclaje SL	Boiro	Spain	Electricity generation from renewable resources	600,000	EUR	Enel Unión Fenosa Renovables SA	40.00%	20.00%
Energias Ambientales de Somoza SA	La Coruña	Spain	Electricity generation from renewable resources	1,250,000	EUR	Enel Unión Fenosa Renovables SA	19.40%	9.70%
Energias Ambientales Easa SA	La Coruña	Spain	Electricity generation from renewable resources	15,491,460	EUR	Enel Unión Fenosa Renovables SA	33.34%	16.67%
Energias Especiales Alcoholeras SA	Madrid	Spain	Electricity generation from renewable resources	82,000	EUR	Enel Unión Fenosa Renovables SA	50.00%	25.00%
Energias Especiales De Andalucia SL	Seville	Spain	Electricity generation from renewable resources	20,000	EUR	Eufer Renovables Ibéricas 2004 SA	100.00%	50.00%
Energias Especiales De Careon SA	La Coruña	Spain	Electricity generation from renewable resources	270,450	EUR	Enel Unión Fenosa Renovables SA	77.00%	38.50%
Energias Especiales De Castelo SA	Madrid	Spain	Electricity generation from renewable resources	437,400	EUR	Enel Unión Fenosa Renovables SA	100.00%	50.00%
Energias Especiales de Extremadura SL	Badajoz	Spain	Electricity generation from renewable resources	6,000	EUR	Enel Unión Fenosa Renovables SA	100.00%	50.00%
Energias Especiales de Pena Armada SA	Madrid	Spain	Electricity generation from renewable resources	963,300	EUR	Enel Unión Fenosa Renovables SA	80.00%	40.00%
Energias Especiales Del Alto Ulla SA	Madrid	Spain	Electricity generation from renewable resources	360,600	EUR	Enel Unión Fenosa Renovables SA	100.00%	50.00%
Energias Especiales Del Bierzo SA	Torre del Bierzo	Spain	Electricity generation from renewable resources	1,635,000	EUR	Enel Unión Fenosa Renovables SA	50.00%	25.00%
Energias Especiales Del Noroeste SA	Madrid	Spain	Electricity generation from renewable resources	6,812,040	EUR	Enel Unión Fenosa Renovables SA	100.00%	50.00%
Energias Renovables Montes de San Sebastián SL	Madrid	Spain	Electricity generation from renewable resources	705,000	EUR	Enel Unión Fenosa Renovables SA	100.00%	50.00%
Eólica Del Cordal de Montouto SL	Madrid	Spain	Electricity generation from renewable resources	160,000	EUR	Enel Unión Fenosa Renovables SA	100.00%	50.00%
Eufer Comercializadora SL	Madrid	Spain	Electricity generation from renewable resources	60,000	EUR	Enel Unión Fenosa Renovables SA	100.00%	50.00%

