



*Report and Financial Statements
of Enel SpA at December 31, 2007*



*Report and Financial Statements
of Enel SpA at December 31, 2007*







Contents

REPORT ON OPERATIONS

- 8 The Enel structure
- 10 Corporate boards
- 13 Letter to shareholders and stakeholders
- 18 Summary of the resolutions of the ordinary and extraordinary Shareholders' Meetings
- 21 Enel and the financial markets
- 27 Activity of Enel SpA
- 31 Significant events in 2007
- 39 Results of Enel SpA
- 49 Performance of the main subsidiaries
- 67 Human resources and organization
- 81 Shares held by directors, members of the Board of Auditors, the General Manager and managers with strategic responsibilities
- 83 Research and development
- 85 Outlook and other information

CORPORATE GOVERNANCE

- 162 Report on corporate governance

DECLARATION OF THE CHIEF EXECUTIVE OFFICER AND THE MANAGER RESPONSIBLE FOR THE PREPARATION OF CORPORATE FINANCIAL REPORTS

- 200 Declaration of the Chief Executive Officer and the manager responsible for the preparation of the financial reports of Enel SpA

FINANCIAL STATEMENTS

- 90 **Financial statements**
- 91 Income Statement
- 92 Balance Sheet
- 94 Statement of Cash Flows
- 95 Statement of Recognized Income and Expenses for the Period

- 96 **Notes to the financial statements**
- 111 Information on the Income Statement
- 118 Information on the Balance Sheet
- 145 Related parties
- 152 Stock option plans
- 154 Contractual commitments and guarantees
- 156 Contingent liabilities and assets
- 158 Subsequent events
- 159 Fees of the independent auditors pursuant to Article 149-duodecies of the "Consob Issuers Regulation"

REPORTS

- 204 Report of the Board of Auditors to the Shareholders of Enel SpA

- 210 Report of the Independent Auditors

Report on operations

The Enel structure

Enel SpA

Sales

Enel Servizio Elettrico
Enel Energia
Enel.si
Vallenergie

Generation and Energy Management

Enel Produzione
Enel Trade
Enel Trade Hungary
Enel Trade Romania
Nuove Energie

Infrastructure and Networks

Enel Distribuzione
Enel Rete Gas
Enel Sole
Deval

Engineering and Innovation

Enel Produzione

International

Slovenské elektrárne
Enel Maritza East 3
Enel Operations Bulgaria
Enel North America
Enel Distribuție Banat
(formerly Enel Electrica Banat)
Enel Distribuție Dobrogea
(formerly Enel Electrica Dobrogea)
Enel Energie
Blue Line
Enel Romania (formerly Enel Servicii)
Enel Servicii Comune
RusEnergoSbyt
SeverEnergia (formerly Enineftegaz)
Enel France
Enel Erelis
Enelco
International Windpower
Wind Parks of Thrace
International Wind Parks of Thrace

Iberia and Latin America

Endesa
Enel Latin America
Enel Panama
Enel Fortuna
Inelec
Enel Viesgo Generación
Enel Viesgo Energía
Enel Unión Fenosa Renovables
Electra de Viesgo Distribución
Enel Viesgo Servicios

Services and Other Activities

Enel Servizi ⁽¹⁾
Sfera
Enelpower
Enel.NewHydro
Enel.Factor
Enel.Re

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

Corporate boards

Board of Directors

<p>Chairman</p> <p>Piero Gnudi</p>	<p>Chief Executive Officer and General Manager</p> <p>Fulvio Conti</p>
<p>Directors</p> <p>Giulio Ballio Augusto Fantozzi Alessandro Luciano Fernando Napolitano Francesco Taranto Gianfranco Tosi Francesco Valsecchi</p>	<p>Secretary</p> <p>Claudio Sartorelli</p>

Board of Auditors

<p>Chairman</p> <p>Franco Fontana</p>	<p>Auditors</p> <p>Carlo Conte Gennaro Mariconda</p> <p>Alternate auditors</p> <p>Giancarlo Giordano Paolo Sbordoni</p>
--	---

Independent auditors

<p>KPMG SpA</p>

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.



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 using the specific skills in our various business areas – to accelerate 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 and mid-stream gas sector, the development of new technologies and nuclear power generation 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 Torrealvaldliga 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 RusEnergobyt, in 2007 Enel entered the upstream segment of the natural gas sector, acquiring 40% (together with Eni, which holds 60%) of the 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 59.80% of the generating company OGC-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 plant 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 coal-fired plant with a capacity of up to 1,800 MW 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, thanks to the geographical diversification, the enrichment of the generation mix and the integration in the energy sector, is an optimal platform for achieving, in a process of strategic continuity for the Group, additional gains in performance and the return on capital employed. Accordingly, we will focus primarily on creating value in the companies we have acquired and seeking out growth opportunities in the areas and sectors 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 operational Divisions will also have a positive impact in 2008, improving Group results even further.

The Chief Executive Officer
and General Manager

Fulvio Conti



Summary of the resolutions of the ordinary and extraordinary Shareholders' Meetings

The Shareholders' Meeting of Enel SpA held in Rome on June 11, 2008 at the Enel Conference Center at 125, Viale Regina Margherita, adopted the following resolutions during the ordinary session (on second call):

1. approved the financial statements of Enel SpA for the year ended December 31, 2007; and took note of the results of the consolidated financial statements of the Enel Group, also for the year ended December 31, 2007, which closed with Group net income for the year of €3,977 million;
2. resolved, with regard to Enel SpA's net income for the year 2007, amounting to €3,887,416,864.89, to:
 - a) earmark for distribution to Shareholders:
 - €0.20 for each of the 6,184,153,490 ordinary shares in circulation on the ex dividend date to cover the interim dividend paid – after coupon no. 10 had gone ex dividend on November 19, 2007 – as from November 22, 2007, amounting to a total of €1,236,830,698.00;
 - €0.29 for each of the ordinary shares in circulation on the ex dividend date of June 23, 2008 as the balance of the dividend, amounting to:
 - a minimum total sum – which takes into account the 6,185,454,653 shares in circulation as of March 12, 2008 – of €1,793,781,849.37;
 - a maximum total sum – which takes into account the 6,196,990,161 shares potentially in circulation on the aforesaid ex dividend date – of €1,797,127,146.69;
 - b) earmark to “retained earnings” the remaining part, amounting to:
 - a maximum sum – which takes into account the 6,185,454,653 shares in circulation as of March 12, 2008 – of €856,804,317.52;
 - a minimum sum – which takes into account the 6,196,990,161 shares potentially in circulation on the aforesaid ex dividend date – of €853,459,020.20;
 - c) to pay the aforesaid dividend balance of €0.29 – before withholding tax, if any, and for each of the ordinary shares in circulation on the ex dividend date – as from June 26, 2008, with the ex-dividend day of coupon no. 11 falling on June 23, 2008;

3. elected the new Board of Directors, which will remain in office until the approval of the financial statements for 2010, in the persons of:
 - Piero Gnudi – Chairman
 - Giulio Ballio – Director
 - Lorenzo Codogno – Director
 - Fulvio Conti – Director
 - Renzo Costi – Director
 - Augusto Fantozzi – Director
 - Alessandro Luciano – Director
 - Fernando Napolitano – Director
 - Gianfranco Tosi – Directorsetting the related compensation at €85,000 a year for each Director, in addition to reimbursement of the expenses incurred because of their duties;
4. supplemented in the amounts reported below the compensation paid to KPMG SpA (and the units of the related network) as a result of the extension of the scope of the auditing activities following the consolidation (as from October 2007) of the Endesa group:
 - for performing the audits of the financial statements of Enel SpA and the consolidated financial statements of the Enel Group, in the amount of (i) €2,600,000 for the accounting period 2007 and (ii) €1,719,034 for each of the accounting periods 2008, 2009 and 2010;
 - for performing the limited review of the half-year report, in the amount of €476,016 for each of the accounting periods 2008, 2009, and 2010;
5. approved the 2008 stock-option Plan for the executives of Enel SpA and/or subsidiaries thereof pursuant to article 2359 of the Civil Code, setting at 9,623,735 the maximum number of options allottable under such Plan and vesting the Board of Directors with all the powers necessary for concretely implementing the Plan itself;
6. approved the 2008 restricted share units Plan for the executives of Enel SpA and/or subsidiaries thereof pursuant to article 2359 of the Civil Code, setting at 2,517,570 the maximum number of units allottable under such Plan and vesting the Board of Directors with all the powers necessary for concretely implementing the Plan itself.

In the extraordinary session (on third call), the Shareholders also resolved: to delegate to the Board of Directors for five years the power to increase the share capital by a maximum amount of €9,623,735 in connection with the 2008 stock-option Plan, as approved in the ordinary session.





MAIN PER-SHARE DATA AND CAPITALIZATION

	2007	2006
Dividend per share (euro)	0.49	0.49
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 ⁽¹⁾ (millions of euro)	50,585	47,988
No. of shares outstanding at December 31 (millions)	6,184	6,176

(1) Calculated on average share price in December.

OTHER FINANCIAL INDICATORS

	Current ⁽¹⁾	at Dec. 31, 2007	at Dec. 31, 2006	at 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					
	Current ⁽¹⁾	at Dec. 31, 2007	at Dec. 31, 2006	at Dec. 31, 2005	
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.

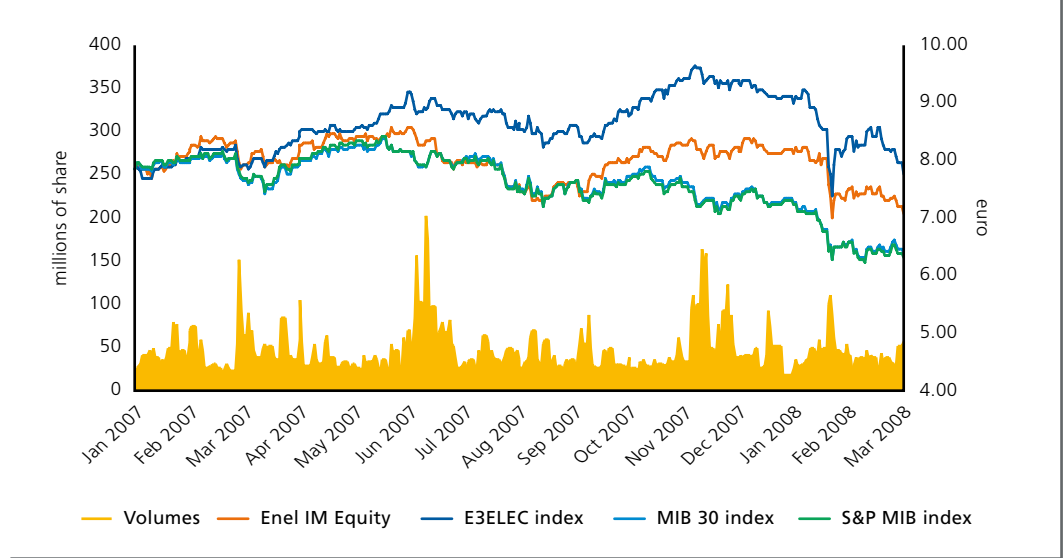
At December 31, 2007, the Ministry for the Economy and Finance held 21.1% of Enel, while Cassa Depositi e Prestiti held 10.1%, institutional investors 34.3% and private investors the remaining 34.5%.

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:

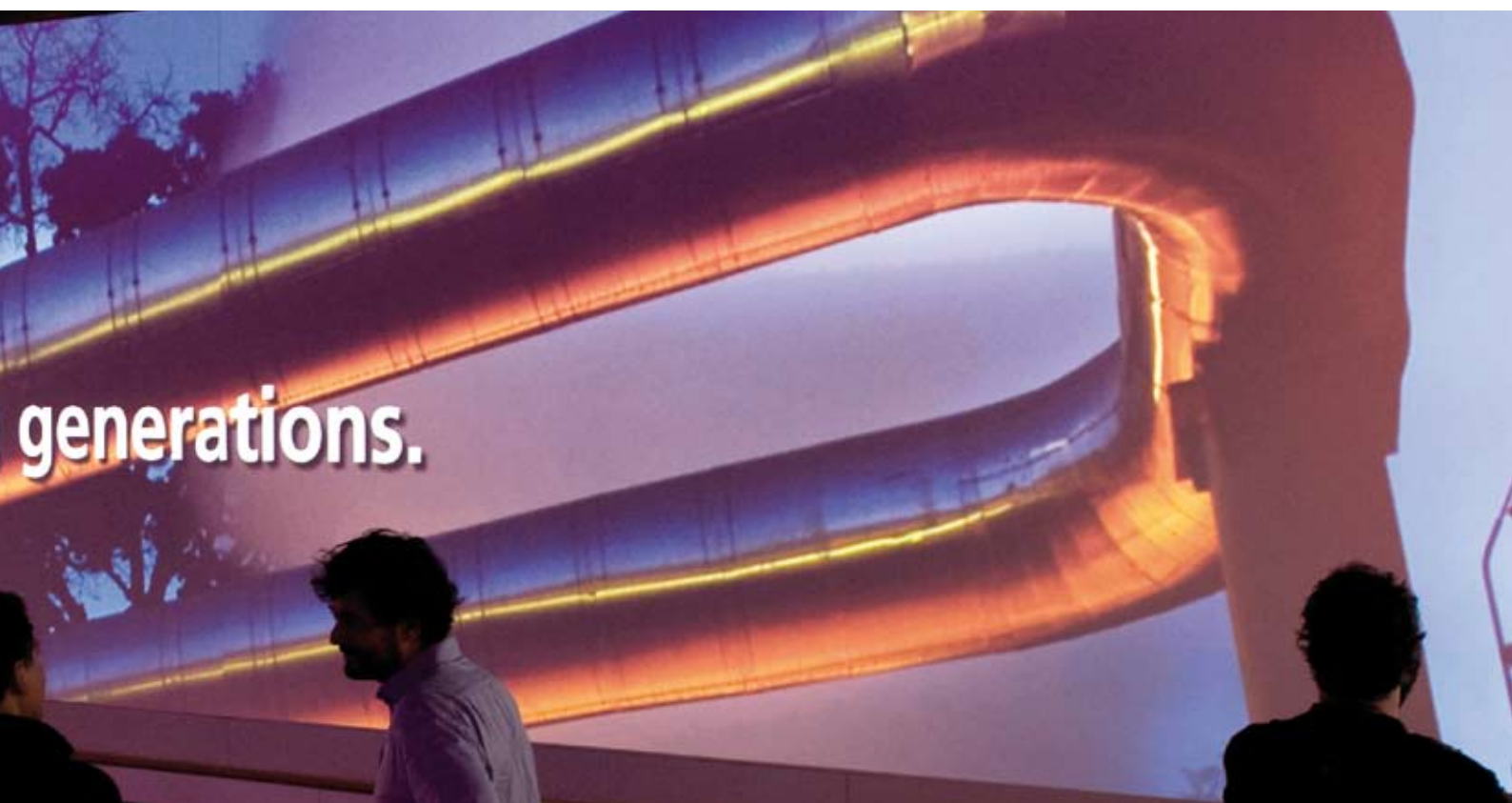
- > financial data, presentations, on-line updates on the share price;
- > information on corporate bodies and the regulations of shareholders' meetings;
- > periodic updates on corporate governance issues.

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







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

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 (formerly the regulated market).

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

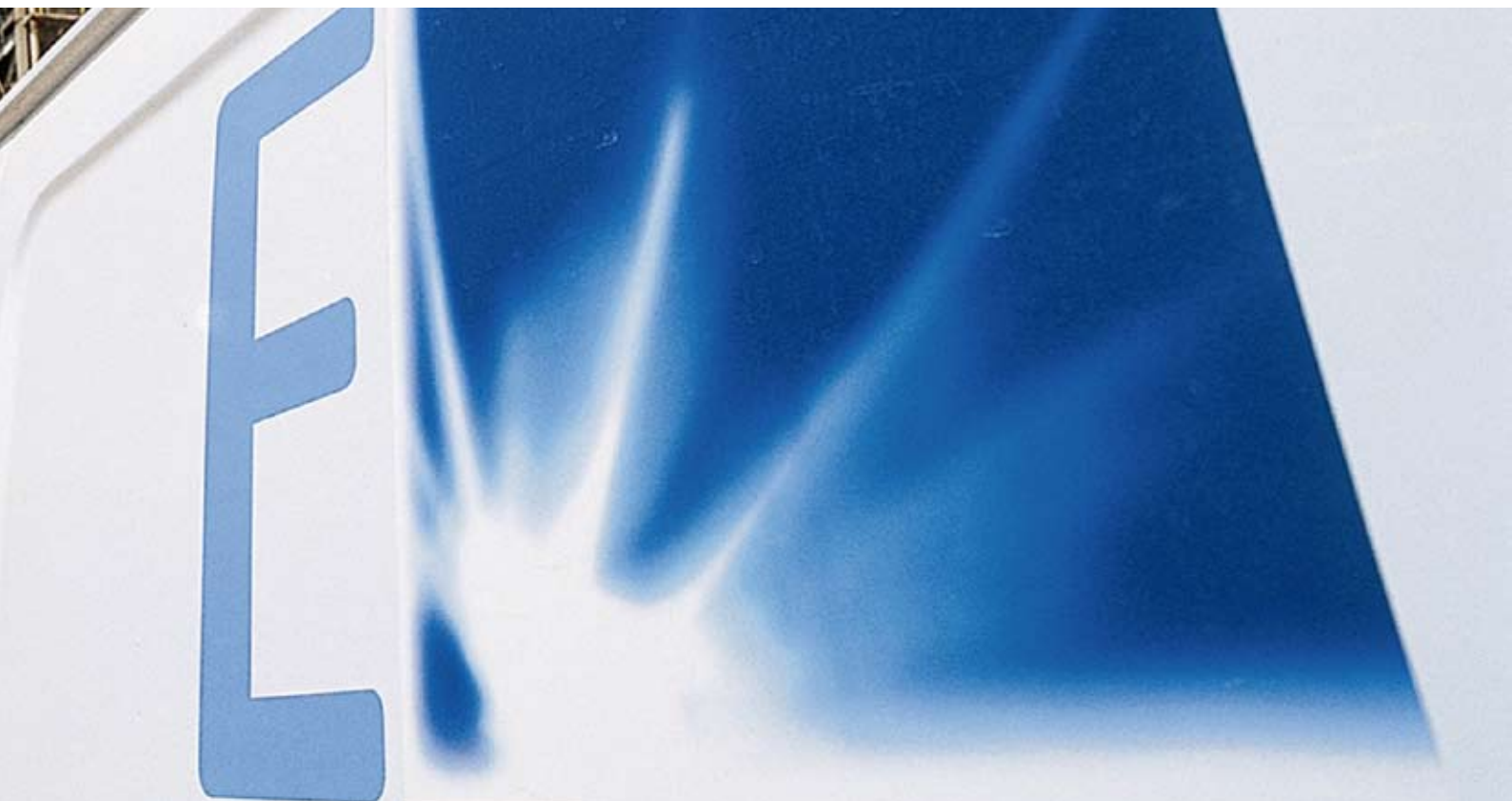
- > to set the sale price to the Single Buyer at €66/MWh in the 1st Quarter of 2007, also providing for the indexing of that value for the subsequent quarters in accordance with criteria defined by the Authority. With Resolution no. 82/07, the Authority established the procedure for updating the price, 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.



Significant events in 2007



Acquisition of Endesa

Acquisition of shares

On February 27, 2007, Enel, acting through its subsidiary Enel Energy Europe Srl (Enel Energy Europe), purchased 105,800,000 shares of Endesa SA (Endesa), Spain's leading electricity generator, equal to 9.99% of that company's share capital, at a price of €39 per share for a total of €4,126.2 million. The Endesa shares, acquired through an off-market transaction with institutional investors, were financed with cash flow and existing lines of credit, without any involvement of other Endesa shareholders.

On June 6, Enel Energy Europe's stake in Endesa rose from 9.99% to 24.97%, with a total of 264,401,597 shares, by way of settlement of the equity swaps entered into in March with UBS and Mediobanca in which the underlying was represented by 158,601,597 shares of Endesa (14.98% of the 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 equity stakes in Endesa, the parties also specified the mechanisms that would govern their joint control should the offer be successful. Among the various clauses of the agreement, Acciona was granted a put option for all the shares that it 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.

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, a number of assets owned by Endesa and Enel. The assets will be transferred to E.On in 2008, once they 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 mentioned above, with the exception of its other assets in Spain, 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.

Share escrow agreement between Enel SpA, Enel Produzione, Enel Distribuzione, E.On AG and Santander Investment concerning the disposal of the Viesgo Group

Under the agreement of April 2, 2007, between Enel, Acciona and E.On, Enel undertook to approve the sale to E.On of its holdings in the Viesgo companies. Specifically, on May 4, 2007, Enel SpA, which has a direct stake of 60% in Enel Viesgo Servicios SL, signed an escrow agreement for the deposit of the above equity investments with Santander Investment SA, the bank selected as agent for the transaction.

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.

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 ADSs) was tendered in the offer in the United States. In accordance with the agreements between Enel and Acciona, following completion of the takeover bid, Enel, through Enel Energy Europe, 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 (through Enel Energy Europe) 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.

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, which is intended to fully meet the obligations in respect of the acquisition of Endesa shares. The interest rate will vary in relation to Enel's rating and the line of credit may be repaid early in full or in part without penalty. 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 multi-tranche issue totaling €3.4 billion and £1.1 billion. 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.

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.

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).

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

In addition, from November 19 to December 7, 2007, a €2 billion retail bond was issued on the Italian market. The size of the issue was raised to €2.3 billion (€1.0 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 €35.0 billion credit facility, which was thereby reduced to €19.5 billion (the facility had been lowered to €30 billion in June, €28 billion in September, €23 billion in October and €21.5 billion in November last year).

Acquisition of former Yukos assets in joint venture with Eni

On April 4, 2007, Enel, in partnership with Eni (through Enineftgaz, now SeverEnergia, in which Enel and Eni have stakes of 40% and 60%, respectively), acquired (through Enel Investment Holding BV) a set of former Yukos assets in the gas sector for \$852 million, equal to 40% of the transaction value pertaining to Enel. The two partners granted Gazprom a call option for 51% of the companies acquired exercisable within 24 months of the tender award date.

Acquisition of OGK-5

On June 6, 2007, following a tender carried out in Moscow, Enel, through its subsidiary Enel Investment Holding BV, 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. Enel's winning bid totaled \$1,516 million (about €1,130 million). 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.

On July 11, 2007, Enel signed 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 was valid for one year.

On October 24, 2007, Enel, again through Enel Investment Holding, acquired about 7.15% of OGK-5's share capital from Credit Suisse, 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, a compulsory public tender offer for the entire share capital of OGK-5 was launched.

The transaction was completed in 2008. For greater details, please see the section on "Subsequent events".

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 the 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 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.

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.

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 Depositary 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").

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.

Establishment of Enel Servizio Elettrico and Vallenergie

In implementation of the provisions of Decree Law 73 of June 18, 2007, containing urgent measures for compliance with Community regulations concerning the liberalization of energy markets, ratified with Law 125 of August 3, 2007, Enel SpA established:

- > on September 13, 2007, Enel Servizio Elettrico SpA with share capital of €1.0 million, entirely subscribed and paid up by Enel SpA, for the sale of electricity to end users in the enhanced protection and safeguard markets in the domestic electricity sector, as well as ancillary services related to those activities;
- > on October 1, 2007, Vallenergie SpA (51% held by Enel SpA) with share capital of €0.1 million, entirely subscribed and paid up by the shareholders, for the sale of electricity to end users in the enhanced protection and safeguard markets in Valle d'Aosta.

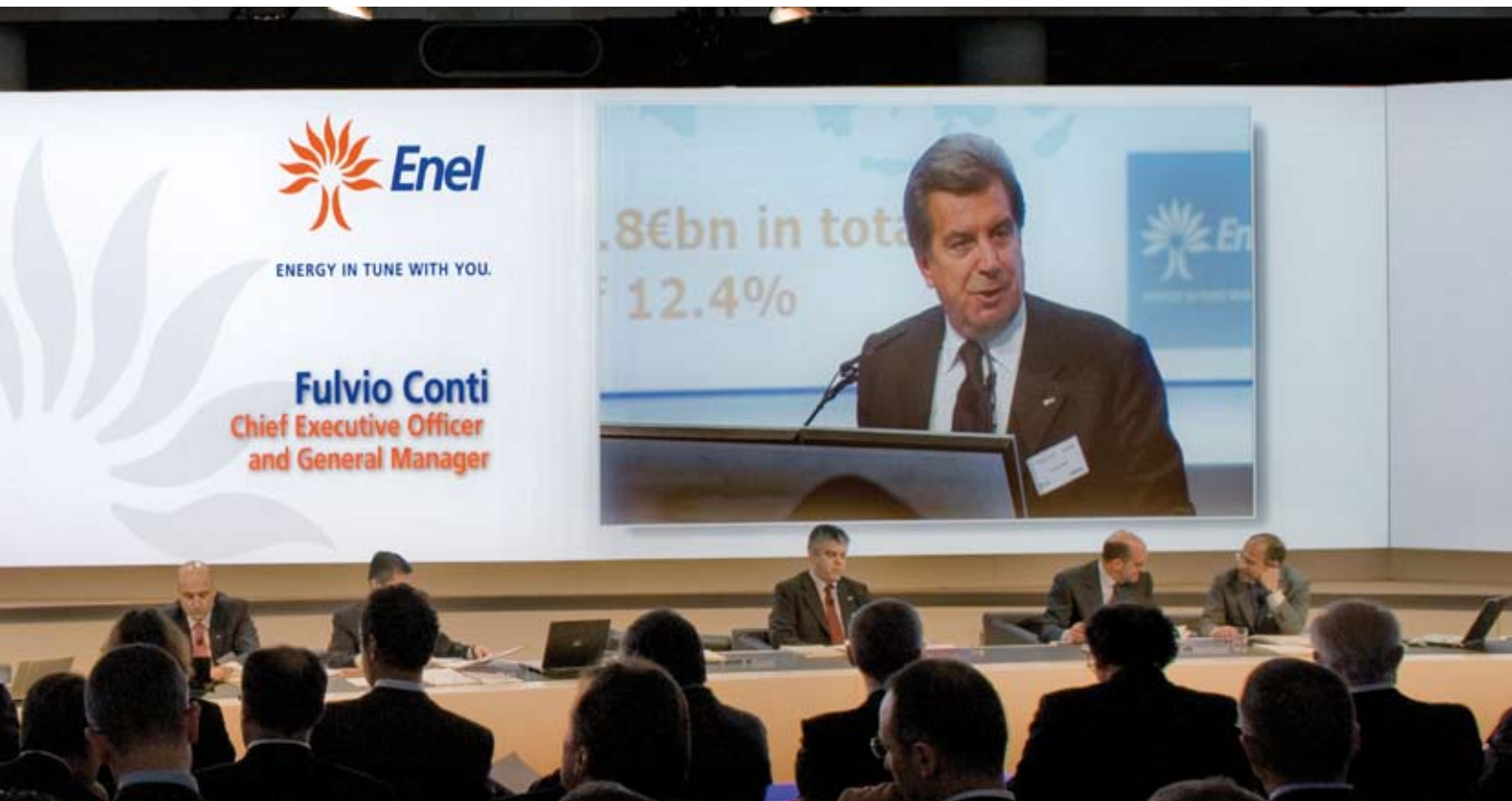
In implementation of the legislation, the shareholders' meetings of Enel Distribuzione and Deval approved, with effect from January 1, 2008, the partial spin-off to Enel Servizio Elettrico and Vallenergie SpA, respectively, of the assets

and liabilities and relationships in respect of their electricity sales operations with end users.

