Interim Financial Report at March 31, 2010

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Interim Financial Report at March 31, 2010

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Foreword

The Interim Financial Report at March 31, 2010 has been prepared in compliance with Article 154-*ter*, paragraph 5, of Legislative Decree 58 of February 24, 1998, and in conformity with the recognition and measurement criteria set out in the international accounting standards (International Accounting Standards - IAS and International Financial Reporting Standards - IFRS) issued by the International Accounting Standards Board (IASB) recognized in the European Union pursuant to Regulation (EC) no. 1606/2002 and in effect as of the close of the period, as well as the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and the Standing Interpretations Committee (SIC) in effect at the same date.

The accounting standards adopted and measurement criteria used for the Interim Financial Report at March 31, 2010, which has not been audited, are consistent with those used to prepare the consolidated financial statements at December 31, 2009, to which the reader is referred for more information. This Report also applies international accounting standards and interpretations adopted for the first time as of January 1, 2010. Among these, which are discussed in greater detail in the consolidated financial statements at December 31, 2009, the following are especially relevant to the Group:

> *"IFRIC 12 - Service concession arrangements"*. The interpretation requires that, depending on the characteristics of the concession arrangements, the infrastructure used to deliver the public services shall be recognized under intangible assets or under financial assets, depending, respectively, on whether the concession holder has the right to charge users of the services or it has the right to receive a specified amount from the grantor agency. The new interpretation applies to both infrastructure that the concession holder builds or acquires from a third party for the purposes of the service arrangement and existing infrastructure to which the concession holder is given access by the grantor for the purposes of the service arrangement. More specifically, IFRIC 12 applies to service concession arrangements between public grantors and private operators if:
> – the grantor controls or regulates what services the operator must provide using the assets, to whom, and at what price; and
> – the grantor also controls, via ownership or other arrangement, any significant residual interest in the assets at the end of the term of the arrangement.

The Enel Group has analyzed the impact of the application of the interpretation. The analysis found that for the concession operated in Italy for the distribution of electricity to tied customers, the conditions for application of IFRIC 12 do not obtain, as the concession holder has full control, as defined in the interpretation, of the infrastructure serving the electricity distribution service. The provisions

will, however, be applicable to the infrastructure serving the electricity distribution concessions held by the companies operating in Brazil.
Application of the change involved a corresponding reclassification, summarized in the following table, of the comparative balance sheet figures at December 31, 2009.

Millions of euro (at December 31, 2009)	Value prior to application of IFRIC 12	Value after application of IFRIC 12	**Reclassification effect**
Property, plant and equipment and intangible assets	94,426	94,367	**(59)**
Other non-current assets	16,168	16,227	**59**

> *"IFRIC 18 - Transfers of assets from customers"*. The interpretation, applied on a prospective basis, clarifies the recognition and measurement of items of property, plant and equipment, or cash to acquire or construct such assets, received from a customer to connect the customer to a network or to ensure access to an ongoing supply of services. In particular, the interpretation establishes that, where all the conditions provided for under the international accounting standards for the initial recognition of an asset are met, such assets shall be recognized at fair value. As regards the recognition of the corresponding revenues, where the agreement only establishes an obligation to connect the customer to the network, the related revenues shall be recognized at the time of connection; otherwise, where the agreement also provides for the supply of various services, the related revenues shall be recognized in relation to the supply of services, over the shorter of the duration of the service agreement and the useful life of the asset. The prospective application of the provisions of the interpretation did not have a significant impact on the performance or financial position of the Enel Group.

In order to facilitate the assessment of the Group's performance and financial position, this Report uses a number of "alternative performance indicators" not envisaged in the IFRS-EU accounting standards. In accordance with recommendation CESR/05-178b published on November 3, 2005, the criteria used to calculate these indicators are as follows:

> *Gross operating margin:* an indicator of Enel's operating performance, calculated as "Operating income" plus "Depreciation, amortization and impairment losses".

> *Net financial debt:* an indicator of Enel's financial structure, calculated as the sum of "Long-term loans" and "Short-term loans and the current portion of long-term loans", net of "Cash and cash equivalents" and the current and non-current financial assets (financial receivables and securities other than equity investments) included in "Other current assets" and "Other non-current assets".

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

> *Net capital employed:* calculated as the sum of "Current assets", "Non-current assets" and "Net assets held for sale", net of "Current liabilities" and "Non-current liabilities", excluding the items considered in the definition of net financial debt.

Summary of results

	1st Quarter		
	2010	2009	
Income data (millions of euro)			
Revenues	18,117	15,116	
Gross operating margin	4,478	3,850	
Operating income	3,130	2,740	
Net income before minority interests	1,326	2,124	
Group net income	1,050	1,908	
Financial data (millions of euro)			
Net capital employed	98,246	95,223	(1)
Net financial debt	51,945	50,870	(1)
Shareholders' equity (including minority interests)	46,301	44,353	(1)
Cash flows from operating activities	407	1,115	
Capital expenditure on tangible and intangible assets	1,133	1,109	
Per share data (euro)			
Group net income per share in circulation at period-end	0.11	0.20	(2)
Group shareholders' equity per share in circulation at period-end	3.62	3.46	(1)
Operating data			
Net electricity generated by Enel (TWh)	72.6	63.2	
Electricity transported on the Enel distribution network (TWh)	108.2	91.9	
Electricity sold by Enel (TWh) (3)	79.5	67.7	
Gas sales to end users (billions of cubic meters)	3.5	2.8	
Employees at period-end (no.) (4)	80,745	81,208	(1)
Market indicators			
Average IPE Brent oil price ($/bbl)	77.3	45.8	
Average price of low-sulfur fuel oil ($/t) (5)	468.7	258.1	
Average price of coal ($/t CIF ARA) (6)	78.3	70.7	
Average price of gas (Gbpence/therm) (7)	35.2	47.2	
Average dollar/euro exchange rate	1.383	1.303	
Six-month Euribor rate (average for the period)	0.96%	2.11%	

(1) At December 31, 2008.
(2) For comparative purposes, Group net income per share at the end of the period has been calculated to take account of the diluting effect of the capital increase completed on July 9, 2009.
(3) Excluding sales to resellers.
(4) Of which 1,458 at March 31, 2010 (1,330 at December 31, 2009) in units classified as "Held for sale".
(5) Platt's CIF Med index.
(6) API #2 index.
(7) Belgium Zeebrugge index.

Revenues in the first three months of 2010 amounted to €18,117 million, an increase of €3,001 million or 19.9% on the corresponding period of 2009. The rise is essentially attributable to the increased revenues earned abroad, largely as a result of the change in the consolidation method used for Endesa (from proportionate to full line-item) adopted as from the end of June 2009 following the acquisition of an additional 25.01% of that company. These positive effects were partially offset by the decline in revenues from the sale of electricity on the domestic market.

The *gross operating margin* in the 1st Quarter of 2010 came to €4,478 million, an increase of €628 million or 16.3%, mainly due to the change in the consolidation method used for Endesa and the improvement in the margin in the Iberian market.

Operating income amounted to €3,130 million, an increase of €390 million or 14.2% on the €2,740 million posted in the first three months of 2009. The increase, taking account of a rise in depreciation and amortization of €238 million (mainly attributable to the different method used to consolidate Endesa), is broadly in line with developments in the gross operating margin.

Group net income amounted to €1,050 million in the 1st Quarter of 2010, a decrease of €858 million or 45% on the first three months of 2009. More specifically, strong operating performance was more than offset by the performance of financial operations, which in the 1st Quarter of 2009 had benefited from the income of €970 million in respect of the fair value measurement of the put option granted by Enel to Acciona on 25.01% of Endesa, taking account of the expected early exercise of the option, which did in fact take place in the second quarter of 2009.

Net financial debt, excluding debt in respect of assets held for sale totaling €51 million at March 31, 2010 (€63 million at December 31, 2009), amounted to €51,945 million, up €1,075 million compared with the end of 2009. At March 31, 2010, the ratio of net financial debt to equity came to 1.12 (1.15 at December 31, 2009).

Capital expenditure amounted to €1,133 million in the 1st Quarter of 2010, an increase of €24 million or 2.2% compared with the year-earlier period.

At March 31, 2010, Enel Group *employees* totaled 80,745, (81,208 at December 31, 2009), a decrease of 463 entirely attributable to the net balance of hirings and terminations. At March 31, 2010 the total number of Group employees working abroad amounted to 42,804.

Significant events in the 1st Quarter of 2010

Enel Green Power, Sharp and STMicroelectronics agreement for the manufacture of photovoltaic panels

On January 4, 2010, Enel Green Power, Sharp and STMicroelectronics signed an agreement for the construction of one of the largest photovoltaic manufacturing plants in Italy. The facility will be located in Catania and will produce triple-junction thin-film panels. The project, which provides for an initial manufacturing capacity of 160 MW, will involve a total investment of €320 million. At the same time, Enel and Sharp signed an additional accord for the joint development of photovoltaic plants with a total installed capacity of about 500 MW by 2016.

Exploration and development of a gas field in Algeria

On January 18, 2010, a consortium formed by Enel (27.5%), Repsol (52.5%) and GDF-SUEZ (20%) signed an agreement with Algeria's national hydrocarbon agency and the Sonatrach oil company for the exploration and development of a gas field in Algeria ("South-East Illizi").

Acquisition of Padoma Wind Power

On January 21, 2010, Enel North America and NRG Energy reached an agreement for Enel Green Power's American subsidiary to acquire Padoma Wind Power, a specialized wind power development company, from NRG. Padoma is developing about 4,000 MW of potential projects in California which, once built, will help the state meet its Renewable Portfolio Standard target of 33% of retail sales from eligible renewable energy resources by 2020.
The two companies also reached an agreement under which NRG will retain a right of first offer should Enel North America seek an equity partner in the Padoma projects.

€3 billion bond issue

On February 10, 2010, CONSOB approved publication of the prospectus relating to the offering and listing on the electronic bond market (MOT) of Enel fixed- and floating-rate bonds reserved for investors in Italy and other European countries (specifically France, Germany, Belgium and Luxembourg) for an original maximum aggregate amount of €2 billion, raised to €3 billion on February 18, 2010, in response to investor demand.
Both the fixed- and floating-rate bonds have a 6-year maturity (March 2016). The fixed-rate bond, issued in the amount of €2 billion, will pay annual effective gross interest of 3.52% (the sum of a spread of 73 basis points and the 6-year mid-swap rate), while the floating-rate bond, issued in the amount of €1 billion, will pay interest equal to 6-month Euribor plus a spread of 73 basis points.

Reorganization of renewables operations

On March 15 and 17, 2010 respectively, the boards of directors of Endesa and Enel approved the integration of the operations of Endesa Cogeneración y Renovables - ECyR (the Endesa company that engages in renewables operations in the Iberian peninsula) and Enel Green Power (EGP) in the renewable energy sector in Spain and Portugal. The aim of the agreement is to ensure the unified management, within EGP, of development on the Iberian peninsula of all the activities of EGP and Endesa in the renewable energy field. This objective will be pursued through ECyR, which will be held by EGP (60%) and Endesa (40%) following the reorganization.
The accord provides for the integration to take place in the following stages:

- Enel Green Power International (EGPI) to acquire 30% of ECyR for about €326 million;
- capital increase for ECyR reserved for EGPI, which will subscribe the offering with the transfer of its holding in Enel Unión Fenosa Renovables and a cash payment of about €534 million.

The acquisition of the stake and the subsequent subscription of the capital increase of ECyR will be carried out at market values, as appraised by a number of independent investment banks, which have issued a fairness opinion for the transaction.

Sale of Endesa Hellas

On March 16, 2010, Endesa reached an agreement with its partner Mytilineos Holding for the sale of Endesa Hellas. In particular, Mytilineos agreed to acquire Endesa's 50.01% stake in Endesa Hellas for €140 million. In turn, Endesa will acquire the hydroelectric and wind plants (part already operational and part under construction) with a total capacity of 15 MW for €20 million from Mytilineos.
The transaction is conditional upon obtaining a number of permits and is expected to be completed in July 2010.

Gazprom completes payment of 51% of SeverEnergia

On March 31, 2010, Gazprom paid Eni and Enel $1,182 million (of which $473 million paid to Enel) as the second and final tranche under the agreement of June 5, 2009 for the sale of 51% of SeverEnergia (owned 60% by Eni and 40% by Enel). The total price paid by Gazprom, including the first tranche paid on September 23, 2009, amounted to about $1.6 billion.

Subsequent events and outlook

Subsequent events

New agreement for nuclear power in Italy

On April 9, 2010, Enel, EDF and the Finmeccanica companies Ansaldo Energia and Ansaldo Nucleare, signed a major Memorandum of Understanding. The objective of the agreement is to specify areas of potential cooperation between Enel, EDF and Ansaldo Energia (which wholly owns Ansaldo Nucleare) in the development and construction of at least four Areva EPRs (Evolutionary Pressurized Water Reactors) that Enel and EDF intend to build in Italy. Enel and EDF will act as investors and architect engineers, with overall responsibility for the project and management, construction and commissioning of the plants. They will leverage the experience of Ansaldo both in the study, design and commissioning activities of the nuclear systems and in support for licensing.

€10 billion revolving line of credit

On April 19, 2010, Enel agreed a 5-year revolving credit facility for €10 billion to replace a €5 billion syndicated loan. The new credit line can be used directly by Enel and by Enel Finance International SA, offering the Group further financial flexibility for its day-to-day treasury requirements. This credit facility does not fall under the Group's debt refinancing program, but is rather another tool for managing working capital.

Acquisition of exploration permits and gas assets in northern Italy

On April 20, 2010, Enel Trade finalized the acquisition of the gas sector assets of Stratic Energy Corporation in northern Italy, in the implementation of the agreement signed in November 2009. The assets include about 0.7 billion cubic meters of reserves and a number of exploration permits, acquired for a total of €33 million in cash. Enel Trade will pay Stratic a further €6.6 million provided that the first phase of production starts before the end of 2011, progressively reducing the amount down to no payment if production starts as from 2013.

Agreement with Inter Rao Ues for the development of operations in Russia

On April 26, 2010, Enel and Inter Rao Ues signed a Memorandum of Understanding for cooperation in the nuclear power sector, construction of new plants and technological innovation, energy efficiency and distribution in Russia and the countries of Eastern Europe. One major project will be the analysis of the development of a new nuclear plant at Kaliningrad, the first public-private partnership in the nuclear power field in Russia. The plant will consist of two units of 1,170 MW each and will employ the third-generation VVER 1200 technology. The facility is expected to begin operation between 2016 and 2018, with a significant proportion of the electricity generated to go to nearby European markets. Inter Rao Ues will provide the terms and conditions of participation by foreign investors in the new nuclear reactor as well as the technical specifications for the distribution of the electricity generated. Enel will study the technical, economic and regulatory aspects of the project to assess the conditions and form of its possible participation in the initiative.

Outlook

Enel has the skills and strategies needed to seize the opportunities offered by the potential growth in electricity demand, which in the early months of 2010 has already shown signs of recovery in nearly all the countries in which the Group operates.
Enel will therefore continue to invest in research and development in the renewables sector and in programs to affirm its leadership, benefiting from a competitive cost structure and from the optimal diversification of its plants by type of generation technology and by geographical area. The operational excellence programs under way and the synergies generated by the ever closer integration with Endesa will help boost operating cash flow and strengthen Enel's cost leadership.
In addition, the extraordinary portfolio optimization initiatives already planned and the generation of operational cash flow will reduce the level of debt, with a consequent improvement in the Group's financial structure.
It is expected that the contribution of all the actions and programs that have been undertaken will enable Enel to achieve the targets announced for 2010.

Regulatory and rate issues

Climate and energy package

On February 2, 2010, the Community-level Climate Change Committee approved the draft Decision on the financing of renewable energy and carbon capture and storage (CCS) projects through the sale of 300 million emissions allowances of the New Entrant Reserve for the period after 2012 (NER-300). The decision, which provides for the completion of the first call for proposals by the end of 2011, is now undergoing scrutiny by the European Parliament and the Council (under the "comitology" process, this examination will last three months, after which, if no objections are raised, the Commission will adopt the measure).
In addition, on February 18, 2010, the Committee approved the draft Regulation for a standardized and secure system of ETS (Emission Trading Scheme) Registries, which will apply as from January 1, 2012. Among other things, the Regulation, which will replace the current system established with Regulation (EC) no. 2216/2004, provides for the establishment of a European ETS Registry (in place of the existing system of national registries) and the participation of the air transport sector in the emissions trading system. The Regulation also contains measures to enhance the security system with a view to preventing tax fraud and other fraudulent activities. These measures will enter immediate force once the Regulation takes effect.