Company name	Registered office	Country	Activity	Share capital	Currency	Held by	% holding	Group % holding
at Dec. 31, 2007								
Eufer Renovables Ibéricas 2004 SA	Madrid	Spain	Electricity generation from renewable resources	8,100,000	EUR	Enel Unión Fenosa Renovables SA	100.00%	50.00%
Gallega de Cogeneración SA	Santiago de Compostela	Spain	Electricity generation from renewable resources	1,803,000	EUR	Enel Unión Fenosa Renovables SA	40.00%	20.00%
Parque Eólico De Barbanza SA	Santiago de Compostela	Spain	Electricity generation from renewable resources	3,606,000	EUR	Enel Unión Fenosa Renovables SA	25.00%	12.50%
Parque Eólico De Malpica SA	La Coruña	Spain	Electricity generation from renewable resources	950,057.50	EUR	Enel Unión Fenosa Renovables SA	30.16%	15.08%
Parque Eólico De San Andrés SA	La Coruña	Spain	Electricity generation from renewable resources	552,920	EUR	Enel Unión Fenosa Renovables SA	82.00%	41.00%
Parque Eólico La Losilla SA	Madrid	Spain	Electricity generation from renewable resources	60,400	EUR	Eufer Renovables Ibéricas 2004 SA	100.00%	50.00%
Parque Eólico Montes de Las Navas SA	Madrid	Spain	Electricity generation from renewable resources	6,540,000	EUR	Enel Unión Fenosa Renovables SA	20.00%	10.00%
Parque Eólico Sierra Del Merengue SL	Cáceres	Spain	Electricity generation from renewable resources	30,000	EUR	Enel Unión Fenosa Renovables SA	50.00%	25.00%
Prius Enerólica SL	Madrid	Spain	Electricity generation from renewable resources	3,600	EUR	Enel Unión Fenosa Renovables SA	100.00%	50.00%
Promociones Energeticas Del Bierzo SL	Ponferrada	Spain	Electricity generation from renewable resources	12,020	EUR	Enel Unión Fenosa Renovables SA	50.00%	25.00%
Proyectos Universitarios de Energias Renovables SL	Alicante	Spain	-	180,000	EUR	Enel Unión Fenosa Renovables SA	33.33%	16.67%
Sistemas Energeticos Mañón Ortigueira SA	Ortigueira	Spain	Electricity generation from renewable resources	4,507,500	EUR	Enel Unión Fenosa Renovables SA	86.00%	43.00%
Ufefys SL	Aranjuez	Spain	Electricity generation from renewable resources	2,373,950	EUR	Enel Unión Fenosa Renovables SA	40.00%	20.00%
Parent company:								
Artic Russia BV (formerly Eni Russia BV)	Amsterdam	Netherlands	Holding company	100,000	EUR	Enel Investment Holding BV	40.00%	40.00%
Subsidiaries:								
Articgaz OAO	Novyi Urengoi	Russian Federation	Mining	2,400,000	RUB	SeverEnergia (formerly Enineftegaz)	100.00%	40.00%
Neftegaztehnologiya OAO	Novyi Urengoi	Russian Federation	Mining	500,000	RUB	SeverEnergia (formerly Enineftegaz)	100.00%	40.00%
SeverEnergia (formerly Enineftegaz)	Moscow	Russian Federation	Holding company	1,000,000	RUB	Artic Russia BV (formerly Eni Russia BV)	100.00%	40.00%
Urengoil ZAO	Molodezhniy	Russian Federation	Mining	119,750,280	RUB	SeverEnergia (formerly Enineftegaz)	100.00%	40.00%

Company name	Registered office	Country	Activity	Share capital	Currency	Held by	% holding	Group % holding
at Dec. 31, 2007								
Parent company:								
Res Holdings BV	Amsterdam	Netherlands	Holding company	18,000	EUR	Enel Investment Holding BV	49.50%	49.50%
Subsidiaries:								
Nizhegorodskaya Sbytovaya Kompaniya OJSC	Nizhniy Novgorod	Russian Federation	Electricity sales	29,006,540.64	RUB	Res Holdings BV	62.29%	30.83%
Rusenergosbyt LLC	Moscow	Russian Federation	Electricity trading	2,760,000	RUB	Res Holdings BV	100.00%	49.50%
Rusenergosbyt C LLC	Khanty-Mansiyskiy	Russian Federation	Electricity sales	5,100	RUB	Res Holdings BV	51.00%	25.25%
Rusenergosbyt M LLC	Mosca	Russian Federation	Electricity sales	7,500	RUB	Res Holdings BV	75.00%	37.13%
Rusenergosbyt Siberia LLC	Krasnoyarskiy kray	Russian Federation	Electricity sales	5,000	RUB	Res Holdings BV	50.00%	24.75%