Transfer of “Purchasing” unit to Enel Servizi

On November 8, 2007, the Board of Directors of Enel SpA approved the transfer of the “Purchasing” unit to Enel Servizi with effect from January 1, 2008. The transfer is part of the reorganization of service and staff activities approved by the Board of Directors in October 2004, which envisages the centralization of the governance of support activities in a single company (Enel Servizi Srl), creating shared operating units with a view to maximizing efficiency and improving process quality, thereby enabling the Group companies to focus on their core business.





Definition of performance indicators

In order to present the results of the Company and analyze its financial structure, Enel has prepared separate reclassified schedules that differ from those envisaged under the IFRS-EU adopted by the Company and presented in the consolidated report. These reclassified schedules contain different performance indicators from those obtained directly from the consolidated financial statements, which management feels are useful in monitoring Company's performance and representative of the financial performance of the Company'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 the "Operating income" before "Depreciation, amortization and impairment losses" and "Income from equity exchange transaction and disposal of significant equity investments".

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 others" and "Receivables due from subsidiaries" reported under "Non-current financial assets";
- > "Long-term loans";
- > "Post-employment and other employee benefits";
- > "Provisions";
- > "Deferred tax liabilities".

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

- > "Financial receivables" and "Receivables due from subsidiaries" reported under "Current financial assets";
- > "Cash and cash equivalents";
- > "Short-term loans" and the "Current portion of long-term loans".

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.

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

The following table summarizes the performance of Enel SpA in 2007 and 2006:

Millions of euro	2007	2006	2007-2006
Revenues:			
- revenues from sales and services	1,058.0	1,113.8	(55.8)
- other revenues	20.9	72.4	(51.5)
Total	1,078.9	1,186.2	(107.3)
Costs:			
- electricity purchases and consumables	603.3	621.3	(18.0)
- services, leases and rentals	389.5	252.7	136.8
- personnel	100.2	87.4	12.8
- other operating costs	43.4	39.5	3.9
Total	1,136.4	1,000.9	135.5
Gross operating margin	(57.5)	185.3	(242.8)
Income from equity exchange transaction and disposal of significant equity investments	-	189.7	(189.7)
Depreciation, amortization and impairment losses	16.0	24.8	(8.8)
Operating income	(73.5)	350.2	(423.7)
Income from equity investments	3,891.8	3,074.4	817.4
Financial income	1,814.9	778.2	1,036.7
Financial expense	1,953.5	788.2	1,165.3
Income before taxes	3,679.7	3,414.6	265.1
Income taxes	(207.7)	67.9	(275.6)
NET INCOME FOR THE YEAR	3,887.4	3,346.7	540.7

Revenues from sales and services totaled €1,058.0 million (€1,113.8 million in 2006) and regard:

- > *revenues from electricity sales* of €598.2 million (€880.3 million in 2006), mainly attributable to sales of imported electricity to the Single Buyer in the amount of €342.1 million and the sale of energy in France on the free market in the amount of €256.1 million;
- > *revenues from services* of €459.8 million (€233.5 million in 2006), essentially in respect of assistance and consulting services provided to subsidiaries (€458.1 million, compared with €230.0 million in 2006).

The decrease of €282.2 million in revenues from electricity sales compared with 2006 is attributable to lower sales to the Single Buyer (down €375.2 million) as a result of the impossibility of importing electricity purchased from EDF into Italy, which resulted in greater sales in France at a lower average price than in 2006. The increase of €226.3 million in revenues from services on the previous year is largely due to the increase in assistance and consulting services provided to subsidiaries, notably the charge-through to Enel Energy Europe of costs incurred in connection with the acquisition of Endesa (€149.7 million).

Other revenues came to €20.9 million, down €51.5 million on the previous year owing to the effect of the release to the 2006 income statement of the gain (€33 million) on the fair value measurement of Terna bonus shares, which had been taken directly to equity in 2005.

Cost for **electricity purchases and consumables** came to €603.3 million, of which €601.3 million for the purchase of 13,468 million kWh of electricity, a decrease of €17.7 million on 2006, largely as a result of lower volumes, the effect of which was partially offset by an increase in the average purchase price.

Costs for **services, leases and rentals** amounted to €389.5 million, of which charges from third parties in the amount of €314.1 million and from Group companies in the amount of €75.4 million. The latter regard IT and administrative services, facility management services and rentals, mainly provided by Enel Servizi.

The overall increase of €136.8 million on 2006 is mainly attributable to the charges incurred in relation to international acquisitions, especially that of Endesa, which have a corresponding increase in revenues as a result of the debiting of the costs to Enel Energy Europe.

Personnel costs totaled €100.2 million, an increase of €12.8 million, attributable to the rise in the average number of employees (696, compared with 620 in 2006), charges in respect of the INPS dispute and the charge for the renewal of the collective bargaining agreement for the electricity industry.

Other operating expenses amounted to €43.4 million, an increase of €3.9 million with respect to the previous year, essentially due to increased provisions for risks and charges on the basis of the advice of internal and external legal counsel. Most of this was offset by lower charges for green certificates thanks to the recognition in 2007 by the ESO of green certificates for electricity imported in 2006.

The **gross operating margin** came to a negative €57.5 million, a decrease of €242.8 million on 2006. The decline was basically a consequence of the deterioration in the margin on the sale of electricity and the effect of the recognition of the gain on the Terna bonus shares in 2006.

Depreciation, amortization and impairment losses came to €16.0 million, of which depreciation of property, plant and equipment of €5.9 million and amortization of intangible assets of €10.1 million.

Operating income amounted to a negative €73.5 million, a fall of €423.7 million on the previous year. Excluding "income from equity exchange transaction and disposal of significant equity investments", the decrease came to €234.0 million, mainly attributable to the deterioration in the gross operating margin, partially offset by lower provisions and impairment losses in 2007.

Income from equity investments amounted to €3,891.8 million (€3,074.4 million in 2006). The item regards dividends approved in 2007 in respect of subsidiaries' net income for 2006 (€3,877.1 million) and dividends earned and approved by Terna SpA in the amount of €14.6 million, of which €5.7 million in respect of the interim dividend for 2007.

Net financial expense totaled €138.6 million. The increase of €128.6 million on the previous year is essentially associated with the increase in net financial debt.

Income taxes showed a net tax credit of €207.7 million, associated with the balance of the income and expense items relevant for tax purposes. More specifically, they reflect the net charge in respect of deferred tax assets

and liabilities of €69.3 million and a tax credit for current taxes of €277.0 million. The effective tax rate on pre-tax income was a negative 5.6% at December 31, 2007, and a positive 2.0% at December 31, 2006.

Net income amounted to €3,887.4 million, compared with €3,346.7 million in 2006.

Analysis of Enel's financial position

Millions of euro

ASSETS	at Dec. 31, 2007	at Dec. 31, 2006	2007-2006
Net non-current assets:			
- property, plant and equipment and intangible assets	24.9	22.4	2.5
- equity investments	21,659.1	15,634.5	6,024.6
- other net non-current assets/(liabilities)	152.2	235.8	(83.6)
Total	21,836.2	15,892.7	5,943.5
Net current assets:			
- trade receivables	483.4	262.8	220.6
- other net current assets/(liabilities)	556.6	183.4	373.2
- trade payables	(422.2)	(423.4)	1.2
Total net	617.8	22.8	595.0
Gross capital employed	22,454.0	15,915.5	6,538.5
Provisions:			
- post-employment and other employee benefits	(415.0)	(429.6)	14.6
- provisions for risks and charges and net deferred taxes	(32.5)	103.5	(136.0)
Total	(447.5)	(326.1)	(121.4)
Net capital employed	22,006.5	15,589.4	6,417.1
Shareholders' equity	15,710.9	14,600.2	1,110.7
NET FINANCIAL DEBT	6,295.6	989.2	5,306.4

Net non-current assets increased by €5,943.5 million, mainly attributable to the value of equity investments, which rose from €15,634.5 million at December 31, 2006, to €21,659.1 million at December 31, 2007.

Net current assets came to €617.8 million, an increase of €595.0 million on December 31, 2006. The change is attributable to the following main developments:

- > an increase in *other net current assets/(liabilities)* of €373.2 million primarily as a result of interest on current accounts with subsidiaries;
- > an increase in *trade receivables* of €220.6 million associated with the rise in receivables in respect of assistance and consulting services provided to Group companies (totaling €299.4 million).

Net capital employed at December 31, 2007, came to €22,006.5 million, and was funded by shareholders' equity in the amount of €15,710.9 million (71.4%) and net financial debt of €6,295.6 million (28.6%).

Shareholders' equity at December 31, 2007, totaled €15,710.9 million. Compared with December 31, 2006, it changed as a result of net income for 2007 of €3,887.4 million, the distribution of dividends totaling €1,793.0 million (€0.29 per share), and the payment of an interim dividend for 2007 of €1,236.8 million (€0.20 per share), as well as the effect of the increase in the reserve for the measurement of derivatives and the stock option reserve totaling €253.2 million.

In addition, in 2007 a total of 8,171,574 options granted under the 2002, 2003 and 2004 stock option plans were exercised. This produced an increase of €50.5 million in shareholders' equity, for which share capital was increased by €8.2 million and the share premium account increased by €42.3 million.

Enel's share capital therefore rose from €6,176 million at December 31, 2006 to €6,184.4 million at December 31, 2007.

Net financial debt amounted to €6,295.6 million at the end of the year, with a debt-to-equity ratio of 0.4, compared with 0.07 at the end of 2006.

Analysis of the financial structure

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:			
- bank loans	12,176.8	27.4	12,149.4
- bonds	13,679.4	7,566.5	6,112.9
- debt assumed from subsidiaries	521.6	571.4	(49.8)
Long-term debt	26,377.8	8,165.3	18,212.5
- financial receivables from others	(2.6)	(962.0)	959.4
- debt assumed and loans to subsidiaries	(479.1)	(1,504.3)	1,025.2
Net long-term debt	25,896.1	5,699.0	20,197.1
Short-term debt/(liquidity):			
- short-term portion of long-term debt	1,141.8	84.8	1,057.0
- short-term bank debt	1,009.0	441.2	567.8
Short-term debt	2,150.8	526.0	1,624.8
- short-term portion of long-term financial receivables	(962.0)	-	(962.0)
- short-term portion of loans assumed/granted	(1,025.5)	(63.0)	(962.5)
- net short-term financial position with subsidiaries and associates	(19,753.4)	(5,095.0)	(14,658.4)
- cash and cash equivalents	(10.4)	(77.8)	67.4
Net short-term financial debt/(liquidity)	(19,600.5)	(4,709.8)	(14,890.7)
NET FINANCIAL DEBT	6,295.6	989.2	5,306.4

At December 31, 2007 net financial debt came to €6,295.6 million, an increase of €5,306.4 million on December 31, 2006. Specifically, net long-term debt increased by €20,197.1 million while net liquidity improved by €14,890.7 million

The increase in long-term debt reflects the acquisitions made abroad and primarily regards:

- > the issue on June 13, 2007 of a public multi-tranche bond under the Global Medium-Term Notes program for institutional investors in the euro market for a total of about €4,979 million;
- > the drawing of €11,496.6 million on the syndicated credit line with an original amount of €35 billion, subsequently reduced to €19.5 billion (of which €11.7 billion pertaining to Enel SpA and €7.8 billion to Enel Finance International);
- > the issue on December 12, 2007, of a multi-tranche bond for Italian retail investors with a value of €2.3 billion;
- > the drawing of €700 million in December 2007 on the revolving 5-year credit line of €5 billion (renewable for a further two years) granted in November 2005;
- > the issue, in May and November 2007 of two new tranches of a bond placed privately with leading Italian insurance companies with a value of €97 million maturing in 2025.

The rise in liquidity of €14,890.7 million was mainly attributable to the increase of €14,658.4 million in net financial receivables due from Enel Group companies. In particular, receivables increased with Enel Energy Europe in the amount of €24,969.7 million in connection with the acquisition of Endesa, with Enel Produzione in the amount of €1,006.8 million and with Enel Distribuzione in the amount of €2,050.6 million, net of the increase in short-term payables to other Enel Group companies, including Enel Finance International in the amount

of €11,912.3 million and Enel Ireland Finance in the amount of €1,190.6 million. The increase in liquidity was also attributable by the reclassification from long to short term of the receivable in respect of the sale of Weather (€962.0 million) and the short-term portion of debt assumed by Enel Produzione falling due in 2008 (€1,025.5 million), partially offset by the decrease in cash at banks (€67.4 million) and an increase in short-term bank debt (€567.8 million).

Cash flows

Millions of euro

	2007	2006	2007-2006
Cash and cash equivalents at the start of the year	77.8	45.5	32.3
Cash flows from operating activities	3,697.6	3,380.4	317.2
Cash flows from investing/disinvesting activities	(6,024.6)	1,315.7	(7,340.3)
Cash flows from financing activities	2,259.6	(4,663.8)	6,923.4
Cash and cash equivalents at the end of the year	10.4	77.8	(67.4)

In 2007, cash flow from operating activities came to €3,697.6, up €317.2 million on the €3,380.4 million the previous year due to the effect of reduced cash needs associated with operations.

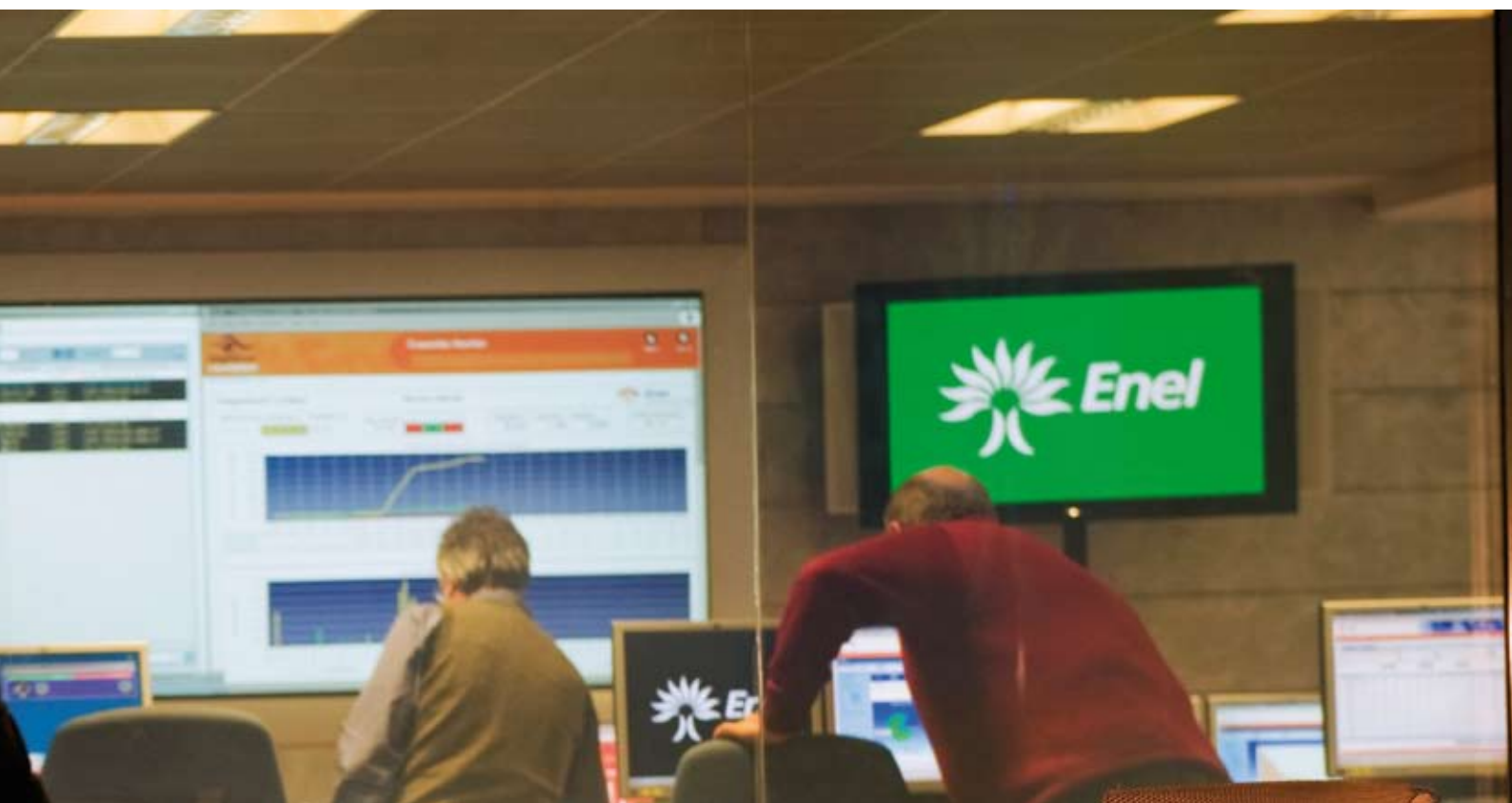
Investing/disinvesting activities absorbed €6,024.6 million in cash flows in 2007, whereas in 2006 they had generated liquidity of 1,315.7 million. More specifically, the cash flows regarded:

- > €3,000.0 million in respect of the waiver by Enel SpA of part of its receivable from Enel Energy Europe SpA to recapitalize the company, as well as an additional payment of €0.1 million;
- > €3,000.0 million in respect of the capital grant to Enel Investment Holding to recapitalize the company;
- > €3.0 million in relation to the waiver by Enel SpA of part of its financial receivable from Enel.NewHydro Srl to recapitalize the company, as well as an additional payment of €1.9 million;
- > €1.0 million in respect of the payment to Enel Servizio Elettrico for the incorporation of the company on September 13, 2007;
- > €0.1 million in respect of the payment to Vallenergie for the incorporation of the company on October 1, 2007;
- > €18.5 million for investments in property, plant and equipment and intangible assets.

Liquidity generated by financing activity amounted to €2,259.6 million and reflects the effects of the increase in net financial debt and the outflow of dividend payments (including the interim dividend) of €3,029.8 million.

Cash needs for investing activities, which were essentially connected with the international acquisitions, were met with operating cash flow of €3,697.6 million, an increase in net financial debt of €2,209.2 million, and the increase in capital and reserves for the exercise of stock options of €50.5 million. The difference was reflected in a decrease in cash and cash equivalents of €67.4 million.





In 2007 Enel Produzione produced 94.2 TWh of power (103.9 TWh in 2006), of which 67.3 TWh from thermal generation, 21.2 TWh from hydroelectric generation, 5.2 TWh from geothermal generation and 0.5 TWh from other sources. Compared with 2006, output decreased by 9.7 TWh, with the largest fall coming in thermal generation (down 6.5 TWh) as a result of reconversion work on a number of plants. Hydroelectric output declined by 3.3 TWh, essentially owing to different water availability conditions in the two periods under examination.

The main corporate events involving the company in 2007 included:

- > the acquisition of an additional 15.897% of La Geo SA with the contribution of assets and services, raising the stake in the company from 12.5% to 28.397% and the corresponding value of the holding from €25.5 million to €61.5 million;
- > the subscription of a second tranche, with a nominal value of €330.0 million, of the participation bond issued by Enel Green Power International SA in 2006 totaling €500.0 million, in order to finance a series of investment projects and acquisitions in the renewables field by the subsidiary Enel North America;
- > the signing of a share escrow agreement between Enel SpA, Enel Produzione SpA, Enel Distribuzione SpA, E.ON AG and Santander Investment SA in connection with the sale of equity investments in the Viesgo companies to E.On. In particular, on May 4, 2007, Enel Produzione, which holds 100% of Enel Viesgo Generación SL and 20% of Enel Viesgo Servicios SL, signed an escrow agreement for the deposit of the above equity investments with Santander Investment SA, the bank selected as agent for the transaction.

Revenues totaled €10,350.2 million in 2007 (€10,824.2 million in 2006) and mainly regard revenues from sales and services in the amount of €9,966.9 million and revenues from contract work in the amount of €328.3 million. The decrease of €474.0 million on the previous year is attributable to the reduction in average sales prices and lower volumes sold under bilateral contracts with Group companies, especially Enel Trade (€880.9 million), partly offset by increased volumes of electricity sold on the Power Exchange (€360.8 million).

Operating costs amounted to €7,955.5 million in 2007 (€8,525.8 million in 2006), a decrease of €570.3 million, mainly attributable to reduced costs for fuel (€491.8 million) due primarily to the decrease in the volume of thermal generation output and lower costs in respect of CO₂ emissions (€79.2 million) thanks to a smaller deficit and lower prices for emissions allowances.

Net income/(charges) from commodity risk management showed a net charge of €204.3 million, compared with a net charge of €673.7 million in 2006. The decline is mainly attributable to lower net charges on contracts for differences (€378.0 million) as a result of the downward trend in energy prices over the course of the year and the improvement in the unrealized portion of such contracts (€168.6 million), partially offset by a rise in net charges for commodities contracts (€64.0 million).

Operating income came to €2,190.4 million in 2007, an increase of €565.7 million with respect to 2006 that is largely attributable to the containment of operating costs (€570.3 million), which, together with the lower charges for commodity risk management (€469.4 million), more than offset the decline in revenues (€474.0 million).

Net financial expense and charges in respect of equity investments amounted to €265.6 million (€212.2 million in 2006), an increase of €53.4 million primarily attributable to a rise in net interest expense in respect of the Parent Company and other lenders (up 76.2 million) as a result of the increase in average debt, partially offset by greater dividends from equity investments (€13.9 million).

After taxes of €407.9 million, **net income for the year** came to €1,516.9 million (€807.5 million in 2006).

Capital expenditure on property, plant and equipment and intangible assets totaled €1,157.6 million (€894.0 million in 2006).

Net capital employed came to €14,962.0 million, funded by shareholders' equity of €9,307.3 million (62.2%) and net financial debt of €5,654.7 million (37.8%).

The **workforce** at December 31, 2007, numbered 8,958, compared with 9,304 at December 31, 2006.

In 2007 Enel Distribuzione SpA, which had some 30.1 million final customers in the free and enhanced protection and safeguard markets, distributed a total of 256.1 TWh (254.7 TWh in 2006) of electricity, of which 153.9 TWh (134.6 TWh in 2006) for the free market and 102.2 TWh (120.1 TWh in 2006) sold and transported for the enhanced protection and safeguard markets (the former regulated market).

The main events involving the company in 2007 were as follows:

- > the signing on September 18, 2007, of the instrument for the partial demerger of certain operations to Enel Servizio Elettrico SpA with effect from January 1, 2008, in implementation of the provisions of Decree Law 73/07 of June 18, 2007 (ratified with Law 125/07, which entered force on August 15, 2007) containing urgent measures for compliance with Community regulations concerning the liberalization of energy markets;
- > the signing of a share escrow agreement between Enel SpA, Enel Produzione SpA, Enel Distribuzione SpA, E.On AG and Santander Investment SA in connection with the sale of equity investments in the Viesgo companies to E.On. In particular, on May 4, 2007, Enel Distribuzione, which holds 100% di Electra de Viesgo Distribución SA and 20% of Enel Viesgo Servicios SL, signed an escrow agreement for the deposit of the above equity investments with Santander Investment SA, the bank selected as agent for the transaction.

Revenues for 2007 amounted to €16,523.4 million (€17,936.9 million in 2006). They are largely accounted for by revenues from the sale and transport of electricity, which, taking account of the effect of equalization mechanisms (€403 million), totaled €15,281.7 million (€16,679.2 million in 2006). The decline of €1,397.5 million compared with the previous year was mainly the result of a reduction of 17.9 TWh in amounts sold on the enhanced protection and safeguard markets following the liberalization of the market. With the reduction in these revenues came a corresponding fall in the overall cost of electricity purchases and transport amounting to €1,592.7 million.

Operating costs came to €13,766.3 million (€15,447.4 million in 2006), a decrease of €1,681.1 million essentially attributable to the reduction in electricity purchases following the opening of the market (€1,592.7 million) and the decrease in personnel costs (€189.7 million), largely due to lower provisions for early-retirement incentives and the smaller average workforce (down 8%), partially offset by increased depreciation, amortization and impairment losses (€87.1 million).

Operating income totaled €2,757.1 million, an increase of €267.6 million compared with 2006.

Net financial expense and charges in respect of equity investments amounted to €221.3 million, compared with €174.5 million in 2006. The rise of €46.8 million is attributable to the increase in interest on the EIB loan (€37.2 million) following the disbursement of the third installment at the end of 2006 and interest expense on the intercompany current account with Enel SpA (€28.1 million) as a result of the larger average debtor balance on the account.

After taxes of €1,031.4 million, **net income for the year** came to €1,504.4 million.

Capital expenditure on property, plant and equipment and intangible assets totaled €1,450.6 million (€1,357.3 million in 2006).

Net capital employed came to €13,608.2 million, funded by shareholders' equity of €8,463.6 million (62.2%) and net financial debt of €5,144.6 million (37.8%).

The **workforce** at December 31, 2007, numbered 24,817, compared with 27,283 at December 31, 2006.

As in the rest of Europe, on July 1, 2007, the Italian electricity market was fully liberalized in implementation of Directive 54/2003. The Directive was transposed into Italian law with Decree Law 73/07 of June 18, 2007 (ratified with Law 125/07, which entered into force on August 15, 2007) and the changes affect nearly 30 million households, which can now change electricity suppliers if they wish, choosing the offer they consider most advantageous.

During the year Enel Energia strengthened its leadership position in the Italian free market, focusing on the combined sale of electricity and gas. It closed the year with about 1.7 million electricity customers in the free market and about 2.5 million gas customers.

The main corporate events involving the company during the year were:

- > the acquisition on July 31, 2007, of 90% of Amiagas, a gas sales company operating in the municipality of Carrara. Amiagas serves about 7,000 residential customers and a single industrial customer, with a total share of 23.7%. The price of the acquisition was €1.3 million;
- > the merger of Metansicula Vendita into Enel Energia with effect as from January 1, 2007. Enel Energia had acquired the company in 2006.

Revenues from sales and services amounted to €6,565.0 million, of which €4,664.2 million from the sale of electricity on the free market and €1,868.5 million from gas sales. The increase on the previous year was largely attributable to the substantial rise in the number of small and medium-sized business customers.

Operating costs totaled €6,619.9 million, a rise of €2,845.4 million on 2006, mainly due to an increase of €1,801.3 million in costs for the purchase of electricity and gas, essentially in reflection of the rise in electricity sold to small, medium-sized and large business customers, and one of €1,039.7 million for services, mainly as a result of the increase in transport costs (€959.5 million) due to the larger number of sites served and quantities transported as well as higher rates. Personnel costs rose by €21.3 million, largely attributable to the increase in the average workforce.

Net income/(charges) from commodity risk management showed net income of €33.6 million, essentially in respect of net income on two-way contracts for differences with Enel Trade (€42.7 million), partially offset by net unrealized charges on two-way contracts for differences entered into with Enel Servizio Elettrico at the end of the year and other hedging derivatives for gas (€9.1 million).

Operating income came to €11.9 million, an improvement of €28.0 million.

Net financial expense and charges in respect of equity investments amounted to €15.6 million, largely as a consequence of increased interest expense on the intercompany current account with Enel SpA as a result of the larger average debtor balance on the account.

The **net loss for the year** came to €11.4 million (€26.7 million at December 31, 2006).

Capital expenditure on property, plant and equipment and intangible assets totaled €44.4 million (€32.0 million in 2006).

Net capital employed came to €927.9 million, funded by shareholders' equity of €404.8 million (43.6%) and net financial debt of €523.1 million (56.4%).

The **workforce** at December 31, 2007, amounted to 717, compared with 521 at December 31, 2006.

In 2007, Enel Trade managed the procurement of fuels for Enel Group power plants and natural gas for Enel Energia SpA.

The company also traded in energy products in the domestic and international markets as well as providing shipping services and selling electricity to Enel Energia and non-Group wholesalers. Enel Trade also carried out hedging operations on behalf of Enel Group companies to protect against fluctuations in the price of energy commodities and continued to acquire CO₂ allowances needed for the Group's generation companies to comply with the applicable regulations.