Long-term electricity import contracts

Enel has a contract for the import of electricity 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.
On December 18, 2009, the decree of the Minister for Economic Development governing the import procedures for the long-term contract for 2010 was published. The decree confirmed the capacity reserve necessary for the performance of the contract, but unlike previous arrangements, the Single Buyer may elect to not draw the electricity under the long-term contract for all of 2010 if prices are not consistent with its forecast for average provisioning costs. The Single Buyer confirmed its intention to draw the electricity governed by the contract. The decree also set the price for the 1st Quarter of 2010 at €59.5/MWh (€78/MWh in the 1st Quarter of 2009) and confirmed the price updating mechanism, based on the quarterly indexing of the Single National Price (SNP); on this basis the price for the 2nd Quarter amounts to €66.49/MWh.

Green certificates

Article 27, paragraphs 18 and 19, of Law 99/2009 (the "Development Act") transfers the obligation of delivering a share of renewable energy to the national electricity system (Article 11, paragraphs 1 and 2, of Legislative Decree 79/99) from the producers or importers of electricity from non-renewable resources to those who enter into one or more ancillary services contracts relating to withdrawal with Terna starting from 2011, on the basis of electricity withdrawn the previous year. Article 7, paragraph 2-*bis*, of Law 166 of November 20, 2009, subsequently deferred the transfer obligation to 2012 on the basis of electricity withdrawn in 2011. The Minister for Economic Development will establish the implementation procedures and set the increases in the mandatory shares based on the effects of the transfer, in compliance with national and Community-level renewable resource development commitments.

Sales

Electricity

Sales services

Following the auctions to award safeguard services for the 2009-2010 period, out of a total of twelve areas up for bid, Enel Energia, in addition to the areas in the Centre and the South already served in 2008 (with the exception of Tuscany, Umbria and Marche), was awarded the concessions for Piedmont, Valle d'Aosta, Liguria and Lombardy, served by another operator in 2008. The average premium bid by Enel Energia in the eight areas it was awarded was about €21.5/MWh.
With Resolution ARG/elt no. 112/09, the Authority for Electricity and Gas (Authority) established the disclosure requirements for sellers to enhanced protection customers pertaining to the mandatory imposition of peak/off-peak pricing for domestic customers with meters reprogrammed by hourly band starting from April 1, 2010. In subsequent resolutions, the Authority postponed the application of peak/off-peak prices until July 1, 2010 (Resolution ARG/elt no. 177/09) and introduced a mechanism for the gradual application of prices (Resolution ARG/elt no. 22/10) for the period July 1, 2010 – December 31, 2011. In particular, during the transition period the mechanism will alert customers to the difference in the cost of electricity in peak and off-peak hours.
With Resolution ARG/elt no. 191/09, the Authority adopted a series of measures to mitigate the credit risk of sales companies. More specifically, the Authority doubled the current security deposits to be paid by customers in the enhanced protection market and, in the case of customers returning to the enhanced protection system, allowed operators to refuse service until previous debts have been paid. In the same resolution, the Authority also established a system – to be implemented in 2010 – to indemnify out-going sellers in the event they are unable to collect payment of final invoices from customers that have switched.
With Resolution ARG/elt no. 33/10, the Authority set out the mechanism for settling receivables remaining on the books of operators that temporarily provided safeguard services. More specifically, the Authority established that such receivables shall be recognized net of the margins earned by the individual operators during the same period. The receivables will be paid by the Equalization Fund to operators after quantification of the margins.

Rates and rate updates

With Resolutions ARG/elt no. 205/09 and no. 211/09, the Authority set the rates for the enhanced protection service for the 1st Quarter of 2010. The final rate for standard residential customers was set at €162.6/MWh, a reduction of 2.2% from the previous quarter. More specifically, the PED component for sourcing and dispatching costs was reduced by €0.6/MWh to €89.83/MWh; the PPE component covering imbalances in the equalization system for 2008 was reduced by €3.7/MWh to €1.5/MWh; and the UC1 component covering the residual equalization deficit for 2006 and 2007 was raised by €1.5/MWh to €3.02/MWh. The Authority also raised the A3 component, intended to encourage generation using renewable and similar resources, by €0.8/MWh to €8.9/MWh, and reduced the A4 component used to finance special rate mechanisms by €0.3/MWh to €0.73/MWh.

With Resolutions ARG/elt no. 41/10 and ARG/com no. 44/10, the Authority set the rates for the enhanced protection service for the 2nd Quarter of 2010. The final rate for the average residential customer was set at €157.7/MWh, a decrease of 3.1% on the previous quarter. More specifically, the PED was reduced by €0.5/MWh to €89.37/MWh, while the PPE and UC1 were set at zero. The Authority also increased the A3 component by about €1.5/MWh to €10.4/MWh and reduced the A4 component by €0.14/MWh to €0.59/MWh.

With Resolution ARG/elt no. 41/10, the Authority also updated, as from April 1, 2010, the RCV component covering sales costs incurred by enhanced protection service operators, lowering it from €19.27 to €19.09/year for residential customers and from €32.60 to €31.59/year for other low-voltage users, while ensuring annual revenues in line with those for the previous year.

Rules for the sale of CIP 6 electricity by the Energy Services Operator

The decree of the Minister for Economic Development of November 27, 2009, governing the sale of CIP 6 energy, established a total assignable quantity of 4,100 MW, of which 17% designated for the Single Buyer to supply customers in the enhanced protection market. The electricity assigned will be reduced proportionately in the event of the early termination of the CIP 6 agreements by those generators participating voluntarily in the mechanisms envisaged in the implementation of Article 30, paragraph 20, of Law 99/09. The price for the sale of CIP 6 electricity for the 1st Quarter of 2010 was set at €57/MWh, while that for the 2nd Quarter of 2010 comes to €63.69/MWh.

Gas

Rates and rate updates

With Resolution ARG/gas no. 207/09 the Authority updated the supply prices for natural gas for the 1st Quarter of 2010, setting a price of 69.34 eurocents/m^3, an increase of 2.8% on the previous quarter. Specifically, the component covering the cost of the raw materials was increased by 9.6% compared with the previous quarter.

With Resolution ARG/gas no. 42/10, the Authority updated the supply prices for natural gas for the 2nd Quarter of 2010, setting a price of 71.81 eurocents/m^3, an increase of 3.6% on the previous quarter. Specifically, the component covering the cost of the raw materials was increased by 10.7% compared with the previous quarter.

With Resolution ARG/gas no. 47/10, the Authority initiated a proceeding for the change of supply prices for natural gas for the enhanced protection service. The changes would involve updating the CCI component covering the cost of raw materials to take account, as from October 2010, of the possible renegotiation of operators' long-term contracts.

Supplier of last resort

With Resolution ARG/gas no. 18/10, the Authority provided for the Equalization Fund to pay, by April 15, 2010, charges incurred in providing supplier-of-last-resort services for the 2008-2009 gas year. In that period, Enel Energia acted as supplier of last resort for the Emilia Romagna, Liguria, Tuscany, Umbria, Marche and Upper Lazio macro-areas.

Inquiries and fact-finding investigations

On September 8, 2009, the Lazio Regional Administrative Court denied Enel Energia's appeal of Competition Authority measure PS/1874 of December 3, 2008. The Competition Authority alleged that the company failed to read and verify metering equipment and issued estimated invoices that were based on gas consumption that did not reflect actual consumption using imprecise estimation criteria. On February 2, 2010, Enel Energia appealed the decision to the Council of State.

Generation and Energy Management

"Development Act" 99/09

Article 30, paragraph 9, of Law 99/2009 (the "Development Act") requires the Authority for Electricity and Gas (Authority) to adopt – based on the guidelines of the Minister for Economic Development – temporary measures aimed at expanding the supply of electricity in Sardinia.
With Resolution ARG/elt no. 115/09, the Authority introduced measures for the assignment of a total of 225 MW for Enel and 150 MW for E.ON of Virtual Power Plant (VPP) capacity for the 2010-2014 period, through contracts for differences (one-way/two-way contracts at the discretion of the producer) based on the Single National Price (SNP). The entire capacity was assigned through the auction for assigning Virtual Power Plants held on October 15, 2009, which had a minimum allotment price set by Enel.
Article 30, paragraph 6, gives the Government until August 2010 to review the antitrust ceilings on the import and sale of natural gas in the end-user market, currently set to expire in 2010.

"Ancillary Services Market" (ASM)

Pursuant to the decree of the Minister for Economic Development of April 29, 2009, as of January 1, 2010, the new Ancillary Services Market (ASM) is operational. The new market provides for a programming phase (the day prior to delivery of the electricity) and a real-time balancing market organized into five sessions, with operators allowed to update the quantities and prices of their offers.
With Resolution ARG/elt no. 52/09, pursuant to Article 3, paragraph 11, of Law 2/09, the Authority revised the rules governing essential plants, which entered force as from January 1, 2010, establishing that:

- Terna must identify plants essential to the security of the electrical system and their groups to be subject to the new rules governing binding bids on the Day-Ahead Market/Adjustment Market and ASM;

> owners of these plants may be exempt from administrative requirements by entering into forward contracts with Terna.

With Resolution ARG/elt no. 162/09, the Authority defined the parameters of the forward contracts that can be used as alternatives to the essential unit mechanism. Enel elected the contracts on November 13, 2009. Enel Produzione challenged Resolution ARG/elt no. 52/09, specifying that such election did not represent acquiescence with the new rules governing essential plants.
On June 23, 2009, the Council of State held a hearing on the Authority's appeal of the Regional Administrative Court decision voiding Resolution ARG/elt no. 97/08. The resolution placed all plants in Sicily and Sardinia under the essential unit system. On November 24, 2009, the Council of State filed its ruling denying the Authority's appeal and ordered an evaluation procedure to quantify the losses claimed by Enel Produzione. In a ruling of March 3, 2010, the Council of State ordered Terna to indemnify the losses in accordance with the procedures to be specified in the full ruling, which will be published shortly.

Green certificate charges for the regulated market in 2001-2004

The Council of State hearing of the appeal lodged by the Authority concerning payment to Enel Produzione of the green certificate charges for electricity to supply the regulated market for 2003 is pending.
As regards the Authority's appeal to the Council of State against the ruling of the Regional Administrative Court concerning payment of the charges in respect of green certificates incurred by Enel for pumping stations, on November 4, 2009, the Council of State dismissed the case for want of prosecution. With an order of February 5, 2010, the Council of State denied the Authority's appeal of the dismissal. The Lombardy Regional Administrative Court's ruling in favor of Enel Produzione is therefore definitive.

Inquiries and fact-finding investigations

On February 2, 2010, the Competition Authority opened a proceeding for abuse of a dominant position (A/423) by Enel Produzione and Enel SpA for alleged anti-competitive conduct in the wholesale electricity market for the Sicily macro-area.

Emissions trading

With Resolution no. 3/2010, the national committee for the management of Directive 2003/87/EC established the volume of allowances for 2010, equal to about 32.7 million metric tons, in addition to those already assigned by the New Entrant Reserve of about 1.9 million metric tons.
Emissions by Enel Produzione at March 31, 2010, came to 9.31 million metric tons, while allowances assigned under the national allocation plan, calculated on the basis of emissions forecast for the same period, totaled 9.26 million metric tons, giving rise to a deficit of 0.05 million metric tons.

Gas transport and metering rates - new regulatory period

With Resolution ARG/gas no. 184/09, the Authority set transport and metering rates for 2010-2013. The entry-exit rate mechanism applied in previous regulatory periods was retained. The capacity-commodity split was changed from an average ratio of 70%-30% for all transport companies to a ratio based on the cost structure actually determined for each company.
With Resolution ARG/gas no. 192/09, the Authority established the new

procedures for allocating to users all gas lots not subject to metering on transport networks, including unaccounted-for gas (UFG) and self-consumption.
With Resolution ARG/gas no. 198/09, the Authority approved the reference rates for 2010.
Enel has appealed Resolutions ARG/gas nos. 184/09, 192/09 and 198/09.

Gas exchange and the daily balancing market

Article 30 of Law 99/09 of July 23, 2009, charges the Energy Markets Operator (EMO) with the financial management of the natural gas market (gas exchange), in accordance with rules prepared by the EMO and approved by the Ministry for Economic Development (paragraph 1) and provides for the acceptance of gas purchase and sale offers by the EMO on an economic merit basis by February 2010 (paragraph 2).
Pursuant to Article 30, paragraph 2, the Minister for Economic Development issued a decree on March 18, 2010, establishing the procedures for the EMO to use in managing transactions in gas lots imported from non-EU countries subject to the mandatory offer requirement. The decree establishes that the EMO shall take on the role of sole central counterparty by October 1, 2010.

Allocation criteria

With Resolution ARG/gas no. 62/09 the Authority initiated a review of the criteria used to allocate gas among users of the transport system shared redelivery points. The current procedure, established under Article 29, paragraph 2, of Resolution no. 138/04 and extended once to September 30, 2010, was extended again to September 30, 2011 with Resolution ARG/gas no. 27/10.
With the same Resolution, the Authority established a new calculation method for daily allocation of gas withdrawn by customers not subject to daily metering. The procedure, which will be valid for the period October 2010 - September 2011, will also be applied in recalculating transport and storage fees paid by users in the period October 1, 2007 - September 30, 2010.
The adjustment payments in respect of such fees will be made for the 2007-2008 and 2008-2009 gas years by September 30, 2010 and for the 2009-2010 gas year by February 28, 2011.

Infrastructure and Networks

Distribution rates

With Resolution ARG/elt no. 203/09 of December 29, 2009, the Authority updated distribution and metering rates for 2010. The average unit rate was raised by 3.1% compared with 2009.
With Resolution ARG/elt no. 40/10 the Authority set the equalization amounts for revenues in respect of low-voltage metering services for 2008, granting Enel Distribuzione essentially the same amount that the company had recognized in previous years. The receivables will be paid by the Equalization Fund by May 30, 2010.

Service continuity

With Resolution ARG/elt no. 34/10, the Authority assigned the bonuses and penalties for service continuity levels achieved by distribution companies in 2008. The Equalization Fund was authorized to pay bonuses to Enel Distribuzione broadly in line with the amount received by the company in previous years. Penalties, the size of which was also close to forecasts, are to be paid by Enel Distribuzione in three annual installments in the 2009-2011 period unless, over the same period, the trend levels assigned for each geographical area are reached.

Smart grids

With Resolution ARG/elt no. 39/10 the Authority specified the criteria for selecting investments in pilot smart grid projects, which, as already established under the Integrated Rate Code (Annex A to Resolution no. 348/07), will receive a higher rate of remuneration.

Iberia and Latin America

Spain

Rate updates

On December 31, 2009, the government published Ministerial Order 3519/09, which set the electricity rates starting from January 2010.
Access rates were raised by an average of 14.5%. Specifically, customers qualifying for the TUR (*Tarifa de Ultimo Recurso*) without regard to time band will see an 9% increase in their access rates.
The Ministerial Order also calls for, among other things:

> a significant increase in the remuneration for reactive power, which could increase the regulated revenues for the system by up to 3%;
> modification of the formula for calculating the electricity component of the TUR without regard to time band, which could lead to an increase of up to 2% in the cost of electricity payable to the CURs (*Comercializadores de Ultimo Recurso*);
> the remuneration for continuity service in 2010 is expected to be €450 million (compared with €750 million attributed to system costs for 2009);
> the extension of the right of non-TUR customers who are not party to a free-market contract to be supplied by the CURs until December 2010.

With its resolution of December 29, 2009, the Ministry for Industry, Tourism and Trade updated the TUR for the first half of 2010, increasing the rate without regard to time band by 2.64% over the same rate applicable during the second half of 2009.