Associated companies accounted for using the equity method at December 31, 2007

Company name	Registered office	Country	Activity	Share capital	Currency	Held by	% holding	Group % holding
at Dec. 31, 2007								
Aes Distribuidores Salvadoreños Ltda de cv	San Salvador	El Salvador	Electricity generation from renewable resources	200,000	SVC	Grupo EGI SA de cv	20.00%	20.00%
Aes Distribuidores Salvadoreños Y Compañia S. en C. de cv	San Salvador	El Salvador	Electricity generation from renewable resources	200,000	SVC	Grupo EGI SA de cv	20.00%	20.00%
Alpe Adria Energia SpA Udine	Italy		Engineering, construction and management of interconnection power lines	450,000	EUR	Enel Produzione SpA	40.50%	40.50%
CESI - Centro Elettrotecnico Sperimentale Italiano Giacinto Motta SpA	Milan	Italy	Research and testing	8,550,000	EUR	Enel SpA	25.92%	25.92%
Chladiace veže Bohunice spol. sro	Bohunice	Slovakia	Engineering and construction	500,000	SKK	Slovenské elektrárne AS	35.00%	23.10%
Compagnia Porto di Civitavecchia SpA	Rome	Italy	Harbor construction	20,516,000	EUR	Enel Produzione SpA	25.00%	25.00%
Eneco Energia Ecologica Srl	Predazzo (Trento)	Italy	Area heating networks	1,716,586	EUR	Avisio Energia SpA	25.73%	25.69%
Energias de Villarrubia SL	Barcelona	Spain	Electricity generation from renewable resources	3,010	EUR	Enel Unión Fenosa Renovables SA	20.00%	10.00%
Enerlasa SA	Madrid	Spain	Electricity generation from renewable resources	1,021,700	EUR	Enel Unión Fenosa Renovables SA	45.00%	22.50%
Hipotecaria de Santa Ana Ltda de cv	San Salvador	El Salvador	Electricity generation from renewable resources	100,000	SVC	Grupo EGI SA de cv	20.00%	20.00%
Idrosicilia SpA	Milan	Italy	Water sector	22,520,000	EUR	Enel SpA	40.00%	40.00%
LaGeo SA de cv	Ahuachapan	El Salvador	Electricity generation from renewable resources	2,283,576,800	SVC	Enel Produzione SpA	28.40%	28.40%
OGK-5 OJSC	Ekaterinburg	Russian Federation	Electricity generation from renewable resources	35,371,898,370	RUB	Enel Investment Holding BV	37.15%	37.15%
Reaktortest sro	Trnava	Slovakia	Nuclear power research	2,000,000	SKK	Slovenské elektrárne AS	49.00%	32.34%
SIET - Società Informazioni Esperienze Termoidrauliche SpA	Piacenza	Italy	Studies, design and research in thermal generation	697,820	EUR	Enel.NewHydro Srl	41.55%	41.55%
Sotavento Galicia SA	Santiago de Compostela	Spain	Electricity generation from renewable resources	601,000	EUR	Enel Unión Fenosa Renovables SA	18.00%	9.00%
Star Lake Hydro Partnership	St. John (Newfoundland)	Canada	Electricity generation from renewable resources	-		Chi Hydroelectric Company Inc	49.00%	49.00%
Tirmadrid SA	Valdemingómez	Spain	Electricity generation from renewable resources	16,828,000	EUR	Enel Unión Fenosa Renovables SA	18.64%	9.32%
Trade Wind Energy LLC Topeka (Kansas)	USA		Electricity generation from renewable resources	-		Enel Kansas LLC	45.00%	45.00%
Ústav jaderného výzkumu Rež AS	Řež	Czech Republic	Nuclear power research and development	524,139,000	CZK	Slovenské elektrárne AS	27.78%	18.33%