On June 20, 2007, in implementation of the agreements reached in December 2005, Enel Trade completed the acquisition of 90% of Nuove Energie Srl, which is developing the regasification terminal at Porto Empedocle (Agrigento). When complete, the terminal will help diversify gas sources and increase the flexibility of supplies.

Revenues from sales and services amounted to €11,852.2 million in 2007, up €1,362.3 million on the previous year as a result of the net effect of increased electricity sales and reduced fuel sales and other sales and services.

Operating costs came to €11,695.5 million, a rise of €1,445.4 million attributable to increased purchases of electricity and fuels that were consistent with the rise in the related revenues and mainly the consequence of larger volumes handled.

Operating income amounted to €196.7 million, a decrease of €57.1 million on 2006.

Net income/(charges) from commodity risk management showed net income of €38.4 million, compared with net charges of €27.1 million the previous year. The result regarded contracts for differences in the amount of €15.8 million and other energy and oil commodity contracts in the amount of €22.6 million.

Net financial expense and charges in respect of equity investments amounted to €5.5 million. The net deterioration of €10.7 million is attributable to exchange rate differences (€5.7 million) and the performance of derivatives contracts with Enel SpA used to hedge exchange rate risk (€5.0 million).

After taxes of €68.4 million, **net income for the year** came to €133.8 million.

Capital expenditure on property, plant and equipment and intangible assets totaled €3.2 million (€2.4 million in 2006).

Net capital employed came to €140.2 million, down €345.2 million on the end of 2006. It is composed of non-current assets of €130.6 million and net current assets of €27.9 million less provisions of €18.3 million.

Shareholders' equity amounted to €242.8 million, while the net financial position showed a creditor balance of €102.6 million (compared with a debtor balance of €204.4 million at December 31, 2006).

The **workforce** at December 31, 2007, numbered 208, compared with 201 at December 31, 2006.

The company, which is registered in the Netherlands, operates as a holding company for equity investments in the electricity and energy sectors and in utility companies in general.

In 2007, the company was especially active in the many Group acquisitions abroad, including the acquisition of:

- > the entire share capital of the Panama-registered Globeleq Holdings SA for \$161 million (equal to €124.5 million). With the transaction, Enel Investment Holding increased its indirect stake in Fortuna, a Panamanian hydroelectric generation company that produces about 1,600 GWh a year, from 24.5% to 49%, thereby acquiring full operational control;
- > 40% of Artic Russia BV (formerly Eni Russia BV) for €15 million. Subsequently, a share premium of about €680 million was paid in to finance operations in Russia. Artic Russia BV holds 99.99% of the Russian company EniNeftegaz LLC (now SeverEnergia), which on April 4, 2007, won the tender to acquire gas assets following the bankruptcy of Yukos;
- > 100% of four Greek companies, each of which owns a wind generation plant, for a total capacity of 84 MW ("Elica Project Operating"), and 15% of a further four Greek companies, each of which owns a wind generation plant under construction ("Elica Project Under Construction"), which will have a capacity of 43.3 MW; as regards the latter investment, the company has paid a deposit of €37.5 million towards the acquisition of an additional stake. The total investment is estimated at €210 million;
- > 37.15% (in several installments) of OGC-5, a Russian thermal generation company that owns four power plants with a total installed capacity of 8,672 MW, for €1,644 million. Having exceeded the threshold of 30% and following the authorization obtained from the Russian antitrust authorities, on November 15 the company launched a compulsory public tender offer at a price of no more than 4.4275 rubles per share. The tender was completed successfully in February 2008;
- > 100% of Blue Line Impex Srl for €1.1 million. The Romanian company owns the rights to develop wind-power projects with an installed capacity of more than 200 MW in the Dobrogea region;
- > 50% of Enel Unión Fenosa Renovables SL (EUFER), a Spanish-based renewables generation company, from Enel Viesgo Generación SL (Viesgo), for €359.1 million;
- > 100% of the Mexican company Impulsora Nacional de Electricidad SRL de CV ("Inelec") for \$174 million, equal to €119.3 million. Inelec is a hydroelectric generation company that, through three subsidiaries, owns three plants with an installed capacity of 52 MW.

In addition, during the year the company also established Enel Maritza East 4 in Bulgaria in order to participate in a tender worth about €930 million for the construction of a 750 MW lignite-fired power plant and sold its entire holding in Erelis SaS to its subsidiary Enel France SaS for €14.4 million.

Net income from equity investments amounted to €12.8 million, primarily from the dividend distributed by Res Holding (€12 million).

Finance operations posted net income of €8.0 million.

Net income for the year totaled €19.4 million.

Net capital employed at December 31, 2007, came to €3,474.2 million (€323.2 million at December 31, 2006). It is composed of net non-current assets, essentially equity investments, of €3,510.2 million less negative net current assets of €36.1 million.

Shareholders' equity came to €3,218.9 million (€175.6 million at December 31, 2006), up €3,043.3 million, largely as a result of the recapitalization of €3,000 million carried out by Enel SpA in July 2007.

The company, headquartered in Luxembourg, functions as a holding company for equity investments and financial assets, both with other Group companies and third parties.

In 2007 the company granted:

- > a revolving line of credit of \$200 million to Artic Russia BV, which was undrawn at December 31, 2007;
- > two revolving lines of credit, both falling due on December 31, 2009, to Enel France SA and Erelis SaS in the amount of €172 million and €21 million respectively; at December 31, 2007, the two companies had drawn €168.9 million and €2.5 million respectively.

In addition, the company granted Enel SpA a loan of €10.5 billion falling due on December 31, 2007. The loan was subsequently renegotiated, with effect from January 1, 2008, with two loans of €2.6 billion and €7.9 billion, both falling due on December 31, 2013.

During the year the company also extended the maturities for the loan of €307.5 million granted in 2006 to Enel Green Power International SA and that of \$50.0 million granted in 2006 to Enel North America Inc to December 31, 2008. The latter was also increased to \$77.0 million, equal to €52.3 million at December 31, 2007.

As regards loans received, the company extended the maturity of the €57.6 million loan received from its subsidiary Enel Ireland Finance Ltd on January 2, 2006, to March 31, 2008.

In addition, the company agreed a multi-tranche syndicated credit facility with Mediobanca and other banks with a maximum duration of five years in the amount of about €14 billion. The credit facility, which was negotiated in order to finance the acquisition of Endesa, was reduced in increments during 2007 and stood at €7.8 billion at December 31, 2007.

Finally, the Global Medium-Term Notes program, initiated in 2005 and guaranteed by Enel SpA, was renewed and increased from €10 billion to €25 billion. During 2007, issues under the program amounted to \$3.5 billion and ¥20 billion, equal to €2,650.1 million.

In 2005 the company had participated in the launch of another major financing program (the "Euro Commercial Paper Program" or ECP Program) totaling €4.0 billion, under which the company is the issuer and Enel SpA the guarantor. Total commercial paper issued and not repaid at December 31, 2007, came to €2,366.4 million.

Net other charges amounted to €1.2 million, an increase of €1.1 million on 2006, mainly due to the increased volume of business.

Net financial income totaled €7.5 million (compared with net financial expense of €0.4 million in 2006), generated by the spread between the yield on medium/long-term lending and the average cost of funds.

Net income for the year came to €4.5 million after taxes of €1.8 million, mainly in the form of net financial income.

Total **funding requirements** at December 31, 2007, came to €1,287.8 million (€1,282.2 million at December 31, 2006) and are covered by shareholders' equity of €1,423.0 million (€1,418.5 million at December 31, 2006), and net financial debt of €135.2 million (€136.3 million at December 31, 2006).

Enel Servizi is responsible for the administrative management of personnel, the organization, implementation and supply of IT services, administration and the delivery of support services for property management on behalf of all Enel Group companies based in Italy.

Last year the company was involved in implementing additional initiatives to enhance operating efficiency and improve service quality, in line with the operational excellence objectives of the Group.

Work also continued on the centralization of responsibility for support activities for the entire Group with the company. With this aim in mind, on December 1, 2007 (taking effect for accounting and tax purposes as from January 1, 2007), Dalmazia Trieste Srl and Cise Srl were merged into Enel Servizi Srl, thus facilitating achievement of the goal of centralizing direct control over all property management activities with a single company, rationalizing and simplifying property management processes and reducing administrative/corporate costs through the rationalization of the chain of control.

Other significant events during the year included:

- > the acquisition on January 1, 2007, of the "Administration" unit of Enel Rete Gas SpA;
- > the completion, in February, of the "Demetra" sale by Dalmazia Trieste Srl of a portfolio of property no longer considered strategic for the Group.

Revenues amounted to €1,105.6 million in 2007 (€939.2 million in 2006), an increase of €166.4 million largely attributable to increased revenues from sales and services (€147.5 million) as a consequence of the new scope of operations.

More specifically, total revenues from sales and services of €1,072.1 million break down as follows: €526.8 million in the Information & Communication Technology area, €413.4 million in the Services area, €74.6 million in the Administration area and €57.3 million in the Human Resource Administration area.

Operating costs came to €1,029.0 million (€923.5 million in 2006) and include services, leases and rentals (€523.9 million), personnel (€291.8 million), materials (€122.5 million) and depreciation, amortization and impairment losses (€79 million). Operating costs rose by a total of €105.5 million, mainly owing to increased expenditure on software and hardware for company requirements and for resale to Group companies and use in contract work in progress and the provision of services.

Operating income amounted to €76.6 million (€15.7 million in 2006).

Net financial expense and charges in respect of equity investments totaled €15.5 million (€3.4 million in 2006) and basically refer to interest expense on long-term loans (€10.6 million) and the intercompany current account (€4.2 million).

After taxes of 52.9 million, **net income for the year** came to €8.2 million (€2.7 million in 2006).

Net capital employed amounted to €631.1 million (€626.1 million at December 31, 2006). It is composed of net non-current assets of €667.1 million and net current assets of €134.5 million, less provisions of €170.5 million, and is funded by shareholders' equity of €500.2 million and net financial debt of €130.9 million.

The **workforce** at December 31, 2007, numbered 4,076, compared with 4,333 at December 31, 2006.

Enel Energy Europe Srl

The company, established by Enel SpA on March 22, 2006, is engaged in the acquisition, holding and management of equity investments in other companies, enterprises and other entities in Italy and abroad.

In 2007 the company acquired shares of Endesa SA, Spain's leading electricity company, in a series of transactions. More specifically, on February 27, 2007, Enel Energy Europe purchased 105,800,000 shares of Endesa SA, 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. Subsequently, in transactions carried out on March 1, 2 and 12, 2007, Enel Energy Europe 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 for a total of €6,185.5 million). On June 1, 2007, the company requested physical settlement of the swaps through delivery of the shares, which took place on June 6, 2007. As a result, Enel Energy Europe raised its holding to 264,401,597 shares, or from 9.99% to 24.97% of share capital. On March 26, 2007, the company signed an agreement with Acciona for the joint management of Endesa by means of a public tender offer for all of Endesa. On October 1, 2007, the offer period came to an end. In accordance with the agreement between the company and Acciona, following completion of the offer period, Enel Energy Europe acquired 42.08% of the share capital of Endesa (equal to 445,522,261 shares) for €17,892.2 million, while Acciona acquired 3.97% (equal to 42,079,382 shares). Therefore, following completion of the takeover bid, Enel Energy Europe 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).

Revenues for the year were equal to zero, as the company did not engage in any operational activity.

Operating costs came to €41.2 million and are essentially composed of costs associated with the acquisition of Endesa. They include communication costs of €20.4 million, costs for services totaling €15.6 million and legal costs of €5.2 million.

As a result, the company posted an **operating loss** of €41.2 million.

Net financial income/(charges) from equity investments came to €156.3 million, the net result of income from equity investments of €711.9 million, mainly in the form of dividends paid by Endesa on the investment held by the company (€656.4 million) and net financial expense of €555.6 million, largely regarding interest expense on the intercompany current account and other

financial expense incurred with Enel SpA as part of the public tender offer for Endesa (€522.8 million).

After taxes of €15.2 million, **net income for the year** amounted to €99.9 million.

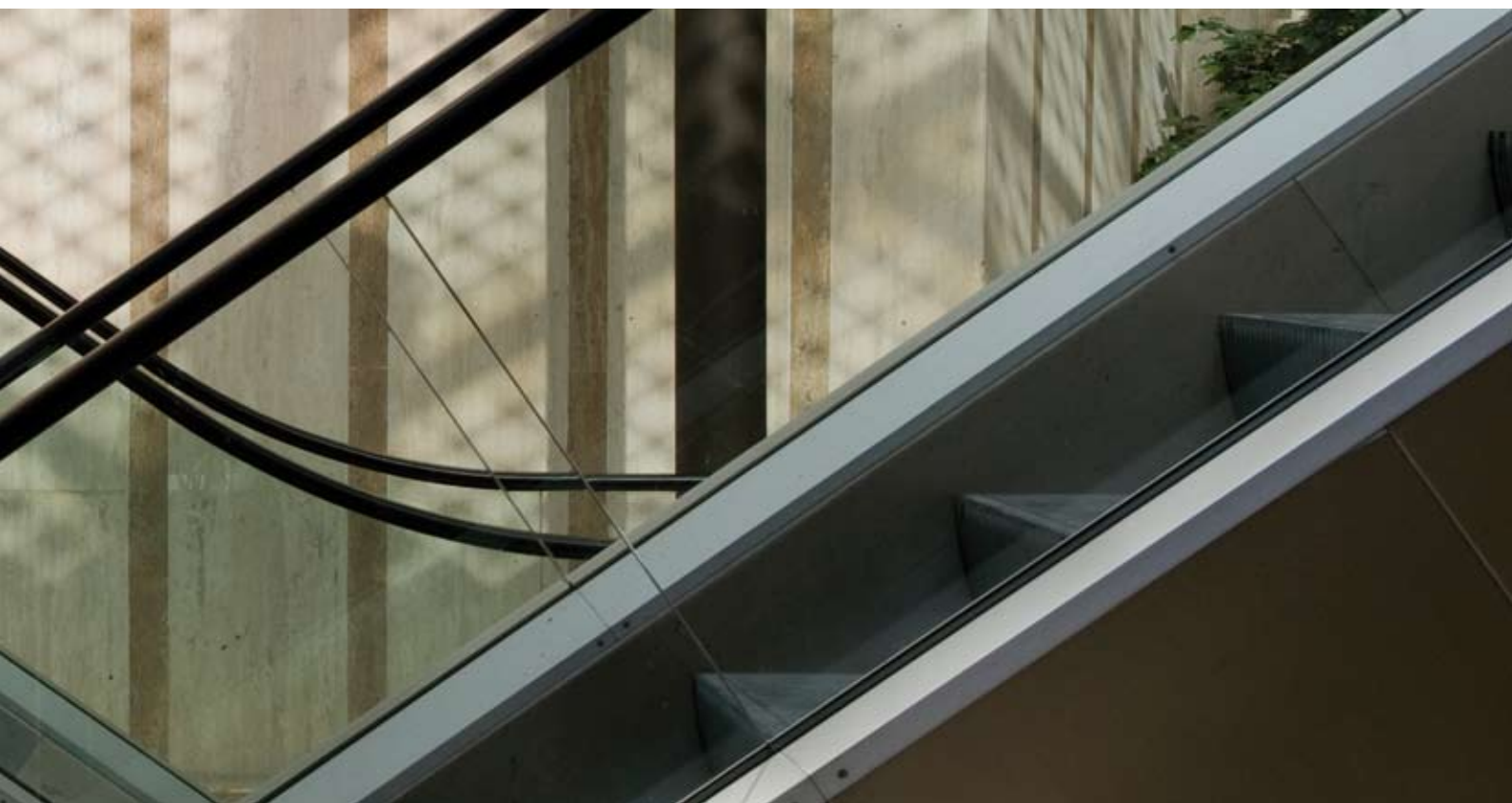
Net capital employed at December 31, 2007, came to €28,591.6 million. It is composed of net non-current assets of €28,342.5 million and net current assets of €253.9 million, less provisions of €4.8 million.

Net non-current assets reflect the value of the equity investment in Endesa including incidental expenses, equal to €138.7 million, and regard the acquisition of 67.05% of that company's share capital, essentially financed through the intercompany current account with Enel SpA.

At December 31, 2007, **shareholders' equity** came to €3,099.9 million, largely attributable to the recapitalization of €3,000.0 million carried out on March 27, 2007, by the sole shareholder Enel SpA with the waiver of part of its receivable due from the company.

Net financial debt came to €25,491.6 million.





Organization

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

In particular, in December 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 protected market was spun off to Enel Servizio Elettrico with effect from January 1, 2008.

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 Distribuzione and Enel Produzione to Enel Servizi effective as of January 1, 2008.

Within the Group, Project Zenith was launched in order to pursue operational excellence, involving all areas of the Group. 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.

In particular, the recruiting process 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.

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 Corporate, 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 Torrevaldaliga 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.

Compensation and incentive systems

Compensation policy 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, with 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.

Stock option plans

Since 2000 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 (weight: 50%) and the FTSE Eurotop 300 Electricity index (weight: 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 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 temporal '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 temporal “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 January 2, 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 (year of expiration: 2007)			2003 plan (year of expiration: 2008)			2004 plan (year of expiration: 2009)			2006 plan (year of expiration: 2012)			2007 plan (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⁾
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.

Stock options granted to the General Manager and managers with strategic responsibilities

The following table reports the stock options of the General Manager (and Chief Executive Officer) of Enel SpA and Company managers with strategic responsibilities. The information regarding the latter is provided in aggregate form, pursuant to the provisions of Article 78 and annex 3C of Consob Resolution no. 11971/99 (the "Issuers Regulation").

Each option in the table corresponds to the subscription of one share.

Name	Position	Options held at the start of 2007			Options granted in 2007			Options exercised in 2007			Options lapsed in 2007		Options held at the end of 2007	
		Number of options	Average exercise price (euro)	Average expiry	Number of options	Average exercise price (euro)	Average expiry	Number of options	Average exercise price (euro)	Average market price at exercise (euro)	Number of options	Number of options	Average exercise price (euro)	Average expiry
Fulvio Conti ⁽¹⁾	General Manager Enel SpA	2,930,960	6.401	2011	1,500,000	7.859	2013	336,000	6.426	8.162	0	4,094,960	6.933	2012
-	Managers with strategic responsibilities ⁽²⁾	7,588,636	6.634	2012	4,941,167	7.859	2013	1,042,797	6.242	8.007	0	11,487,006	7.197	2013

(1) Of the options reported in the table, those granted up through all of 2005 were granted to Fulvio Conti as head of the Administration, Finance and Control Department of Enel SpA, the position he held until June 20, 2005.

(2) In 2007, managers with strategic responsibilities included heads of Enel SpA Departments and Division heads, for a total of 15 management positions.



Shares held by directors, members of the Board of Auditors, the General Manager and managers with strategic responsibilities

As provided for by Article 79 of Consob Resolution no. 11971/99 (the "Issuers Regulation"), the table below sets out the number of shares in Enel SpA or its subsidiaries owned directly or through subsidiaries, trust companies or third parties by directors, members of the Board of Auditors, the General Manager and managers with strategic responsibilities, as well as their spouses (if not legally separated) or minor children. The data presented is based on the information found in the shareholder register and in notices received from and information supplied by the directors, members of the Board of Auditors, the General Manager and managers with strategic responsibilities themselves. The information regarding the latter is provided in aggregate form, pursuant to the provisions of annex 3C of the Issuers Regulation.

All persons who held the position of director, statutory auditor, General Manager or manager with strategic responsibilities at some time in 2007 are included. Those persons who are not listed therefore did not own any shares in Enel SpA or its subsidiaries during 2007.

Name	Company in which shares are held	Number of shares held at year-end 2006	Number of shares purchased in 2007	Number of shares sold in 2007	Number of shares held at year-end 2007	How held
Ballio Giulio	Enel SpA	1,700 ⁽¹⁾	14,300 ^{(1) (2)}	-	16,000 ⁽¹⁾	Owned
Conti Fulvio	Enel SpA	41,399 ⁽³⁾	366,000 ⁽⁴⁾	262,477 ⁽⁵⁾	144,922 ⁽⁶⁾	Owned
Giordano Giancarlo	Enel SpA	524	-	-	524	Owned
Gnudi Piero	Enel SpA	70,524 ⁽⁷⁾	-	-	70,524 ⁽⁷⁾	Owned
Mariconda Gennaro	Enel SpA	12,600 ⁽⁸⁾	9,000 ⁽⁹⁾	-	21,600 ⁽¹⁰⁾	Owned
Taranto Francesco	Enel SpA	10,000	-	-	10,000	Owned
Managers with strategic responsibilities ^(a)	Enel SpA	94,802	1,055,397 ⁽¹¹⁾	943,962 ⁽¹²⁾	206,237	Owned
	Endesa	-	300	-	300	Owned

(a) In 2007, managers with strategic responsibilities included heads of Enel SpA Departments and Division heads, for a total of 15 management positions.

(1) All held by spouse.

(2) Of which 85 from granting of bonus shares.

(3) Of which 40,637 held personally and 762 held by spouse.

(4) Of which 336,000 subscribed in exercise of stock options.

(5) All from exercise of stock options.

(6) Of which 144,160 held personally and 762 held by spouse.

(7) Of which 262 held personally, 24,262 held by spouse, 46,000 by subsidiaries.

(8) Of which 6,300 held personally and 6,300 held by spouse.

(9) Purchase carried out through individual portfolio management account in the absence of instructions from the manager involved.

(10) Of which 15,300 held personally and 6,300 held by spouse.

(11) Of which 1,042,797 from exercise of stock options.

(12) Of which 937,962 from exercise of stock options.



Enel SpA does not directly conduct research and development activities. Such projects are carried out by other Group subsidiaries and associated companies. In particular, Enel Produzione is engaged in “competitive research”, primarily aimed at increasing the efficiency and improving the costs and environmental compatibility of the generation process. “System research”, conducted for the benefit of the entire Italian electrical system, governed by regulations concerning the reorganization of the electrical industry and remunerated through a specific rate component, is conducted by the associated company Cesi.



Outlook

Enel's results and level of debt in its capacity as a holding company will continue to be affected by the results of its subsidiaries, notably the positive effects of the integration and consolidation of international operations, as a consequence of the new size achieved by the Group.

The integration of Enel's international acquisitions and targeted growth in the markets in which the Group already operates are one of the strategic priorities in the coming years, with a focus on creating value for shareholders.

Enel will continue its programs to achieve operational excellence and optimize costs, with a special emphasis on improving the financial position, which in the last year has been affected by the international expansion.

Finally, Enel will continue to manage existing long-term contracts for the purchase of energy from Switzerland.

Other information

Personal Data Protection Code (Legislative Decree 196 of June 30, 2003)

Enel SpA prepared its Security Policy Document pursuant to Article 34 of the "Personal Data Protection Code" (Legislative Decree 196 of June 30, 2003). The document will be updated as required by the law.

Approval of the financial statements

The Ordinary Shareholders' Meeting to approve the financial statements, as provided for by Article 12.2 of the Bylaws of Enel SpA, is called within six months of the closing of the financial year.

In accordance with Article 2364.2 of the Civil Code, the fact that the meeting is called within six months rather than within the usual 120 days from the close of the period is due to the fact that Enel is also required to prepare consolidated financial statements.

Atypical or unusual operations

Pursuant to the Consob Notice of July 28, 2006, Enel did not carry out any atypical or unusual operations in 2007.

Such operations include transactions whose significance, size, nature of the counterparties, object, method for calculating the transfer price or timing could give rise to doubts concerning the propriety and/or completeness of disclosure, conflicts of interest, preservation of company assets or protection of minority shareholders.

Own shares

The Company does not hold treasury shares.

Disclosures on financial instruments

The disclosures on financial instruments required by Article 2428.2, no. 6 bis of the Civil Code are reported in the notes to the financial statements.

Transactions with related parties

Please consult the notes to the financial statements for information on transactions with related parties.

Subsequent events

Significant events following the close of the year are discussed in the notes to the financial statements.

Financial statements

Euro	Notes	2007		2006	
			<i>of which with related parties</i>		<i>of which with related parties</i>
Revenues					
Revenues from sales and services	5.a	1,057,997,271	800,258,337	1,113,828,317	960,310,598
Other revenues	5.b	20,896,685	11,428,602	72,350,590	8,831,482
	<i>[Sub-total]</i>	1,078,893,956		1,186,178,907	
Income from equity exchange transaction and disposal of significant equity investments	6	-		189,666,244	43,272,895
Costs					
Electricity purchases and consumables	7.a	603,271,798	14,490,656	621,251,511	28,872,760
Services, leases and rentals	7.b	389,540,742	92,147,720	252,694,874	91,374,594
Personnel	7.c	100,175,444	94,764	87,414,476	88,490
Depreciation, amortization and impairment losses	7.d	15,994,932		24,782,569	
Other operating expenses	7.e	43,416,848	7,309,922	39,450,208	52,586,815
	<i>[Sub-total]</i>	1,152,399,764		1,025,593,638	
Operating income		(73,505,808)		350,251,513	
Income from equity investments	8	3,891,848,410	3,891,848,410	3,074,372,929	3,074,254,685
Financial income	9	1,814,873,712	1,217,701,386	778,147,939	454,879,948
Financial expense	9	1,953,518,402	521,910,172	788,205,121	213,897,869
	<i>[Sub-total]</i>	3,753,203,720		3,064,315,747	
Income before taxes		3,679,697,912		3,414,567,260	
Income taxes	10	(207,718,953)		67,854,991	
NET INCOME FOR THE YEAR		3,887,416,865		3,346,712,269	

92 Balance sheet

Euro	Notes	at Dec. 31, 2007		at Dec. 31, 2006	
ASSETS			<i>of which with related parties</i>		<i>of which with related parties</i>
Non-current assets					
Property, plant and equipment	11	7,621,582		8,991,949	
Intangible assets	12	17,280,943		13,427,007	
Deferred tax assets	13	106,851,548		192,162,474	
Equity investments	14	21,659,148,760		15,634,489,789	
Non-current financial assets	15	845,970,347	735,639,766	2,748,636,273	1,772,086,195
Other non-current assets	16	3,956,611		27,060,663	
	<i>[Total]</i>	22,640,829,791		18,624,768,155	
Current assets					
Trade receivables	17	483,393,843	479,803,737	262,774,449	254,221,863
Tax receivables	18	279,206,583		199,640,272	
Current financial assets	19	36,726,298,478	35,565,495,963	6,073,721,518	6,046,596,410
Cash and cash equivalents	20	10,381,038		77,793,567	
Other current assets	21	629,064,853	309,714,543	615,431,126	233,012,144
	<i>[Total]</i>	38,128,344,795		7,229,360,932	
TOTAL ASSETS		60,769,174,586		25,854,129,087	

Euro	Notes	at Dec. 31, 2007		at Dec. 31, 2006	
LIABILITIES AND SHAREHOLDERS' EQUITY				<i>of which with related parties</i>	<i>of which with related parties</i>
Shareholders' equity					
Share capital		6,184,367,853		6,176,196,279	
Other reserves		4,736,332,841		4,491,356,335	
Retained earnings/(losses carried forward)		2,139,610,656		1,821,056,735	
Net income for the period ⁽¹⁾		2,650,586,167		2,111,542,789	
TOTAL SHAREHOLDERS' EQUITY	22	15,710,897,517		14,600,152,138	
Non-current liabilities					
Long-term loans	23	26,377,745,055	<i>521,598,530</i>	8,165,363,974	<i>571,408,858</i>
Post-employment and other employee benefits	24	415,046,417		429,513,976	
Provisions for risks and charges	25	30,741,408		41,786,693	
Deferred tax liabilities	26	108,665,306		46,856,668	
Non-current financial liabilities	27	215,969,127		73,569,179	
	<i>[Total]</i>	27,148,167,313		8,757,090,490	
Current liabilities					
Short-term loans	28	14,714,143,009	<i>13,705,107,894</i>	990,624,419	<i>549,415,095</i>
Current portion of long-term loans	23	1,141,778,147	<i>50,000,000</i>	84,967,796	
Trade payables	29	422,213,082	<i>58,627,398</i>	423,348,433	<i>99,742,848</i>
Current financial liabilities	30	929,233,790	<i>408,823,613</i>	349,603,154	<i>75,486,744</i>
Other current liabilities	31	702,741,728	<i>156,922,202</i>	648,342,657	<i>221,716,622</i>
	<i>[Total]</i>	17,910,109,756		2,496,886,459	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		60,769,174,586		25,854,129,087	

(1) Net income is reported net of interim dividend equal to €1,236.8 million (€1,235.1 million for 2006).