Incentives to use domestic coal

Royal Decree 134/10 was published on February 27, 2010, creating an incentive to consume domestic coal. It introduces a new organized market phase, called the *Resolución de restricciones por garantía de suministro*, for ensuring priority dispatching for power plants that burn domestic coal. The plants affected by the measure (Endesa is involved with four of these) will be compensated for a maximum annual production amount at a price corresponding to the unit cost of generation comprised of: the cost of fuel, cost incurred for storing domestic coal, variable operating cost, fixed costs and the cost of CO_2.
The priority dispatching for the coal plants excludes plants originally accepted into the program. Priority will be assigned on the basis of a ranking in descending order of levels of CO_2 emissions, or – solely for natural gas plants – an economic ranking established on the basis of competitive bidding. Plants excluded receive,

for each MWh not produced, a remuneration equal to the difference between the marginal hourly price and the variable production cost, plus any unit commercial margin if they are signatories to take-or-pay contracts.
These rules are transitional and shall only remain in effect until 2014 at the latest. Red Eléctrica de España (the Spanish network operator) has two months from the date of publication of the Royal Decree to propose changes to the operating procedures required under the Network Code to launch the new market phase. The draft decree was notified to the EU Commission as it could potentially be characterized as state aid. The most controversial part of the decree may be the provisions concerning the remuneration for the lost earnings of excluded generation plants. The Ministry of Industry, Tourism and Trade has already prepared an urgent draft of a new royal decree that modifies Royal Decree 134/10 concerning lost earnings. This draft is currently being analyzed by the relevant entities.

Garoña nuclear power plant

On March 24, 2010, Nuclenor, the company that owns the Santa Maria de Garoña nuclear power plant (50% of which held by Endesa), formally argued the appeal filed with the *Sala de lo Contencioso-Administrativo de la Audiencia Nacional* on September 14, 2009 against Ministerial Order 1785/09 that sets the date for termination of operation of the nuclear power plant as July 2013. Among other things, Nuclenor is asking that Ministerial Order 1785/09 be voided and that it be given the right to operate the plant until at least July 6, 2019.
The company is also seeking the explicit renewal of the authorization under the terms announced by the Spanish nuclear safety board (*Consejo de Seguridad Nuclear* - CSN), namely that operation can continue through 2019 and perhaps beyond.

Emissions trading

In the 1st Quarter of 2010, Endesa produced emissions totaling around 5.3 million metric tons. Allowances assigned under the national allocation plan for the period amounted to 6 million metric tons.

Argentina

Update of wholesale market rules

With its Note no. 496 of January 19, 2010, the Argentine *Secretaria de Energía* (SE) announced that it would not be possible to change the wholesale market rules (MEM, *Mercado Eléctrico Mayorista*) so as to bring them into full compliance with Resolution 1427/2004 and the 2004 and 2005 agreements with the generation companies that contributed to the funding of FONINVEMEM (the fund used to build two CCGT plants that came into operation at the start of 2010). Resolution 1427/2004 contained, among other things, the commitment to increase the remuneration for capacity and the *precio estacional* (price paid by the distribution companies to the generation companies) and to eliminate the cap on the spot market introduced by SE Resolution 240 of 2003.
Negotiations are currently under way, and are expected to continue into 2010 for several months, between the regulator ENRE and the generation companies to restore the MEM to full operation. An agreement is likely to reached for the 2010-2011 two-year period only, with the definitive market operation rules to be established under a later agreement.

PUREE incentive program

With Resolution 45 of March 8, 2010, the SE established that the new mechanism for calculating PUREE (*Programa de Uso Racional de la Energía Eléctrica*) incentives for domestic consumers with consumption above 1,000 kWh per bi-monthly period would apply starting from March 10, 2010. By applying this standard, the amount of the incentives agreed will be reduced, further extending the difference between the PUREE penalties and incentives that the distribution companies are authorized to apply to offset their higher costs when the increases for the *Mecanismo de Monitoreo de Costos* (MMC – an indicator of price performance introduced by the *Acta de Acuerdo* in 2005) are not incorporated into the rates. This provides an additional benefit for Edesur, the distribution company operating in Argentina.

Brazil

Distribution rates

Following public consultation no. 043/2009 and meetings with each distribution company, on February 2, 2010 the regulator ANEEL proposed to the distribution companies a change in the method for calculating the "system costs" component of the distribution rate, so as to eliminate the weaknesses in passing through the cost to consumers and to neutralize revenues attributable to the system costs (so-called *encargos sectoriales*) with respect to the volumes sold.
The introduction of this different method proposed by ANEEL (which will not have retroactive effect) means that a change must be made in the concession agreement (30-year contract, expiring in 2026 and in 2028, respectively, for Ampla and Coelce). This change was authorized by the companies.
On March 15, 2010 the process of adjusting the annual rates for the distribution company Ampla was completed. It received a 1.35% increase in the VAD (*Valor Agregado de Distribución*, the component for compensating distribution activity). This adjustment has not translated into an increase in the rate for end users, who instead saw a 4.7% reduction.
The rate adjustment process for the distribution company Coelce began on March 10, 2010.

Argentina-Brazil interconnection line (CIEN)

With regard to the Argentina-Brazil interconnection line, on December 9, 2009 final approval was given to Law 12111, which modifies national legislation in preparation for the future integration of the isolated systems into the *Sistema Nacional Interconectado* (SNI). Among other things, the law establishes that as from 2010 the interconnection lines (including CIEN, managed by Endesa) may be treated as part of the national transmission grid and can therefore take advantage of regulated rates. Technical negotiations on the value of the lines and, as a result, the applicable rates are currently under way with ANEEL and are expected to last until mid-2010. These negotiations should be conducted on the basis of the remuneration method established by ANEEL in Resolution 386/09 of December 15, 2009. The new transmission rate for CIEN should be in effect starting from July 1, 2010 simultaneously with the entry into force of the new transmission rates in Brazil.

Social rate

On January 20, 2010, Law 12212 on the social rate was promulgated. It changes the amount of the discount granted to low-income residential customers.

The primary changes from the previous rules (Law 10438 of 2002) relate to the requirements for receiving the social rate: eligibility will no longer be based solely on monthly consumption, but will also take customers' financial situations into account. Specifically, it requires registration in the *Cadastro Único para Programas Sociais do Governo Federal* (CadÚnico), a register of economically disadvantaged households maintained by the Ministry for Social Development and the Fight against Hunger (previously users with consumption of less than 80 kWh/month were exempt from this requirement).

The law also introduces slight reductions in discounts granted to consumers that vary based on monthly consumption: 65% for consumption of less than 30 kWh/month, 40% for consumption of between 30 and 100 kWh/month and 10% for consumption of between 100 and 200 kWh/month. Low-income households with consumption in excess 200 kWh/month will not receive any discount.

Finally, the law introduces changes to Law 9991 of 2000 on energy efficiency. The primary change made to the law requires that distribution companies set aside at least 60% of energy efficiency program resources (currently 0.5% of the companies' operating income) for customers benefiting from the social rate.

Rules on climate change

On December 29, 2009, Law 12187/2009 on combating climate change was published. This law introduces the *Plan Nacional sobre el Cambio Climático* (PNMC) and sets the goal of cutting greenhouse gas emissions by between 36.1% and 38.9% of projections as of 2010 by 2020. The expected reductions for each industrial segment have not been determined. The method for implementing the law will be determined in 2010.

Chile

Update of nodal prices

The nodal price in Chile was slightly reduced in March 2010 (down about 5% from the levels set by the regulator CNE in October 2009). This indexing is the result of a change in the exchange rate with the US dollar and a reduction in the marginal cost of electricity generation in Chile (due to reservoir levels, the entry into operation of new plants and to the lower cost of raw materials).

Auction price pass-through rules

Starting from January 2010, a resolution establishing the wholesale procurement mechanism for electricity intended for regulated customers (under *Ley Corta II*, of May 2005) came into effect. The contracts signed at the nodal price set by CNE will be gradually replaced by 15-year contracts at the price established by auctions held by the distribution companies starting from 2006. For the distribution company Chilectra, this will occur starting primarily from November 2010, when several supply contracts entered into prior to 2006 will expire. To finish introducing this mechanism, the draft of the decree establishing the method for calculating the average price that each distributor can pass through to end users to cover the costs of the auctions with the generation companies was presented to the *Contraloria de la República*. Once finally approved, the decree will have retroactive effect from January 1, 2010, thereby causing some changes in the rates charged to residential customers.

Regulations governing emissions by thermal power plants

On December 15, 2009 Resolution no. 7550, containing the draft regulations on thermal power plant emissions, setting the maximum levels allowed for particulates, nitrogen oxide, sulfur dioxide, mercury, nickel and vanadium, was published. The document sets different limits for new and existing power plants. More stringent requirements apply to new plants, while existing plants are given a 3-year window in which to comply with the new regulations. The emissions restriction will be the same for new and old plants by 2020.

Constitutional reform bill on water-use rights

On January 6, 2010, the Chamber of Deputies received the constitutional reform bill proposing the amendment of Article 19 of the Chilean constitution, with regard to the law governing water rights in Chile. It introduces the concept of treating water as a national asset for public use. This bill will not have retroactive effect and requires the approval of a three-fifths majority of the Congress.
This bill, initially treated as a priority by the Bachelet government, is now viewed with less urgency due to the recent earthquakes in Chile and the change in government.

Colombia

Wholesale market

On February 9, 2010, the CREG, Colombia's regulator, published Resolution 10/2010, introducing transitional rules for the operation of the wholesale electricity market (MEM, *Mercado de Energía Mayorista*). The goal of the resolution is to avoid exhausting the reservoirs by taking action on the bid prices (reservoirs with a volume less than the pre-determined *curva de alerta* are automatically removed from the ranking).
The regulator subsequently adopted additional transitional measures (CREG Resolutions 036/2010, 049/2010 and 060/2010) to forestall the exhausting of the country's reservoirs and to ensure the short-term security of the system.

Update of distribution rates

After establishing new distribution rates for Codensa and Cundinamarca (October 19, 2009, with CREG Resolutions 100 and 101), on December 16, 2009 CREG announced that it will take official steps to correct an error contained in the calculation of the rate for voltage level IV (beyond 57.5 kV) for Codensa. Correcting this error (not yet completed) could give rise to an increase of about 1% in the rate set in October 2009.

Peru

Update of wholesale electricity prices

On March 2, 2010, the regulator OSINERGMIN published the draft of Resolution 043/2010 setting out the proposed *tarifas en barra* (wholesale electricity price for regulated-market customers) for May 2010 through April 2011.
The bill aims to reduce the price of electricity by 5% from where it stands currently. This change will involve a slight increase in the capacity component (+0.38%) and a 6.77% reduction in the price of electricity. The price should fall from $41.75 to $39.32/MWh overall.

Capacity payments

Supreme Decree 1/2010 was published in the *Diario Oficial* on January 5, 2010. It contains a variety of measures relating to capacity payments. This decree corrects against the risk of a difference between the capacity prices arising from long-term auctions and those calculated by the system operator COES. It adds a component to the final rate to remunerate the cold reserve of emergency plants and penalizes the capacity of plants that do not have a long-term gas transport contract, starting from September 2010.

International

France

NOME law

In March 2010, the Ministry for Energy (MEEDDM) distributed the first draft of the bill for the NOME (*Nouvelle Organization du Marché de l'Eléctricité*) law, setting out the main recommendations of the Champsaur parliamentary committee. The main components of this reform are:

> access to basic electricity for alternative suppliers at regulated prices (regulated base - RB) for a 15-year transitional period;
> access to the regulated base, proportional to the portfolio provided for each alternative supplier (with *ex-post* offsetting of the difference between the expected portfolio and the actual portfolio);
> the RB rate, set by the government for the first five years the mechanism is in effect, and by the regulator CRE thereafter. For that purpose a ministerial decree will be issued that will establish the criteria for setting the RB access rate based on the total costs of EDF's existing nuclear facilities;
> base load electricity, not to exceed 100 TWh/year;
> starting from 2013 (year of the next revision of the network rates) a further 20 TWh (maximum) of RB can be gradually used to cover network losses;
> starting from 2015 the regulated rates for major electricity consumers will be eliminated, while the regulated rates for the sale of electricity to minor consumers will be maintained.

The NOME law, which should be approved by the French Parliament in 2010, contains reform measures that should further open up the French electricity market to competition and replace the TaRTAM rate for those end users who, after having opted for a contract with a free-market supplier, seek to benefit once again from regulated electricity suppliers. Nonetheless, the TaRTAM will not be eliminated starting from the second half of 2010, but will be extended until the end of the year.

Poniatowski Law

The Poniatowski bill was approved by the Senate on March 29, 2010, and is scheduled to be examined by the National Assembly. It provides end users who have switched to the free market with the option of returning to the regulated supply regime.

New tax

A new tax, the IFER (*Imposition Forfaitaire sur les Entreprises de Réseaux*), introduced with the 2010 Finance Act, is in effect starting from 2010. The new tax of €2,913/MW/year, will be paid by hydroelectric and wind power plants with a capacity in excess of 100 kW and by nuclear and conventional power plants with a capacity in excess of 50 MW.

Slovakia

Must-run plants

With Decision 17/2009, the Ministry for the Economy set the volume of ancillary services that the ENO plant (Nováky) is required to provide in 2010, fixing the prices at the same level set by the regulator URSO for 2010. The primary regulation of 11 MW will be compensated at a rate of €73.02/MWh and the secondary regulation of 31 MW at a rate of €63.06 euro/MWh.

Pursuant to Energy Act no. 656/2004, the Slovakian government issued Decision 47/2010 of January 2010, which extended the use of domestic coal until 2020, with the possibility of a further extension until 2035. Each year, the Ministry for the Economy will set requirements for Slovenské elektrárne (SE) to generate and sell electricity produced using domestic coal. Thereafter, URSO will set, again on an annual basis, the prices for electricity generated from domestic coal, as well as ancillary services prices. Therefore, ENO will benefit from guaranteed revenues from the sale of electricity and the provision of ancillary services.

In August 2009, URSO established the amount of the adjustment factor for ENO's remuneration rate (Y=32.6%), leading to a final 2010 system cost rate for ENO of €40.25/MWh. The Y factor is calculated so as to cover fluctuations in the market price of electricity, the cost of coal, remuneration for ancillary services and for the correction of previous periods.

Economic interest law

On July 2, 2008, the Slovakian government published a law to safeguard electricity sales to residential customers and small enterprises. The law requires price regulation on 6 TWh of energy sold by producers to residential customers and small enterprises starting from 2009 and lasting until the ratio between the average spending on electricity and household income reaches the EU average. Following Slovenské elektrárne's appeal of the decision to the lower court, on March 18, 2010, the Supreme Court affirmed the lower court's decision voiding the July 3, 2008 decision by the Ministry for the Economy specifying that the government's measure of July 2, 2008 regulating electricity prices only applied to Slovenské elektrárne.

Emissions trading

In the 1st Quarter of 2010, Slovenské elektrárne produced about 0.8 million metric tons of emissions, while the allowances assigned by the national allocation plan for the period amounted to about 1.4 million metric tons.

Russia

Opening the market

As part of the gradual opening of the market established by the Russian government, in January 2010 the limit on the volume of electricity to be sold on the free market set at 60% of 2007 non-residential volumes was exceeded. These thresholds are consistent with the provisions of Decree 205 of April 7, 2007, which ordered the progressive liberalization of the market for 100% of volumes by 2011, excluding those regarding residential customers.

Capacity market

The volumes of capacity freely sold are in line with the electricity liberalization thresholds. Therefore, currently 60% of capacity (excluding volumes intended for residential customers) was freely sold in the transitional capacity market (in force through the end of 2010). At the moment, capacity can be sold on a monthly basis at free-market prices using bilateral contracts or the exchange for trading in forward capacity contracts and electricity (the Arena exchange, which began trading for 2009 at the end of December 2008).

To be able to participate in these sales, generators must first take part in the annual auction for the selection of capacity (KOM), which was held at the end of December 2009 for 2010. Preliminary capacity prices adjusted for seasonal variations for 2010 came to about 115 thousand rubles/MW/month (average annual value). Every month the market operator (Administrator of Trading System, ATS) publishes the reference prices for capacity purchasers (electricity sellers and major consumers) with which it does not have bilateral contracts in place.

At the end of November 2009, the Market Council also approved the method for assessing the prices bid by new entrants for 2010.

Finally, at the conclusion of the long consultation process, on April 9, 2010 the Prime Minister signed the decree for the long-term capacity market (Decree 89 of February 24, 2010). Official publication of the decree is expected shortly. Moreover, on April 16, 2010, the Ministry published the decree setting out the capacity pricing parameters (Decree 238 of April 12, 2010) on its website. The long-term capacity market will enter operation starting from 2011.