Company name	Registered office	Country	Activity	Share capital	Currency	Held by	% holding	Group % holding
at Dec. 31, 2007								
P.N. Endesa SA:								
Aplicações Hidroeléctricas da Beira Alta Ltda	Lisbon	Portugal	Hydroelectric plants	399,000	EUR	Endesa Cogeneración Y Renovables SA	35.71%	23.94%
Asanefi AIE	Barcelona	Spain	Combined-cycle generation plants	907,510	EUR	Endesa Cogeneración Y Renovables SA	42.50%	28.50%
Calizas Elycar SL	Huesca	Spain	Combined-cycle generation plants	1,803,000	EUR	Endesa Cogeneración Y Renovables SA	25.00%	16.76%
Central Hidráulica Gúejar-Sierra SL	Seville	Spain	Management of hydroelectric plants	364,210	EUR	Endesa Cogeneración Y Renovables SA	33.30%	22.33%
Central Hidroeléctrica Casillas SA	Seville	Spain	Management of hydroelectric plants	301,000	EUR	Endesa Cogeneración Y Renovables SA	49.00%	32.85%
Central Térmica de Anllares AIE	Madrid	Spain	Management of thermal plants	595,000	EUR	Endesa Generación SA	33.33%	22.35%
Centrales Nucleares Almaraz-Trillo AIE	Madrid	Spain	Management of nuclear plants	-		Endesa Generación SA Nucleenor SA	23.54% 0.70%	16.25%
Cogeneración El Salto SL	Zaragoza	Spain	Cogeneration of electricity and heat	36,000	EUR	Endesa Cogeneración Y Renovables SA	20.00%	13.41%
Cogeneración Hostalrich AIE	Girona	Spain	Cogeneration of electricity and heat	781,300	EUR	Endesa Cogeneración Y Renovables SA	33.00%	22.13%
Cogeneración Lipsa SL	Barcelona	Spain	Cogeneration of electricity and heat	720,000	EUR	Endesa Cogeneración Y Renovables SA	20.00%	13.41%
Companhia Térmica Tagol Lda	Algés	Portugal	Electricity generation	5,000	EUR	TP - Sociedade Térmica Portuguesa SA	48.00%	16.09%
Compañía Eólica Tierras Altas SA	Soria	Spain	Wind plants	13,222,000	EUR	Endesa Cogeneración Y Renovables SA	35.63%	23.89%
Compañía TransportistaLas Palmas de Spain de Gas de Canarias SA	Las Palmas de Gran Canaria		Gas transport	3,247,250	EUR	Unión Eléctrica de Canarias Generación SAU	45.00%	30.17%
Consortio Ara-Ingendesa Sener Ltda	Santiago	Chile	Design and consulting services	1,000,000	CLP	Empresa de Ingeniería Ingendesa SA	33.33%	8.13%
Corelcat AIE	Lleida	Spain	Cogeneration of electricity and heat	60,100	EUR	Endesa Cogeneración Y Renovables SA	45.00%	30.17%
Corporación Eólica de Zaragoza SL	Zaragoza	Spain	Electricity generation from renewable resources	2,524,200	EUR	Endesa Cogeneración Y Renovables SA	25.00%	16.76%
Detelca UTE	Las Palmas de Gran Canaria		Engineering and construction	6,000	EUR	Endesa Participadas SA	24.90%	16.70%
Distribuidora Regional de Gas SA	Medina Del Campo (Valladolid)	Spain	Gas distribution and sales	3,606,070	EUR	Endesa Gas SAU	45.00%	30.17%
Ecoenergía de Can Mata AIE	Barcelona	Spain	Waste treatment and disposal	180,000	EUR	Endesa Cogeneración Y Renovables SA	25.00%	16.76%
Elcogas SA	Madrid	Spain	Electricity generation	38,162,420	EUR	Endesa Generación SA	40.87%	27.40%
Eléctrica de Jafre SA	Girona	Spain	Electricity distribution and sales	165,880	EUR	Hidroeléctrica de Catalunya SL	47.46%	31.82%
Energía de La Loma SA	Villanueva Del Arzobispo (Jaen)	Spain	Biomass	4,450,000	EUR	Endesa Cogeneración Y Renovables SA	40.00%	26.82%