94 Statement of Cash Flows

Euro	Notes	2007		2006	
			<i>of which with related parties</i>		<i>of which with related parties</i>
Income for the year		3,887,416,865		3,346,712,269	
Adjustments for:					
Depreciation and amortization of property, plant and equipment and intangible assets	7.d	15,994,932		16,752,569	
Exchange rate gains and losses		(134,182,148)	(274,053)	(6,534,224)	447,783
Provisions		43,394,754		33,358,292	
Dividends from subsidiaries, associates and other companies	8	(3,891,848,410)	(3,891,848,410)	(3,074,372,929)	(3,074,372,929)
Financial (income)/expense		254,999,249	(695,517,161)	16,591,406	(240,977,045)
Income taxes	10	(207,718,953)		67,854,991	
(Gains)/Losses and other non-monetary items		170,819,189		(215,116,372)	(43,272,895)
Cash flows from operating activities before changes in net current assets		138,875,478		185,246,002	
Increase/(Decrease) in provisions		(61,923,849)		(820,250,637)	
(Increase)/Decrease in trade receivables	17	(220,619,394)	(225,581,874)	(3,061,961)	(19,839,053)
(Increase)/Decrease in financial and non-financial assets/liabilities		1,683,718,772	814,937,443	1,613,176,772	129,337,642
Increase/(Decrease) in trade payables	29	(1,135,351)	(41,115,450)	65,984,011	49,841,069
Interest income and other financial income collected		478,916,182	190,225,758	377,440,549	244,854,694
Interest expense and other financial expense paid		(970,594,454)	(117,531,937)	(548,041,950)	(71,599,547)
Dividends from subsidiaries, associates and other companies	8	3,891,848,410	3,891,848,410	3,074,372,929	3,074,372,929
Income taxes paid (consolidated taxation mechanism)		(1,241,626,288)		(564,432,077)	
Cash flows from operating activities (a)		3,697,459,506		3,380,433,638	
Investments in property, plant and equipment and intangible assets	11-12	(18,478,501)		(13,447,811)	
Equity investments	14	(6,006,026,545)	(6,006,026,545)	(356,874,973)	(356,874,973)
Disposals of equity investments	14	-		1,686,000,000	358,000,000
Cash flows from investing/disinvesting activities (b)		(6,024,505,046)		1,315,677,216	
Long-term debt (new borrowing)	23	19,572,491,000		1,086,572,165	571,408,858
Long-term debt (repayments)	23	(84,570,000)		(678,094,409)	
Net change in long-term financial debt		709,143,613	986,636,101	84,534,289	84,534,289
Net change in short-term financial debt		(14,958,045,343)	(16,363,206,754)	(1,314,328,059)	(983,256,456)
Dividends paid	22	(3,029,819,564)		(3,950,400,107)	
Increase in share capital and reserves due to the exercise of stock options	22	50,433,305		107,869,200	
Cash flows from financing activities (c)		2,259,633,011		(4,663,846,921)	
Increase/(Decrease) in cash and cash equivalents (a+b+c)		(67,412,529)		32,263,933	
Cash and cash equivalents at the beginning of the year	20	77,793,567		45,529,634	
Cash and cash equivalents at the end of the year	20	10,381,038		77,793,567	

Statement of Recognized Income and Expenses for the Period

Euro	Notes	2007	2006
Effective portion of change in the fair value of cash flow hedges		168,925,159	35,599,769
Change in the fair value of financial investments available for sale		26,805,390	28,886,015
Net income for period recognized in equity	22	195,730,550	64,485,784
Net income for period recognized in income statement	22	3,887,416,865	3,346,712,269
TOTAL RECOGNIZED INCOME AND EXPENSES FOR THE PERIOD		4,083,147,414	3,411,198,053

Notes to the financial statements

1. Form and content of the financial statements

Enel SpA operates in the electricity and gas sector, is incorporated as a company limited by shares (*società per azioni*) and has its registered office in Viale Regina Margherita 137, Rome, Italy.

As Parent Company, Enel SpA prepared the consolidated financial statements of the Enel Group for the year ending December 31, 2007, published in a separate document.

On March 12, 2008 the Board of Directors authorized the publication of these financial statements at December 31, 2007.

These financial statements have been audited by KPMG SpA.

Compliance with IFRS/IAS

The 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 Commission (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 financial statements consist of the balance sheet, the income statement, the statement of cash flows, the statement of recognized income and expenses for the period and the related notes.

The assets and liabilities reported in the 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 income statement is classified on the basis of the nature of costs, while the indirect method is used for the cash flow statement.

The financial statements are presented in euro, the functional currency of the Company. 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.

The balance sheet, income statement and statement of cash flows report transactions with 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 members of the Board of Auditors of Enel SpA, 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.

Use of estimates

Preparing the 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 are used to recognize provisions for doubtful accounts, depreciation and amortization, impairment losses, liabilities in respect of employee benefits, taxes and other provisions. 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.

2. Accounting policies and measurement criteria

Translation of foreign currency items

Transactions in currencies other than the functional currency are recognized in these financial statements at the exchange rate prevailing on the date of the transaction. Monetary assets and liabilities denominated in a foreign currency other than the functional currency are later adjusted using the balance sheet exchange rate. Any exchange rate differences are recognized in profit or loss. Non-monetary assets and liabilities in foreign currency stated at historic cost are translated using the exchange rate prevailing on the date of initial recognition of the transaction. Non-monetary assets and liabilities in foreign currency carried at fair value are translated using the exchange rate prevailing on the date the related carrying amount is determined.

Equity investments in subsidiaries, associated companies and joint ventures

Subsidiaries comprise those entities for which Enel SpA has the direct or indirect power to determine their financial and operating policies for the purposes of obtaining the benefits of their activities. Associated companies comprise those entities in which Enel SpA has a significant influence. Joint ventures are enterprises in which Enel SpA exercises joint control with other entities. In assessing the existence of a situation of control, significant influence and joint control, account is also taken of potential voting rights that are effectively exercisable or convertible. These equity investments are measured at cost. Cost is adjusted for any impairment losses. Adjustments for impairment losses are reversed where the reasons for their recognition no longer obtain. The reversal may not exceed the original cost. Where the loss pertaining to the Company exceeds the carrying amount of the investment and the Company has committed to performing the legal or constructive

obligations of the investee or in any event to cover its losses, the excess with respect to the carrying amount is recognized in liabilities in the provision for risks and charges.

Property, plant and equipment

Property, plant and equipment, which mainly regards leasehold improvements, is recognized at historic cost, including directly attributable ancillary costs necessary for the asset to be ready for use. 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.

Subsequent expenditure is recognized as an increase in the carrying amount of the asset when it is probable that future economic benefits deriving from the cost incurred 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.

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
Leasehold improvements	Shorter of term of lease and residual useful life
Civil buildings	40 years
Other assets	7 years

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 follows.

Amortization is calculated on a straight-line basis over the item's estimated useful life, which is checked annually; any changes in amortization policies are reflected on a prospective basis.

Amortization commences when the asset is ready for use.

Intangible assets regard software licenses with an estimated useful life of three to five years.

Impairment losses

Property, plant and equipment and intangible assets with a definite useful life are reviewed at least once a year to determine whether there is evidence of impairment. If such evidence exists, the recoverable amount is estimated.

The recoverable amount of intangible assets not yet available for use is estimated at least annually.

The recoverable amount is the higher of an asset's fair value less selling costs and its value in use.

Value in use is determined by discounting estimated future cash flows using a pre-tax discount rate that reflects the current market assessment of the time value of money and the specific risks of the asset.

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 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.

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.

Impairment losses are measured as the difference between the carrying amount and the present value of expected future cash flows discounted using the effective interest rate.

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 previously recognized in equity 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, recognized in profit or loss and not reversible, 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.

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.

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.

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 statement of cash flows.

Trade payables

Trade payables are recognized at amortized cost. Trade payables falling due in line with generally accepted trade terms are not discounted.

Financial liabilities

Financial liabilities other than derivatives are initially recognized at the settlement date at fair value, less directly attributable transaction costs. Financial liabilities are subsequently measured at amortized cost using the effective interest rate method.

Derivative financial instruments

Derivatives are recognized at the trade date at fair value and are designated as hedging instruments when the relationship between the derivative and the hedged item is formally documented and the effectiveness of the hedge (assessed periodically) is high.

The manner in which the result of measurement at fair value is recognized depends on the type of hedge accounting adopted:

- > fair value hedges: 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.
- > cash flow hedges: 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. The accumulated gains and losses are subsequently released from equity to profit or loss in line with the gains and losses on the hedged items.

The ineffective portion of the fair value of the hedging instrument is taken directly to profit or loss under "Net financial income/(expense)".

Changes in the fair value of derivatives that no longer qualify for hedge accounting under IFRS-EU are recognized in profit or loss.

The fair value is determined using the official prices for instruments traded on regulated markets. The fair value of instruments not listed on regulated markets is determined by 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.

Financial and non-financial contracts (where they have not already been measured at fair value through profit or loss) are assessed to determine whether they contain any embedded derivatives that need to be separated and measured at fair value.

Employee benefits

Liabilities related to employee benefits paid upon leaving or after ceasing employment in connection with defined benefit plans or other long-term benefits accrued during the employment period, which are recognized net of any plan assets, are determined separately for each plan, using actuarial assumptions to estimate the amount of the future benefits that employees have accrued at the balance sheet date. The liability is recognized on an accruals basis over the vesting period of the related rights. These appraisals are performed by independent actuaries.

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 the Company shows 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 through the income statement, with a specific equity contra-item, over the vesting period considering the best estimate possible of the number of options that will become exercisable.

Provisions for risks and charges

Accruals to the provisions for risks and charges are recognized where there is a legal or constructive obligation as a result of a past event at period-end, the settlement of which is expected to result in an outflow of resources whose amount can be reliably estimated. Where the impact is significant, the accruals are determined by discounting expected future cash flows using a pre-tax discount rate that reflects the current market assessment of the time value of money and, if applicable, the risks specific to the liability. If the amount is discounted, the periodic adjustment of the present value due to the time value of money is recognized as a financial expense. Changes in estimates are recognized in the income statement in the period in which the changes occur and are classified under the same item reporting the related provision.

Revenues

Revenues are recognized using the following criteria depending on the type of transaction:

- > 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. Where applicable, this revenue is based on the rates and related restrictions established by law and the Authority for Electricity and Gas during the applicable period;

- > 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.

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. The item 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.

Financial income comprises interest earned on the Company's liquidity, accrued interest in application of amortized cost, changes in the fair value of financial assets recognized through profit or loss, foreign exchange gains and gains on hedges recognized through profit or loss.

Financial expense comprises interest expense on loans, changes deriving from the application of amortized cost, foreign exchange losses, changes in the fair value of financial instruments recognized at fair value through profit or loss and losses on hedges recognized through profit or loss.

Dividends

Dividends from equity investments 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, recognized under tax payables/receivables net of any payments on account, 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 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.

3. 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 Committee (IFRIC).

- > "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 standard.
- > "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 interpretation.
- > "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.

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 as of the financial statements for periods beginning on or after January 1, 2007. It establishes that an entity shall apply the provisions of IAS 29 in a reporting period in which it identifies the existence of hyperinflation in the economy of its functional currency as if the economy had always been hyperinflationary. The application of this interpretation had no impact for Enel.
- > “IFRIC 8 – Scope of IFRS 2”: this interpretation clarifies whether IFRS 2 applies to arrangements where entities cannot specifically identify a portion or the entirety of the goods or services received. The issue addressed in this interpretation provides that, in the case in which the identifiable consideration received is less than the fair value of the equity instruments granted or liability incurred, the unidentifiable goods/services received (or to be received) shall be valued, at the date of granting, at an amount equal to the difference between the fair value of the share-based payment and the fair value of the goods/services received (or to be received). The application of this interpretation, which took effect starting as of the financial statements for periods beginning on or after May 1, 2006, had no impact for Enel.
- > “IFRIC 9 – Reassessment of embedded derivatives”: this interpretation establishes that the company shall assess whether embedded derivatives are to be recognized separately from the host contract at the time the company becomes party to the contract. Subsequent reassessment of the terms of the contract for separate recognition is prohibited, unless there is a change in the underlying contract that significantly modifies the related cash flows. The application of this interpretation, which took effect starting as of the financial statements for periods beginning on or after June 1, 2006, had no impact for Enel.
- > “IFRIC 10 – Interim financial reporting and impairment”: the interpretation, which was adopted by the European Commission on June 1, 2007 with Regulation (EC) 610/2007, took effect starting as of the financial statements for periods beginning on or after November 1, 2006. The interpretation supplements the provisions of IAS 34 concerning the requirement to use the same accounting policies for interim financial reports as those used for the annual financial statements, with those of IAS 36 and IAS 39 concerning the recognition of impairment losses on goodwill and certain financial assets. IFRIC 10 prohibits the reversal of an impairment loss recognized in an interim period in respect of goodwill or an investment in an equity investment classified as available for sale or in a financial asset carried at cost. The application of this interpretation had not impact for Enel.

4. Risk management

Market risk

As part of its operations, Enel SpA is exposed to different market risks, notably the risk of changes in interest rates, exchange rates and, to a limited extent, commodity prices.

To minimize this exposure, Enel enters into derivatives contracts to hedge individual transactions and overall exposures using instruments available on the market. Transactions that, in compliance with risk management policies, qualify for hedge accounting are designated as hedging transactions, while those that do not qualify for hedge accounting are classified as trading transactions.

The fair value is determined using the official prices for instruments traded on regulated markets. The fair value of instruments not listed on regulated markets is determined using valuation methods appropriate for each type of financial instrument and market data as of the close of the financial year (such as interest rates, exchange rates, commodity prices, volatility), discounting expected future cash flows on the basis of the market yield curve at the balance-sheet date and translating amounts in currencies other than the euro using period-end exchange rates provided by the European Central Bank.

Contracts relating to commodities are measured using, where available, market prices related to the same instruments on both regulated and other markets.

The financial assets and liabilities associated with derivative instruments are classified as:

- > cash flow hedge derivatives, mainly related to hedging the risk of changes in the cash flows associated with a number of long-term floating-rate loans;
- > trading derivatives, related to hedging exchange rate risk and commodity risk but which do not qualify for recognition under IAS 39 as hedges of specific assets, liabilities, commitments or future transactions.

The measurement techniques used for the open derivatives positions at the end of the year are the same as those adopted the previous year. Accordingly, the impact on profit or loss and shareholders' equity of such measurement is essentially attributable to normal market developments.

The notional value of a derivative is the contractual amount on the basis of which differences are exchanged. This amount can be expressed as a value or a quantity (for example tons, converted into euro by multiplying the notional amount by the agreed price). Amounts denominated in currencies other than the euro are 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 Company's credit risk exposure.

Interest rate risk

Various types of derivatives are used to reduce the amount of debt exposed to interest rate fluctuations and to reduce borrowing costs, notably interest rate swaps.

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.

In the performance of its activities, Enel SpA also hedges interest rate risk on behalf of Group companies, centralizing the management of that risk in compliance with specific Group policies and then "rehedging" the exposure with non-Group counterparties.

The notional value of open interest rate swaps at the end of the year was €10,208.7 million (€6,468.3 million at December 31, 2006) and includes the value of derivatives contracts with Group companies (€2,565.4 million, compared with €2,339.3 million in 2006) hedging the interest rate risk on their own debt, with a corresponding amount of interest rate swaps with external counterparties.

Interest rate swaps are normally 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		Notional assets		Fair value assets		Notional liabilities		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	at Dec. 31, 2007	at Dec. 31, 2006	at Dec. 31, 2007	at Dec. 31, 2006
Cash flow hedge derivatives:												
Interest rate swaps	3,355.8	1,555.8	(12.4)	(35.1)	1,825.0	725.0	16.1	7.3	1,530.8	830.8	(28.5)	(42.4)
Trading derivatives:												
Interest rate swaps	6,852.9	4,912.5	(23.2)	(19.6)	3,065.4	2,339.3	73.1	66.9	3,787.6	2,573.2	(96.3)	(86.5)
Total interest rate swaps	10,208.7	6,468.3	(35.6)	(54.7)	4,890.4	3,064.3	89.2	74.2	5,318.4	3,404.0	(124.8)	(128.9)
Total interest rate derivatives	10,208.7	6,468.3	(35.6)	(54.7)	4,890.4	3,064.3	89.2	74.2	5,318.4	3,404.0	(124.8)	(128.9)

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

Millions of euro	Fair value at Dec. 31, 2007	Stratification of expected cash flows					
		2008	2009	2010	2011	2012	Beyond
CFH on interest rates							
Derivatives with positive fair value pertaining to Enel SpA	15.9	7.3	(0.3)	1.6	2.1	1.4	8.0
Derivatives with negative fair value pertaining to Enel SpA	(28.5)	(4.2)	(4.7)	(4.0)	(3.5)	(2.7)	(22.7)
Trading derivatives on interest rates							
Derivatives with positive fair value pertaining to Enel SpA	5.4	1.8	(0.4)	0.3	0.6	1.1	2.3
Derivatives with negative fair value pertaining to Enel SpA	(28.6)	(6.3)	(9.3)	(6.8)	(5.7)	(4.3)	(7.5)
Derivatives with positive fair value on behalf of Group companies	67.7	14.5	12.2	10.9	9.9	8.7	24.6
Derivatives with negative fair value on behalf of Group companies	(67.7)	(14.5)	(12.2)	(10.9)	(9.9)	(8.7)	(24.6)

The amount of Enel SpA's 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, 62% of net financial debt with non-Group counterparties was floating rate. Taking account of interest rate hedges, 50% of the debt was exposed to interest rate risk.

At December 31, 2007, if market interest rates had been 1 basis point higher, all other variables being equal, shareholders' equity would have been €0.9 million higher as a result of the increase in the fair value of cash flow hedge derivatives on interest rates. At the same date, if market interest rates had been 1 basis point lower, all other variables being equal, shareholders' equity would have been €0.9 million lower as a result of the decrease in the fair value of cash flow hedge derivatives on interest rates.

Exchange rate risk

Various types of derivatives are used to reduce the exchange rate risk on foreign currency assets, liabilities and expected future cash flows. These include forwards, options and cross currency interest rate swaps.

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. In the performance of its activities, Enel SpA also hedges exchange rate risk on behalf of Group companies, centralizing the management of that risk in compliance with specific Group policies and then "rehedging" the exposure with non-Group counterparties.

At December 31, 2007 open exchange rate derivatives had a notional value of €15,921.6 million (€2,435.6 million at December 31, 2006), and break down as follows:

Millions of euro	Notional value	
	at Dec. 31, 2007	at Dec. 31, 2006
Exchange rate derivatives		
Forwards:		
- forwards hedging commodities	6,041.6	1,757.2
- forwards hedging future cash flows	1,071.3	285.9
- other forward contracts	-	50.3
Options	-	80.0
Cross currency interest rate swaps	8,808.7	262.2
Total	15,921.6	2,435.6

More specifically, these include:

- > contracts with a notional value of €6,041.6 million used to hedge the exchange rate risk on commodities, connected with fuel sourcing by Group companies (€1,757.2 million at December 31, 2006);
- > contracts with a notional value of €1,071.3 million used to hedge the exchange rate risk associated with other cash flows in currencies other than the euro (€285.9 million at December 31, 2006); and

> contracts with a notional value of €8,808.7 million used to hedge the exchange rate risk associated with foreign currency debt (€262.2 million at December 31, 2006).

The notional value of €15,921.6 million includes the value of contracts with Group companies (€6,268.8 million, compared with €976.5 million in 2006) hedging the exchange rate risk on trade receivables/payables and other foreign currency cash flows, with a corresponding amount of exchange rate derivatives with external counterparties on the foreign exchange market.

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 future cash flows of these contracts stemming from a potential appreciation or depreciation of the euro against other currencies is fully offset by a corresponding change in the fair value and/or the expected future cash flows of the underlying position.

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		Notional assets		Fair value assets		Notional liabilities		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	at Dec. 31, 2007	at Dec. 31, 2006	at Dec. 31, 2007	at Dec. 31, 2006
Cash flow hedge derivatives:	3,520.1	262.2	(120.7)	(26.6)	1,628.9	57.6	91.9	4.6	1,891.1	204.6	(212.6)	(31.2)
- Cross currency interest rate swaps	3,520.1	262.2	(120.7)	(26.6)	1,628.9	57.6	91.9	4.6	1,891.1	204.6	(212.6)	(31.2)
Trading derivatives:	12,401.5	2,173.4	(0.2)	(2.1)	6,186.6	1,074.6	168.4	14.4	6,214.9	1,098.8	(168.6)	(16.4)
- Forwards	7,112.8	2,093.4	(0.2)	(2.1)	3,542.3	1,024.6	102.8	14.0	3,570.6	1,068.8	(103.0)	(16.1)
- Options	-	80.0	-	-	-	50.0	-	0.4	-	30.0	-	(0.3)
- Cross currency interest rate swaps	5,288.7	-	-	-	2,644.3	-	65.6	-	2,644.3	-	(65.6)	-
Total forwards	7,112.8	2,093.4	(0.2)	(2.1)	3,542.3	1,024.6	102.8	14.0	3,570.6	1,068.8	(103.0)	(16.1)
Total options	-	80.0	-	-	-	50.0	-	0.4	-	30.0	-	(0.3)
Total cross currency interest rate swaps	8,808.8	262.2	(120.7)	(26.6)	4,273.2	57.6	157.5	4.6	4,535.4	204.6	(278.2)	(31.2)
Total exchange rate derivatives	15,921.6	2,435.6	(120.9)	(28.7)	7,815.5	1,132.2	260.3	19.0	8,106.0	1,303.4	(381.2)	(47.6)

The following table reports the cash flows expected in coming years from these financial 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							
Derivatives with positive fair value pertaining to Enel SpA	91.9	(0.8)	8.3	7.5	6.7	7.0	176.6
Derivatives with negative fair value pertaining to Enel SpA	(212.6)	(26.5)	(8.2)	(7.2)	(6.5)	(6.7)	(364.6)
Trading derivatives on exchange rates							
Derivatives with positive fair value on behalf of Group companies	168.4	90.6	1.0	(5.3)	(6.3)	(6.3)	20.0
Derivatives with negative fair value pertaining to Enel SpA	(0.2)	(0.2)	-	-	-	-	-
Derivatives with negative fair value on behalf of Group companies	(168.3)	(90.5)	(1.0)	5.3	6.3	6.3	(20.0)

The Company's exposure to exchange rate risk on the basis of notional value is reported below:

Millions	US dollars	Pounds sterling	Swiss francs	Yen	Other currencies	Pounds sterling	Swiss francs	Yen
	at Dec. 31, 2007				at Dec. 31, 2006			
Trade receivables in foreign currency	0.3	-	-	-	-	-	-	-
Financial assets in foreign currency	-	-	6.5	81.7	-	1.8	20.6	377.6
Trade payables in foreign currency	1.9	0.3	83.6	-	0.1	-	-	-
Loans and other financial liabilities in foreign currency	0.5	1,123.9	6.5	8,551.6	-	41.8	20.6	9,297.9
Total	2.7	1,124.2	96.6	8,633.3	0.1	43.6	41.2	9,675.5

As regards exchange rate risk, net medium and long-term debt to non-Group counterparties is mainly (94%) denominated in euro, and nearly all of the foreign currency component has been swapped into euro with cross currency interest rate swaps, which in 2007 fully hedged the debt denominated in sterling and hedged ¥8,000.0 million of the yen-denominated debt. As a result, the Company does not have a significant exposure to exchange rate risk.

At December 31, 2007, if the euro had appreciated by 10% against the other currencies, all other variables being equal, shareholders' equity would have been about €115.5 million lower as a result of the increase in the fair value of cash flow hedge derivatives on exchange rates. Conversely, if the euro had depreciated by 10% against the other currencies, all other variables being equal, shareholders' equity would have been €138.8 million higher as a result of the decrease in the fair value of cash flow hedge derivatives on exchange rates.

Commodity risk

Various types of derivatives are used to reduce the exposure to fluctuations in commodity prices, especially swaps.

The exposure is hedged with Enel Trade, which hedges the risk of changes in the prices of the commodities to which the related contracts are indexed on behalf of Group companies.

At December 31, 2007 there were no embedded derivatives to separate, while contracts qualifying as derivatives were measured appropriately.

The fair value of commodity derivatives at December 31, 2007 was a positive €0.1 million (compared with €0 million at December 31, 2006).

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 primarily with leading Italian and international banks, diversifying the exposure among different institutions.

Liquidity risk

Enel SpA performs central treasury functions for the Group and meets liquidity needs mainly out of cash flow from ordinary operations and bank credit where necessary. At December 31, 2007, Enel had committed lines of credit amounting to €16,497 million, of which €12,197 million had been drawn. At the same date Enel had uncommitted lines of credit amounting to €2,566 million, of which €749 million had been drawn.

Forecasting of liquidity requirements is carried out on the basis of forecast cash flows from ordinary operations.

Information on the Income Statement

Revenues

5.a Revenues from sales and services – €1,058.0 million

“Revenues from sales and services” break down as follows:

Millions of euro	2007		2006		2007-2006
		<i>of which with related parties</i>		<i>of which with related parties</i>	
Electricity sales	598.2		880.3		(282.1)
Single Buyer	342.1	342.1	717.3	717.3	(375.2)
Other	256.1		163.0	13.0	93.1
Services	459.8		233.5		226.3
Group companies	458.1	458.1	230.0	230.0	228.1
Non-group counterparties	1.7		3.5		(1.8)
Total revenues from sales and services	1,058.0		1,113.8		(55.8)

“Revenues from sales and services” amounted to €1,058.0 million, of which €598.2 million referred to electricity sales and €459.8 million to services.

Compared with 2006, revenues show a fall of €55.8 million, caused primarily by a decline in sales of electricity to the Single Buyer. The fall was partly offset by higher revenues from services thanks to a higher volume of assistance and consulting services provided by the Company to subsidiaries, especially Enel Energy Europe in connection with the acquisition of the equity investment in Endesa.

In particular “Revenues from electricity sales” regarded sales to the Single Buyer (€342.1 million), which acts as guarantor of the supply to customers on the enhanced protection market (formerly the regulated market), and sales of electricity in France (€256.1 million). Compared with 2006, sales to the Single Buyer fell by €375.2 million, largely attributable to the electricity acquired under the long-term contract with EDF that was not imported, as provided for in the Decree of December 15, 2006, of the Ministry for Economic Development. The decline was compensated in part by a rise in electricity sales in France by Enel Trade acting in the name and on behalf of Enel SpA (up €101.0 million).

“Revenues from services” essentially regard the provision of assistance and consulting to subsidiaries and the rebilling of sundry expenses to these subsidiaries. These revenues rose by €226.3 million compared with 2006, largely as a result of the rebilling of costs totaling €149.7 million incurred in connection with the Endesa acquisition to Enel Energy Europe.

“Revenues from sales and services” break down by geographical area as follows: €782.2 million in Italy, €271.5 million in the European Union, especially in France as a result of electricity sales, €1.4 million in South America, €0.8 in North America and €2.0 million in other non-EU countries.