On March 18, 2010, the standard capacity contract was amended, as proposed by the Market Council (at the end of May 2009), by virtue of which private investors signed commitments to invest in new capacity, following the acquisition of the generation companies from Rao Ues; for Enel OGK-5 these investments pertain to Enel OGK-5's two new combined-cycle plants Nevinnomysskaya-GRES and Sredneuralskaya-GRES, for a total of about 820 MW. The proposal calls for strengthening the power to ensure that the commitments are respected, but guarantees a multi-year capacity payment (10 years) for units built under the contract, starting from 2011.

Price cap in the electricity market

As from January 9, 2008, unregulated prices on the wholesale spot market are subject to a price cap that excludes the highest bids from the calculation of the marginal price. The measure was renewed at the start of 2009, albeit in a less stringent form, and was then extended through May 1, 2010 with subsequent decisions of the Market Council.

In addition, Decree 929, adopted by the government on November 14, 2009, which provides for the possibility of introducing, for a maximum of 30 days, emergency regulation of wholesale prices, where the bids of generators may not exceed the regulated rate and capacity payment penalties for unavailable plants are increased, is still in effect.

Electricity rates

Decree 1045 of December 21, 2009, in effect from January 1, 2010, introduced the transitional rules for the wholesale market, requiring that electricity and capacity continue to be sold at regulated rates in the following regions: Chechen Republic, Ingushetia, Dagestan, Severnaya-Osetiya, Kabardino-Balkarskaia and Karachaevo-Cherkasskaya.

Ancillary services market

The rules for the ancillary services market were approved with Decree 117 of March 3, 2010. The system operator will chose operators to provide ancillary services by the end of 2010. The Federal Tariff Service (FTS) will develop and approve the method for calculating the remuneration for these services by May 2010.

Emissions market

Sberbank, the operator responsible for managing the ERU registries (emission credits from joint implementation - JI projects) and holding the tender for selecting JI projects on behalf of the government, announced the first tender for the selection and approval of JI projects up to the amount of 30 million ERUs (1 ERU = 1 metric ton CO_2). Applications to take part in the tender were accepted between February 17 and March 12, 2010. Other tenders are expected to be held in 2010.

Bulgaria

2008-2012 national allocation plan

In December 2009, the Bulgarian government approved a revised version of the national allocation plan for 2008 through 2012. The plan was sent in early January to the European Commission, which is expected to approve it during the first half of 2010. It is expected that the cumulative emissions produced during the 2008-2012 period will match those allocated for the same time period.
On February 10, 2010, Enel Maritza East 3 AD signed an agreement with NEK to pass through the cost of purchasing CO_2, in the event such a purchase is needed to comply with the national allocation plan.

Greece

Network Code

The Network Code was amended as provided for by the Ministerial Decision of December 30, 2009 as follows:

> it grants priority access to the organized market for major cogeneration plants (dispatching at zero cost for total electricity "co-generated" by the cogeneration plant);
> it gives the Greek regulator HTSO the option of receiving short-term financing to cover the deficit in the fund for financing renewable energy incentive mechanisms;
> for traders that have not purchased direct physical capacity, the Code prohibits bids for the sale or purchase relating to electricity imports and exports (which had been previously permitted);
> it imposes penalties on traders in the event there is a mismatch between the market price and the import and export program submitted to the HTSO.

The Energy Ministry postponed the date of entry into force of the Network Code from March 15 to May 3, 2010, then postponed it again until July 1, 2010.

Renewable energy

Italy

Support for electricity generation from renewables

On February 9, 2010, the Energy Services Operator (ESO) notified operators of the reference price for green certificates for 2010: €112.82/MWh, equal to the difference between the initial reference price (set at €180/MWh in the 2008 Finance Act) and the annual average sales price for electricity in 2009, defined by the Authority for Electricity and Gas (Authority) in Resolution ARG/elt no. 10/09. In addition, the ESO also announced the guaranteed withdrawal price for green certificates issued for generation in 2007, 2008 and 2009 (with the exception of those regarding co-generation plants connected with distance heating) at €88.91/MWh. This corresponds to the weighted average price in green certificate trading on the market run by the Energy Markets Operator in 2007-2009. With regard to incentives for the production of electricity from biomass transported at short distance (i.e. produced within a 70 km radius of the power plant) and biomass under industry agreements or framework agreements pursuant to Articles 9 and 10 of Legislative Decree 102 of 2005, the Ministerial Decree that sets the multiple for the green certificate incentive at 1.8 is expected to be published in the *Gazzetta Ufficiale*.

Dispatching conditions

With Resolution ARG/elt no. 5/10, the Authority set the conditions for dispatching electricity generated from non-schedulable renewable resources. Specifically, the resolution:

- establishes the procedures for providing remuneration in the event of lack of production by wind plants due to dispatching orders placed by Terna;
- defines network services (including remote interruption, remote metering and remote signaling) to which wind power plants are subject;
- provides incentive mechanisms for scheduling and projecting power plants fueled by non-schedulable renewable resources;
- gives instructions to Terna for improving the dispatching service.

Bulgaria

Implementation of Directive 2009/28/EC

Under Directive 2009/28/EC, the Bulgarian government has until June 30, 2010 to draw up its national plan for the development of renewable energy through 2020, in accordance with the outline approved by the European Commission (which also requires an assessment of the environmental impact of the development of these resources). Moreover, the Ministry for Energy and Tourism is preparing amendments to the Bulgarian RES and Alternative Energy Act, which should be ready by the end of 2010, once the principles for implementing Directive 2009/28/EC and the broader rules for encouraging investment in renewable energy are determined.

Greece

Regulations in support of renewable energy

The ministerial decision of December 28, 2009 approved the proposal made by the regulator, RAE, in August 2009 to raise the feed-in rate by €7.71/MWh (about 9% over 2008) for wind and hydroelectric plants, retroactive to January 1, 2009.

France

New remuneration rules for photovoltaic systems

On January 14, 2010, the new decree on feed-in rates for photovoltaic power systems was approved. The following rates will apply to systems coming into operation in 2010:

> €580/MWh for systems integrated into residential buildings;
> €500/MWh for systems integrated into other types of buildings;
> €420/MWh for simplified-integration systems;
> for systems installed on the ground, the remuneration depends on the location of the systems, since is it based on €314/MWh for an "R" localization coefficient.

These rates will remain the same until 2011, when they will be cut by 10% per year starting from 2012.
The regulation of the sale of electricity generated by photovoltaic systems was further clarified by two decrees published on March 23, 2010. The first decree requires that the system be less than 250 kW for it to be considered integrated into the building. The second decree sets out in detail the conditions photovoltaic systems must meet to qualify for the rates (more favorable on average) found in the July 10, 2006 decree. This clarification was required due to the high number of applications for *"contrat d'achat"* submitted between November 2009 and January 2010.

Mexico

Regulatory measures in support of renewable energy

In March 2010, the regulator CRE approved the *"Contrato de Interconexión para Centrales de generación de energía eléctrica con energías renovables o con generación eficiente y sus anexos"*, setting out the legal and financial conditions for the contract between the electricity company CFE (*Comisión Federal de Electricidad*) and the alternative generators, for the transmission of electricity produced by the alternative generators.
Although approval has been received from COFEMER (*Comisión Federal de Mejora Regulatoria*), the official standard contract has yet to be published.
The three types of services that CFE will provide to generators are ancillary services (including monitoring frequency and voltage), transmission services and the purchase of electricity in emergency situations (beyond that stipulated in the contract).
The *"Metodología para la determinación de los cargos correspondientes a los servicios de transmisión que preste la CFE a los generadores renovables"* was also approved. This document sets the transmission services rates for 2010, to be revised annually. The high and medium voltage rate was set at $2.20/MWh and the low voltage rate at $4.30/MWh. These rates cover use of the infrastructure, losses, services connected with transmission and a fixed component for contract administration. The new methodology provides an incentive in an amount that varies based on the voltage level for eligible renewable projects.

Peru

Regulations in support of renewable energy

On February 12, 2010, the first auction for the sale of energy from renewable resources was held under the law to promote renewable energy resources (Legislative Decree 1002 of May 2008).
The tender, which is run by the regulator OSINERGMIN (*Organismo Supervisor de la Inversión en Energía y Minería*), ended with the selection of a total capacity of around 410 MW, for which it awarded 20-year contracts to supply electricity

to the SEIN (*Sistema Eléctrico Interconectado Nacional*) at a rate equal to the price resulting from the auction for each project (denominated in US dollars/MWh). The capacity was assigned as follows:

> 161 MW to 17 hydroelectric projects, with bids of between $50 and $70/MWh;
> 142 MW to three wind projects, with bids of between $65 and $87/MWh;
> 80 MW to four photovoltaic projects, with remuneration of between $215 and $225/MWh;
> 27 MW to two biomass projects, with bids of between $52 and $110/MWh.

Romania

Law to support renewable energy

In December 2009, with Measure 1479/2009, the government issued rules for implementing Law 220/2008 for supporting power generation from renewable energy resources. The introduction of the incentive mechanisms (quantitative requirement for electricity suppliers and a system of transferable certificates, which can be traded bilaterally or on a dedicated market) is subject to the approval of the European Commission.
In the meantime, Governmental Decision 1892/2004, which, in the case of electricity generated from wind sources, calls for the issuance of just one green certificate per MWh produced, will continue to apply.

Spain

Remuneration for photovoltaic plants

In application of Royal Decree 1578/08, on February 16, 2010 the Ministry for Industry, Tourism and Trade published the results for the first *convocatoria* of 2010. Based on the capacity recorded, the rates that will apply starting from the 2nd Quarter of 2010 were recalculated and set as follows: for integrated installations, €334.65/MWh for plants of less than or equal to 20 kW and €303.10/MWh for those of more than 20 kW; for ground installations, €273.18/MWh.

Rate updates

With Ministerial Order 3519/09 of December 31, 2009, the government updated the rates, bonuses, ceilings and floors for renewable energy plants that fall within the remuneration system set by Royal Decree 661/2007 (integrated feed-in rate or bonus). The amounts were revised downwards due to a reduction in the consumer price index.

USA

Carbon Regulation

Following the approval of the American Clean Energy and Security Act (also known as Waxman-Marley bill, calling for the creation of a federal system for trading CO_2 allowances starting from 2012) by the House of Representatives in June 2009, the Senate began its examination of the proposal for an emissions trading system in the fall, albeit with several changes with respect to the version approved by the House (Clean Energy Jobs and American Power Act, the so-called Kerry-Boxer bill). An analogous bill (but with greater restrictions on the market for emission allowances) was introduced in December (the CLEAR Act). However, the debate in the Senate quickly became stalled and currently negotiations are

under way to craft a compromise bill that would enjoy the support of the majority of the senators.
Meanwhile on December 7, 2009, the Environmental Protection Agency (EPA), in application of the Supreme Court decision of April 2, 2007, approved the "Endangerment Finding", confirming that greenhouse gases pose a threat to human health. This allows the agency to regulate greenhouse gas emissions under the Clean Air Act. Therefore, the EPA is working on a permit scheme to allow industrial sites meeting certain emission performance standards to release greenhouse gases, in effect starting from 2011.

Law in support of renewable energy

The Recovery Plan, i.e. the stimulus plan approved by the US Congress on February 12, 2009, among other measures targeted at the energy sector, establishes specific incentive mechanisms for renewables including the Investment Tax Credit (ITC) and confirmation of the extension of the Production Tax Credit (PTC) to 2012 for wind power and 2013 for geothermal, incremental hydroelectric and biomass power.

Operating review

Domestic electricity and gas production and demand

DOMESTIC ELECTRICITY GENERATION AND DEMAND

Millions of kWh	1st Quarter			
	2010	2009	Change	
Net electricity generation:				
- thermal	56,903	53,739	3,164	5.9%
- hydroelectric	9,974	11,492	(1,518)	-13.2%
- geothermal and other resources	3,695	3,072	623	20.3%
Total net electricity generation	**70,572**	**68,303**	**2,269**	**3.3%**
Net electricity imports	11,692	12,570	(878)	-7.0%
Electricity delivered to the network	**82,264**	**80,873**	**1,391**	**1.7%**
Consumption for pumping	(1,351)	(1,468)	117	8.0%
Electricity demand	**80,913**	**79,405**	**1,508**	**1.9%**

Source: Terna - Rete Elettrica Nazionale (monthly report – March 2010).

> Domestic *electricity demand* rose by 1.9% in the 1st Quarter of 2010 compared with the corresponding period of 2009, reaching 80.9 TWh. Of the total, 85.5% was met by net domestic generation for consumption (84.2% in the 1st Quarter of 2009) and 14.5% by net imports (15.8% in the 1st Quarter of 2009).

> *Net electricity imports* in the 1st Quarter of 2010 decreased by 0.9 TWh (the result of decreases of 1.0 TWh in imports and 0.1 TWh in exports), as a result of the narrower electricity price differential between the domestic market and the other European countries in the two periods.

> *Net electricity generation* in the 1st Quarter of 2010 rose by 3.3% (up 2.3 TWh), mainly due to greater thermal generation (up 3.2 TWh) and an increase in generation from geothermal and other sources (+0.6 TWh). These increases were partially offset by a decline in hydro generation (down 1.5 TWh).

DOMESTIC GAS DEMAND

Billions of m3	1st Quarter			
	2010	2009	Change	
Residential and commercial	15.5	15.3	0.2	1.3%
Industrial	5.2	4.1	1.1	26.8%
Thermal generation	7.6	6.8	0.8	11.8%
Other (1)	0.6	0.6	-	-
Total	**28.9**	**26.8**	**2.1**	**7.8%**

(1) Includes other consumption and losses.

Source: Enel based on data from the Ministry for Economic Development and Snam Rete Gas.

Demand for natural gas in Italy in the 1st Quarter of 2010 came to 28.9 billion cubic meters, an increase of 7.8%. The increase in consumption for industrial use and thermal generation is largely attributable to the recovery in the Italian economy compared with the 1st Quarter of 2009, as well as greater net thermal generation.

Enel's electricity and natural gas flows

ENEL'S ELECTRICITY AND NATURAL GAS FLOWS (DOMESTIC)

	1st Quarter			
	2010	2009	Change	
Electricity (TWh)				
Enel's net electricity generation in Italy	20.7	20.7	-	-
Electricity transported on Enel's domestic distribution network	62.0	60.2	1.8	3.0%
Enel's domestic electricity sales (1)	29.7	33.6	(3.9)	-11.6%
Natural gas (billions of m3)				
Gas sold to end users	2.4	2.2	0.2	9.1%

(1) Excluding sales to resellers.

- Enel's net *electricity generation* in Italy was essentially unchanged, with output of 20.7 TWh in the periods being compared. More specifically, the decline in hydro generation (down 0.6 TWh), mainly attributable to the deterioration in water conditions in the 1st Quarter of 2010 compared with the corresponding period of the previous year, was entirely offset by greater thermal generation (up 0.5 TWh) and generation from other sources (up 0.1 TWh), mainly attributable to increased wind generation;
- *electricity transported* in the 1st Quarter of 2010 amounted to 62.0 TWh, an increase of 3.0%, which essentially reflects developments in demand on the national grid;
- Enel's domestic *electricity sales* in the 1st Quarter of 2010 amounted to 29.7 TWh, down 3.9 TWh on the same period of 2009. This performance, against the background of greater domestic demand for electricity (up 1.5 TWh), is attributable to the gradual opening of the domestic electricity market;
- *gas sold* in the 1st Quarter of 2010 rose by 0.2 billion cubic meters, reflecting greater domestic consumption, especially among mass market customers.

ENEL ELECTRICITY AND NATURAL GAS FLOWS (ABROAD)

	1st Quarter			
	2010	2009	Change	
Electricity (TWh)				
Enel's net electricity generation abroad	51.9	42.5	9.4	22.1%
Electricity transported on Enel's international distribution network	46.2	31.7	14.5	45.7%
Enel's international electricity sales (1)	49.8	34.1	15.7	46.0%
Natural gas (billions of m³)				
Gas sold to end users	1.1	0.6	0.5	83.3%

(1) Excluding sales to resellers.