Company name	Registered office	Country	Activity	Share capital	Currency	Held by	% holding	Group % holding
at Dec. 31, 2007								
Ensaferca Holding Empresarial SL	Barcelona	Spain	Telecommunications services	23,164,000	EUR	Endesa Participadas SA	32.43%	21.74%
Eólicas de Fuerteventura AIE	Fuerteventura Spain - Las Palmas	Spain	Electricity generation from renewable resources	-		Endesa Cogeneración Y Renovables SA	40.00%	26.82%
Eólicas de Lanzarote SL	Las Palmas de Gran Canaria	Spain	Electricity generation and distribution	1,758,000	EUR	Endesa Cogeneración Y Renovables SA	40.00%	26.82%
Ercetesa SA	Zaragoza	Spain	Cogeneration of electricity and heat	294,490	EUR	Endesa Cogeneración Y Renovables SA	35.00%	23.47%
Erecosalz SL	Zaragoza	Spain	Cogeneration of electricity and heat	18,000	EUR	Endesa Cogeneración Y Renovables SA	33.00%	22.13%
Feneralt - Produção de Energia Ace	Barcelos	Portugal	Electricity generation	-		TP - Sociedade Térmica Portuguesa SA	25.00%	8.38%
Foraneto SL	Barcelona	Spain	Cogeneration of electricity and heat	60,100	EUR	Endesa Cogeneración Y Renovables SA	25.00%	16.76%
Forel SL	Barcelona	Spain	Cogeneration of electricity and heat	6,010	EUR	Endesa Cogeneración Y Renovables SA	40.00%	26.82%
Forsean SL	Barcelona	Spain	Cogeneration of electricity and heat	60,100	EUR	Endesa Cogeneración Y Renovables SA	30.00%	20.12%
Garofeica SA	Barcelona	Spain	Cogeneration of electricity and heat	721,200	EUR	Endesa Cogeneración Y Renovables SA	27.00%	18.10%
Gnl Chile SA	Santiago	Chile	Design and LNG supply	2,223,053,110,000	CLP	Empresa Nacional de Electricidad SA	33.33%	8.13%
Gnl Quintero SA	Santiago	Chile	Design and LNG supply	1,255,000	CLP	Empresa Nacional de Electricidad SA	20.00%	4.88%
Gorona Del Viento El Hierro SA	Valverde de El Hierro	Spain	Development and maintenance of El Hierro generation plant	61,200	EUR	Unión Eléctrica de Canarias Generación SAU	30.00%	20.12%
Green Fuel Andalucía SA	Seville	Spain	Biodiesel development, construction and operation	1,307,200	EUR	Endesa Cogeneración Y Renovables SA Greenfuel Corporación SA	34.48% 41.38%	50.86%
Green Fuel Aragón SA	Zaragoza	Spain	Biodiesel development, construction and operation	1,439,520	EUR	Endesa Cogeneración Y Renovables SA	34.73%	23.29%
Green Fuel Castilla Y León SA	León	Spain	Biodiesel development, construction and operation	691,300	EUR	Endesa Cogeneración Y Renovables SA Green Fuel Corporacion SA	25.00% 8.69%	22.59%
Green Fuel Extremadura SA	Badajoz	Spain	Fuel sales	1,588,740	EUR	Endesa Generación SA Greenfuel Corporación SA	28.37% 39.03%	45.19%
Hidroeléctrica de Ouro Lugo SL	Lugo	Spain	Electricity generation from renewable resources	1,608,000	EUR	Endesa Cogeneración Y Renovables SA	30.00%	20.12%
Hidroeléctrica Del Piedra SL	Zaragoza	Spain	Electricity generation and sales	160,470	EUR	Endesa Cogeneración Y Renovables SA	25.00%	16.76%
Inversiones Electrogas SA	Santiago	Chile	Holding company	10,004,000,000	CLP	Empresa Nacional de Electricidad SA	42.50%	10.36%
Konecta Chile SA	Santiago	Chile	IT services	1,000,000	CLP	Synapsis Soluciones Y Servicios It Ltda	26.20%	10.65%