5.b Other revenues – €20.9 million

“Other revenues” amounted to €20.9 million (€72.4 million in 2006) and are largely composed of revenues from the debiting of Group subsidiaries for their portion of the cost of funding the supplementary pension plan for retired executives (€11.0 million). The cost was substantially in line with that recognized at December 31, 2006.

In 2006, “Other revenues” also included revenues arising from the release to the income statement of a gain of €33.4 million, recognized in equity in the 2005 financial statements, resulting from the fair value measurement of the Terna bonus shares, the rights to which were exercised in January 2006.

Income from equity exchange transaction and disposal of significant equity investments

6. Income from equity exchange transaction and disposal of significant equity investments – €0.0 million

In 2006, this aggregate had totaled €189.7 million, and reflected the effects of the exchange of 30.97% of Wind for 20.9% of Weather (€146.4 million) and the proceeds of the sale of the equity investment in Cise Srl to Enel Servizi Srl (€43.3 million).

Costs

7.a Electricity purchases and consumables – €603.3 million

Costs for “Electricity purchases and consumables” totaled €603.3 million (€621.3 million in 2006) and are nearly entirely accounted for by purchases of electricity amounting to €601.3 million (€618.8 million in 2006).

In 2007, Enel acquired 13,468 million kWh, compared with 14,268 million kWh in 2006. The purchases refer essentially to power acquired in France and Switzerland at prices set in long-term contracts with foreign suppliers (EDF and ATEL). Costs for “Electricity purchases” show a decline of €17.5 million compared with December 31, 2006, mainly as a result of lower volumes (down 800 million kWh) and lower imbalancing charges (down €8.5 million) incurred by the Company in meeting its commitments under the contracts for electricity imports from EDF, partly offset by a slight increase in unit purchase prices.

7.b Services, leases and rentals – €389.5 million

The item breaks down as follows:

Millions of euro	2007		2006	2007-2006	
		<i>of which with related parties</i>		<i>of which with related parties</i>	
Services	372.2	77.3	237.6	77.7	134.6
Leases and rentals	17.3	14.8	15.1	13.7	2.2
Total services, leases and rentals	389.5		252.7		136.8

Costs for "Services" rose by €134.6 million compared with the previous year.

The increase is composed of:

- > €130.0 million in services from third parties for assistance and consulting services in respect of international acquisitions, particularly for the acquisition of an equity stake in Endesa, partly offset by lower bank fees and commissions and electricity transport costs as a result of the impossibility of importing electricity from France, as well as costs for bringing company internal control systems and information systems into compliance with the Sarbanes-Oxley Act;
- > €4.6 million in services from Group companies, particularly fees to Enel Trade for its sales of electricity in France on behalf of the Company (€3.3 million).

Costs for "Leases and rentals" show an increase of €2.2 million compared with the previous year, largely due to higher office rents caused by inflation adjustments, as well as by an expansion in the office space used.

7.c Personnel – €100.2 million

Personal costs break down as follows:

Millions of euro	2007	2006	2007-2006
Wages and salaries	68.8	55.9	12.9
Social security contributions	19.3	15.8	3.5
Termination benefits	5.0	1.6	3.4
Other costs	7.1	14.1	(7.0)
Total personnel	100.2	87.4	12.8

Personnel costs amounted to €100.2 million, up €12.8 million compared with the previous year, mainly as a result of an increase of 76 in the average number of employees.

Social security contributions in 2007 came to €19.3 million and consist of contributions to the National Social Security Institute (INPS) and smaller institutions (€17.8 million) and contributions to defined-contribution plans (Fopen and Fondenel) in the amount of €1.5 million. The item also includes the INPS charge relating to the CIG and CIGS unemployment schemes, pursuant to INPS Circular 63 of May 6, 2005 as amended.

Termination benefits show an increase of €3.4 million with respect to the previous year owing to the effects of new statutory provisions (Law 296/2006 and subsequent implementing decrees and regulations). The charge for termination benefits accruing in the year and transferred to supplementary pension plans was treated as a "defined-contribution plan"; the percentage participation in the Fopen and Fondenel plans was 85.91%, while participation in the Treasury Fund set up with INPS was 14.09%.

The decrease in "Other costs" relates in particular to lower charges for early retirement incentives (down €5.7 million).

The table below shows the average number of employees by category, compared with the previous year, and the actual number of employees at December 31, 2007:

	Average number			Headcount
	2007	2006	2007-2006	at Dec. 31, 2007
Senior managers	127	113	14	131
Middle managers	303	260	43	323
Office staff	266	247	19	281
Total	696	620	76	735

7.d Depreciation, amortization and impairment losses

– €16.0 million

Depreciation, amortization and impairment losses came to €16.0 million, a decrease of €0.8 million with respect to the previous year. The decrease relates in particular to the amortization of software development costs. The depreciation charge refers mainly to leasehold improvements amounting to €5.2 million. Impairment losses in 2006 regarded the writedown of the equity investment in Enel.NewHydro (€1.6 million) as well as a charge of €6.4 million in respect of the difference between the sale price of the equity investment in Weather Investments and the carrying amount at the time of sale.

Millions of euro

	2007	2006	2007-2006
Depreciation	5.9	5.8	0.1
Amortization	10.1	11.0	(0.9)
Impairment losses	-	8.0	(8.0)
Total depreciation, amortization and impairment losses	16.0	24.8	(8.8)

7.e Other operating expenses – €43.4 million

Other operating expenses came to €43.4 million and show an increase of €3.9 million on 2006, largely due to greater allocations to the provision for risks and charges made on the advice of internal and external legal counsel (up €9.0 million). Most of this increase was offset by a fall in charges relating to green certificates (down €14.9 million) caused by the recognition by the Authority for Electricity and Gas of green certificates referring to electricity imported in 2006 (€40.9 million). The figures for 2006 were affected by the recognition of green certificates for electricity imported in 2004 in the amount of €29.3 million.

The **operating loss** came to €73.5 million. This represents a decrease of €423.7 million compared with operating income of €350.2 million in 2006. Excluding “income from equity exchange transaction and disposal of significant equity investments” amounting to €189.7 million and the gain from 2006 deriving from the fair value measurement of Terna bonus shares amounting to €33.4 million, the change with respect to 2006 would have been €200.6 million due to the narrowing of the electricity margin, as discussed above.

8. Income from equity investments – €3,891.8 million

This item is made up of dividends distributed by subsidiaries, associates and other companies equal to €3,891.8 million (€3,074.4 million in 2006), as detailed below:

DIVIDENDS RECEIVED

Millions of euro

	2007	2006	2007-2006
Enel Produzione SpA	2,077.2	1,006.2	1,071.0
Enel Distribuzione SpA	1,608.1	1,835.8	(227.7)
Enel Trade SpA	171.9	121.6	50.3
Enelpower SpA	9.0	56.0	(47.0)
Enel Factor SpA	3.4	4.8	(1.4)
Enel Sole Srl	7.5	14.9	(7.4)
Enel Finance International	-	6.9	(6.9)
Enel Servizi	-	10.1	(10.1)
Cise ⁽¹⁾	-	2.3	(2.3)
Sfera	-	2.0	(2.0)
Terna SpA ⁽²⁾	14.6	13.7	0.9
Emittenti Titoli SpA	0.1	0.1	-
Total	3,891.8	3,074.4	817.4

(1) Now merged into Enel Servizi.

(2) Including interim dividend of €5.7 million paid on November 22, 2007 (€5.4 million paid on November 23, 2006).

9. Financial income/(expense) – €138.6 million

The item breaks down as follows:

Millions of euro					
	2007		2006	2007-2006	
	<i>of which with related parties</i>		<i>of which with related parties</i>		
Financial income					
Interest and other income from non-current financial assets	75.0	74.1	89.9	83.2	(14.9)
Interest and other income from current financial assets	950.4	891.8	242.1	230.6	708.3
Foreign exchange gains	140.3	0.1	13.5		126.8
Income from derivative instruments	648.2		306.8		341.4
- entered into on behalf of Group companies:					
. from derivatives designated as FVTPL	428.2	251.7	267.7	141.0	160.5
- entered into on behalf of Enel SpA:					
. from derivatives designated as FVTPL	149.8		34.2		115.6
. from derivatives designated as CFH	70.2		4.9		65.3
Other interest and financial income	1.0		125.9		(124.9)
Total income	1,814.9		778.2		1,036.7
Financial expense					
Interest and other charges on non-current financial debt	728.0		372.4		355.6
- interest on non-current financial debt	231.9	26.3	21.3	13.8	210.6
- interest on bonds	485.4		348.4		137.0
- commissions on unused lines of credit	10.7		2.7		8.0
Interest and other charges on current financial debt	386.8		57.6		329.2
- interest on debts to banks and other Group companies	374.7	308.0	57.6	44.2	317.1
- commissions on unused current lines of credit	12.1				12.1
Accretion of post-employment and other employee benefits	17.8		17.7		0.1
Foreign exchange losses	4.5		3.8	0.6	0.7
Expense on derivative instruments	805.4		334.9		470.5
- entered into on behalf of Group companies:					
. from derivatives designated as FVTPL	428.3	176.8	267.7	153.4	160.6
- entered into on behalf of Enel SpA:					
. from derivatives designated as FVTPL	133.6		26.9		106.7
. from derivatives designated as CFH	243.5		40.3		203.2
Other interest and charges	11.0	10.8	1.8	1.8	9.2
Total charges	1,953.5		788.2		1,165.3
TOTAL FINANCIAL INCOME/(EXPENSE)	(138.6)		(10.0)		(128.6)

Net financial expense totaled €138.6 million and is essentially composed of interest and charges on current and non-current financial debt (€1,114.8 million) and the accretion costs of post-employment and other benefits for employees (€17.8 million), partly offset by interest and other income on intercompany and bank current accounts, interest income on loans assumed by Group companies and interest on the Weather receivable (€1,025.3 million). Compared with December 31, 2006, net financial expense rose by €128.6 million, ascribable mainly to the increase in net financial debt.

Net expenses relating to derivatives on interest rates and exchange rates amounted to €157.1 million, partly offset by foreign exchange gains accruing on the hedged debt (€137.1 million).

With reference to systematic hedging of interest rate and exchange rate risk on behalf of all the companies of the Group, financial income and expense on derivatives almost completely balance out, and are therefore indicative of the effective absence of risk exposure for Enel SpA.

10. Income taxes – €207.7 million

Millions of euro	2007	2006	2007-2006
Current taxes	(277.0)	(194.1)	(82.9)
Deferred tax assets	84.4	342.2	(257.8)
Deferred tax liabilities	(15.1)	(80.2)	65.1
Total income taxes	(207.7)	67.9	(275.6)

Income taxes for 2007 showed a current tax asset of €207.7 million essentially as a result of the effect of dividends received by subsidiaries participating in the consolidated taxation mechanism, which are excluded from the calculation of income tax. Taxes also reflect the recognition in the income statement of deferred tax assets and liabilities (€69.3 million) and the effect of the change in tax rates under the Finance Act of December 24, 2007 (€10.1 million).

The effective income tax rate was a negative 5.6%. In 2006, income taxes amounted to €67.9 million.

Millions of euro	2007	2006
Income before taxes	3,679.7	3,414.6
Theoretical IRES tax liability (33.0%)	1,214.3	1,126.8
Tax decreases:		
- gains on exempt equity investments	-	(38.6)
- dividends on equity investments	(1,446.4)	(1,017.2)
- writedowns from previous years	(67.4)	(232.9)
- uses of provisions	(12.1)	(28.5)
- difference on tax estimates for previous years	-	(0.7)
- other	(5.8)	(34.4)
Tax increases:		
- writedowns for the year	11.5	14.3
- accretions to provisions	-	0.6
- other	31.2	11.0
Total current income taxes (IRES)	(274.7)	(199.6)
IRAP	-	7.7
Difference on tax estimate for previous years	(2.3)	(2.2)
Total deferred tax items	69.3	262.0
- of which effect of tax rate change	10.1	-
TOTAL INCOME TAXES	(207.7)	67.9

Information on the Balance Sheet

Assets

Non-current assets

11. Property, plant and equipment – €7.6 million

Developments in property, plant and equipment for 2006 and 2007 are set out in the table below:

Millions of euro	Land	Buildings	Plant and machinery	Industrial and commercial equipment	Other assets	Leasehold improvements	Assets under construction	Total
Cost	0.4	2.8	3.0	5.3	16.5	14.0	-	42.0
Accumulated depreciation	-	(1.1)	(2.7)	(5.2)	(14.7)	(6.5)	-	(30.2)
Balance at Dec. 31, 2005	0.4	1.7	0.3	0.1	1.8	7.5	-	11.8
Capital expenditure	-	-	-	-	-	3.0	-	3.0
Depreciation	-	(0.1)	(0.1)	-	(0.6)	(5.0)	-	(5.8)
Total changes	-	(0.1)	(0.1)	-	(0.6)	(2.0)	-	(2.8)
Cost	0.4	2.8	3.0	5.3	16.5	17.0	-	45.0
Accumulated depreciation	-	(1.2)	(2.8)	(5.2)	(15.3)	(11.5)	-	(36.0)
Balance at Dec. 31, 2006	0.4	1.6	0.2	0.1	1.2	5.5	-	9.0
Capital expenditure	-	-	-	-	0.5	3.4	0.6	4.5
Depreciation	-	(0.1)	(0.1)	-	(0.6)	(5.1)	-	(5.9)
Total changes	-	(0.1)	(0.1)	-	(0.1)	(1.7)	0.6	(1.4)
Cost	0.4	2.8	3.0	5.3	17.0	20.4	0.6	49.5
Accumulated depreciation	-	(1.3)	(2.9)	(5.2)	(15.9)	(16.6)	-	(41.9)
Balance at Dec. 31, 2007	0.4	1.5	0.1	0.1	1.1	3.8	0.6	7.6

Property, plant and equipment totaled €7.6 million, a decrease of €1.4 million with respect to December 31, 2006, attributable to the excess of depreciation over capital expenditure for the period.

“Leasehold improvements” refers mainly to the renovation work on the Naples Historical Archives and renovation of parts of Enel SpA’s headquarters. They are depreciated over the remaining term of the leases on the buildings in question.

12. Intangible assets – €17.3 million

Intangible assets, all of which have a definite useful life, break down as follows:

Millions of euro	Industrial patents and intellectual property rights	Assets under development	Total
Balance at Dec. 31, 2005	14.0	-	14.0
Capital expenditure	8.6	1.8	10.4
Amortization	(11.0)	-	(11.0)
Total changes	(2.4)	1.8	(0.6)
Balance at Dec. 31, 2006	11.6	1.8	13.4
Capital expenditure	12.4	1.6	14.0
Amortization	(10.1)	-	(10.1)
Total changes	2.3	1.6	3.9
Balance at Dec. 31, 2007	13.9	3.4	17.3

“Industrial patents and intellectual property rights” relate mainly to costs incurred in purchasing software and open-ended software licenses. Amortization is calculated on a straight-line basis over the item’s residual useful life (three years on average).

“Assets under development” regard the “Security Control Center” project, the purpose of which is to put the security and emergency governance systems of national and international sites under centralized control and operation.

13. Deferred tax assets – €106.9 million

Changes in “Deferred tax assets”, grouped by type of temporary difference and determined using current tax rates, are shown below:

Millions of euro	Increase/ (Decrease) taken to income statement	Increase/ (Decrease) taken to equity	Change in tax rate taken to income statement	Change in tax rate taken to equity	Reclassification	
	at Dec. 31, 2006					at Dec. 31, 2007
Nature of the temporary difference:						
- accruals to provisions for risks and charges and impairment losses	37.9	(4.7)	-	(4.6)	-	(0.7)
- measurement of financial assets	67.4	(67.4)	-	-	-	-
- financial derivatives	28.1	-	1.6	-	(2.6)	-
- other items	58.8	0.6	-	(8.3)	-	0.8
Total	192.2	(71.5)	1.6	(12.9)	(2.6)	0.1

Deferred tax assets show a decline of €85.3 million on the previous financial year. The change is mainly attributable to the deduction of charges in respect of writedowns of equity investments in previous years (€67.4 million) and the change in the IRES and IRAP tax rates for the Company (€15.5 million), which the Finance Act of December 24, 2007, reduced from 33% to 27.5% and from 5.25% to 4.82%, respectively, taking account of regional surcharges.

14. Equity investments – €21,659.1 million

The table below shows the changes during the year for each investment, with the corresponding values at the beginning and end of the year, as well as the list of investments held in subsidiaries, associates, joint ventures and other companies.

Millions of euro	Original cost	Writedowns/ Revaluations	Carrying amount	% holding
at Dec. 31, 2006				
A) Subsidiaries				
Enel Produzione SpA	6,568.7	-	6,568.7	100.0
Enel Distribuzione SpA	6,320.7	-	6,320.7	100.0
Enel Servizio Elettrico SpA	-	-	-	-
Enel Trade SpA	101.0	-	101.0	100.0
Enel Investment Holding BV	4,629.8	(4,473.0)	156.8	100.0
Enelpower SpA	189.5	(151.7)	37.8	100.0
Deval SpA	19.8	-	19.8	51.0
Enel Energia SpA	221.0	(8.3)	212.7	100.0
Enel Energy Europe Srl	0.01	-	0.01	100.0
Enel Finance International SA	1,414.2	-	1,414.2	100.0
Enel.Factor SpA	17.9	(0.4)	17.5	100.0
Sfera Srl	13.2	(2.8)	10.4	100.0
Enel Capital Srl	8.5	(2.4)	6.1	100.0
Enel Sole Srl	5.3	-	5.3	100.0
Enel.si Srl	5.2	(1.0)	4.2	100.0
Enel Servizi Srl	524.5	(40.2)	484.3	100.0
Enel Viesgo Servicios SL	0.002	-	0.002	60.0
Enel.NewHydro Srl	23.0	(23.0)	-	100.0
Enel Romania Srl ⁽¹⁾	0.04	-	0.04	80.0
Vallenergie SpA	-	-	-	-
Total subsidiaries	20,062.4	(4,702.8)	15,359.6	
B) Associated companies				
Idrosicilia SpA	9.0	-	9.0	40.0
CESI SpA	2.2	-	2.2	25.9
Total associated companies	11.2	-	11.2	
C) Other companies				
Elcogas SA	2.2	(1.1)	1.1	4.0
Emittenti Titoli SpA	0.5	-	0.5	10.0
Terna SpA	55.5	206.6	262.1	5.1
Consorzio Civita	-	-	-	25.0
Consorzio Bresciano per la ricerca applicata e l'innovazione tecnologica nel settore dell'automazione industriale Srl	-	-	-	0.3
Total other companies	58.2	205.5	263.7	
TOTAL EQUITY INVESTMENTS	20,131.8	(4,497.3)	15,634.5	

(1) Formerly Enel Servizi Srl.

Purchases/ Incorporations (Sales)	Capital grants and loss coverage	Value adjustments	Net change	Original cost	Writedowns/ Revaluations	Carrying amount	% holding
Changes in 2007				at Dec. 31, 2007			
-	-	-	-	6,568.7	-	6,568.7	100.0
-	-	-	-	6,320.7	-	6,320.7	100.0
1.0	-	-	1.0	1.0	-	1.0	100.0
-	-	-	-	101.0	-	101.0	100.0
-	3,000.0	-	3,000.0	7,629.8	(4,473.0)	3,156.8	100.0
-	-	-	-	189.5	(151.7)	37.8	100.0
-	-	-	-	19.8	-	19.8	51.0
-	-	-	-	221.0	(8.3)	212.7	100.0
-	3,000.1	-	3,000.1	3,000.1	-	3,000.1	100.0
-	-	-	-	1,414.2	-	1,414.2	100.0
-	-	-	-	17.9	(0.4)	17.5	100.0
-	-	-	-	13.2	(2.8)	10.4	100.0
-	-	-	-	8.5	(2.4)	6.1	100.0
-	-	-	-	5.3	-	5.3	100.0
-	-	-	-	5.2	(1.0)	4.2	100.0
-	-	-	-	524.5	(40.2)	484.3	100.0
-	-	-	-	0.002	-	0.002	60.0
-	4.9	-	4.9	27.9	(23.0)	4.9	100.0
-	-	-	-	0.04	-	0.04	80.0
0.1	-	-	0.1	0.1	-	0.1	51.0
1.1	6,005.0	-	6,006.1	26,068.4	(4,702.8)	21,365.6	
-	-	-	-	9.0	-	9.0	40.0
-	-	-	-	2.2	-	2.2	25.9
-	-	-	-	11.2	-	11.2	
-	-	-	-	2.2	(1.1)	1.1	4.0
-	-	-	-	0.5	-	0.5	10.0
-	-	18.6	18.6	55.5	225.2	280.7	5.1
-	-	-	-	-	-	-	25.0
-	-	-	-	-	-	-	0.3
-	-	18.6	18.6	58.2	224.1	282.3	
1.1	6,005.0	18.6	6,024.7	26,137.8	(4,478.7)	21,659.1	

The table below gives the changes in equity investments over the financial year of 2007:

Millions of euro

Increases:	
- recapitalization of Enel Energy Europe Srl	3,000.1
- recapitalization of Enel Investment Holding BV	3,000.0
- recapitalization of Enel.NewHydro Srl	4.9
- incorporation of Enel Servizio Elettrico SpA	1.0
- incorporation of Vallenergie SpA	0.1
- fair value measurement of Terna Rete Elettrica Nazionale SpA	18.6
Total increases	6,024.7
NET CHANGE	6,024.7

The increases regarded:

- > the recapitalization of Enel Energy Europe Srl by means of the waiver of a financial receivable in the amount of €3,000.0 million and a capital contribution in the amount of €0.1 million;
- > the recapitalization of Enel Investment Holding in the amount €3,000.0 million by means of a non-refundable capital contribution to equity (share premium);
- > the recapitalization of Enel.NewHydro Srl by means of the waiver of a financial receivable in the amount of €3 million and a capital contribution in the amount of €1.9 million;
- > the incorporation of Enel Servizio Elettrico with paid-up share capital of €1.0 million;
- > the incorporation of Vallenergie SpA with paid-up share capital of €0.1 million;
- > the fair value measurement of the equity investment in Terna SpA based on the adjustment of the value of the equity to the stock market value at the balance-sheet closing date (an increase of €18.6 million).

The share certificates for Enel SpA's investments in subsidiaries are held in custody by Monte dei Paschi di Siena.

The shares in Idrosicilia are pledged as security for a loan to Siciliacque, in which Idrosicilia has a 75% stake.

The following table lists equity investments in subsidiaries, associates and other companies at December 31, 2007:

	Registered office	Currency	Share capital	Shareholders' equity (millions of euro)	Income/(Loss) previous year (millions of euro)	% holding	Carrying amount (millions of euro)
A) Subsidiaries							
Enel Produzione SpA	Rome	Euro	2,400,000,000	9,307.3	1,516.9	100.0	6,568.7
Enel Distribuzione SpA	Rome	Euro	2,600,000,000	8,463.6	1,504.4	100.0	6,320.7
Enel Servizio Elettrico SpA	Rome	Euro	1,000,000	1.0	-	100.0	1.0
Enel Trade SpA	Rome	Euro	90,885,000	242.8	133.8	100.0	101.0
Enel Investment Holding BV	Amsterdam	Euro	1,593,050,000	3,218.9	19.4	100.0	3,156.8
Enelpower SpA	Milan	Euro	2,000,000	20.1	5.3	100.0	37.8
Deval SpA	Aosta	Euro	37,500,000	55.3	1.7	51.0	19.8
Enel Energia SpA	Rome	Euro	302,039	404.8	(11.4)	100.0	212.7
Enel Energy Europe Srl	Rome	Euro	10,000	3,099.9	99.9	100.0	3,000.1
Enel Finance International SA	Luxembourg	Euro	1,391,900,230	1,423.0	4.5	100.0	1,414.2
Enel.Factor SpA	Rome	Euro	12,500,000	40.3	5.4	100.0	17.5
Sfera Srl	Rome	Euro	2,000,000	11.4	0.6	100.0	10.4
Enel Capital Srl	Rome	Euro	8,500,000	6.3	0.1	100.0	6.1
Enel Sole Srl	Rome	Euro	4,600,000	24.2	7.1	100.0	5.3
Enel.si Srl	Rome	Euro	5,000,000	4.5	0.1	100.0	4.2
Enel Servizi Srl	Rome	Euro	50,000,000	500.2	8.2	100.0	484.3
Enel Viesgo Servicios SL	Santander	Euro	3,010	0.2	0.2	60.0	-
Enel.NewHydro Srl	Rome	Euro	1,000,000	2.1	(2.8)	100.0	4.9
Enel Romania Srl ⁽¹⁾	Bucharest	RON	200,000	1.7	0.2	80.0	-
Vallenergie SpA	Aosta	Euro	120,000	0.1	-	51.0	0.1
B) Associated companies							
Idrosicilia SpA	Milan	Euro	22,520,000	22.2	(0.1)	40.0	9.0
CESI SpA	Milan	Euro	8,550,000	30.6	4.3	25.9	2.2
C) Other companies							
Elcogas SA	Madrid	Euro	49,959,000	32.9	7.4	4.0	1.1
Emittenti Titoli SpA	Milan	Euro	5,200,000	7.0	1.8	10.0	0.5
Terna Rete Elettrica Nazionale SpA	Rome	Euro	440,105,292	2,026.0	406.7	5.1	280.7
Consorzio Civita	Rome	Euro	208,000	0.1	(0.1)	25.0	-
Consorzio Bresciano per la ricerca applicata e l'innovazione tecnologica nel settore dell'automazione industriale Srl ⁽²⁾	Brescia	Euro	918,493	1.0	(0.1)	0.3	-

(1) Formerly Enel Servizi Srl.

(2) The figures for shareholders' equity and net income refer to the financial statements at December 31, 2006.

As regards the equity investments in Enelpower SpA and Enel.NewHydro Srl, the carrying amount is deemed recoverable even though it exceeds shareholders' equity at December 31, 2007.

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; unlisted companies were valued at cost, as their fair value could not be determined reliably.

Millions of euro		
	at Dec. 31, 2007	at Dec. 31, 2006
Equity investments in listed companies measured at fair value	280.7	262.1
Terna SpA	280.7	262.1
Equity investments in unlisted companies measured at cost	1.6	1.6
Elcogas SA	1.1	1.1
Emittenti Titoli SpA	0.5	0.5

15. Non-current financial assets – €846.0 million

The aggregate is composed of the following:

Millions of euro			
	at Dec. 31, 2007	at Dec. 31, 2006	2007-2006
Receivables due from subsidiaries	735.6	1,772.1	(1,036.5)
Receivables due from other equity investments	2.6	2.6	-
Financial receivables due from third parties	-	962.0	(962.0)
Cash flow hedge derivatives	107.8	11.9	95.9
Total	846.0	2,748.6	(1,902.6)

The item "Receivables due from subsidiaries" refers to receivables in respect of the assumption by Group companies of their share of financial debt (€479.0 million) and the supplementary pension fund (€256.6 million). The decrease in the item mainly reflects the effects of a reclassification to current financial assets of the current portion of receivables (€1,025.5 million) following Enel Produzione SpA's assumption of the financial debt.

"Financial receivables due from third parties" fell to zero following the reclassification to current financial assets of €962.0 million in respect of the second installment of the price of the sale of the equity investment in Weather, to be settled at the end of June 2008. This second installment earns interest in line with market rates as from the date of the transfer. Payment of the second installment is secured by the pledge (without voting rights) of the 26.1% of Weather share capital in favor of Enel, as well as by the assignment of Weather II's receivables from Weather.

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	1,775.0	725.0	15.9	7.3	8.6
- exchange rates	1,628.9	57.6	91.9	4.6	87.3
Total	3,403.9	782.6	107.8	11.9	95.9

The notional amount of cash flow hedge derivatives on interest rates and on exchange rates at December 31, 2007 was €3,403.9 million, while the corresponding fair value was €107.8 million.