> Enel's *net electricity generation* abroad during the 1st Quarter of 2010 amounted to 51.9 TWh, an increase of 9.4 TWh, largely attributable to the increase in hydro generation (3.6 TWh), thermal generation (3.4 TWh) and nuclear generation (2.1 TWh). This is essentially ascribable to the change in the method of consolidating Endesa (consolidated line-by-line since June 2009) in the amount of 12.2 TWh, and the increase in generation by Enel OGK-5 (1.5 TWh) and Enel Maritza East 3 (0.3 TWh); these factors were partially offset by the reduction of 5.2 TWh in output by the Iberia and Latin America Division, largely due to the decline in thermal generation on the Iberian peninsula and the unavailability of certain plants in Argentina and the reduction in electricity demand in Chile;

> *electricity transported* in the 1st Quarter of 2010 amounted to 46.2 TWh, an increase of 14.5 TWh that essentially reflects the change in the method of consolidating Endesa (13.9 TWh);

> *electricity sales* abroad during the first three months of 2010 rose by 15.7 TWh as a result of the change in the method of consolidating Endesa (an increase of 12.5 TWh) as well as greater sales by the Iberia and Latin America Division (up 2.4 TWh) and the International Division (up 0.8 TWh), mainly due to the increased sales by Enel France and RusEnergoSbyt.

Main changes in the scope of consolidation

In the 1st Quarter of 2010, the scope of consolidation changed with respect to the year-earlier period as a result of the following main transactions:

> disposal, on April 1, 2009, of the entire share capital of Enel Linee Alta Tensione (ELAT), the company to which Enel Distribuzione transferred, with effect from January 1, 2009, a business unit consisting of high-voltage power lines and the related legal relationships;

> acquisition, between April 22 and June 23, 2009, of 100% of three Greek companies (International Wind Parks of Rhodes, Glafkos Hydroelectric Station and International Wind Parks of Achaia), which operate in the generation of electricity from renewables;

> acquisition, on June 25, 2009, by Enel, acting through its subsidiary Enel Energy Europe, of the 25.01% of Endesa held, directly and indirectly, by Acciona. Following the acquisition, Enel holds 92.06% of Endesa and exercises full control over the company. As a result, as from that date, Endesa is consolidated in the

Enel Group on a full, line-by-line basis rather than proportionately, with separate reporting of the minority interest of 7.94%;
> disposal, on September 23, 2009, of 51% of SeverEnergia, a Russian company 100% owned until that date by Artic Russia, in which Enel and Eni had stakes of 40% and 60%, respectively. Taking account of the existing governance mechanisms, which enable Enel to exercise a significant influence over the company through Artic Russia, as from that date SeverEnergia has been accounted for using the equity method rather than being consolidated on a proportionate basis;
> disposal, on September 30, 2009, by Enel Distribuzione of 80% of Enel Rete Gas. Following the transaction, Enel's stake in Enel Rete Gas fell from 99.88% to 19.8% with a consequent loss of control. Taking account of the existing governance mechanisms, which enable Enel to exercise a significant influence over the company, as from that date Enel Rete Gas has been accounted for using the equity method rather than being consolidated on a line-by-line basis;
> disposal, on December 10, 2009, of the 100% of Avisio Energia held by Hydro Dolomiti Enel; following the disposal, the company, which operates in the gas sale and transport sector in Italy, was deconsolidated;
> acquisition, on December 30, 2009, of 100% of Aioliko Voskero, a company operating in Greece in the renewables generation sector;
> acquisition, in the 1st Quarter of 2010, of a number of companies operating in the renewables generation sector in Italy (Enel Green Power Calabria, Maicor Wind, Italgest Wind, Enel Green Power Strambino Solar, Resit Altomonte, EnerLive and Anemos 1).

In the performance figures for the 1st Quarter of 2009, reported here for comparative purposes, the income or loss (net of the related tax effect) attributable to Enel Rete Gas is reported under "discontinued operations". As regards those effects, the item "Net income from discontinued operations" includes €136 million in respect of the adjustment of the value of those assets carried out in the 1st Quarter of 2009 when the parties reached agreement on a consensus valuation of the assets and liabilities involved in the sale.

Results by Division

The representation of divisional performance and financial position presented here is based on the approach used by management in assessing Group performance for the two periods under review, taking account of the organizational structure introduced by the Group in September 2008, with the establishment of the “Renewable Energy” Division alongside the existing Divisions in the organization implemented in December 2007 and operational since January 1, 2008.

Segment information for the 1st Quarter of 2010 and 2009

1st QUARTER OF 2010 (1)

Millions of euro	Sales	GEM	Eng. & Innov.	Infra. & Networks	Iberia & Latin America	Int'l	Renewable Energy	Parent Company	Services and Other Activities	Eliminations and adjustments	Total
Revenues from third parties	5,048	2,955	26	502	7,476	1,601	414	79	23	(7)	18,117
Revenues from other segments	40	1,513	148	1,195	19	37	43	57	225	(3,277)	-
Total revenues	**5,088**	**4,468**	**174**	**1,697**	**7,495**	**1,638**	**457**	**136**	**248**	**(3,284)**	**18,117**
Net income/(charges) from commodity risk management	(181)	203	-	-	36	(5)	25	-	-	-	78
Gross operating margin	**157**	**660**	**2**	**921**	**2,001**	**377**	**326**	**2**	**32**	**-**	**4,478**
Depreciation, amortization and impairment losses	79	140	1	213	684	141	64	1	25	-	1,348
Operating income	**78**	**520**	**1**	**708**	**1,317**	**236**	**262**	**1**	**7**	**-**	**3,130**
Net financial income/(expense) and income/(expense) from equity investments accounted for using the equity method	-	-	-	-	-	-	-	-	-	-	(935)
Income taxes	-	-	-	-	-	-	-	-	-	-	869
Net income from continuing operations	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,326**
Net income from discontinued operations	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Net income (Group and minority interests)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,326**
Operating assets	**7,635**	**15,329**	**249**	**17,246**	**78,114** (2)	**12,903**	**8,512**	**1,418**	**2,036**	**(6,256)**	**137,186**
Operating liabilities	**5,825**	**3,885**	**331**	**5,680**	**12,629** (3)	**4,920**	**992**	**897**	**1,428**	**(5,387)**	**31,200**
Capital expenditure	**4**	**131**	**1**	**238**	**381**	**204**	**150**	**-**	**24**	**-**	**1,133**

(1) Segment revenues include both revenues from third parties and revenue flows between the segments. An analogous approach was taken for other income and costs for the period.
(2) Of which €951 million regarding units classified as "Held for sale" at March 31, 2010.
(3) Of which €253 million regarding units classified as "Held for sale" at March 31, 2010.

1st QUARTER OF 2009 (1)

Millions of euro	Sales	GEM	Eng. & Innov.	Infra. & Networks	Iberia & Latin America	Int'l	Renewable Energy	Parent Company	Services and Other Activities	Eliminations and adjustments	**Total**
Revenues from third parties	5,961	3,259	47	270	3,729	1,348	381	103	29	(11)	**15,116**
Revenues from other segments	37	2,011	228	1,288	-	50	34	80	221	(3,949)	**-**
Total revenues	**5,998**	**5,270**	**275**	**1,558**	**3,729**	**1,398**	**415**	**183**	**250**	**(3,960)**	**15,116**
Net income/(charges) from commodity risk management	(96)	165	-	-	(337)	1	9	-	-	-	**(258)**
Gross operating margin	**116**	**918**	**3**	**895**	**1,171**	**381**	**293**	**36**	**35**	**2**	**3,850**
Depreciation, amortization and impairment losses	61	169	-	210	462	128	55	2	23	-	**1,110**
Operating income	**55**	**749**	**3**	**685**	**709**	**253**	**238**	**34**	**12**	**2**	**2,740**
Net financial income/(expense) and income/(expense) from equity investments accounted for using the equity method	-	-	-	-	-	-	-	-	-	-	**325**
Income taxes	-	-	-	-	-	-	-	-	-	-	**807**
Net income from continuing operations	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2,258**
Net income from discontinued operations	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(134)**
Net income (Group and minority interests)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2,124**
Operating assets (2)	**6,598**	**15,054**	**342**	**17,272**	**78,936**	(3) **12,292**	**6,423**	**1,229**	**2,197**	**(6,142)**	**134,201**
Operating liabilities (2)	**5,471**	**4,218**	**363**	**5,682**	**13,543**	(4) **4,814**	**804**	**1,090**	**1,612**	**(4,981)**	**32,616**
Capital expenditure	**7**	**169**	**-**	**249**	**386**	**177**	**106**	**-**	**15**	**-**	**1,109**

(1) Segment revenues include both revenues from third parties and revenue flows between the segments. An analogous approach was taken for other income and costs for the period.
(2) At December 31, 2009.
(3) Of which €485 million regarding units classified as "Held for sale" at December 31, 2009.
(4) Of which €102 million regarding units classified as "Held for sale" at December 31, 2009.

The following table reconciles segment assets and liabilities and the consolidated figures.

Millions of euro

	at Mar. 31, 2010	at Dec. 31, 2009
Total assets	**164,867**	**160,457**
Financial assets, cash and cash equivalents	20,101	18,469
Tax assets	7,580	7,787
Segment assets	137,186	134,201
- *of which:*		
Sales	7,635	6,598
Generation and Energy Management	15,329	15,054
Engineering and Innovation	249	342
Infrastructure and Networks	17,246	17,272
Iberia and Latin America (1)	78,114	78,936
International	12,903	12,292
Renewable Energy	8,512	6,423
Parent Company	1,418	1,229
Services and Other Activities	2,036	2,197
Eliminations and adjustments	(6,256)	(6,142)
Total liabilities	**118,566**	**116,104**
Loans and other financial liabilities	73,905	71,141
Tax liabilities	13,461	12,347
Segment liabilities	31,200	32,616
- *of which:*		
Sales	5,825	5,471
Generation and Energy Management	3,885	4,218
Engineering and Innovation	331	363
Infrastructure and Networks	5,680	5,682
Iberia and Latin America (2)	12,629	13,543
International	4,920	4,814
Renewable Energy	992	804
Parent Company	897	1,090
Services and Other Activities	1,428	1,612
Eliminations and adjustments	(5,387)	(4,981)

(1) Of which €951 million regarding units classified as "Held for sale" (€485 million at December 31, 2009).
(2) Of which €253 million regarding units classified as "Held for sale" (€102 million at December 31, 2009).

Sales

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

> Enel Servizio Elettrico and Vallenergie (the operations of the latter are limited to the Valle d'Aosta region) for the sale of electricity on the enhanced protection market;

> Enel Energia for the sale of electricity on the free and safeguard markets and the sale of natural gas to end users.

Operations

ELECTRICITY SALES

Millions of kWh	1st Quarter			
	2010	2009	Change	
Mass-market customers	7,148	7,073	75	1.1%
Business customers (1)	3,134	5,434	(2,300)	-42.3%
Safeguard-market customers	1,039	1,537	(498)	-32.4%
Total free market	**11,321**	**14,044**	**(2,723)**	**-19.4%**
Total regulated market (enhanced protection market)	**18,261**	**19,470**	**(1,209)**	**-6.2%**
TOTAL	**29,582**	**33,514**	**(3,932)**	**-11.7%**

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

Electricity sold in the 1st Quarter of 2010 amounted to 29,582 million kWh, down 3,932 million kWh compared with the corresponding period of the previous year, mainly due to lower sales on the free market.

NATURAL GAS SALES

Millions of m^3	1st Quarter			
	2010	2009	Change	
Mass-market customers (1)	1,767	1,585	182	11.5%
Business customers	602	582	20	3.4%
Total	**2,369**	**2,167**	**202**	**9.3%**

(1) Includes residential customers and microbusinesses.

Gas sold in the 1st Quarter of 2010 amounted to 2,369 million cubic meters, up 202 million cubic meters compared with the same period of the previous year. The increase is essentially attributable to greater volumes sold to mass market customers, as well as an increase in sales to business customers.

Performance

Millions of euro	1st Quarter		
	2010	2009	Change
Revenues	5,088	5,998	(910)
Net income/(charges) from commodity risk management	(181)	(96)	(85)
Gross operating margin	157	116	41
Operating income	78	55	23
Operating assets	7,635	6,598 (1)	1,037
Operating liabilities	5,825	5,471 (1)	354
Employees at end of period (no.)	3,948	3,962 (1)	(14)
Capital expenditure	4	7	(3)

(1) At December 31, 2009.

Revenues in the 1st Quarter of 2010 amounted to €5,088 million, down €910 million or 15.2% compared with the same period of 2009, as a result of the following factors:

> a €536 million decrease in revenues on the regulated electricity markets due mainly to the decrease in quantities sold (down 1.2 TWh) to customers on the enhanced protection market. This effect was compounded by the decline in average sales prices, especially in the component covering generation costs;

> a €287 million decline in revenues on the free market, essentially attributable to smaller volumes sold (down 2.7 TWh);

> an €87 million decrease in revenues on the natural gas market, essentially due to lower average sales prices as volumes sold increased.

The **gross operating margin** in the 1st Quarter of 2010 came to €157 million, up €41 million compared with the corresponding period of 2009. The increase is essentially ascribable to the net effect of:

> an increase of €22 million in the fair value measurement of electricity derivatives, as the electricity margin on free market sales was essentially unchanged;

> an increase of €10 million in the margin on electricity sales on the regulated market, largely due to higher revenues recognized for the sales service and the reduction in provisioning costs; these positive effects were partially offset by the decrease in quantities sold;

> a decrease of €4 million in the gas margin, due essentially to lower average sales prices, as volumes sold increased and provisioning costs declined;

> a reduction of €11 million in operating costs, essentially associated with the decrease in connection costs for customers in the enhanced protection market.

Operating income in the 1st Quarter of 2010, after depreciation, amortization and impairment losses of €79 million (€61 million in the corresponding period of 2009), amounted to €78 million, up €23 million on the 1st Quarter of 2009. The increase in depreciation, amortization and impairment losses is mainly attributable to increased provisions for doubtful accounts.

Capital expenditure

Capital expenditure amounted to €4 million, down €3 million compared with the 1st Quarter of 2009.

Generation and Energy Management

The Generation and Energy Management Division operates in the field of electricity generation and energy products. The main activities of the Division are as follows:

> the generation and sale of electricity:
  - schedulable thermal and hydroelectric power plants in Italy through Enel Produzione and Hydro Dolomiti Enel (the latter limited to the province of Trento);
  - trading on international and domestic markets, primarily through Enel Trade, Enel Trade Hungary and Enel Trade Romania;

> the supply and sale of energy products through Enel Trade:
  - provisioning for all of the Group's needs;
  - the sale of natural gas to distributors;

> the development of natural gas storage projects (through Enel Stoccaggi), regasification plants (through Nuove Energie) and nuclear generation projects (through Sviluppo Nucleare Italia).

Operations

NET ELECTRICITY GENERATION

Millions of kWh	1st Quarter			
	2010	2009	Change	
Thermal	12,943	12,425	518	4.2%
Hydroelectric	4,827	5,413	(586)	-10.8%
Other resources	1	-	1	-
Total net generation	**17,771**	**17,838**	**(67)**	**-0.4%**

In the 1st Quarter of 2010, net electricity generation totaled 17,771 million kWh, essentially in line with output in the corresponding period of the previous year. More specifically, the increase in thermal generation (up 518 million kWh) was partially offset by a reduction in hydro generation (down 586 million kWh), due to less favorable water conditions in the 1st Quarter of 2010.

CONTRIBUTION TO GROSS THERMAL GENERATION

Millions of kWh	1st Quarter					
	2010		2009		Change	
High-sulfur fuel oil (S>0.25%)	247	1.8%	705	5.3%	(458)	-65.0%
Low-sulfur fuel oil (S<0.25%)	177	1.3%	931	7.0%	(754)	-81.0%
Total fuel oil	*424*	*3.1%*	*1,636*	*12.3%*	*(1,212)*	*-74.1%*
Natural gas	5,375	39.1%	4,450	33.4%	925	20.8%
Coal	7,831	56.9%	7,115	53.4%	716	10.1%
Other fuels	123	0.9%	128	0.9%	(5)	-3.9%
TOTAL	**13,753**	**100.0%**	**13,329**	**100.0%**	**424**	**3.2%**

Gross thermal generation in the 1st Quarter of 2010 rose by 3.2% with respect to the corresponding period of 2009. The increase involved both generation from natural gas (up 20.8%), due mainly to increased operations at combined-cycle plants thanks in part to the partial recovery in economic activity compared with the corresponding period of 2009, affected by the gas emergency, and generation from coal (up 10.1%), mainly attributable to the progressive entry into full service of units 3 and 4 at the Torrevaldaliga Nord plant. These factors were only partially offset by the substantial decline in generation from fuel oil, due to unfavorable fuel price developments, which made the use of this raw material uncompetitive.