Company name	Registered office	Country	Activity	Share capital	Currency	Held by	% holding	Group % holding
at Dec. 31, 2007								
Kromschroeder SA	L`Hospitalet de Llobregat (Barcelona)	Spain	Services	657,000	EUR	Endesa Gas SAU	27.93%	18.73%
Minicentrales Del Canal Zaragoza Imperial-Gallur SL	Spain	Hydroelectric plants	1,820,000	EUR	Endesa Cogeneración Y Renovables SA	36.50%	24.47%	
Neinver Bolonia SL	Madrid	Spain	-	6,000	EUR	Bolonia Real Estate SL	45.00%	30.17%
Oxagesa AIE	Teruel	Spain	Cogeneration of electricity and heat	6,000	EUR	Endesa Cogeneración Y Renovables SA	33.33%	22.35%
Parc Eolic Coll de Som SL	Barcelona	Spain	Electricity generation from renewable resources	643,100	EUR	Endesa Cogeneración Y Renovables SA	30.00%	20.12%
Parc Eolic Els Aligars SL	Barcelona	Spain	Electricity generation from renewable resources	1,313,100	EUR	Endesa Cogeneración Y Renovables SA	30.00%	20.12%
Parc Eolic La Tossa-La Mola D'en Pascual SL	Barcelona	Spain	Electricity generation from renewable resources	1,183,100	EUR	Endesa Cogeneración Y Renovables SA	30.00%	20.12%
Parc Eolic L'Arram SL	Barcelona	Spain	Electricity generation from renewable resources	646,100	EUR	Endesa Cogeneración Y Renovables SA	30.00%	20.12%
Parque Eólico Sierra Del Madero SA	Soria	Spain	Electricity generation from renewable resources	7,194,250	EUR	Endesa Cogeneración Y Renovables SA	48.00%	32.18%
Powercer - Sociedade de Cogeração de Vialonga SA	Loures	Portugal	Cogeneration of electricity and heat	50,000	EUR	Finerge-Gestao de Projectos Energéticos SA	30.00%	20.12%
Productora de Energías SA	Barcelona	Spain	Hydroelectric plants	60,100	EUR	Endesa Cogeneración Y Renovables SA	30.00%	20.12%
Proyecto Almería Mediterraneo SA	Madrid	Spain	Desalination and water supply	601,000	EUR	Endesa SA	45.00%	30.17%
Puignerel AIE	Barcelona	Spain	Cogeneration of electricity and heat	11,299,000	EUR	Endesa Cogeneración Y Renovables SA	25.00%	16.76%
Regasificadora Del Noroeste SA	Mugardos (La Coruña)	Spain	Regassification and transport of natural gas	47,478,520	EUR	Endesa Generación SA	21.00%	14.08%
Rofeica D'Energía SA	Barcelona	Spain	Cogeneration of electricity and heat	1,983,300	EUR	Endesa Cogeneración Y Renovables SA	27.00%	18.10%
Sadiel Tecnologías de La Información SA	Seville	Spain	IT services	663,520	EUR	Endesa Servicios SL	37.50%	25.14%
Santo Rostro Cogeneración SA	Seville	Spain	Cogeneration of electricity and heat	207,000	EUR	Endesa Cogeneración Y Renovables SA	45.00%	30.17%
Sati Cogeneración AIE	Barcelona	Spain	Cogeneration of electricity and heat	64,910	EUR	Endesa Cogeneración Y Renovables SA	27.50%	18.44%
Scs Centrale Eolienne de Cernon	N.A.	France	Electricity generation from renewable resources	100	EUR	Société Nationale d'Electricité et de Thermique SA	49.00%	21.36%
Serra do Moncoso Cambas SL	La Coruña	Spain	Electricity generation from renewable resources	-		Eólicos Touriñán SA	49.00%	32.85%
Sistemas Energéticos La Muela SA	Zaragoza	Spain	Electricity generation from renewable resources	3,065,100	EUR	Endesa Cogeneración Y Renovables SA	30.00%	20.12%
Sistemas Energéticos Más Garullo SA	Zaragoza	Spain	Electricity generation from renewable resources	1,503,410	EUR	Endesa Cogeneración Y Renovables SA	27.00%	18.10%

Company name	Registered office	Country	Activity	Share capital	Currency	Held by	% holding	Group % holding
at Dec. 31, 2007								
Sistemas Sec SA	Santiago	Chile	Communications and signalling systems	1,992,421,000	CLP	Compañía Americana de Multiservicios de Chile Ltda	49.00%	19.92%
Sociedad Eólica de Andalucía SA	Seville	Spain	Electricity generation	4,507,580	EUR	Endesa Cogeneración Y Renovables SA	46.67%	31.29%
Société Des Eaux de L'Est	Saint Avold	France	Water production, transport, distribution and sales	5,508,000	EUR	Société Nationale d'Electricité et de Thermique SA	25.00%	10.90%
Soprolif SA	Meyreuil	France	-	15,200,000	EUR	Société Nationale d'Electricité et de Thermique SA	45.00%	19.61%
Tecnatom SA	Madrid	Spain	Electricity generation and services	4,025,700	EUR	Endesa Generación SA	45.00%	30.17%
Termoeléctrica José de San Martín SA	Buenos Aires	Argentina	Construction and management of a combined-cycle plant	500,000	ARS	Endesa Costanera SA Central Dock Sud SA Hidroeléctrica El Chocón SA	5.51% 5.32% 15.35%	4.43%
Termoeléctrica Manuel Belgrano SA	Buenos Aires	Argentina	Construction and management of a combined-cycle plant	500,000	ARS	Endesa Costanera SA Central Dock Sud SA Hidroeléctrica El Chocón SA	5.51% 5.32% 15.35%	4.43%
Termotec Energía AIE	Valencia	Spain	Cogeneration of electricity and heat	481,000	EUR	Endesa Cogeneración Y Renovables SA	45.00%	30.17%
Tirme SA	Palma de Mallorca	Spain	Waste treatment and disposal	7,662,750	EUR	Endesa Cogeneración Y Renovables SA	40.00%	26.82%
Transportista Regional de Gas SA	Medina Del Campo (Valladolid)	Spain	Gas transport	748,260	EUR	Endesa Gas Transportista SLU	45.00%	30.17%
Urgell Energía SA	Lleida	Spain	Cogeneration of electricity and heat	601,000	EUR	Endesa Cogeneración Y Renovables SA	27.00%	18.10%
Yacylec SA	Capital Federal Argentina		Electricity transmission	20,000,000	ARS	Endesa Internacional SA	22.22%	14.90%
Yedesa-Cogeneración SA	Almería	Spain	Cogeneration of electricity and heat	234,000	EUR	Endesa Cogeneración Y Renovables SA	40.00%	26.82%