The increase in cash flow hedges on exchange rates was attributable to a hedging operation carried out on June 13, 2007, relating to a £1.1-billion tranche of a bond issue under the Global Medium-Term Notes program.

The increase in cash flow hedges on interest rates was attributable to a hedging operation carried out in December 2007 relating to a €1.3-billion tranche of a floating-rate bond issue on the Italian market.

The increase in the fair value of the interest-rate derivatives reflects the effects of new positions and the rise in interest rates that occurred in 2007.

Financial receivables recognized under non-current financial assets can be broken down by residual maturity as follows:

Millions of euro	at Dec. 31, 2007			at Dec. 31, 2006		
	from 2 to 5 years	beyond 5 years	Total	from 2 to 5 years	beyond 5 years	Total
Non-current financial receivables due from subsidiaries	279.8	199.2	479.0	1,289.6	214.7	1,504.3
Receivables for assumption of supplementary pension plan liabilities	56.0	200.6	256.6	56.5	211.3	267.8
Total	335.8	399.8	735.6	1,346.1	426.0	1,772.1
Non-current financial receivables due from other equity investments	2.6	-	2.6	2.6	-	2.6
Financial receivables due from third parties	-	-	-	962.0	-	962.0
Cash flow hedge derivatives	10.3	97.5	107.8	11.9	-	11.9
Total	12.9	97.5	110.4	976.5	-	976.5
TOTAL	348.7	497.3	846.0	2,322.6	426.0	2,748.6

Non-current financial assets classified by category of instrument break down as follows:

Millions of euro	at Dec. 31, 2007	at Dec. 31, 2006	2007-2006
Financial assets held to maturity:			
- financial receivables	738.2	2,736.7	(1,998.5)
- cash flow hedge derivatives	107.8	11.9	95.9
Total	846.0	2,748.6	(1,902.6)

16. Other non-current assets – €3.9 million

The item breaks down as follows:

Millions of euro	at Dec. 31, 2007		at Dec. 31, 2006	2007-2006
Receivables from the Electricity Equalization Fund	-		23.9	(23.9)
Other long-term receivables:				
- security deposits	0.1		0.1	-
- loans to employees	3.7		2.9	0.8
- other receivables	0.1		0.2	(0.1)
Total	3.9		3.2	0.7
TOTAL	3.9		27.1	(23.2)

The receivable from the Electricity Equalization Fund in respect of reimbursement of the costs of natural gas imports from Nigeria was collected in full.

“Loans to employees”, which charge interest at current market rates, are granted for the purchase of primary residences or for serious family reasons.

Current assets

17. Trade receivables – €483.4 million

The aggregate is composed of the following:

Millions of euro	at Dec. 31, 2007		at Dec. 31, 2006	2007-2006
Customers:				
- sale and transport of electricity	61.3		138.1	(76.8)
- other receivables	4.0		6.0	(2.0)
Total	65.3		144.1	(78.8)
Trade receivables due from subsidiaries	418.1		118.7	299.4
TOTAL	483.4		262.8	220.6

Trade receivables from customers mainly regard receivables due from the Single Buyer for the supply of electricity and receivables from other customers for services. They are recognized net of the provision for doubtful accounts amounting to €7.5 million, broadly unchanged with respect to the previous financial year.

The decrease in receivables due from non-Group counterparties essentially corresponds to the reduction in the receivables due from the Single Buyer for the sale of electricity, whose volumes declined owing to the impossibility of importing electricity purchased from EDF.

Receivables due from subsidiaries primarily regard services and activities carried out by Enel SpA on behalf of Group companies. The increase was mainly caused by the rebilling to Enel Energy Europe of the costs of consultancy and assistance services provided in connection with the Endesa acquisition and by the increase in the receivables from Enel Trade arising from the higher revenues generated in 2007 from the sale of electricity on the French market.

Receivables due from subsidiaries break down as follows:

Millions of euro	at Dec. 31, 2007		at Dec. 31, 2006	2007-2006
Subsidiaries:				
Enel Energy Europe	138.9	-		138.9
Enel Produzione	53.7	24.7		29.0
Enel Distribuzione	80.2	36.0		44.2
Enel Trade	48.7	23.3		25.4
Enel Energia	51.4	17.3		34.1
Enel Servizi	6.5	3.8		2.7
Slovenské elektrárne	3.2	2.5		0.7
Enel.si	6.0	1.8		4.2
Enelpower	2.0	1.6		0.4
Enel Rete Gas	2.7	1.6		1.1
Enel Investment Holding	13.3	1.2		12.1
ELA	2.1	0.4		1.7
ENA	1.1	0.2		0.9
Viesgo Servicios	1.8	1.1		0.7
Sfera	1.5	1.0		0.5
Enel Sole	1.5	0.9		0.6
Dalmazia Trieste ⁽¹⁾	-	0.7		(0.7)
Other	3.5	0.6		2.9
Total	418.1	118.7		299.4

(1) Now merged with Enel Servizi.

Receivables by geographical area are shown below:

Millions of euro	at Dec. 31, 2007		at Dec. 31, 2006	2007-2006
Italy	438.3	223.1		215.2
EU	34.5	28.9		5.6
Non-EU	7.6	8.3		(0.7)
Other	3.0	2.5		0.5
Total	483.4	262.8		220.6

18. Tax receivables – €279.2 million

Tax receivables at December 31, 2007 totalled €279.2 million and regard the Company's IRES and IRAP tax credits for current 2007 taxes.

19. Current financial assets – €36,726.3 million

The item breaks down as follows:

Millions of euro	at Dec. 31, 2007		at Dec. 31, 2006	2007-2006
Financial receivables due from Group companies:				
- short-term financial receivables – intercompany current account	33,458.4		5,564.4	27,894.0
- short-term loan to Dalmazia Trieste ⁽¹⁾	-		80.0	(80.0)
- current portion of receivables for assumption of loans	1,025.5		63.2	962.3
- other financial receivables	931.8		269.3	662.5
- derivatives	149.8		69.6	80.2
Financial receivables due from others:				
- derivatives	97.2		20.1	77.1
- current portion of long-term loans	962.0		-	962.0
- other financial receivables	101.6		7.1	94.5
Total	36,726.3		6,073.7	30,652.6

(1) Now merged with Enel Servizi.

Current financial assets increased by €30,652.6 million with respect to the previous financial year.

The change in “Financial receivables due from Group companies” is essentially the result of an increase in the financial requirements of the Group companies (€27,894.0 million), notably Enel Energy Europe (€24,969.7 million) to cover the costs of the purchase of 67.05% of Endesa, Enel Produzione (€1,006.8 million) and Enel Distribuzione (€2,050.5 million), the reclassification of the short-term portion of receivables arising from the assumption by Enel Produzione of financial debt of €1,025.6 million, and an increase in financial receivables in respect of interest accrued on the intercompany current accounts and other financial receivables due from Group companies in the amount of €662.5 million.

The increase in “Financial receivables due from others” is ascribable essentially to the reclassification of the receivable of €962.0 million relating to the second installment of the payment for the sale of Weather, which will be settled at the end of June 2008, and to interest accrued on the receivable, which amounted to €43.2 million in the financial year.

The following table reports the notional values and the fair value of 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	50.0	-	0.2	-	0.2
Total	50.0	-	0.2	-	0.2
Trading derivatives:					
- interest rates	3,065.4	2,339.3	73.1	66.9	6.2
- exchange rates	6,186.6	1,074.6	168.4	14.4	154.0
- commodities	16.3	16.3	5.3	8.4	(3.1)
Total	9,268.3	3,430.2	246.8	89.7	157.1
TOTAL	9,318.3	3,430.2	247.0	89.7	157.3

The increase in trading derivatives on exchange rates is attributable to a cross currency interest rate swap used to hedge a multi-tranche bond issue for a total

of \$3.5 billion and ¥20.0 billion. The operation was carried out by Enel Finance International.

20. Cash and cash equivalents – €10.4 million

Cash and cash equivalents are detailed in the following table:

Millions of euro	at Dec. 31, 2007	at Dec. 31, 2006	2007-2006
Bank deposits	9.8	77.3	(67.5)
Post office deposits	0.5	0.4	0.1
Cash and cash equivalents on hand	0.1	0.1	-
Total	10.4	77.8	(67.4)

Bank deposits represent liquidity connected with operations.

Of total cash and cash equivalents, only €0.3 million are restricted by encumbrances.

21. Other current assets – €629.1 million

At December 31, 2007, the item broke down as follows:

Millions of euro	at Dec. 31, 2007	at Dec. 31, 2006	2007-2006
Tax receivables	124.6	189.9	(65.3)
Other receivables due from Group companies	309.7	232.8	76.9
Receivables due from Electricity Equalization Fund	2.8	12.0	(9.2)
Receivables due from others	192.0	180.7	11.3
Total	629.1	615.4	13.7

With respect to December 31, 2006, other current assets show an increase of €13.7 million.

Tax receivables, which total €124.6 million, mainly consist of receivables for Group VAT of €29.7 million, IRAP and IRES credits of €29.7 million relating to previous years, for which reimbursement has been requested, as well as the recognition of the right to reimbursement of registration fees on bonds issued by Enel SpA between 1976 and 1984, in a total amount of €45.6 million, including accrued interest, and net of the reimbursement of €75.8 million collected in 2007.

Other receivables due from Group companies relate mainly to IRES tax credits of the Group companies that participate in the consolidated taxation mechanism (€259.1 million).

The decrease of €9.2 million in current receivables due from the Electricity Equalization Fund reflects the collection of the current portion of the receivable relating to reimbursements for costs incurred in importing natural gas from Nigeria.

Receivables due from others came to €192.0 million at December 31, 2007. They largely relate to advances paid in respect of contributions to recreational and assistance associations for personnel, equal to €132.1 million (the same amount is recognized in "Other current liabilities"), and an advance deposit of €39.5 million paid by Enel SpA for the purchase of an equity interest in Electrica Muntenia Sud, in Romania.

Liabilities and shareholders' equity

Shareholders' equity

22. Shareholders' equity – €15,710.9 million

During 2007, 8,171,574 options that had been distributed under the stock option plans for 2002, 2003 and 2004 were exercised. The exercise of these options generated an increase of €50.5 million in equity, mainly through an increase in share capital of €8.2 million and an increase in the share premium reserve of €42.3 million. In addition, as regards the exercised options, the share premium reserve was increased by a further €1.7 million as a result of the reclassification of the specific stock option reserve.

Share capital – €6,184.4 million

Share capital consist of 6,184,367,853 ordinary shares with a par value of €1.00 each (6,176,196,279 at December 31, 2006).

Based on the shareholders register and other available information, at December 31, 2007, 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 SpA, which holds 10.1%, and Barclays Global Investor UK Holding Ltd, which holds 2.2%.

Other reserves – €4,736.3 million

Share premium reserve – €650.9 million

The change in 2007 reflects the exercise of stock options by beneficiaries.

Legal reserve – €1,452.1 million

The legal reserve is equal to 23.5% of share capital.

Reserve pursuant to Law 292/1993 – €2,215.4 million

The reserve shows the remaining portion of the value adjustments carried out when Enel was transformed from a public entity to a joint-stock company. In the case of a distribution of this reserve, the tax treatment for capital reserves as defined by Article 47 of the Uniform Tax Code shall apply.

Other reserves – €55.8 million

Other reserves include €19.0 million related to the reserve for capital grants, which reflects 50% of the grants received from the Italian government and from EU bodies in application of related laws, in order to carry out new works (pursuant to Article 55 of Presidential Decree 917/1986), which is recognized in equity in order to take advantage of tax deferment benefits. They also include €16.7 million in respect of the stock option reserve and €20.1 million in other reserves.

Reserve from measurement of financial instruments – €362.1 million

The reserve includes a gain of €234.5 million from the measurement of AFS financial instruments and a gain of €193.3 million from the measurement of cash flow hedge derivatives, net of tax effects of €65.7 million.

The changes in 2007 are set out in the table below:

131

Millions of euro		Gains/(Losses) recognized in equity for the period	Released to income statement	Tax effect on equity	Change in tax rate taken to equity	
	at Dec. 31, 2006					at Dec. 31, 2007
Gains/(Losses) from fair value measurement of cash flow hedging, effective portion	(38.0)	95.5	159,6	(84.2)	(1.9)	131.0
Gains/(Losses) from fair value measurement of financial investments available for sale	204.4	18.6	0.0	(0.3)	8.4	231.1
Gains/(Losses) recognized in equity	166.4	114.1	159.6	(84.5)	6.5	362.1

Retained earnings – €2,139.6 million

The increase of €318.5 million with respect to the total at December 31, 2006, refers to the net income carried forward from 2006 pursuant to the resolution of the Shareholder's Meeting of May 25, 2007.

Net income for the year – €3,887.4 million

Net income for 2007 was €3,887.4 million and includes an interim dividend of €0.20 per share distributed as of November 22, 2007. Net income increased by €540.7 million compared with the total at the end of 2006 (€3,346.7 million).

The table below shows the availability of shareholders' equity:

Millions of euro	Amount	Possible uses	Portion available
Share capital	6,184.4		
Capital reserves:			
- share premium reserve	650.9	ABC	650.9
Income reserves:			
- legal reserve	1,452.1	BC ⁽¹⁾	215.2
- reserve pursuant to Law 292/1993	2,215.4	ABC	2,215.4
- reserve from measurement of financial instruments	362.1		
- reserve for capital grants	19.0	ABC	19.0
- stock option reserve	16.7	ABC	7.7
- other	20.1	ABC	20.1
Retained earnings/(losses carried forward)	2,139.6	ABC	2,139.6
Total	13,060.3		5,267.9
<i>portion available for distribution</i>			<i>5,267.9</i>

A: for capital increases.

B: to cover losses.

C: for distribution to shareholders.

(1) Only for the portion exceeding 20% of share capital.

There are no restrictions on the distribution of reserves pursuant to Article 2426, paragraph 1(5), of the Civil Code, as there are no unamortized start-up and expansion costs or research costs, or the departures referred to in Article 2423, paragraph 4, of the Civil Code.

Millions of euro	Share capital and reserves							Net income for the year	Total shareholders' equity
	Share capital	Share premium reserve	Legal reserve	Reserve pursuant to Law 292/93	Other reserves	Retained earnings/ (losses carried forward)	Reserve from measurement of financial instruments		
At January 1, 2006	6,157.1	511.0	1,452.1	2,215.4	50.8	3,010.2	101.9	1,526.1	15,024.6
Exercise of stock options	19.1	95.9	-	-	(7.2)	-	-	-	107.8
Stock option charges	-	-	-	-	7.0	-	-	-	7.0
Allocation of 2005 net income:									
- dividends	-	-	-	-	-	(1,189.1)	-	(1,526.1)	(2,715.2)
2006 interim dividend	-	-	-	-	-	-	-	(1,235.2)	(1,235.2)
Net income for the year recognized in equity	-	-	-	-	-	-	64.5	-	64.5
Net income for the year recognized in income statement	-	-	-	-	-	-	-	3,346.7	3,346.7
Total at December 31, 2006	6,176.2	606.9	1,452.1	2,215.4	50.6	1,821.1	166.4	2,111.5	14,600.2
Exercise of stock options	8.2	44.0	-	-	(1.7)	-	-	-	50.5
Stock option charges	-	-	-	-	6.9	-	-	-	6.9
Allocation of 2006 net income:									
- Dividends	-	-	-	-	-	-	-	(1,793.0)	(1,793.0)
- Retained earnings/(losses carried forward)	-	-	-	-	-	318.5	-	(318.5)	-
2007 interim dividend ⁽¹⁾	-	-	-	-	-	-	-	(1,236.8)	(1,236.8)
Net income for the year recognized in equity	-	-	-	-	-	-	195.7	-	195.6
Net income for the year recognized in income statement	-	-	-	-	-	-	-	3,887.4	3,887.4
TOTAL AT DECEMBER 31, 2007	6,184.4	650.9	1,452.1	2,215.4	55.8	2,139.6	362.1	2,650.6	15,710.9

(1) Resolved by meeting of Board of Directors on September 5, 2007, with ex-dividend date of November 19, 2007 and effective distribution as of November 22, 2007.

23. Long-term loans (including the portion falling due within 12 months) – €27,519.6 million

This aggregate includes long-term payables related to bonds, bank loans and other loans in euro and other currencies (totaling €26,377.8 million), as well as the portion falling due within twelve months (€1,141.8 million).

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	Nominal value
		at Dec. 31, 2007		at Dec. 31, 2006	
Bonds:					
- listed, fixed rate	2008-2037	9,835.2	9,919.5	5,040.1	5,074.7
- listed, floating rate	2009-2015	2,767.4	2,786.0	483.4	486.0
- unlisted, fixed rate	2008-2010	58.5	58.5	91.2	91.2
- unlisted, floating rate	2008-2032	2,096.8	2,097.0	2,005.0	2,005.1
Total		14,757.9	14,861.0	7,619.7	7,657.0
Bank loans:					
- fixed rate	2008-2012	27.3	27.3	59.2	59.2
- floating rate	2010-2012	12,162.8	12,196.5	-	-
Total		12,190.1	12,223.8	59.2	59.2
Loans from Group companies:					
- fixed rate	2010-2023	396.6	400.0	396.4	400.0
- floating rate	2008-2010	175.0	175.0	175.0	175.0
Total		571.6	575.0	571.4	575.0
TOTAL		27,519.6	27,659.8	8,250.3	8,291.2

Millions of euro	Balance	Current portion		Maturing in				
		<12 months	>12 months	2009	2010	2011	2012	Beyond
at Dec. 31, 2007								
Bonds:								
- listed, fixed rate	9,835.2	998.9	8,836.3	-	-	747.1	596.1	7,493.1
- listed, floating rate	2,767.4	-	2,767.4	86.0	-	-	397.9	2,283.5
- unlisted, fixed rate	58.5	57.4	1.1	0.7	0.4	-	-	-
- unlisted, floating rate	2,096.8	22.1	2,074.7	331.0	54.1	55.7	57.5	1,576.4
Total	14,757.9	1,078.4	13,679.5	417.7	54.5	802.8	1,051.5	11,353.0
Bank loans:								
- fixed rate	27.3	13.4	13.9	13.3	0.2	0.3	0.1	-
- floating rate	12,162.8	-	12,162.8	-	7,495.0	-	4,667.8	-
Total	12,190.1	13.4	12,176.7	13.3	7,495.2	0.3	4,667.9	-
Loans from Group companies:								
- fixed rate	396.6	-	396.6	-	99.8	-	-	296.8
- floating rate	175.0	50.0	125.0	-	125.0	-	-	-
Total	571.6	50.0	521.6	-	224.8	-	-	296.8
TOTAL	27,519.6	1,141.8	26,377.8	431.0	7,774.5	803.1	5,719.4	11,649.8

The balance for bonds is stated net of €456.4 million relating to the unlisted floating-rate “Special series of bonds reserved for employees 1994-2019”, repurchased by Enel SpA.

The table below shows long-term financial debt by currency and interest rate.

Millions of euro	Balance		Nominal	Current	Effective
	at Dec. 31, 2006	at Dec. 31, 2007	value	interest rate	interest rate
			at Dec. 31, 2007		
Euro	8,115.9	25,930.6	26,048.9	4.87%	5.07%
US dollar	0.7	0.4	0.4	6.35%	6.35%
Pound sterling	61.7	1,532.6	1,554.5	5.99%	6.10%
Swiss franc	12.8	3.9	3.9	5.35%	5.35%
Japanese yen	59.2	52.1	52.1	1.36%	1.36%
Total non-euro currencies	134.4	1,589.0	1,610.9		
TOTAL	8,250.3	27,519.6	27,659.8		

The table below reports changes in the nominal value of long-term debt during the year.

Millions of euro	Nominal	Repayments	New issues	Own bonds repurchased	Exchange rate differences	Nominal
	value					value
	at Dec. 31, 2006					at Dec. 31, 2007
Bonds	7,657.0	(52.8)	7,375.9	17.8	(137.0)	14,860.9
Bank loans	59.2	(31.7)	12,196.6	-	(0.2)	12,223.9
Loans from Group companies	575.0	-	-	-	-	575.0
Total	8,291.2	(84.5)	19,572.5	17.8	(137.2)	27,659.8

Compared with December 31, 2006, the nominal value of long-term debt increased by a total of €19,368.6 million, which is the net effect of €19,572.5 million in new issues, €84.5 million in repayments, €17.8 million in repurchases of own bonds, and €137.2 million in exchange rate gains. The repayments made in the year relate to bonds in the amount of €52.8 million and other maturing loans in the amount of €31.7 million.

The main financing transactions in 2007 included the following:

- > the issue by Enel on June 13, 2007 of a public multi-tranche bond 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 is divided into five tranches, as detailed below:

	7-year tranche	10-year tranche	12-year tranche	20-year tranche	30-year tranche
Amount	€1,000 million	€1,500 million	£550 million	€850 million	£550 million
Repayment	Bullet	Bullet	Bullet	Bullet	Bullet
Interest rate	Floating	5.25%	6.25%	5.625%	5.75%
Issue price	99.757	99.582	99.671	99.834	98.286
Effective yield	0.24% 3-month Euribor	5.31%	6.19%	5.64%	5.79%
Listing exchange	Dublin	Dublin	Dublin	Dublin	Dublin

- > the issue in May and November of two new tranches of a bond placed privately with leading Italian insurance companies with a value of €97 million maturing in 2025;
- > the drawing of €11,496,5 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 (as described below), to finance the purchase of Endesa;
- > the issue on December 12, 2007, of a multi-tranche bond for Italian retail investors with a value of €2,300 million, structured as follows:

	7-year and one month tranche	7-year and one month tranche
Amount	€1,000 million	€1,300 million
Repayment	Bullet	Bullet
Interest rate	5.25%	floating
Effective yield	5.25%	0.80% 3-month Euribor
Listing exchange	Milan	Milan

The 5-year (renewable for a further two years) revolving line of credit in the amount of €5 billion agreed in November 2005 was drawn in the amount of €700 million at December 31, 2007.

During 2007, the Global Medium-Term Notes program issued by Enel SpA and Enel Finance international SA was increased from €10 billion to €25 billion.

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 SA on April 10, 2007. The credit line was arranged for the sole purpose of financing the purchase of the stake in Endesa and enabling the subsequent restructuring of the resulting debt and was divided into three tranches as follows:

- > €10 billion maturing at 12 months (of which €6 billion pertaining to Enel SpA), with an option to extend the maturity for a further 18 months;
- > €15 billion maturing at 36 months (of which €9 billion pertaining to Enel SpA);
- > €10 billion maturing at 60 months (of which €6 billion pertaining to Enel SpA).

Following the various issues during the year, the credit line was reduced in a series of steps, as follows:

- > on June 20, 2007, following the bond issue, the line of credit was reduced to €30 billion (of which €18 billion pertaining to Enel SpA);
- > 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 (of which €16.8 billion pertaining to Enel SpA);
- > on October 10, 2007, following the outcome of the public purchase offer for Endesa, the line of credit was reduced to €23 billion (of which €14.0 billion pertaining to Enel SpA);
- > on November 28, 2007, the line of credit was reduced to €21.5 billion (of which €12.8 billion pertaining to Enel SpA);
- > on December 17, 2007, following the issue of a retail bond, the credit line was further reduced to €19.5 billion (of which €11.7 billion pertaining to Enel SpA and €7.8 billion to Enel Finance International).

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:

Millions of euro	Carrying amount		Fair value	
	at Dec. 31, 2007	at Dec. 31, 2006	at Dec. 31, 2007	at Dec. 31, 2006
Bonds:				
- fixed rate	9,893.7	5,131.4	9,769.9	5,254.5
- floating rate	4,864.2	2,488.3	4,811.1	2,526.4
Bank loans:				
- fixed rate	27.3	59.2	28.0	62.1
- floating rate	11,462.8	-	11,431.7	-
- drawings on revolving credit lines	700.0	-	704.8	-
Loans from Group companies:				
- fixed rate	396.6	396.4	386.9	417.2
- floating rate	175.0	175.0	171.9	172.6
Total	27,519.6	8,250.3	27,304.3	8,432.8

The following tables show changes in the long-term loans for the period, distinguishing current from non-current portions, with comparative figures for December 31, 2006:

LONG-TERM LOANS (EXCLUDING THE CURRENT PORTION)

Millions of euro	at Dec. 31, 2007		at Dec. 31, 2006	
	2007-2006	2007-2006	2007-2006	2007-2006
Bonds:				
- fixed rate	8,837.3	5,101.1	8,837.3	3,736.2
- floating rate	4,842.2	2,465.4	4,842.2	2,376.8
Bank loans:				
- fixed rate	13.9	27.4	13.9	(13.5)
- floating rate	12,162.8	-	12,162.8	12,162.8
Loans from Group companies:				
- fixed rate	396.6	396.4	396.6	0.2
- floating rate	125.0	175.0	125.0	(50.0)
Total	26,377.8	8,165.3	26,377.8	18,212.5

CURRENT PORTION OF LONG-TERM LOANS

Millions of euro	at Dec. 31, 2007		at Dec. 31, 2006	
	2007-2006	2007-2006	2007-2006	2007-2006
Bonds:				
- fixed rate	1,056.3	30.2	1,056.3	1,026.1
- floating rate	22.1	23.0	22.1	(0.9)
Bank loans:				
- fixed rate	13.4	31.8	13.4	(18.4)
Loans from Group companies:				
- floating rate	50.0	-	50.0	50.0
Total	1,141.8	85.0	1,141.8	1,056.8

For information on the management of interest rate risk on loans, see the risk management section of these notes.

Some of Enel SpA's long-term financial debts are governed by covenants containing undertakings that are commonly adopted in international business practice.

The main covenants governing Enel SpA's debt regard the bond issues carried out within the framework of the Global Medium-Term Notes program, the €5 billion revolving line of credit and the €35 billion syndicated line of credit (subsequently reduced to €19.5 billion). 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 for the €5 billion revolving line of credit are as follows:

- > negative pledge clauses under which the borrower (and a significant subsidiary) may not establish new guarantees on any form of financial debt with the exception of permitted guarantees;
- > 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 debts of the borrower;
- > specification of default events, whose occurrence (e.g. failure to make payment, false statements, insolvency or declaration of insolvency of the borrower or certain of the significant subsidiaries, liquidation of the borrower or any "significant" subsidiary, disposal of the business, administrative proceeding with potential negative impact, illegal activity, nationalization or government expropriation or compulsory purchase of the borrower or a significant subsidiary) constitutes a default; under cross-default clauses, the occurrence of a default event in respect of any financial liability (above a threshold level) of the borrower or significant subsidiaries (i.e. consolidated companies whose gross revenues or total assets are at least 15% of gross consolidated revenues or total consolidated assets) constitutes a default in respect of the liability in question, which becomes immediately repayable;
- > requirements to report periodically to Mediobanca.

The main covenants for the €35 billion syndicated line of credit are as follows:

- > negative pledge clauses under which the borrower 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;
- > specification of default events, whose occurrence (e.g. failure to make payment, breach of contract, insolvency or declaration of insolvency, business closure, government intervention or nationalization, disposal of the borrower by Enel, administrative proceeding with potential negative impact) constitutes a default; 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 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;
- > periodic reporting requirements;
- > 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.

Pursuant to the Consob instructions of July 28, 2006, the following table reports the net financial position at December 31, 2007, reconciled with the net financial debt indicated in the report on operations.