Performance

Millions of euro	1st Quarter		
	2010	2009	Change
Revenues	4,468	5,270	(802)
Net income/(charges) from commodity risk management	203	165	38
Gross operating margin	*660*	*918*	*(258)*
Operating income	520	749	(229)
Operating assets	15,329	15,054 (1)	275
Operating liabilities	3,885	4,218 (1)	(333)
Employees at end of period (no.)	6,648	6,703 (1)	(55)
Capital expenditure	131	169	(38)

(1) At December 31, 2009.

Revenues in the 1st Quarter of 2010 amounted to €4,468 million, down €802 million or 15.2% compared with the corresponding period of 2009, the result of the following main factors:

> a €447 million decrease in revenues from sales on the Power Exchange, mainly owing to a reduction in volumes sold (down 2.6 TWh) and the decrease in average sales prices;
> an €88 million decline in revenues from electricity sales, mainly the net result of a decrease of €357 million in sales on the free market by the Sales Division (down 2.7 TWh), partially offset by an increase of €252 million in revenues from electricity sales to resellers operating on the domestic and international markets;
> a €218 million decline in revenues from the sale of green certificates to the Energy Services Operator (ESO), in addition to lower revenues from the sale of certified emission reductions (CERs) in the amount of €7 million;
> a €160 million decrease in revenues from the sale of fuels for trading, resulting from the €152 million decrease in natural gas sales and the €8 million decline in sales of other fuels.

These effects were partially offset by:

> an €84 million increase in revenues from fees in respect of transactions on the Power Exchange following an increase in transport capacity fees and the fees paid for plants essential to system security;
> a €63 million increase in revenues due to growth in trading on international electricity markets (up 5.0 TWh).

The **gross operating margin** in the 1st Quarter of 2010 amounted to €660 million, down €258 million or 28.1% from the €918 million posted in the same period of 2009. The decrease is essentially attributable to the decline in the margin on natural gas trading.

Operating income totaled €520 million, down €229 million or 30.6% compared with the 1st Quarter of 2009, with a reduction of €29 million in depreciation, amortization and impairment losses, mainly attributable to the revision of the useful life of a number of plants.

Capital expenditure

Capital expenditure in the 1st Quarter of 2010 came to €131 million, mainly in respect of generation plants. The main investments regarded the continuation of work on thermal plants in the amount of €118 million (including the coal conversion of the Torrevaldaliga Nord plant in the amount of €87 million).

Engineering and Innovation

The mission of the Engineering and Innovation Division is to serve the Group by managing the engineering processes related to the development and construction of power plants, ensuring achievement of the quality, temporal and financial objectives set for it. The Division also coordinates and supplements the Group's research activities, ensuring the scouting, development and leveraging of innovation opportunities in all Group business areas, with a special focus on the development of major environmental initiatives.

Performance

Millions of euro	1st Quarter		
	2010	2009	Change
Revenues	174	275	(101)
Gross operating margin	*2*	*3*	*(1)*
Operating income	1	3	(2)
Operating assets	249	342 (1)	(93)
Operating liabilities	331	363 (1)	(32)
Employees at end of period (no.)	1,216	1,202 (1)	14
Capital expenditure	1	-	1

(1) At December 31, 2009.

Revenues in the 1st Quarter of 2010 amounted to €174 million, down €101 million or 36.7% compared with the corresponding period of the previous year. The decrease is essentially the net effect of:

> a €115 million decline in business with the Generation and Energy Management Division, related mainly to the coal conversion of the Torrevaldaliga Nord plant;

> a €21 million decline in business with E.ON España (formerly Enel Viesgo Generación) as a result of the completion of a number of activities regarding the development of thermal power plants in Spain;

> a €29 million increase in business with the companies of the International Division, related mainly to the construction of combined-cycle plants at Nevinnomysskaya (€16 million) and Marcinelle (€12 million), as well as to work to modernize the thermal power plants in Slovakia (€7 million). These factors were partially offset by the decline in business with Enel Maritza East 3 (€5 million) and Enelco (€1 million).

The **gross operating margin** came to €2 million in the 1st Quarter of 2010, in line with that for the corresponding period of the previous year.

Operating income totaled €1 million in the 1st Quarter of 2010, a decrease of €2 million, in line with the trend in gross operating margin.

Infrastructure and Networks

The Infrastructure and Networks Division is responsible for operating the electricity distribution networks.
The activities are essentially carried out by:
> Enel Distribuzione and Deval (the latter's operations are limited to the Valle d'Aosta region) for the distribution of electricity;
> Enel Sole for public and artistic lighting.

Operations

TRANSPORT OF ELECTRICITY

	1st Quarter			
	2010	2009	Change	
Electricity transported on Enel's distribution network	**61,957**	**60,156**	**1,801**	**3.0%**

Developments in energy transported on the Enel network in Italy in the 1st Quarter of 2010 reflect the increase in electricity demand in the country, associated in part with the recovery in economic activity in the early months of 2010 compared with the corresponding period of 2009.

Performance

Millions of euro	1st Quarter		
	2010	2009	Change
Revenues	1,697	1,558	139
Gross operating margin	*921*	*895*	*26*
Operating income	708	685	23
Operating assets	17,246	17,272 (1)	(26)
Operating liabilities	5,680	5,682 (1)	(2)
Employees at end of period (no.)	19,571	19,700 (1)	(129)
Capital expenditure	238	249	(11)

(1) At December 31, 2009.

Revenues in the 1st Quarter of 2010 amounted to €1,697 million, up €139 million or 8.9% compared with the corresponding period of 2009. The rise is the net effect of the following factors:
> a €127 million increase in revenues on electricity transport, attributable to the increase in average transport prices (including equalization mechanisms) following the rate updates for the 2008-2011 regulatory period, and the increase in quantities of electricity distributed to end users (up 1.8 TWh);
> a €12 million increase in contributions in respect of white certificates;
> a €4 million decrease in connection contributions.

The **gross operating margin** amounted to €921 million, up €26 million or 2.9%, essentially attributable to:
> an €87 million increase in the margin on electricity transport;
> a €33 million decrease in margins following the disposal of the high-voltage network on April 1, 2009;

> the recognition in the 1st Quarter of 2009 of €22 million in respect of positive prior-year items related to the purchase of electricity from the Single Buyer following the alignment by Terna and Enel Distribuzione of withdrawal points on the high-voltage networks (Authority for Electricity and Gas Resolution 177/07 and subsequent measures);
> a €4 million decline in connection fees.

Operating income, after depreciation, amortization and impairment losses of €213 million (€210 million in the 1st Quarter of 2009), came to €708 million, up €23 million on that posted in the corresponding period of 2009 (up 3.4%).

Capital expenditure

Capital expenditure in the 1st Quarter of 2010 amounted to €238 million, down €11 million compared with the corresponding period of the previous year. Investments mainly regarded the work done on the low and medium-voltage grids for customers and third parties. The decrease between the two periods under review is associated with the progressive reduction in capital expenditure for the electronic meter project.

Iberia and Latin America

The Iberia and Latin America Division focuses on developing the Group's presence and coordinating its operations in the electricity and gas markets of Spain, Portugal and Latin America, developing growth strategies in the related regional markets.
Following the integration of Enel's operations in renewable energy sector in Spain and Portugal, the activities of Endesa Cogeneración y Renovables (ECyR) and its subsidiaries were transferred from the Iberia and Latin America Division to the Renewable Energy Division. Accordingly, the performance figures for those activities for the 1st Quarter of 2010 (at the end of which the above transfer took place) are reflected in the Iberia and Latin America Division, while the balance sheet figures for the same business at March 31, 2010, are reported under the Renewable Energy Division.

In addition, following the acquisition of a further 25.01% of Endesa on June 25, 2009, the latter has been consolidated as from that date on a full, line-by-line basis rather than on a proportionate basis. Consequently, the performance and operational data (unless specified otherwise) for the 1st Quarter of 2009 were determined on a proportionate basis equal to the Group's holding at that time (67.05%).

Operations

NET ELECTRICITY GENERATION

Millions of kWh	1st Quarter			
	2010	2009	Change	
Thermal	13,765	12,186	1,579	13.0%
Nuclear	6,493	4,571	1,922	42.0%
Hydroelectric	11,120	7,494	3,626	48.4%
Wind	526	597	(71)	-11.9%
Other resources	60	46	14	30.4%
Total net generation	**31,964**	**24,894**	**7,070**	**28.4%**

Net electricity generation in the 1st Quarter of 2010 amounted to 31,964 million kWh, an increase of 7,070 million kWh compared with the corresponding period of 2009.
In the 1st Quarter of 2010, net power generation on the Iberian peninsula increased by 3,238 million kWh: the effect of the change in the scope of consolidation (an increase of 6,748 million kWh) and greater hydroelectric generation (up 25.4%) were only partially offset by the reduction in thermal generation (down 34.2%) and nuclear generation, attributable to the unavailability of the Ascó II plant and planned shutdowns of a number of plants. In addition, production increased by 3,866 million kWh in Latin America, due mainly to the change in consolidation method (an increase of 5,304 million kWh), partially offset by the decline in thermal generation in Argentina and Chile (the latter also affected by the earthquake) and reduced hydro generation in Colombia, due to poorer water conditions in the period.

CONTRIBUTION TO GROSS THERMAL GENERATION

Millions of kWh	1st Quarter					
	2010		2009		Change	
High-sulfur fuel oil (S>0.25%)	1,950	9.2%	1,223	7.0%	727	59.4%
Low-sulfur fuel oil (S<0.25%)	65	0.3%	264	1.5%	(199)	-75.4%
Total fuel oil	*2,015*	*9.5%*	*1,487*	*8.5%*	*528*	*35.5%*
Natural gas	6,780	32.0%	5,301	30.4%	1,479	27.9%
Coal	4,138	19.5%	4,968	28.4%	(830)	-16.7%
Nuclear fuel	6,785	32.1%	4,743	27.2%	2,042	43.1%
Other fuels	1,460	6.9%	963	5.5%	497	51.6%
TOTAL	**21,178**	**100.0%**	**17,462**	**100.0%**	**3,716**	**21.3%**

The increase of 3,716 million kWh in gross thermal generation is largely attributable to the effect of the change in the method of consolidating Endesa (an increase of 8,581 million kWh), only partially offset by the reduction in thermal generation (down 4,865 million kWh).

ELECTRICITY SALES

Millions of kWh	1st Quarter			
	2010	2009	Change	
Free market:				
- Iberian peninsula	27,727	8,962	18,765	209.4%
- Latin America	1,864	1,123	741	66.0%
Total free market	**29,591**	**10,085**	**19,506**	**193.4%**
Regulated market:				
- Iberian peninsula	-	8,537	(8,537)	-100.0%
- Latin America	10,865	6,906	3,959	57.3%
Total regulated market	**10,865**	**15,443**	**(4,578)**	**-29.6%**
TOTAL	**40,456**	**25,528**	**14,928**	**58.5%**
- of which Iberian peninsula	*27,727*	*17,499*	*10,228*	*58.4%*
- of which Latin America	*12,729*	*8,029*	*4,700*	*58.5%*

Electricity sales to end users by the Iberia and Latin America Division in the 1st Quarter of 2010 amounted to 40,456 million kWh, up 14,928 million kWh compared with the same period of 2009. The increase includes 12,545 million kWh in respect of the change in the consolidation method, in addition to the increase in sales, especially in Europe as a result of higher electricity demand. Finally, following the introduction of the *Tarifa de Ultimo Recurso* (TUR) in Spain on July 1, 2009, all sales on that market are to be considered sales conducted on the free market.

Performance

	1st Quarter		
	2010	2009	Change
Revenues	7,495	3,729	3,766
Net income/(charges) from commodity risk management	36	(337)	373
Gross operating margin	*2,001*	1,171	*830*
Operating income	1,317	709	608
Operating assets (1)	78,114	78,936 (2)	(822)
Operating liabilities (3)	12,629	13,543 (2)	(914)
Employees at end of period (no.) (4)	25,997	26,305 (2)	(308)
Capital expenditure (5)	381	386	(5)

(1) Of which €951 million at March 31, 2010 (€485 million at December 31, 2009) regarding units classified as "Held for sale".
(2) At December 31, 2009.
(3) Of which €253 million at March 31, 2010 (€102 million at December 31, 2009) regarding units classified as "Held for sale".
(4) Of which 1,458 in units classified as "Held for sale" (1,330 at December 31, 2009).
(5) The figure for the 1st Quarter of 2010 does not include €7 million in investments by units classified as "Held for sale" (€8 million in the 1st Quarter of 2009).

The table below shows performance by geographical area.

	Revenues			Gross operating margin			Operating income		
Millions of euro	1st Quarter			1st Quarter			1st Quarter		
	2010	2009	Change	**2010**	2009	Change	**2010**	2009	Change
Europe	5,399	2,359	3,040	1,284	676	608	864	358	506
Latin America	2,096	1,370	726	717	495	222	453	351	102
Total	**7,495**	**3,729**	**3,766**	**2,001**	**1,171**	**830**	**1,317**	**709**	**608**

Revenues in the 1st Quarter of 2010 rose by €3,766 million, the result of:

> a €3,040 million increase in revenues in Europe, of which €1,159 million attributable to the change in the scope of consolidation and €1,240 million to the application of the aforementioned TUR as from July 1, 2009, which involved the separate recognition in the income statement of the sales company of the revenues and costs concerning, respectively, the sale and purchase of electricity, including transport costs, which had previously been offset. An additional contribution came from the increase in grants for extra-peninsular generation in the amount of €186 million (in the 1st Quarter of 2009 this item was affected by negative prior-year items), as well as the effect of the application of IFRIC 18 (€115 million), which as from January 1, 2010, requires the recognition in profit or loss of revenues from the transfer by customers of assets used to ensure access to an ongoing supply of goods and services;

> a €726 million increase in revenues for Endesa in Latin America, due mainly to the change in consolidation method (€673 million).

The **gross operating margin** amounted to €2,001 million, up €830 million or 70.9% compared with the 1st Quarter of 2009. In particular, the change reflects:

> an increase of €608 million in the gross operating margin in Europe, of which €332 million attributable to the change in the method used to consolidate Endesa, as well as the increase in the electricity margin, especially in the sales and distribution segments;

> an increase of €222 million in the gross operating margin in Latin America,

essentially accounted for by the above change in consolidation method (€243 million), partially offset by the lower margin, mainly on generation operations (in Chile in particular).

Operating income in the 1st Quarter of 2010 amounted to €1,317 million, an increase of €608 million compared with the corresponding period of 2009, of which €348 million attributable to the change in the method used to consolidate Endesa.

Capital expenditure

Capital expenditure amounted to €381 million, in line with the level reported in the corresponding period of the previous year. More specifically, capital expenditure in the 1st Quarter of 2010 included €136 million in respect of generation plants and €206 million in respect of work on the electricity network (of which €122 million in Europe).

International

The mission of the International Division is to support the Group's strategies for international growth, as well as to manage and integrate the foreign businesses outside the Iberian and Latin American markets, which are managed by the Iberia and Latin America Division, monitoring and developing business opportunities that should present themselves on the electricity and fuel markets.
The chief geographical areas of operation for this Division are:

> central Europe, where the Division is active in electricity sales in France (Enel France), power generation in Slovakia (Slovenské elektrárne), and the development of thermal power plants and support activities in Belgium (Marcinelle Energie and Enel Operations Belgium);

> south-eastern Europe, with power generation and technical support activities in Bulgaria (Enel Maritza East 3 and Enel Operations Bulgaria), the development of generation capacity in Romania (Enel Productie), electricity distribution, sales and support activities in Romania (Enel Distributie Banat, Enel Distributie Dobrogea, Enel Energie, Enel Distributie Muntenia, Enel Energie Muntenia, Enel Romania, and Enel Servicii Comune) and the development of thermal plants in Greece (Enelco);

> Russia, with electricity sales and trading (RusEnergoSbyt), power generation and sales (Enel OGK-5), and support services (Enel Rus) in the Russian Federation. The figures reported for the 1st Quarter of 2009 include the performance data for SeverEnergia, which was sold in the 2nd Half of 2009.

Operations

NET ELECTRICITY GENERATION

Millions of kWh	1st Quarter			
	2010	2009	Change	
Thermal	13,065	11,243	1,822	16.2%
Nuclear	3,752	3,581	171	4.8%
Hydroelectric	1,059	1,030	29	2.8%
Other resources	4	-	4	-
Total net generation	**17,880**	**15,854**	**2,026**	**12.8%**

Net generation abroad in the 1st Quarter of 2010 amounted to 17,880 million kWh, an increase of 2,026 million kWh compared with the corresponding period of 2009. The rise is attributable to greater output by Enel OGK-5 (up 1,504 million kWh), Enel Maritza East 3 (up 325 million kWh) and Slovenské elektrárne (up 197 million kWh). The increase is essentially due to the general increase in demand, as well as the effect (for Enel Maritza East 3) of the start of full operations of the plant following completion of refurbishment work.