Other significant equity investments at December 31, 2007

Company name	Registered office	Country	Activity	Share capital	Currency	Held by	% holding	Group % holding
at Dec. 31, 2007								
Agrupación Acehat AIE Barcelona	Spain	Design and services	793,340	EUR	Endesa Distribución Eléctrica SL	16.67%	11.18%	
Centrales Hidroeléctricas de Aysén SA	Santiago	Chile	Design	20,000,000,000	CLP	Empresa Nacional de Electricidad SA	51.00%	12.43%
Companhia Térmica Mundo Têxtil Ace	Caldas de Vizela	Portugal	Electricity generation	-	TP - Sociedade Térmica Portuguesa SA	10.00%	3.35%	
Co.Fa.S.E. Srl	Canazei (Trento)	Italy	Cogeneration of electricity and heat	25,500	EUR	Avisio Energia SpA	14.00%	13.98%
Diseño de Sistemas en Silicio SA	Castellon	Spain	Photovoltaic systems	565,430	EUR	Endesa Network Factory SL	14.71%	9.86%
Electrogas SA	Santiago	Chile	Holding company	10,038,000,000	CLP	Empresa Nacional de Electricidad SA Inversiones Electrogas SA	0.02% 99.95%	24.37%
Empresa Propietaria de La Red SA	Panama	Panama	Electricity transmission and distribution	40,000,000	USD	Endesa Internacional SA	12.50%	8.38%
Endesa Ingeniería SL - Vestas Eólica SA UTE	Barcelona	Spain	Engineering and consulting services	3,000	EUR	Endesa Ingeniería SLU	19.27%	12.92%
Eneop-Eólicas de Portugal SA	Lisbon	Portugal	Electricity generation from renewable resources	5,000,000	EUR	TP - Sociedade Térmica Portuguesa SA Finerge-Gestao de Projectos Energéticos SA	9.80% 9.80%	6.57%
Energotel AS	Bratislava	Slovakia	Management of fiber optic network	66,000,000	SKK	Slovenské elektrárne AS	16.67%	11.00%
Euskaltel SA	Derio (Vizcaya)	Spain	IT services	325,200,000	EUR	Endesa Participadas SA	10.00%	6.71%
Fibrel AIE	Girona	Spain	Cogeneration of electricity and heat	2,400,000	EUR	Endesa Cogeneración Y Renovables SA	10.00%	6.71%
Galsi SpA	Milan	Italy	Engineering in energy and infrastructure sector	25,838,000	EUR	Enel Produzione SpA	13.50%	13.50%
Groberel AIE	Girona	Spain	Hydroelectric plants	-	Endesa Cogeneración Y Renovables SA	12.00%	8.05%	
Hisane AIE	Tarragona	Spain	Cogeneration of electricity and heat	1,200	EUR	Endesa Cogeneración Y Renovables SA	10.00%	6.71%
Hydro-Electric Station Grafkos SA	Maroussi	Greece	Electricity generation from renewable resources	1,400,000	EUR	Enel Investment Holding BV	15.00%	15.00%
International Multimedia University Srl	Rome	Italy	Distance training	24,000	EUR	Sfera - Società per la formazione e le risorse aziendali Srl	13.04%	13.04%
International Wind Parks of Achaia SA	Maroussi	Greece	Electricity generation from renewable resources	3,020,000	EUR	Enel Investment Holding BV	15.00%	15.00%
International Wind Parks of Crete SA	Maroussi	Greece	Electricity generation from renewable resources	1,670,000	EUR	Enel Investment Holding BV	15.00%	15.00%
International Wind Parks of Rhodes SA	Maroussi	Greece	Electricity generation from renewable resources	1,913,250	EUR	Enel Investment Holding BV	15.00%	15.00%
Inversiones Eólicas La Esperanza SA	San Josè	Costa Rica	Electricity generation from renewable resources	12,000	CRC	Enel de Costa Rica SA (formerly Energía Global de Costa Rica SA)	12.50%	12.50%