Millions of euro

	at Dec. 31, 2007		at Dec. 31, 2006	
		<i>of which with related parties</i>		<i>of which with related parties</i>
Cash and cash equivalents on hand	10.3		0.1	
Bank and post office deposits	0.1		77.7	
Cash and cash equivalents	10.4		77.8	
Current financial receivables	35,446.0	35,446.0	5,707.6	5,707.6
Short-term bank debt	(1,009.0)		(441.2)	
Short-term portion of long-term debt	(1,141.8)		(85.0)	
Other short-term financial payables	(13,705.1)	(13,705.1)	(549.4)	(549.4)
Short-term bank debt	(15,855.9)		(1,075.6)	
Net short-term financial position	19,600.5		4,709.8	
Short-term bank debt	(12,176.8)		(27.4)	
Bonds	(13,679.4)		(7,566.5)	
Other short-term financial payables	(521.6)	(521.6)	(571.4)	(571.4)
Net long-term financial position	(26,377.8)		(8,165.3)	
NET FINANCIAL POSITION pursuant to Consob instructions	(6,777.3)		(3,455.5)	
Long-term financial receivables	481.7	481.6	2,466.3	1,504.3
NET FINANCIAL DEBT	(6,295.6)		(989.2)	

24. Post-employment and other employee benefits

– €415.0 million

Enel provides its employees with a variety of post-employment and other benefits, including termination benefits, additional months' pay, indemnities in lieu of notice, loyalty bonuses, supplementary pension and healthcare plans and electricity discounts.

The item includes accruals made to cover post-employment benefits under defined-benefit plans and other long-term benefits to which employees have a statutory or contractual right.

The obligations, which can be considered "defined-benefit plans" in accordance with IAS 19, were determined using the projected unit credit method, under which liabilities are calculated in proportion to the service already accrued with respect to the total service expected in the future.

The following table reports the change during the year in actuarial liabilities, as well as a reconciliation of actuarial liabilities with liabilities recognized in the balance sheet at December 31, 2007 and December 31, 2006:

Millions of euro		
	at Dec. 31, 2007	at Dec. 31, 2006
Benefits due on termination of employment and other long-term benefits		
Actuarial liabilities at the beginning of the year	379.8	388.3
Service cost	0.2	2.0
Interest cost	15.6	15.7
Benefits paid	(31.9)	(27.7)
Other changes	(0.9)	-
Unrecognized actuarial (gains)/losses in the year	(8.1)	1.4
Actuarial liabilities at the end of the year	354.7	379.8
Liability recognized at the end of the year	364.7	378.4
Post-employment benefits under defined-benefit plans		
Actuarial liabilities at the beginning of the year	52.4	51.8
Service cost	0.2	(0.5)
Interest cost	2.3	2.0
Benefits paid	(3.5)	(2.2)
Other changes	(2.4)	-
Unrecognized actuarial (gains)/losses in the year	3.4	1.3
Actuarial liabilities at the end of the year	52.4	52.4
Liability recognized at the end of the year	50.3	51.1
Reconciliation with carrying amount		
Actuarial liabilities at the end of the year	407.1	432.2
Unrecognized actuarial (gains)/losses in the year	(7.9)	2.7
Liability recognized at the end of the year	415.0	429.5

The service cost of employee benefits in 2007 came to €0.4 million (€1.5 million in 2006), while the accretion cost recognized under interest cost amounted to €17.9 million (€17.7 million in 2006).

The main actuarial assumptions used to calculate the liabilities arising from employee benefits are set out below:

	2007	2006
Discount rate	4.60%	4.25%
Rate of increase in wages	3.00%	3.00%
Rate of increase in healthcare costs	3.00%	3.00%

25. Provisions for risks and charges – €30.7 million

Provisions for risks and charges are intended to cover potential liabilities of the Company as a result of litigation and other disputes, without considering the effects of disputes for which a favorable outcome is expected and those for which any liability cannot be reasonably quantified.

The calculation of the provisions includes an estimate of the potential liability relating to disputes that arose during the year, as well as revised estimates of the potential costs associated with disputes initiated in prior periods that do not regard transferred business units. The transfers of business units also entailed the transfer of legal relationships, including litigation, to which Enel SpA is consequently no longer party.

The following table shows changes in provisions for risks and charges:

141

Millions of euro	Taken to income statement		Utilization	
	at Dec. 31, 2006			
Provision for litigation, risks and other charges:				
- litigation	26.8	9.0	(11.2)	24.6
- other	9.0	2.1	(6.5)	4.6
Total	35.8	11.1	(17.7)	29.2
Provision for early-retirement incentives	6.0	1.5	(6.0)	1.5
TOTAL	41.8	12.6	(23.7)	30.7

The allocation for the year reflects the adjustment of the litigation provision on the basis of the opinions of internal and external legal counsel and the estimated charges relating to agreements for the voluntary termination of employment contracts in response to restructuring needs.

The utilization of the provisions consisted mainly of €11.2 million for the settlement of a number of disputes, €6.0 million for retirement incentives, €2.6 million for the charge in respect of the exercise of options by participants in the stock option plan, and €1.6 million to cover the losses of the Enel.NewHydro subsidiary.

26. Deferred tax liabilities – €108.7 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		Increase/ (Decrease) taken to equity		Change in tax rates: increase/ (decrease) taken to equity	
	at Dec. 31, 2006				at Dec. 31, 2007	
Nature of the temporary difference:						
- differences on non-current and financial assets	11.4	-	0.2	-	(8.4)	3.2
- income subject to deferred taxation	1.6	(1.1)	-	(0.1)	-	0.4
- measurement of financial instruments	4.5	-	85.9	-	(0.7)	89.7
- other items	29.3	(11.1)	-	(2.8)	-	15.4
Total	46.8	(12.2)	86.1	(2.9)	(9.1)	108.7

Deferred tax liabilities totaled €108.7 million, an increase of €61.9 million mainly resulting from the fair value measurement of derivatives (€85.9 million), the effect of which was partially offset by the impact of changes in tax rates (€12.0 million).

27. Non-current financial liabilities – €216.0 million

These consist of the fair value measurement of cash flow hedge derivatives.

The following table shows the related notional amount and fair value:

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	1,530.8	830.8	28.5	42.4	(13.9)
- exchange rates	1,744.2	204.6	187.5	31.2	156.3
Total	3,275.0	1,035.4	216.0	73.6	142.4

The increase in cash flow hedges on exchange rates was attributable to a hedging operation carried out on June 13, 2007, relating to a £1.1-billion tranche of a bond issue under the Global Medium-Term Notes program.

Current liabilities

28. Short-term loans – €14,714.1 million

Short-term loans break down as follows:

Millions of euro	Carrying amount		
	at Dec. 31, 2007	at Dec. 31, 2006	2007-2006
Due to third parties	1,009.0	441.2	567.8
Due to Group companies	13,705.1	549.4	13,155.7
Total	14,714.1	990.6	13,723.5

Short-term bank loans totaled €1,009.0 million, an increase of €567.8 million. Borrowing from Group companies rose to €13,155.7 million, an increase largely resulting from a bridge loan of €10,481.1 million arranged with Enel Finance International, an increase of €1,190.6 million in the debtor balance on the intercompany current account with Enel Ireland Finance and an increase of €1,431.2 million in the debtor balance on the intercompany current account with Enel Finance International.

29. Trade payables – €422.2 million

Trade payables are mostly made up of payables for electricity purchases and payables for sundry services delivered in 2007. They break down as follows:

Millions of euro			
	at Dec. 31, 2007	at Dec. 31, 2006	2007-2006
Trade payables:			
- due to third parties	375.1	338.9	36.2
- due to Group companies	47.1	84.4	(37.3)
Total	422.2	423.3	(1.1)

The increase of €36.2 million in trade payables due to third parties is attributable to the expansion in the number of services purchased in connection with international acquisitions, while the decrease in the same in respect of Group companies is largely the result of a fall in the purchase of green certificates by Enel Trade.

Trade payables due to subsidiaries at December 31, 2007, break down as follows: 143

Millions of euro	at Dec. 31, 2007		at Dec. 31, 2006	2007-2006
Subsidiaries				
Enel Produzione	1.4	0.4		1.0
Enel Trade	0.2	48.4		(48.2)
Enel Servizi	37.3	30.9		6.4
Enel.Factor	2.0	1.1		0.9
Enelpower	2.3	-		2.3
Sfera	3.1	2.9		0.2
Other	0.8	0.7		0.1
Total	47.1	84.4		(37.3)

Trade payables break down by geographical area as follows:

Millions of euro	at Dec. 31, 2007		at Dec. 31, 2006	2007-2006
Suppliers				
Italy	269.7	223.4		46.3
EU	82.9	135.6		(52.7)
Non-EU	69.6	62.9		6.7
Other	-	1.4		(1.4)
Total	422.2	423.3		(1.1)

30. Current financial liabilities – €929.2 million

Current financial liabilities mainly regard interest expense accrued on debt outstanding at end-year and the fair value measurement of derivatives.

Millions of euro	at Dec. 31, 2007		at Dec. 31, 2006	2007-2006
Deferred financial liabilities	288.4	154.5		133.9
Derivative contracts	295.3	111.4		183.9
Other items	345.5	83.7		261.8
Total	929.2	349.6		579.6

Deferred financial liabilities consist of interest expense accrued on financial debt.

The other items refer to interest expense on current accounts held with Group companies. The increase refers in particular to the bridge loan agreed with Enel Finance International.

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:					
- exchange rates	146.9	-	25.2	-	25.2
Total	146.9	-	25.2	-	25.2
Trading derivatives:					
- interest rates	3,787.6	2,573.2	96.3	86.5	9.8
- exchange rates	6,214.9	1,098.8	168.6	16.5	152.1
- commodities	16.3	16.3	5.2	8.4	(3.2)
Total	10,018.8	3,688.3	270.1	111.4	158.7
TOTAL	10,165.7	3,688.3	295.3	111.4	183.9

The increase in trading derivatives on exchange rates is attributable to a cross currency interest rate swap used to hedge a multi-tranche bond issue for a total of \$3.5 billion carried out by Enel Finance International.

Trading derivatives essentially include transactions entered into for hedging purposes, but which do not qualify for hedge accounting under the applicable accounting standards.

31. Other current liabilities – €702.8 million

Other current liabilities mainly refer to IRES liabilities for companies participating in the consolidated taxation mechanism and payables due to recreational and assistance associations for personnel in respect of payments that have not yet been specified in contract (€132.1 million), with a corresponding amount recognized under “Other current assets”.

Millions of euro	at Dec. 31, 2007		at Dec. 31, 2006		2007-2006	
Tax payables	379.8		313.0		66.8	
Payables due to Group companies	156.7		221.7		(65.0)	
Payables due to employees, recreational/ assistance associations	149.9		93.4		56.5	
Social security contributions payable	7.8		5.9		1.9	
Other	7.5		13.2		(5.7)	
Payables due to customers for security deposits and reimbursements	1.1		1.1		-	
Total	702.8		648.3		54.5	

32. Related parties

Related parties have been identified on the basis of the provisions of international accounting standards and the applicable Consob measures.

Transactions entered into with companies wholly controlled, directly or indirectly, by the Ministry for the Economy and Finance are primarily related to the sale of electricity to the Single Buyer at market prices and energy transport fees paid to Terna. Transport fees are established by the Authority for Electricity and Gas.

The transactions Enel SpA entered into with its subsidiaries mainly involved services, the provision and employment of financial resources, insurance coverage, human resource management and organization, legal and business management support, and the planning and coordination of tax and administrative activities.

All transactions are part of the routine operations of the Company and are settled on an arm's length basis, i.e. on the same market terms as agreements entered into between two independent parties.

Finally, the Enel Group's corporate governance rules (for more details see the appropriate section in the report on operations) establish conditions for ensuring that transactions with related parties are performed in accordance with procedural and substantive propriety.

The following tables summarize commercial, financial and other relationships between the Company and related parties.

Commercial and other relationships

2007

Millions of euro	Receivables Payables		Costs		Revenues	
			Goods	Services	Goods	Services
			at Dec. 31, 2007		2007	
Subsidiaries:						
- Enel Produzione SpA	244.7	39.5	-	1.1	-	98.8
- Enel Trade SpA	87.3	40.5	-	14.4	-	3.7
- Enel Viesgo Servicios SL	1.8	-	-	-	-	0.7
- Enel Romania Srl ⁽¹⁾	1.3	-	-	-	-	1.5
- Enel Latin America LLC	2.1	-	-	-	-	1.4
- Enel.si Srl	6.3	(2.5)	-	-	-	4.1
- Enel Energia SpA	51.4	33.9	-	-	-	37.0
- Deval SpA	0.1	-	-	-	-	0.1
- Enel Sole Srl	4.8	0.4	-	0.5	-	1.7
- Enel Distribuzione SpA	136.4	11.5	-	0.1	-	147.2
- Enel Rete Gas SpA	2.7	-	-	-	-	2.7
- Enel Finance International SA	0.2	-	-	-	-	-
- Enel Servizi Srl	16.3	40.9	0.1	59.6	-	3.1
- Enel.Factor SpA	0.2	3.4	-	-	-	0.1
- Sfera Srl	1.6	3.3	-	4.4	-	0.9
- Enelpower SpA	2.0	32.5	-	2.3	-	0.4
- Enel.NewHydro Srl	-	0.2	-	-	-	-
- Enel Investment Holding BV	13.3	-	-	-	-	12.7
- Enel North America Inc	1.1	-	-	-	-	0.8
- Slovenské elektrárne AS	3.2	-	-	-	-	1.5
- Enel Unión Fenosa Renovables SA	0.8	-	-	-	-	0.6
- Enel Energy Europe Srl	149.3	0.5	-	-	-	149.7
- Enel France Sas	0.1	-	-	-	-	0.1
- Enel M@p Srl	-	(0.4)	-	-	-	-
- Enineftegaz	0.1	-	-	-	-	0.1
- Maritza East III Power Holding BV	-	-	-	0.2	-	-
- Nuove Energie Srl	0.1	-	-	-	-	0.1
- RusEnergosbyt LLC	0.6	-	-	-	-	0.4
- Enel Service UK Ltd	-	0.1	-	0.4	-	-
Total	727.8	203.8	0.1	83.0	-	469.4
Other related parties:						
- Single Buyer	60.9	-	-	-	342.1	-
- Market Operator	-	9.2	14.0	11.1	-	-
- Terna SpA	0.2	0.9	0.3	3.9	-	-
- Electricity Services Operator	0.5	0.7	-	-	-	-
- Other	0.1	0.9	0.1	1.6	-	0.1
Total	61.7	11.7	14.4	16.6	342.1	0.1
TOTAL	789.5	215.5	14.5	99.6	342.1	469.5

(1) Formerly Enel Servizi Srl.

2006

Millions of euro	Receivables Payables at Dec. 31, 2006		Costs		Revenues	
			Goods	Services	Goods	Services
			2006		2006	
Subsidiaries:						
- Enel Produzione SpA	40.5	106.3	-	-	1.1	81.3
- Enel Trade SpA	52.4	57.7	-	59.8	-	0.4
- Enel Viesgo Servicios SL	1.1	-	-	-	-	1.0
- Enel Servizi Srl	0.1	0.3	-	0.3	-	0.1
- Enel ESN Energo LLC	0.1	-	-	-	-	0.1
- Enel Latin America LLC	0.4	-	-	-	-	0.3
- Enel.si Srl	1.8	2.7	-	-	-	1.9
- Enel Energia SpA	17.3	57.2	-	-	-	22.8
- Deval SpA	-	0.4	-	-	-	0.1
- Enel Sole Srl	2.7	0.1	-	0.2	-	1.0
- Enel Distribuzione SpA	209.0	0.5	-	0.2	-	121.2
- Enel Rete Gas SpA	4.2	-	-	-	-	2.1
- Enel Finance International SA	0.2	-	-	-	-	0.2
- Enel Servizi Srl	10.0	57.3	-	58.9	-	1.9
- Dalmazia Trieste Srl	2.4	1.2	-	-	-	0.7
- Enel.Factor SpA	0.4	1.1	-	-	-	0.1
- Sfera Srl	1.2	3.3	-	3.0	-	0.7
- Enelpower SpA	3.6	17.9	-	-	-	0.6
- Enel.NewHydro Srl	0.1	0.2	-	-	-	-
- Cise Srl	0.2	-	-	-	-	-
- Enel Investment Holding BV	1.2	-	-	-	-	1.1
- Enel North America Inc	0.2	-	-	-	-	0.4
- Slovenské elektrárne AS	2.5	-	-	-	-	0.8
- Enel Unión Fenosa Renovables SA	0.1	-	-	-	-	0.1
Total	351.7	306.2	-	122.4	1.1	238.9
Other related parties:						
- Single Buyer	133.4	-	-	-	717.3	-
- Market Operator	-	8.2	20.0	-	-	-
- Wind Telecomunicazioni SpA ⁽¹⁾	-	-	-	2.1	-	-
- Terna SpA	1.5	6.4	4.1	19.4	8.4	-
- Electricity Services Operator	0.6	0.7	4.8	-	3.4	-
Total	135.5	15.3	28.9	21.5	729.1	-
TOTAL	487,2	321,5	28,9	143,9	730,2	238,9

(1) For transactions up to February 2006.

Financial relationships

2007

Millions of euro	Receivables	Payables	Guarantees	Costs	Revenues	Dividends
	at Dec. 31, 2007			2007		
Subsidiaries:						
- Enel Produzione SpA	5,360.3	9.9	1,479.1	38.6	329.7	2,077.2
- Enel Sole Srl	66.5	-	67.5	-	2.8	7.5
- Enel Distribuzione SpA	3,480.8	42.3	4,400.5	34.8	99.1	1,608.1
- Enel Rete Gas SpA	603.5	3.9	39.5	-	28.1	-
- Enel Servizi Srl	115.4	76.3	14.8	5.6	10.0	-
- Enel Trade SpA	56.6	82.5	2,434.3	44.4	95.6	171.9
- Enel Romania Srl ⁽¹⁾	1.5	-	-	-	0.1	-
- Maritza East III Power Holding BV	-	0.5	-	0.1	-	-
- Enel Green Power International SA	25.9	0.4	-	2.1	3.4	-
- Enel.si Srl	8.9	0.1	15.0	0.1	0.2	-
- Enel Energia SpA	516.6	-	349.6	-	15.1	-
- Deval SpA	2.8	-	-	-	-	-
- Deval Energie Srl	-	0.2	-	-	-	-
- Electra de Viesgo Distribución SL	-	0.2	-	-	-	-
- Enel Viesgo Energia SL	-	0.3	-	-	-	-
- Enel Viesgo Servicios SL	-	0.3	-	-	-	-
- Enel Viesgo Generación SL	-	19.6	-	0.1	-	-
- Avisio Energia SpA	-	-	2.3	-	-	-
- Slovenské elektrárne AS	0.8	0.8	-	-	0.8	-
- Enel Finance International SA	68.1	12,560.8	14,481.1	297.9	68.1	-
- Enel.NewHydro Srl	26.8	-	29.5	-	1.4	-
- Enel.Factor SpA	176.3	-	-	-	7.6	3.4
- Enel Capital Srl	-	6.4	-	0.3	-	-
- Sfera Srl	-	7.8	1.0	0.2	-	-
- Enelpower SpA	0.8	27.2	37.5	5.1	1.5	9.0
- Enelpower UK Ltd	2.5	-	-	-	0.2	-
- Enel Investment Holding BV	290.0	610.1	3,609.3	68.0	25.1	-
- Pragma Energy SA	-	8.0	-	0.3	-	-
- Enel North America Inc	0.5	1.5	120.3	8.3	5.7	-
- Enel Ireland Finance Ltd	-	1,225.8	-	16.0	0.4	-
- Enel M@p Srl	-	0.6	5.0	-	-	-
- Concert Srl	0.1	-	0.3	-	-	-
- Enel Energy Europe Srl	25,492.4	-	-	-	522.7	-
- Nuove Energie Srl	4.0	-	-	-	0.1	-
- Enel Erelis Sas (formerly Erelis Sas)	-	-	6.3	-	-	-
Total	36,301.1	14,685.5	27,092.9	521.9	1,217.7	3,877.1
Other related parties:						
- Terna SpA	-	-	-	-	-	14.6
- Emittenti Titoli SpA	-	-	-	-	-	0.1
Total	-	-	-	-	-	14.7
TOTAL	36,301.1	14,685.5	27,092.9	521.9	1,217.7	3,891.8

(1) Formerly Enel Servizi Srl.

2006

Millions of euro	Receivables	Payables	Guarantees	Costs	Revenues	Dividends
	at Dec. 31, 2006			2006		
Subsidiaries:						
- Enel Produzione SpA	4,306.7	2.8	1,016.7	55.4	211.4	1,006.2
- Enel Sole Srl	59.4	-	60.0	0.1	2.5	14.9
- Enel Distribuzione SpA	1,422.9	18.1	4,313.5	48.9	73.2	1,835.8
- Enel Rete Gas SpA	636.5	-	36.7	-	19.2	-
- Enel Servizi Srl	174.0	5.0	6.6	6.0	1.3	10.1
- Dalmazia Trieste Srl	159.2	36.3	0.8	1.2	8.5	-
- Enel Trade SpA	290.1	5.2	965.6	40.3	86.5	121.6
- Enel Servicii Srl	1.4	-	-	-	-	-
- Maritza East III Power Holding BV	0.1	-	-	-	-	-
- Enel Green Power International SA	9.2	-	-	-	0.2	-
- Enel.si Srl	0.1	1.2	2.5	0.1	0.1	-
- Enel Energia SpA	321.0	3.6	106.9	11.8	17.1	-
- Deval SpA	-	1.0	-	0.1	-	-
- Deval Energie Srl	-	1.0	-	-	-	-
- Electra de Viesgo Distribución SL	0.7	8.6	-	0.1	0.7	-
- Enel Viesgo Energia SL	-	0.6	-	-	-	-
- Enel Viesgo Servicios SL	-	0.8	-	-	-	-
- Enel Viesgo Generación SL	-	3.1	150.0	1.7	-	-
- Avisio Energia SpA	36.0	-	2.2	-	1.2	-
- Slovenské elektrárne AS	6.1	6.0	-	-	6.1	-
- Enel Finance International SA	8.4	388.3	4,000.0	21.5	8.4	6.9
- Enel.NewHydro Srl	32.6	-	29.1	1.9	1.1	-
- Cise Srl	-	12.5	-	0.3	-	2.3
- Enel.Factor SpA	152.7	-	-	-	5.0	4.8
- Enel Capital Srl	-	6.2	0.4	0.2	-	-
- Sfera Srl	-	5.0	1.0	0.1	-	2.0
- Enelpower SpA	1.0	81.1	173.2	8.6	2.7	56.0
- Enelpower UK Ltd	4.1	-	-	-	0.2	-
- Enel Investment Holding BV	182.2	581.0	585.0	13.8	8.9	-
- Pragma Energy SA	-	6.9	-	0.5	-	-
- Enel North America Inc	-	0.4	49.4	-	-	-
- Enel Latin America LLC	-	-	-	0.5	0.5	-
- Metansicula Vendita Srl	0.5	-	-	-	-	-
- Metansicula BF SpA	13.8	-	-	-	0.1	-
- Enel Ireland Finance Ltd	-	21.6	-	1.0	-	-
- Enel M@p Srl	-	-	3.6	-	-	-
Total	7,818.7	1,196.3	11,503.2	214.1	454.9	3,060.6
Other related parties:						
- Terna SpA	-	-	-	-	-	13.6
Total	-	-	-	-	-	13.6
TOTAL	7,818.7	1,196.3	11,503.2	214.1	454.9	3,074.2

The impact of transactions with related parties on the balance sheet, income statement and cash flows is reported in the following tables.

IMPACT ON BALANCE SHEET

Millions of euro	at Dec. 31, 2007			at Dec. 31, 2006		
	Total	Related parties	% of total	Total	Related parties	% of total
Assets						
Non-current financial assets	846.0	735.6	87.0%	2,748.6	1,772.1	64.5%
Trade receivables	483.4	479.8	99.3%	262.8	254.2	96.7%
Current financial assets	36,726.3	35,565.5	96.8%	6,073.7	6,046.6	99.6%
Other current assets	629.1	309.7	49.2%	615.4	233.0	37.9%
Liabilities						
Long-term loans	26,377.8	521.6	2.0%	8,165.4	571.4	7.0%
Short-term loans	14,714.1	13,705.1	93.1%	990.6	549.4	55.5%
Short-term portion of long-term loans	1,141.8	50.0	4.4%	85.0	-	0.0%
Trade payables	422.2	58.6	13.9%	423.3	99.7	23.6%
Current financial liabilities	929.2	408.8	44.0%	349.6	75.5	21.6%
Other current liabilities	702.8	156.9	22.3%	648.3	221.7	34.2%

IMPACT ON INCOME STATEMENT

Millions of euro	2007			2006		
	Total	Related parties	% of total	Total	Related parties	% of total
Revenues	1,078.9	811.7	75.2%	1,186.2	969.1	81.7%
Income from equity exchange and disposal of significant equity investments	-	-	-	189.7	43.3	22.8%
Electricity purchases and consumables	603.3	14.5	2.4%	621.3	28.9	4.7%
Services and other operating expenses	533.1	99.5	18.7%	379.6	144.1	38.0%
Income from equity investments	3,891.8	3,891.8	100.0%	3,074.4	3,074.3	100.0%
Financial income	1,814.9	1,217.7	67.1%	778.1	454.9	58.5%
Financial expense	1,953.5	521.9	26.7%	788.2	213.9	27.1%

IMPACT ON CASH FLOWS

Millions of euro	2007			2006		
	Total	Related parties	% of total	Total	Related parties	% of total
Cash flows from operating activities	3,697.5	(74.9)	-2.0%	3,380.4	48.8	1.4%
Cash flows from investing/disinvesting activities	(6,024.5)	(6,006.0)	99.7%	1,315.7	1.1	0.1%
Cash flows from financing activities	2,259.6	(15,376.6)	-680.5%	(4,663.8)	(327.3)	7.0%

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. 11971/99 (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 the position was held	End of term	Remuneration (euro)	Non-monetary benefits (euro)	Bonuses and other incentives (euro)	Other compensation (euro)	Total (euro)
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								11,786,847.63	11,786,847.63
TOTAL					2,352,666.63	12,543.78	1,010,000.00	13,689,429.93	17,064,640.34

1) Insurance policy.

(2) The amount breaks as follows: i) a variable portion of €210,000.00 of compensation for 2006, approved and disbursed in 2007; and ii) €200,000.00 as a bonus paid for the acquisition of 66% of Slovenské elektrárne AS. In 2008, the Board of Directors will determine the variable portion of compensation due to the Chairman for 2007 (in an amount of no more than €210,000.00), once the achievement of the Group targets set for that year has been verified.

(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% of 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.

33. Stock option plans

The following table summarizes developments over the year in the Enel stock option plans still in place at December 31, 2007, detailing the main assumptions used in calculating their fair value:

DEVELOPMENTS IN STOCK OPTION PLANS

Number of options	2002 plan	2003 plan	2004 plan	2006 plan	2007 plan	Total
Options granted at December 31, 2005	41,748,500	47,624,005	38,527,550	-	-	127,900,055
Options exercised at December 31, 2005	34,801,650	30,500,492	12,392,982	-	-	77,695,124
Options lapsed at December 31, 2005	4,872,500	3,288,426	1,625,500	-	-	9,786,426
Options outstanding at December 31, 2005	2,074,350	13,835,087	24,509,068	-	-	40,418,505
Options granted in 2006	-	-	-	31,790,000	-	31,790,000
Options exercised in 2006	1,319,050	11,726,012	6,079,571	-	-	19,124,633
Options lapsed in 2006	-	60,290	334,300	286,000	-	680,590
Options outstanding at December 31, 2006	755,300	2,048,785	18,095,197	31,504,000	-	52,403,282
Options granted in 2007	-	-	-	-	27,920,000	27,920,000
Options exercised in 2007	755,300	711,212	6,705,062	-	-	8,171,574
Options lapsed in 2007	-	-	105,400	619,000	147,000	871,400
Options outstanding at December 31, 2007	-	1,337,573	11,284,735	30,885,000	27,773,000	71,280,308
- of which vested at December 31, 2007	-	1,337,573	3,216,314	-	-	4,553,887
Fair value at grant date (euro)	0.17	0.37	0.18	0.23	0.29	
Volatility	28%	28%	17%	14%	13%	
Option expiry	Dec. 2007	Dec. 2008	Dec. 2009	Dec. 2012	Dec. 2013	

On May 25, 2007, the Enel Ordinary Shareholders' Meeting approved the 2007 stock option plan, granting the Board of Directors the powers required to carry out the plan, to be exercised in accordance with criteria established by the Shareholders' Meeting. The characteristics of the plan are analogous to those authorized in May 2001, May 2003, May 2004 and May 2006.