CONTRIBUTION TO GROSS THERMAL GENERATION

Millions of kWh	1st Quarter					
	2010		2009		Change	
High-sulfur fuel oil (S>0.25%)	46	0.2%	41	0.3%	5	12.2%
Natural gas	5,686	31.6%	4,981	31.2%	705	14.2%
Coal	8,239	45.8%	7,059	44.3%	1,180	16.7%
Nuclear fuel	4,029	22.4%	3,855	24.2%	174	4.5%
Total	**18,000**	**100.0%**	**15,936**	**100.0%**	**2,064**	**13.0%**

Gross thermal generation in the 1st Quarter of 2010 rose by 2,064 million kWh to 18,000 million kWh. The increase, which involved all types of fuel and plant technology, reflected the increase in demand for electricity as a result of the partial recovery of the international economy. The largest growth came in coal-fired generation, with an increase in the contribution of Enel OGK-5 (€836 million kWh) and Enel Maritza East 3 (€360 million kWh).

ELECTRICITY SALES

Millions of kWh	1st Quarter			
	2010	2009	Change	
Free market:				
- Romania	213	306	(93)	-30.4%
- France	1,480	967	513	53.1%
- Russia	2,040	727	1,313	-
Total free market	**3,733**	**2,000**	**1,733**	**86.7%**
Regulated market:				
- Romania	2,281	2,367	(86)	-3.6%
- Russia	3,336	4,191	(855)	-20.4%
Total regulated market	**5,617**	**6,558**	**(941)**	**-14.3%**
TOTAL	**9,350**	**8,558**	**792**	**9.3%**
- of which Romania	*2,494*	*2,673*	*(179)*	*-6.7%*
- of which France	*1,480*	*967*	*513*	*53.1%*
- of which Russia	*5,376*	*4,918*	*458*	*9.3%*

Electricity sold by the International Division in the 1st Quarter of 2010 rose by 792 million kWh, mainly attributable to an increase of 513 million kWh in sales by Enel France as a result of the greater anticipated capacity available compared with the corresponding period of 2009 and an increase of 458 million kWh on the Russian market following the expansion of operations in that country. The increase was only partially offset by the decline in the sales of the Romanian companies (179 million kWh), attributable mainly to the decline in consumption, especially in the region served by Enel Energie Muntenia.

Performance

Millions of euro	1st Quarter		
	2010	2009	Change
Revenues	1,638	1,398	240
Net income/(charges) from commodity risk management	(5)	1	(6)
Gross operating margin	*377*	*381*	*(4)*
Operating income	236	253	(17)
Operating assets	12,903	12,292 (1)	611
Operating liabilities	4,920	4,814 (1)	106
Employees at end of period (no.)	15,579	15,752 (1)	(173)
Capital expenditure	204	177	27

(1) At December 31, 2009.

The table below shows performance by geographical area.

	Revenues			Gross operating margin			Operating income		
Millions of euro	1st Quarter			1st Quarter			1st Quarter		
	2010	2009	Change	**2010**	2009	Change	**2010**	2009	Change
Central Europe	691	680	11	219	278	(59)	135	195	(60)
South-eastern Europe	321	309	12	69	52	17	30	25	5
Russia	626	409	217	89	51	38	71	33	38
Total	**1,638**	**1,398**	**240**	**377**	**381**	**(4)**	**236**	**253**	**(17)**

Revenues in the 1st Quarter of 2010 rose by €240 million or 17.2%, from €1,398 million to €1,638 million. The increase was associated with:

> a €217 million increase in revenues in Russia, mainly pertaining to Enel OGK-5 (€108 million) and the greater revenues posted by RusEnergoSbyt associated with an increase in volumes sold;

> a €12 million increase in revenues in south-eastern Europe, due essentially to the €14 million rise in revenues for Enel Maritza East 3 as a result of higher sales prices as defined by the Purchase Price Agreement and the full operation of the plants; this effect was only partially offset by lower revenues at the Romanian companies;

> an €11 million increase in revenues in central Europe, mainly attributable to the rise in revenues in Slovakia (€8 million) and higher revenues for Enel France (€3 million). Both of these developments were due to an increase in volumes sold, the effect of which more than offset declining average sales prices.

The **gross operating margin** came to €377 million, in line with the 1st Quarter of 2009. The performance was the result of:

> a €38 million increase in the gross operating margin in Russia as the joint effect of the increase in the margin of Enel OGK-5 (€23 million) and RusEnergoSbyt (€11 million), in addition to the positive effect of the deconsolidation of SeverEnergia (€4 million);

> a €17 million rise in the margin in south-eastern Europe, essentially attributable to the €10 million improvement in the margin in Bulgaria as a result of the entry into service of a new unit at the Enel Maritza East 3 plant;

> a €59 million reduction in the gross operating margin in central Europe, of

which €40 million attributable to Slovenské elektrárne (mainly due to the reduction in average sales prices) and €19 million attributable to Enel France (also due to unfavorable price developments compared with the year-earlier period).

Operating income in the 1st Quarter of 2010 amounted to €236 million, a decrease di €17 million or 6.7% compared with the corresponding period of 2009, taking account of a €13 million increase in depreciation, amortization and impairment losses.

Capital expenditure

Capital expenditure amounted to €204 million, up €27 million compared with the same period of the previous year. The change in essentially attributable to greater capital expenditure on generation plants (mainly associated with Slovenské elektrárne).

Renewable Energy

The Renewable Energy Division has the mission of developing and managing operations for the generation of electricity from renewable resources, ensuring their integration within the Group in line with the Group's strategies. The geographical areas of operation for this Division are:

> Italy, with power generation from non-schedulable hydroelectric plants, as well as geothermal, wind and solar plants (Enel Green Power, Enel Green Power Calabria, Maicor Wind, Italgest Wind, Enel Green Power Strambino Solar, Resit Altomonte, EnerLive and Anemos 1) and plant and franchising activities (Enel.si);

> the rest of Europe, with power generation from renewable sources (Endesa Cogeneración y Renovables (ECyR) and Enel Unión Fenosa Renovables in Spain and Portugal; International Wind Parks of Thrace, Wind Parks of Thrace, International Wind Power, International Wind Parks of Crete, Hydro Constructional, International Wind Parks of Rhodes, International Wind Parks of Achaia, Glafkos Hydroelectric Station and Aioliko Voskero in Greece; Enel Green Power Bulgaria in Bulgaria; Enel Green Power Romania in Romania; and Enel Erelis in France);

> the Americas, with power generation from renewable resources (Enel North America and Enel Latin America).

Following the integration of Enel's operations in renewable energy sector in Spain and Portugal, ECyR – which until the reorganization was consolidated in the Endesa Group – became part of the Renewable Energy Division. Accordingly, while the operating and performance figures for the 1st Quarter of 2010 are classified in the Iberia and Latin America Division, the balance sheet figures at March 31, 2010, are reported under the Renewable Energy Division.

Operations

NET ELECTRICITY GENERATION

Millions of kWh	1st Quarter			
	2010	2009	Change	
Italy:				
Hydroelectric	1,431	1,506	(75)	-5.0%
Geothermal	1,248	1,227	21	1.7%
Wind	220	147	73	49.7%
Total net generation in Italy	**2,899**	**2,880**	**19**	**0.7%**
International:				
Hydroelectric	1,134	1,149	(15)	-1.3%
Geothermal	79	6	73	-
Wind	732	563	169	30.0%
Other resources	77	82	(5)	-6.1%
Total net generation abroad	**2,022**	**1,800**	**222**	**12.3%**
TOTAL	**4,921**	**4,680**	**241**	**5.1%**

Net power generation by the Division rose by 241 million kWh in the 1st Quarter of 2010 (up 5.1%) to 4,921 million kWh. The increase is attributable to a rise of 222 million kWh in generation abroad, where wind power output benefited

from the start of operations at the Codesas II wind farm, as well as greater geothermal generation from the start of operations of the new plants in the United States (Still Water and Salt Wells).
Generation in Italy was essentially in line with output in the corresponding period of the previous year, as the increase in generation from wind and geothermal plants (the latter attributable to the stoppage of a number of plants in the 1st Quarter of 2009) was partially offset by a reduction in hydro generation owing to less favorable water availability.

Performance

Millions of euro	1st Quarter		
	2010	2009	Change
Revenues	457	415	42
Net income/(charges) from commodity risk management	25	9	16
Gross operating margin	*326*	*293*	*33*
Operating income	262	238	24
Operating assets	8,512	6,423 (1)	2,089
Operating liabilities	992	804 (1)	188
Employees at end of period (no.)	2,882	2,685 (1)	197
Capital expenditure	150	106	44

(1) At December 31, 2009.

The table below shows performance by geographical area.

	Revenues			Gross operating margin			Operating income		
Millions of euro	1st Quarter			1st Quarter			1st Quarter		
	2010	2009	Change	**2010**	2009	Change	**2010**	2009	Change
Italy	294	313	(19)	223	235	(12)	191	205	(14)
Europe	48	31	17	33	21	12	20	12	8
Americas	115	71	44	70	37	33	51	21	30
Total	**457**	**415**	**42**	**326**	**293**	**33**	**262**	**238**	**24**

Revenues rose by €42 million or 10.1%, going from €415 million to €457 million. The change is attributable to an increase of €44 million in revenues in the Americas (due to increased revenues from the electricity sales and from the tax partnership as well as the effect of the recognition in the 1st Quarter of 2009 of a number of negative prior-year items) and a rise of €17 million in revenues in Europe as a result of increased wind power output in Spain, France and Greece, despite a reduction in average sales prices. These factors were only partially offset by a decrease of €19 million in revenues from Italy.
In Italy, the change in revenues was essentially the result of:

> a €23 million decline in sales of electricity, mainly ascribable to a reduction of €30 million in revenues on the Power Exchange, a €5 million decline in revenues from small plants (Legislative Decree 387/03 and Law 293/04) and a €3 million fall in revenues from subsidized CIP 6 electricity; these effects were partially offset by an increase of €10 million in revenues in respect of bilateral contracts;

> a €9 million decrease in operating grants;

> a €12 million increase in revenues for Enel.si, mainly connected with sales of photovoltaic panels;
> a €6 million increase in sales of green certificates.

The **gross operating margin** amounted to €326 million, up €33 million or 11.3% compared with the 1st Quarter of 2009. The increase was the result of:
> a €33 million increase in the margin achieved in the Americas, essentially due to the negative prior-year items recognized in the 1st Quarter of 2009;
> a €12 million increase in the margin achieved in the other European countries, essentially due to increased generation margins as a result of greater volumes;
> a €12 million reduction in the margin posted in Italy, essentially due to a decline of €8 million in the margin on electricity (even with the €15 million in net income on commodity risk management) and the decrease in operating grants. These factors were partially offset by the €4 million increase in the margin posted by Enel.si.

Operating income amounted to €262 million, up €24 million compared with the 1st Quarter of 2009 despite an increase of €9 million in depreciation, amortization and impairment losses.

Capital expenditure

Capital expenditure in the 1st Quarter of 2010 amounted to €150 million, an increase of €44 million compared with the corresponding period of the previous year.
Capital expenditure in Italy amounted to €85 million (€41 million in the corresponding period of 2009), while that abroad came to €65 million (€65 million in the first three months of 2009). Spending mainly went towards the construction of new generation plants.

Parent Company, Services and Other Activities

Millions of euro	1st Quarter		
	2010	2009	Change
Parent Company			
Revenues	136	183	(47)
Gross operating margin	*2*	*36*	(34)
Operating income	1	34	(33)
Operating assets	1,418	1,229 (1)	189
Operating liabilities	897	1,090 (1)	(193)
Employees at end of period (no.)	757	731 (1)	26
Services and Other Activities			
Revenues	248	250	(2)
Gross operating margin	*32*	*35*	(3)
Operating income	7	12	(5)
Operating assets	2,036	2,197 (1)	(161)
Operating liabilities	1,428	1,612 (1)	(184)
Employees at end of period (no.)	4,147	4,168 (1)	(21)
Capital expenditure	24	15	9

(1) At December 31, 2009.

Parent Company

In its capacity as an industrial holding company, Enel SpA defines strategic targets for the Group and coordinates activities of subsidiaries.
In addition, Enel SpA manages central treasury operations and insurance risk coverage, providing assistance and guidelines on organization, personnel management and labor relations, accounting, administrative, fiscal, legal, and corporate matters. Enel also currently holds a contract with Atel for the import of electricity on the Swiss border.

Performance

Revenues in the 1st Quarter of 2010 came to €136 million, a decrease of €47 million compared with the corresponding period of the previous year (down 25.7%), due to:

> a €23 million decrease in revenues from the sale of electricity to the Single Buyer, essentially owing to a reduction in average sale prices as volumes were essentially unchanged;

> a €24 million decrease in revenues for support and staff activities for the Group companies.

The **gross operating margin** in the 1st Quarter of 2010 amounted to €2 million, down €34 million. The fall is largely attributable to the reduction of €17 million in the margin on electricity and an increase of €13 million in operating costs.

Operating income amounted to €1 million, a decrease of €33 million on the 1st Quarter of 2009, in line with developments in the gross operating margin.

Services and Other Activities

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

Performance

Revenues for the Services and Other Activities area in the 1st Quarter of 2010 amounted to €248 million, essentially unchanged with respect to the corresponding period of 2009. The result reflects a decrease in capital gains on the sale of land and buildings (€4 million), a contraction in rental income and a reduction in revenues on contract work in progress following the completion of a number of IT development projects principally involving the Sales Division and Infrastructure and Network Division. These factors were partially offset by a rise of €6 million in revenues from real estate, IT and staff services.

The **gross operating margin** in the 1st Quarter of 2010 amounted to €32 million, a decrease of €3 million or 8.6% on the same period of the previous year. The decrease essentially reflected the decline in capital gains on the sale of real estate mentioned above.

Operating income in the 1st Quarter of 2010 totaled €7 million, down €5 million compared with the 1st Quarter of 2009, reflecting an increase of €2 million in depreciation, amortization and impairment losses due to the entry into service of intangible assets and new investments in software.

Consolidated Financial Statements

Condensed Consolidated Income Statement

Millions of euro	1st Quarter			
	2010	2009	Change	
Total revenues	**18,117**	**15,116**	**3,001**	**19.9%**
Total costs	**13,717**	**11,008**	**2,709**	**24.6%**
Net income/(charges) from commodity risk management	**78**	**(258)**	**336**	**-**
GROSS OPERATING MARGIN	**4,478**	**3,850**	**628**	**16.3%**
Depreciation, amortization and impairment losses	**1,348**	**1,110**	**238**	**21.4%**
OPERATING INCOME	**3,130**	**2,740**	**390**	**14.2%**
Financial income	804	1,594	(790)	-49.6%
Financial expense	1,741	1,278	463	36.2%
Total financial income/(expense)	**(937)**	**316**	**(1,253)**	**-**
Share of gains/(losses) on investments accounted for using the equity method	**2**	**9**	**(7)**	**-77.8%**
INCOME BEFORE TAXES	**2,195**	**3,065**	**(870)**	**-28.4%**
Income taxes	869	807	62	7.7%
Net income from continuing operations	**1,326**	**2,258**	**(932)**	**-41.3%**
Net income from discontinued operations	**-**	**(134)**	**134**	**-100.0%**
NET INCOME FOR THE PERIOD (shareholders of the Parent Company and minority interests)	**1,326**	**2,124**	**(798)**	**-37.6%**
Attributable to minority interests	276	216	60	27.8%
Attributable to shareholders of the Parent Company	1,050	1,908	(858)	-45.0%
Net earnings attributable to shareholders of the Parent Company per share (euro) (1)	*0.11*	*0.20*	*(0.09)*	*-45.0%*

(1) The Group's diluted net earnings per share are equal to net earnings per share. For comparative purposes, the calculation of net earnings per share for the 1st Quarter of 2009 takes account of dilutive effects of the capital increase completed on July 9, 2009.