Company name	Registered office	Country	Activity	Share capital	Currency	Held by	% holding	Group % holding
at Dec. 31, 2007								
Minicentrales Del Canal Zaragoza de Las Bardenas AIE		Spain	Hydroelectric plants	1,202,000	EUR	Endesa Cogeneración Y Renovables SA	15.00%	10.06%
Miranda Plataforma Logística SA	Miranda de Ebro (Burgos)	Spain	Regional development	1,200,000	EUR	Nuclenor SA	33.33%	11.17%
Oficina de Cambio de Suministrador SA	Madrid	Spain	Energy and gas supply services	70,000	EUR	Electra de Viesgo Distribución SL Enel Viesgo Generación SL Enel Viesgo Energía SL	4.60% 3.21% 12.19%	20.00%
Silicio Energía SA	Campanillas (Málaga)	Spain	Silicon extraction plant	69,000,000	EUR	Endesa Cogeneración Y Renovables SA	17.00%	11.40%
Sistemas Energéticos Mañón Ortigueira SA	La Coruña	Spain	Electricity generation from renewable resources	4,507,500	EUR	Endesa Cogeneración Y Renovables SA	10.00%	6.71%
Sociedad de Fomento Industrial de Extremadura SA	Badajoz	Spain	Regional development	155,453,460	EUR	Endesa SA	41.95%	28.13%
Sociedad Para El Estudio Y La Promoción Del Gasoducto Argelia Europa Via España SA	Madrid	Spain	Development and design	28,500,000	EUR	Endesa Generación SA	12.00%	8.05%
Sotavento Galicia SA	La Coruña	Spain	Electricity generation from renewable resources	601,000	EUR	Endesa Cogeneración Y Renovables SA	18.00%	12.07%
Tirmadrid SA	Madrid	Spain	Waste treatment and disposal	16,828,000	EUR	Endesa Cogeneración Y Renovables SA	15.00%	10.06%
Towarowa Giełda Energii SA	Warsaw	Poland	Electricity exchange	14,500,000	PLN	Endesa Europa SL	10.00%	6.71%
Tractament Y Revalorització de Residus Del Maresme SA	Barcelona	Spain	Waste treatment and disposal	3,606,060	EUR	Endesa Cogeneración Y Renovables SA	10.00%	6.71%

Companies in liquidation or held for sale at December 31, 2007

Company name	Registered office	Country	Activity	Share capital	Currency	Held by	% holding	Group % holding
at Dec. 31, 2007								
Climare Scrl <i>(in liquidation)</i>	Genoa	Italy	-	30,600	EUR	Enel Distribuzione SpA	66.66%	66.66%
Desaladora de La Costa Malaga Del Sol SA <i>(in liquidation)</i>	Spain	Spain	-	5,889,920	EUR	Endesa Participadas SA	51.02%	34.21%
Desarrollo Tecnológico Madrid Nuclear SL <i>(in liquidation)</i>	Madrid	Spain	-	3,650	EUR	Endesa Generación SA	46.35%	31.08%
Endesa Marketplace SA Madrid <i>(in liquidation)</i>	Spain	Spain	-	6,743,800	EUR	Enersis SA Endesa Servicios SL	15.00% 63.00%	31.71%
Euromedia Luxembourg One SA <i>(in liquidation)</i>	Luxembourg	Luxembourg	-	44,887,500	USD	Enel Investment Holding BV	28.57%	28.57%
Q-Channel SpA <i>(in liquidation)</i>	Rome	Italy	-	1,607,141	EUR	Enel Servizi Srl	24.00%	24.00%
Vodné dielo Žilina AS <i>(in liquidation)</i>	Trenčín	Slovakia	-	5,000,000	SKK	Slovenské elektrárne AS	40.00%	26.40%

Disclaimer

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translated into English solely for the convenience of international readers.

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