On June 26, 2007, the Board of Directors of Enel SpA, exercising the authority given to it by the Shareholders' Meeting, authorized the granting of 27,920,000 options to 379 Enel Group executives. The review to be carried out by the Board of Directors to verify the satisfaction of the exercise conditions for the 2007 plan is scheduled to take place as part of the approval of the draft financial statements for 2008 (for 25% of the options granted) and 2009 (for 75% of the options granted).

As established by the Board of Directors, executives were divided into different brackets, with each bracket receiving a different number of options. The right to subscribe the shares is subordinated to the executives concerned remaining employed within the Group, with a number of exceptions (for example, termination of employment because of retirement or permanent invalidity, exit from the Group of the company at which the executive is employed, and succession) specifically governed by the Regulations.

The decrease in the number of beneficiaries (as well as the number of options granted) compared with previous plans is attributable to the exclusion of executives in the Infrastructure and Networks Division (who have received other incentives linked to specific objectives regarding the Division's business area). The exclusion was motivated by the obligation for Enel – connected with the full liberalization

of the electricity sector as from July 1, 2007 – to implement administrative and accounting unbundling so as to separate the activities included in the Infrastructure and Networks Division from those of the Group's other business areas.

The options may be exercised subject to a number of specific suspensory conditions. These include exceeding the Group target for EBITDA and the performance of Enel shares with respect to the benchmark index indicated in the regulations for each plan.

Because of early termination of the employment of the related grantees, of the 27,920,000 options that were granted, 147,000 lapsed in the period between the date on which the options were granted (June 2007) and the end of 2007.

34. Contractual commitments and guarantees

Millions of euro	at Dec. 31, 2007	at Dec. 31, 2006	2007-2006
Sureties and other guarantees granted to:			
- third parties	776.7	769.9	6.8
- subsidiaries	27,092.9	11,503.2	15,589.7
- associates and other	14.1	14.1	-
Total	27,883.7	12,287.2	15,596.5
Other commitments for electricity purchases from third parties	1,163.4	1,744.8	(581.4)
TOTAL	29,047.1	14,032.0	15,015.1

Sureties granted to third parties regard guarantees issued by the Parent Company as part of the disposal to third parties of assets owned by Enel SpA or in the interest of its subsidiaries.

For Enel SpA, they regard:

- > €738 million in guarantees 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;
- > €15 million in guarantees of obligations assumed in the sale of Enel.Hydro;
- > €8 million in bid bonds in favor of S.C. Electrica SA - Romania;
- > €9 million in respect of the pledge of shares of Idrosicilia as collateral securing a loan granted to Siciliacque, in which Idrosicilia has a 75% stake;
- > €5 million in guarantees to Terna for electricity ancillary services pursuant to Resolution no. 111/06;
- > €1 million in bid bonds favor of Societatea Naionala Nuclearelectrica SA – Romania.

Sureties issued on behalf of subsidiaries include:

- > €7,836 million issued on behalf of Enel Finance International securing a credit facility agreement;
- > €4,000 million issued on behalf of Enel Finance International securing a euro commercial paper program;
- > €2,735 million issued on behalf of Enel Investment Holding BV as part of the OGK-5 acquisition;
- > €2,644 million issued on behalf of Enel Finance International securing bonds denominated in dollars and yen;
- > €1,950 million issued to the Single buyer on behalf of Enel Distribuzione SpA securing obligations under the electricity purchase contract;
- > €2,220 million issued to the European Investment Bank (EIB) securing loans by the latter to Enel Distribuzione and Enel Produzione;
- > €1,650 million issued as counter-guarantees in favor of the banks that guaranteed the Market Operator on behalf of Enel Trade;
- > €1,155 million issued as counter-guarantees in favor of the banks that guaranteed Enel Distribuzione for loans granted by the EIB;

- > €575 million issued in favor of financial counterparties securing bonds issued by Enel Investment Holding;
- > €506 million issued in favor of Terna on behalf of Enel Distribuzione, Enel Trade, Enel Produzione and Enel Energia in respect of agreements for the electricity transmission service;
- > €295 million issued on behalf of Enel Investment Holding regarding the acquisition of former Yukos assets within the framework of the upstream gas joint venture with Eni;
- > €255 million issued in favor of Eni on behalf of Enel Trade for gas supplies;
- > €201 million issued in favor of Snam Rete Gas on behalf of Enel Trade for transport capacity reserve;
- > €81 million issued to the tax authorities in respect of participation in the Group VAT procedure by Enel Energia, Enel Trade, Enel.NewHydro, Enel Produzione, Avisio, Enel Servizi (formerly Cise) and Enelpower;
- > €40 million issued to E.On on behalf of Enel Trade for trading on the German electricity market;
- > €30 million issued in favor of Electrabel on behalf of Enel Trade for gas supplies;
- > €915 million issued to various beneficiaries as part of financial support activities by the Parent Company on behalf of subsidiaries, as well as €5 million issued on behalf of Enel.NewHydro as part of the disposal of the Ismes business unit.

The commitments for the purchase of electricity regard suppliers abroad falling due by the end of 2011.

35. 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.

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 above-mentioned 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 at least in part under existing insurance policies. The appellate courts have nearly all found in favor of Enel Distribuzione, based upon both the lack of proof of the loss claimed and the recognition that the company was not involved in causing the event. The few adverse rulings against Enel Distribuzione 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.

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 submitted a brief in support 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.

36. Subsequent events

Public tender offer for OGK-5

On March 6, 2008, the number of shares (as verified by the competent bodies) tendered to Enel, acting through its subsidiary Enel Investment Holding (EIH), amounted to 8,012,088,702, equal to 22.65% of the share capital of OGK-5. These shares, together with the 37.15% of OGK-5 already held by EIH before the public tender offer, therefore give EIH a total holding of 59.80% in the company as of that date.

The price offered in the bid was 4.4275 rubles per share, for a total of about €993 million, fully payable in cash.

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 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 (4.4275 rubles per share). Should an agreement be reached, EIH's stake in OGK-5 would decrease to a minimum of 52.7% (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.

Valuation of 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 by the investment banks engaged to conduct the appraisal was announced in accordance with the agreement signed by the parties on April 2, 2007. The sale of the Endesa Group assets is subject to approval by the Shareholders' Meeting of Endesa as well as the necessary administrative authorizations.

The financial resource generated by the transaction should enable a substantial reduction in Enel's consolidated net financial debt.

37. Fees of the independent auditors pursuant to Article 149-duodecies of the “Consob Issuers Regulation”

Fees paid to the auditing firm and entities belonging to its network for services are summarized in the following table, pursuant to the provisions of Article 149-duodecies of the Issuers Regulation:

Type of service	Entity providing the service	Fees (millions of euro)
Enel SpA		
Auditing	of which:	
	- KPMG SpA	0.4
	- Entities of KPMG network	2.4
Certification services	of which:	
	- KPMG SpA	3.1
	- Entities of KPMG network	0.5
Total		6.4
Subsidiaries of Enel SpA		
	of which:	
	- KPMG SpA	1.8
Auditing	- Entities of KPMG network	2.0
	of which:	
	- KPMG SpA	0.4
Certification services	- Entities of KPMG network	
Total		4.2
TOTAL		10.6



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 Depositary 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 for 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 UK 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 for 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 for the Economy and Finance) several "special powers", which are exercisable regardless of the number of shares owned by the aforesaid Ministry. Specifically, the Ministry for the Economy and Finance, in agreement with the Ministry for 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 de-mergers 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 for 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 €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 €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 Srl, and the Spanish companies Acciona SA and Finanzas Dos SA (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 SA 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 SA 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 €35 billion. In consequence of the sums repaid, the amount of the Credit Agreement that is outstanding as of March 2008 is €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 €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 SpA entered into a loan contract with the European Investment Bank (hereinafter, for the sake of brevity, the EIB) for up to €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 SpA entered into a loan contract with the EIB in the amount of €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 €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 €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 Company's 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 for 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 €50 million, as well as granting loans and issuing guarantees in favor of third parties exceeding the value of €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 €25 million must be approved beforehand (if they are carried out directly by the Parent 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 €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 for 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 for 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 (from 1999 to 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 for 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 EU 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 for 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 Football 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 for 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 Unicredit group), Kedrios and Alto Partners SGR.

> **Gianfranco Tosi**, 60, Director (designated on the slate presented by the Ministry for 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 for 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 €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 €35,000 gross a year, while for the other members the fee is €30,000 gross a year.

An attendance fee of €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 €700,000 gross a year and variable pay of up to a maximum of €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 €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 €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 €600,000 gross a year and variable pay of up to a maximum of €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 €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 €700,000 gross a year and variable pay of up to a maximum of €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 €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 €1 billion or revenues exceeding €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 Board's 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 Networks 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 no. 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 Depositary 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 US 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 US 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 for 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 LUISS “Guido Carli” 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 STMicroelectronics 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 for 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 LUISS "Guido Carli" 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 for 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 €75,000 gross a year and the fee to which each of the other regular Statutory Auditors is entitled at €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 for 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 SpA.

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 SpA 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 €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 €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 USA 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 EU 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 EU 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 €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 divulgation 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 no. 231/01, 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 US 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 231 of June 8, 2001

In July 2002, the Board of Directors approved a compliance program in accordance with the requirements of Legislative Decree no. 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 no. 231/01, 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 no. 231/01, 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 no. 231/01.

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 UN 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 no. 231/01, 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	non-executive	independent	****	**	***	****	***	****	***	****	***	****
Chairman	Gnudi Piero	X		100%	1								
Chief Executive Officer/General Manager	Conti Fulvio	X		100%	2								
Director	Ballio Giulio *		X	86%	-		X	83%		Non-existent		Non-existent	
Director	Fantozzi Augusto *		X	95%	1	X	100%						
Director	Luciano Alessandro		X	100%	-	X	100%						
Director	Napolitano Fernando		X	86%	2		X	100%					
Director	Taranto Francesco *		X	100%	6		X	100%					
Director	Tosi Gianfranco		X	100%	-		X	100%					
Director	Valsecchi Francesco		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.

NOTES

- * 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 corporate
financial reports

Declaration of the Chief Executive Officer
and the manager responsible for the
preparation of the financial reports of Enel
SpA at December 31, 2007 pursuant
to the provisions of Article 154-bis, paragraph
5, of the Consolidated Law on Financial
Intermediation and Article 81-ter and Annex
3C-ter of the Consob Issuers Regulation

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 company and
 - b. the effective adoption of the administrative and accounting procedures for the preparation of the financial statements of Enel SpA 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 financial statements of Enel SpA 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);
 - b. the assessment of the internal control system did not identify any material issues.
3. In addition, we certify that the financial statements of Enel SpA 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.

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*



Report of the Board of Auditors
to the Shareholders of Enel SpA
(pursuant to Article 153 of Legislative Decree 58/98)

Shareholders,

During the year ended December 31, 2007 we performed the oversight activities envisaged by law.

In compliance with the instructions issued by Consob with communication no. DEM/1025564 of 6 April 2001, as amended, we report the following:

- > we monitored compliance with the law and the corporate bylaws;
- > the directors provided us, on a quarterly basis, with the information on the activity they carried out and on the transactions with the most significant impact on the income statement, balance sheet and financial situation conducted by Enel SpA (the Company) and its subsidiaries and we report that the actions approved and implemented were in compliance with the law and the bylaws and were not manifestly imprudent, risky, in potential conflict of interest or in contrast with the resolutions of the Shareholders' Meeting or otherwise prejudicial to the integrity of the Company's assets. As in previous years, we examined the information provided by the Board of Directors in the annual report on corporate governance, which identifies significant transactions as those "that have a significant impact on strategy and on the balance sheet, income statement and financial situation, especially in cases where they are carried out with related parties or otherwise characterized by a potential conflict of interest". In particular, they include: a) taking on loans of more than €50 million; b) granting loans or issuing guarantees to third parties of more than €25 million; c) the acquisition and disposal of equity investments with a value of more than €25 million; and d) agreements (with ministries, local authorities, etc.) that involve expenditure commitments of more than €25 million;
- > we did not find any atypical or unusual transactions conducted with third parties, Group companies or related parties;
- > in the section "Related parties" of the notes to the financial statements, the directors describe the main related-party transactions – identified on the basis of international accounting standards and the instructions of Consob - carried out by the Company, to which readers may refer for details on the transactions and their financial impact. They also detail the procedures adopted to ensure that related-party transactions are carried out in accordance with the principles of procedural and substantive fairness. In December 2006, these procedures were further updated with the "Rules governing transactions with related parties", approved by the Board of Directors, which, among other things, provide for the participation of the Internal Control Committee in the preliminary examination of transactions that involve risk for the Company and the Group;
- > the Company prepared its statutory financial statements for 2007 on the basis of international accounting standards (IAS/IFRS) as envisaged in Regulation (EC) 1606/2002 and Legislative Decree 38/2005, as it did for the previous year. The statutory financial statements were audited by the independent auditors KPMG SpA, which issued an unqualified opinion.

The most important developments during the year, which are discussed in greater detail in the report on operations, include:

- the company, acting through the subsidiary Enel Energy Europe Srl, acquired 24.97% of the Spanish company Endesa SA. Following the agreement between Enel and Acciona and the subsequent agreement between Enel, Acciona and E.On (regarding the disposal of assets to E.On), Enel Energy Europe launched a public tender offer for all of Endesa SA together with Acciona SA. Following the successful completion of the tender, Enel Energy Europe had acquired, at December 31, 2007, 67.05% of Endesa for a total of €28,203.9 million;
- the Company, acting through the subsidiary Enel Investment Holding BV, acquired through a tender process, in a joint venture with Eni, a set of

- former Yukos assets in the gas sector in Russia for \$852 million. The assets were placed under the control of a Russian-registered vehicle, Servernergia, in which Enel holds 40% and Eni 60%. The two partners granted Gazprom a call option for 51% of that company to be exercised within 24 months of the tender award date;
- the Company, acting through the subsidiary Enel Investment Holding BV (EIH), acquired 37.15% of the Russian company OAO OGK-5 (OGK-5). Following a compulsory public tender offer for the entire company, EIH acquired an additional 22.65% of OGK-5, giving it a total holding of 59.80% for an overall price of about €2,616 million;
 - in implementation of the provisions of Decree Law 73 of June 18, 2007 (ratified with Law 125/2007), the Company established (i) Enel Servizio Elettrico SpA for the sale of electricity to end users in the enhanced protection and safeguard markets and (ii) Vallenergie SpA (51% held by Enel SpA) for the sale of electricity to end users in the enhanced protection and safeguard markets in Valle d'Aosta.
 - the Board of Directors of the Company approved the distribution of an interim dividend for 2007 of €0.20 per share, which was paid in November 2007;
 - the Company prepared the 2007 consolidated financial statements for the Enel Group on the basis of international accounting principles (IFRS/IAS), as it had for the previous year. The 2007 consolidated financial statements for the Enel Group were audited by the independent auditors KPMG SpA, which issued an unqualified opinion. The latter also issued unqualified opinions for the Italian subsidiaries, affirming that the financial statements for 2007 are in conformity with the regulations governing the preparation of the financial statements and provide a true and fair view of the financial situation, performance, recognized income and expenses and cash flows of those companies. The opinions issued following the audits of the foreign subsidiaries by the foreign associates of KPMG SpA were also unqualified. Within the scope of their responsibility, the Boards of Auditors of the subsidiaries stated that they conducted their oversight activities in compliance with current legislation and did not report irregularities or note other circumstances requiring mention, expressing their opinion in favor of approval of the financial statements by their shareholders' meetings;
 - > we acquired information and monitored, within the scope of our responsibility, the adequacy of the Company's organizational structure. Organizational arrangements had already been modified in previous years with a substantial degree of centralization of certain activities, with a view to the structural simplification of the Group. As a result of the new acquisitions abroad and the innovation strategies adopted by the Group, the existing Divisions (Domestic Sales, Domestic Infrastructure and Networks and Domestic Generation and Energy Management and International) were supplemented at the end of 2007 with two new Divisions: (i) Iberia and Latin America and (ii) Engineering and Innovation. Certain central functions were also reorganized to improve the handling of a number of especially critical external factors. The Board of Auditors feels that the recast organizational system is adequate to support strategic development and is consistent with control requirements;
 - > we monitored compliance with the principles of sound administration and the adequacy of the instructions issued by the Company to the subsidiaries pursuant to Article 114.2 of Legislative Decree 58/98, gathering information from department heads and in meetings with the independent auditors, KPMG SpA, during which we exchanged information relevant to the performance of our functions. We have nothing to report in this regard;
 - > we examined and monitored the appropriateness of the administrative and

- accounting system and its reliability in representing operational events, obtaining information from the department head, examining company documentation and analyzing the findings of the examination performed by KPMG SpA.
- In June 2006, having obtained the opinion of the Board of Auditors, the Board of Directors appointed the “manager responsible for the preparation of the company’s financial reports” in the person of the head of the Administration, Planning and Control department. In June 2007, the Board of Directors verified that the person involved still complied with the professional requirements envisaged in the bylaws. The Chief Executive Officer of the Company and the manager responsible for the preparation of the company’s financial reports issued a statement (attached to the Company’s 2007 financial statements and prepared on the basis of the model statement issued by Consob) certifying (i) the appropriateness and effective adoption of the administrative and accounting procedures; (ii) the compliance of the content of the financial reports with international accounting standards (IAS/IFRS) endorsed by the European Union and the measures issued by Consob in implementation of Legislative Decree 38/2005; and (iii) the correspondence of the documents with the information in the books and other accounting records and their ability to provide a true and fair representation of the performance and financial position of the Company. The statement also affirmed: (i) that the appropriateness of the administrative and accounting procedures used in the preparation of the financial statements of the Company had been verified in an assessment of the internal control system and (ii) that the assessment of the internal control system did not identify any material issues. An analogous statement is attached to the consolidated financial statements for 2007 of the Enel Group;
- > we assessed and monitored the adequacy of the internal control system, conducting periodic meetings with the head of internal control operations, attending the meetings of the Internal Control Committee and examining the associated documentation. In the light of our examination and in the absence of significant problems, the internal control system can be considered adequate to the tasks assigned to it;
 - > we held periodic meetings with the representatives of the independent auditors, KPMG SpA, pursuant to Article 150.3 of Legislative Decree 58/98, and no significant information was found that would require mention in this report;
 - > the Board of Auditors received one complaint pursuant to Article 2408 of the Civil Code from the shareholder Gianfranco D’Atri during his participation at the Shareholders’ Meeting of Enel SpA (held in Rome on May 25, 2007) concerning the events reported in the television broadcast “Report” on May 13, 2007, regarding alleged irregularities in the sale of Wind by the Company. The shareholder proposed that the Meeting undertake an action for liability against the Board of Directors for damages. The Meeting voted against the proposal. The Board of Auditors monitored the Wind affair and received information from the CEO concerning the seizure of documentation on the Wind transactions by the Italian Finance Police in October 2007 at the Company’s premises. At its meeting of March 12, 2008, the Board of Directors discussed the investigation of the CEO, conducting a detailed reconstruction of the entire Wind disposal procedure, with the support of expert legal counsel and specialists in operations of this kind, and found no procedural irregularities, confirming that the transaction was consistent with the Company’s strategies;
 - > complaints were received from a number of customers concerning problems with electricity and gas service. The Board of Auditors requested that the operational units examine the matters and found no irregularities to report, notifying the persons involved of its findings;
 - > the Company has adopted the Corporate Governance Code drafted by the

Committee for the Corporate Governance of Listed Companies. During 2006, the Board of Directors approved the adoption of the recommendations in the new edition (March 2006) of the Code. Among other things, the Board of Auditors was charged with the following duties and powers: (i) the task of monitoring the independence of the auditing company, (ii) the power to ask Internal Audit to carry out verifications of specific operational areas, (iii) the timely exchange of material information with the Internal Control Committee for the purpose of performing our respective duties, (iv) the verification of the correct application of the criteria and procedures adopted by the Board of Directors to assess the independence of directors, and (v) the assessment of the independence of the members of the Board of Auditors on the basis of the criteria established by the Corporate Governance Code for directors of listed companies. In March 2007 and February 2008, the Board of Auditors verified that the Board of Directors, in evaluating the independence of non-executive directors, correctly applied the assessment criteria specified in the Corporate Governance Code, adopting a procedure that is transparent but whose formal aspects could be perfected. As regards the "self-assessment" of the independence of its members, the Board of Auditors verified compliance, first in June 2007 at the time of taking office and most recently in February 2008, noting however that the regular member of the Board of Auditors Carlo Conte met the independence requirements established in the Consolidated Law on Financial Intermediation while not meeting those envisaged in the Corporate Governance Code as he is a senior official of the Ministry for the Economy and Finance;

- > we monitored the independence of the auditors KPMG SpA;
- > since its listing, the Company has adopted specific rules for managing and processing confidential information and for the disclosure of company documentation and information;
- > the Company has adopted a Code of Ethics that expresses the commitments and ethical responsibilities involved in the conduct of business, regulating and harmonizing corporate conduct in accordance with standards of maximum transparency and fairness with respect to all stakeholders. During 2006, the Board of Directors approved the adoption of a "zero-tolerance for corruption" plan, participating in the initiatives launched by a number of international institutions (the Global Compact of the UN and the PACI of the World Economic Forum);
- > as regards the provisions of the Sarbanes-Oxley Act, which was applicable because of the listing of Enel's shares on the NYSE, the Company:
 - formalized (in 2003) disclosure controls and procedures (section 302);
 - approved (in 2004) a specific code of financial ethics to prevent illicit conduct (section 406);
 - implemented (in 2005, 2006 and 2007) a Group project to provide adequate support to management's assessment of internal controls on financial reporting (section 404); and amended its governance rules, designating the Board of Auditors as the Enel SpA body responsible for acting as the Audit Committee provided for in applicable US law, which supplements the roles and duties assigned to it under Italian legislation (section 301);
 - at the end of 2007, the Company requested the voluntary delisting of the Company's American Depositary Shares (ADS) from the NYSE and the termination of the registration of the ADS with the SEC. The delisting took effect on December 20, 2007, while deregistration took effect on March 19, 2008. The Company is no longer subject to the reporting obligations under the Securities Exchange Act or the corporate governance rules set out in the SOA. However, the Company will continue to implement the procedures concerning the assessment and effective operation of the internal control

- system for financial reporting (adopted pursuant to the SOA) in order to comply with the obligations established under Article 154 *bis* of the Consolidated Law on Financial Intermediation;
- > with regard to the provisions of Legislative Decree 231 of June 8, 2001, since 2002 the Company has adopted a compliance program consistent with the guidelines established by industry associations and with international best practices. The program initially consisted of a "general part" and two separate "special parts", one concerning offences in relations with government and the other concerning corporate offences. In 2006, the Company added other "special parts" concerning offences related to terrorism, degradation of the individual and market abuse, as well as the revision of the existing general part and special parts. In February 2008, a new "special part" was added concerning manslaughter and negligent personal injury committed in violation of workplace health and safety regulations. At the same time, the supervisory body responsible for monitoring the compliance program was transformed into a collegial body (previously its duties had been performed by an individual). All criminal offences material to the activity of the Company and covered by Legislative Decree 231/01 have been included in the compliance program in order to map the risks and implement preventive measures;
 - > we received complete periodic information from the supervisory body responsible for monitoring the operation of and compliance with the compliance model under Legislative Decree 231/01;
 - > in 2007, the independent auditing firm KPMG SpA was granted additional engagements amounting to €3,555,629 (net of VAT and expenses) for the following services: a) Sustainability Report; b) 770 and Unico tax returns; c) Opinion on Enel SpA interim dividend; d) Auditing of internal control system for financial reporting – 404 SOA; e) GMTN comfort letter; f) Retail bond comfort letter, g) Endesa acquisition information document (Art. 71 Issuers Regulation); and h) Kanto consolidated half-year report and annual report. The Board of Auditors does not feel that the independence of KPMG SpA has been compromised by these engagements;
 - > in 2007 the Board of Auditors issued (i) 1 opinion pursuant to Article 2389.3 of the Civil Code in respect of the payment of a bonus for senior management and (ii) 1 certification pursuant to Article 2412.1 of the Civil Code concerning the issue by the Company of a €10 billion bond;
 - > the Board of Auditors' oversight activity in 2007 was carried out in 23 meetings and with participation in the 21 meetings of the Board of Directors and 8 meetings held by the Internal Control Committee.

During the course of this activity and on the basis of information obtained from KPMG SpA, no omissions, censurable facts, irregularities or other significant developments were found that would require reporting to the control bodies or mention in this report.

Based on the oversight activity performed and the information exchanged with the independent auditors KPMG SpA, we propose that you approve the financial statements for the year ended December 31, 2007 in conformity with the proposals of the Board of Directors.

The Board of Auditors

Rome, May 13, 2008

Report of the Independent Auditors



KPMG S.p.A.
Revisione e organizzazione contabile
Via Ettore Petrolini, 2
00197 ROMA RM

Telefono 06 809611
Telefax 06 8077475
e-mail it-fmauditaly@kpmg.it

(Translation from the Italian original which remains the definitive version)

Report of the auditors in accordance with article 156 of legislative decree no. 58 of 24 February 1998

To the shareholders of
Enel S.p.A.

- 1 We have audited the separate financial statements of Enel S.p.A. as at and for the year ended 31 December 2007, comprising the balance sheet, income statement, statement of recognised income and expense, cash flow statement and notes thereto. These financial statements are the responsibility of the company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.
- 2 We conducted our audit in accordance with the auditing standards recommended by Consob, the Italian Commission for Listed Companies and the Stock Exchange. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the separate financial statements are free of material misstatement and are, as a whole, reliable. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by directors. We believe that our audit provides a reasonable basis for our opinion.

Reference should be made to the report dated 9 April 2007 for our opinion on the prior year separate financial statements, which included the prior year figures presented for comparative purposes.

- 3 In our opinion, the separate financial statements of Enel S.p.A. as at and for the year ended 31 December 2007 comply with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38 of 28 February 2005. Therefore, they are clearly stated and give a true and fair view of the financial position of Enel S.p.A. as at 31 December 2007, the results of its operations, its recognised income and expense and its cash flows for the year then ended.

Rome, 22 April 2008

KPMG S.p.A.

(Signed on the original)

Bruno Mastrangelo
Director of Audit

Design

Inarea - Rome

Publishing service

Sogester - Rome

Copy editing

postScriptum - Rome

Photo

Roberto Caccuri, Agenzia Contrasto for Enel

on the cover:

Getty Images Photo

Printed by

Varigrafica Alto Lazio - Nepi (Viterbo)

Printed in June 2008

on re-cycled Fedrigoni Symbol Freelife



200 copies printed

Publication not for sale

Edited by the External Relations Department

Disclaimer

This Report issued in Italian
has been translated into
English solely for the convenience
of international readers.

Enel

Società per azioni

Registered office in Rome

137, Viale Regina Margherita

Capital Stock

Euro 6,184,367,853

(at December 31, 2007) fully paid-in

Tax I.D. and Companies' Register

of Rome no. 00811720580

R.E.A. of Rome no. 756032

VAT Code no. 00934061003

[enel.com](https://www.enel.com)