Statement of Comprehensive Income

Millions of euro	1st Quarter	
	2010	2009
Net income for the period	1,326	2,124
Other components of comprehensive income:		
- Effective portion of change in the fair value of cash flow hedges	(220)	(432)
- Income recognized in equity by companies accounted for using equity method	25	-
- Change in the fair value of financial investments available for sale	50	11
- Exchange rate differences	1,079	107
Income/(Loss) recognized directly in equity	934	(314)
COMPREHENSIVE INCOME FOR THE PERIOD	**2,260**	**1,810**
Attributable to:		
- shareholders of the Parent Company	1,500	1,485
- minority interests	760	325

Condensed Consolidated Balance Sheet

Millions of euro

	at Mar. 31, 2010	at Dec. 31, 2009	Change
ASSETS			
Non-current assets			
- Property, plant and equipment and intangible assets	94,942	94,367	575
- Goodwill	19,641	19,372	269
- Equity investments accounted for using the equity method	996	1,029	(33)
- Other non-current assets (1)	16,539	16,227	312
Total	132,118	130,995	1,123
Current assets			
- Trade receivables	14,664	13,010	1,654
- Inventories	2,348	2,500	(152)
- Cash and cash equivalents	5,978	4,170	1,808
- Other current assets (2)	8,759	9,210	(451)
Total	31,749	28,890	2,859
Assets held for sale	1,000	572	428
TOTAL ASSETS	**164,867**	**160,457**	**4,410**
LIABILITIES AND SHAREHOLDERS' EQUITY			
- Equity attributable to the shareholders of the Parent Company	34,006	32,505	1,501
- Equity attributable to minority interests	12,295	11,848	447
Total shareholders' equity	46,301	44,353	1,948
Non-current liabilities			
- Long-term loans	58,535	55,850	2,685
- Provisions and deferred tax liabilities	22,120	22,201	(81)
- Other non-current liabilities	4,634	4,793	(159)
Total	85,289	82,844	2,445
Current liabilities			
- Short-term loans and current portion of long-term loans	10,036	10,451	(415)
- Trade payables	10,167	11,174	(1,007)
- Other current liabilities	12,657	11,411	1,246
Total	32,860	33,036	(176)
Liabilities held for sale	417	224	193
TOTAL LIABILITIES	**118,566**	**116,104**	**2,462**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**164,867**	**160,457**	**4,410**

(1) Of which long-term financial receivables and other securities at March 31, 2010 came to €8,022 million (€7,936 million at December 31, 2009) and €122 million (€108 million at December 31, 2009), respectively.
(2) Of which the current portion of long-term financial receivables, short-term financial receivables and other securities at March 31, 2010 came to, respectively, €907 million (€767 million at December 31, 2009), €1,493 million (€2,353 million at December 31, 2009) and €104 million (€97 million at December 31, 2009).

Statement of Changes in Consolidated Shareholders' Equity

	Share capital and reserves attributable to the shareholders of the Parent Company											
	Share capital	Share premium reserve	Legal reserve	Other reserves	Other retained earnings	Translation of financial statements in currencies other than euro	Reserve from measurement of financial instruments	Reserve from equity investments accounted for using equity method	Net income for the period	Equity attributable to the shareholders of the Parent Company	Equity attributable to minority interests	**Total shareholders' equity**
At December 31, 2008	6,186	662	1,453	2,255	6,827	(1,247)	206	-	4,056	20,398	5,897	**26,295**
Charge for stock options plans for the period	-	-	-	1	-	-	-	-	-	1	-	**1**
Dividends	-	-	-	-	-	-	-	-	-	-	(131)	**(131)**
Allocation of net income from the previous year	-	-	-	-	4,056	-	-	-	(4,056)	-	-	**-**
Capital increases and change in scope of consolidation	-	-	-	-	-	-	-	-	-	-	6	**6**
Comprehensive income	-	-	-	-	-	21	(444)	-	1,908	1,485	325	**1,810**
of which:												
- Income/(Loss) recognized directly in equity	-	-	-	-	-	*21*	*(444)*	-	-	*(423)*	*109*	***(314)***
- Net income/(loss) for the period	-	-	-	-	-	-	-	-	*1,908*	*1,908*	*216*	***2,124***
At March 31, 2009	6,186	662	1,453	2,256	10,883	(1,226)	(238)	-	1,908	21,884	6,097	**27,981**
At December 31, 2009	9,403	5,293	1,453	2,260	10,759	(544)	(582)	8	4,455	32,505	11,848	**44,353**
Charge for stock options plans for the period	-	-	-	1	-	-	-	-	-	1	-	**1**
Dividends	-	-	-	-	-	-	-	-	-	-	(313)	**(313)**
Allocation of net income from the previous year	-	-	-	-	4,455	-	-	-	(4,455)	-	-	**-**
Capital increases and change in scope of consolidation	-	-	-	-	-	-	-	-	-	-	-	**-**
Comprehensive income	-	-	-	-	-	593	(168)	25	1,050	1,500	760	**2,260**
of which:												
- Income/(Loss) recognized directly in equity	-	-	-	-	-	*593*	*(168)*	*25*	-	*450*	*484*	***934***
- Net income/(loss) for the period	-	-	-	-	-	-	-	-	*1,050*	*1,050*	*276*	***1,326***
At March 31, 2010	**9,403**	**5,293**	**1,453**	**2,261**	**15,214**	**49**	**(750)**	**33**	**1,050**	**34,006**	**12,295**	**46,301**

Condensed Consolidated Statement of Cash Flows

Millions of euro	1st Quarter		
	2010	2009	Change
Cash flows from operating activities (A)	**407**	**1,115**	**(708)**
of which discontinued operations	***-***	***15***	***(15)***
Investments in property, plant and equipment and in intangible assets	(1,140)	(1,133)	(7)
Investments in entities (or business units) less cash and cash equivalents acquired	(24)	(314)	290
Disposals of entities (or business units) less cash and cash equivalents sold	375	-	375
(Increase)/Decrease in other investing activities	(128)	(5)	(123)
Cash flows from (investing)/disinvesting activities (B)	**(917)**	**(1,452)**	**535**
of which discontinued operations	***-***	***(15)***	***15***
Change in net financial debt	2,448	(719)	3,167
Dividends paid	(267)	(115)	(152)
Capital increases paid by minority interests	-	2	(2)
Cash flows from financing activities (C)	**2,181**	**(832)**	**3,013**
of which discontinued operations	***-***	***-***	***-***
Impact of exchange rate fluctuations on cash and cash equivalents (D)	**143**	**63**	**80**
Increase/(Decrease) in cash and cash equivalents (A+B+C+D)	**1,814**	**(1,106)**	**2,920**
of which discontinued operations	***-***	***-***	***-***
Cash and cash equivalents at the beginning of the period	4,289	5,211	(922)
of which discontinued operations	*-*	*1*	*(1)*
Cash and cash equivalents at the end of the period (1) (2)	6,103	4,105	1,998
of which discontinued operations	*-*	*1*	*(1)*

(1) Of which short-term securities equal to €104 million at March 31, 2010 (€53 million at March 31 2009).
(2) Of which cash and cash equivalents pertaining to assets held for sale in the amount of €1 million at March 31, 2009.

Operating performance and financial position

Group performance

Revenues

Millions of euro	1st Quarter		
	2010	2009	Change
Electricity sales and transport and contributions from the Electricity Equalization Fund and similar bodies	15,737	12,825	2,912
Gas sold and transported to end users	1,265	1,244	21
Other services, sales and revenues	1,115	1,047	68
Total	**18,117**	**15,116**	**3,001**

In the 1st Quarter of 2010 revenues from **electricity sales and transport and contributions from the Electricity Equalization Fund and similar bodies** amounted to €15,737 million, up €2,912 million compared with the corresponding period of the previous year (an increase of 22.7%). The rise is mainly attributable to the following factors:

> a rise in revenues from electricity and comparable receipts from foreign operations amounting to €3,701 million, mainly regarding an increase of €3,402 million in revenues for Endesa. This was essentially the result of the change in the method of consolidation of Endesa (from proportionate to full) from the end of June 2009 (€1,602 million) and the positive impact (€1,240 million) of regulatory changes following the application in Spain from July 1, 2009 onwards of the *Tarifa de Ultimo Recurso* (TUR). The regulatory changes involved the modification of the way that electricity sales are made on the former regulated market (which is no longer carried out by the distributor but rather by separate sales companies, the *Comercializadores de Ultimo Recurso*), with the consequent separate recognition in the income statement by the sales companies of the revenues and costs in respect of the sale and purchase of electricity, inclusive of associated transport costs, which had been offset until the TUR came into force. Other factors included an increase in grants received for extra-peninsular generation (€186 million) and the effect of the application as from January 1, 2010, of the provisions of IFRIC 18 (€115 million). In addition to the increase pertaining to Endesa, the rise in revenues from the sale of electricity abroad included a €230 million increase from operations in Russia by Enel OGK-5 and RusEnergoSbyt as a result of greater volumes generated and sold;

> an overall €420 million decrease in revenues from the sale of electricity on the Power Exchange and the Ancillary Services Market owing a decline in quantities

sold and lower average unit prices. These developments were only partially offset by greater sales to the Single Buyer (€132 million), essentially under bilateral contracts entered into by the generating companies in Italy;

> a €548 million reduction in revenues generated by electricity sales and transport on the end-user markets in Italy as a result of an overall decrease in amounts sold and average sales prices.

Revenues from **gas sold and transported to end users** in the 1st Quarter of 2010 amounted to €1,265 million, essentially unchanged with respect to the corresponding period of the previous year. More specifically, the positive effect of the increase in the volumes of natural gas sold was essentially offset by the decline in average sales prices.

Revenues from **other services, sales and revenues** in the 1st Quarter of 2010 amounted to €1,115 million (€1,047 million in the corresponding period of the previous year), with the increase essentially attributable to the full consolidation of Endesa, the effect of which was only partially offset by a decrease of €217 million in sales of green certificates.

Costs

Millions of euro	1st Quarter		
	2010	2009	Change
Electricity purchases	6,211	5,579	632
Consumption of fuel for electricity generation	1,725	1,445	280
Fuel for trading and gas for sale to end users	744	771	(27)
Materials	350	234	116
Personnel	1,112	973	139
Services, leases and rentals	3,405	1,615	1,790
Other operating expenses	533	646	(113)
Capitalized costs	(363)	(255)	(108)
Total	**13,717**	**11,008**	**2,709**

Costs for **electricity purchases** rose by €632 million or 11.3% in the 1st Quarter of 2010. This was mainly ascribable to €1,129 million in higher purchase costs posted by Endesa, associated essentially with greater purchase of electricity in response to rising demand, the impact (€390 million) of the introduction of the *Tarifa de Ultimo Recurso* (TUR) from July 1, 2009, as described in the remarks on revenues, and the effects (€264 million) of the change in the consolidation method used for Endesa from the end of June 2009 onwards. The increase was partially offset by the contraction in electricity purchases for sales on Italian markets.

Costs for **consumption of fuel for electricity generation** amounted to €1,725 million in the 1st Quarter of 2010, up €280 million or 19.4% on the corresponding period of the previous year. The increase reflects the rise in consumption by the generation companies abroad, attributable to the change in the method of consolidating Endesa as from the end of June 2009.

Costs for the purchase of **fuel for trading and gas for sale to end users** amounted to €744 million in the 1st Quarter of 2010, essentially unchanged with respect to the corresponding period of 2009.

Costs for **materials** amounted to €350 million in the 1st Quarter of 2010, up €116 million compared with the corresponding period of the previous year, mainly due to the additional contribution of Endesa following the change in consolidation method.

Personnel costs in the 1st Quarter of 2010 amounted to €1,112 million, up €139 million or 14.3%. Excluding the impact of the different method used to consolidate Endesa and the effects of the renewal of the collective bargaining agreement in the 1st Quarter of 2010, personnel costs in the first three months of 2010 were essentially unchanged compared with the same period of the previous year while the average size of the workforce declined by 3.0%.

Costs for **services, leases and rentals** in the 1st Quarter of 2010 amounted to €3,405 million, up €1,790 million compared with the 1st Quarter of 2009. This development essentially reflects increased electricity transport costs for the companies belonging to the Sales Division and the Infrastructure and Networks Division (€192 million) and for Endesa (€1,464 million). The latter rise was associated with the effects of the regulatory changes connected with the application of the TUR (€850 million), and the different method used to consolidate the company.

Other operating expenses in the 1st Quarter of 2010 amounted to €533 million, down €113 million or 17.5% compared with the corresponding period of 2009. The decrease reflects lower costs for green certificates (€243 million), only partially offset by the increase in other operating expenses mainly due to the full consolidation of Endesa.

In the 1st Quarter of 2010, **capitalized costs** rose by €108 million or 42.4%, mainly connected with engineering and innovation activities and the contribution of the foreign companies.

Net income/(charges) from commodity risk management showed net income of €78 million in the 1st Quarter of 2010, compared with net charges of €258 million in the first three months of 2009. The performance in the first three months of 2010 is essentially attributable to net income realized in the period in the amount of €166 million, offset by €88 million in net unrealized charges from the fair value measurement of derivatives positions open at the end of the period.

Depreciation, amortization and impairment losses in the 1st Quarter of 2010 increased by €238 million or 21.4%. The change essentially reflects increased depreciation and amortization (up €243 million) as a result of the change in the consolidation method used for Endesa.

Operating income in the 1st Quarter of 2010 amounted to €3,130 million, up €390 million or 14.2% compared with the corresponding period of the previous year.

Net financial expense in the 1st Quarter of 2010 amounted to €937 million, compared with net financial income of €316 million in the same period of the previous year. More specifically, the decline of €790 million in financial income is mainly attributable to the recognition in the 1st Quarter of 2009 of the positive effect (€970 million) of the change in the fair value of the put option granted to

Acciona on the 25.01% holding in Endesa, taking account of the early exercise of the option by the counterparty under the agreements of February 20, 2009. The increase of €463 million in financial expense essentially reflects the change in the method used to consolidate Endesa and increased charges in respect of derivatives and exchange rates.

The **share of gains/(losses) on investments accounted for using the equity method** showed a net gain of €2 million in the 1st Quarter of 2010, with a decrease compared with the first three months of 2009.

Income taxes for the 1st Quarter of 2010 amounted to €869 million, equal to 39.6% of taxable income, compared with 26.3% for the first three months of 2009, when certain tax-exempt revenues were recognized.

Analysis of the Group's financial position

Non-current assets – *€132,118 million*

Property, plant and equipment and intangible assets, including investment property, amounted to €94,942 million at March 31, 2010, an overall increase of €575 million essentially driven by investments during the period (€1,133 million), positive exchange rate differences (€1,341 million), net of depreciation, amortization and impairment losses on those assets (€1,273 million), as well as the classification of Endesa Gas assets (€406 million) under "Assets held for sale" as from the 1st Quarter of 2010 as a result of management decisions.
Goodwill amounted to €19,641 million, up €269 million due essentially to the net effects of exchange rate changes during the period.
Equity investments accounted for using the equity method amounted to €996 million, broadly unchanged compared with the previous year.

Other non-current assets came to €16,539 million and comprise:

Millions of euro

	at Mar. 31, 2010	at Dec. 31, 2009	Change
Deferred tax assets	6,145	6,238	(93)
Non-current financial assets	9,299	9,013	286
Receivables due from Electricity Equalization Fund and similar bodies	307	188	119
Other long-term receivables	788	788	-
Total	**16,539**	**16,227**	**312**

The increase for the period of €312 million was mainly attributable to the following:
> an increase of €286 million in non-current financial assets due essentially to the increase in equity investments in other companies and in the fair value of derivatives totaling €257 million;
> an increase of €119 million in receivables due from the Electricity Equalization Fund and similar bodies, mainly pertaining to an increase in Endesa's receivables in respect of the Spanish electrical system.

Current assets – *€31,749 million*

Trade receivables totaled €14,664 million, up €1,654 million. The change is mainly associated with the change in the invoicing schedule on the domestic electricity market, which as from 2009 has shifted invoicing to the final days of odd numbered months.

Inventories came to €2,348 million, essentially unchanged compared with their level at the close of the previous year.

Other current assets, which total €8,759 million, break down as follows:

Millions of euro

	at Mar. 31, 2010	at Dec. 31, 2009	Change
Current financial assets	3,759	4,186	(427)
Tax receivables	1,420	1,534	(114)
Receivables due from Electricity Equalization Fund and similar bodies	1,879	2,047	(168)
Other receivables	1,701	1,443	258
Total	**8,759**	**9,210**	**(451)**

The decrease of €451 million in the period is attributable to the following main factors:

- a decrease of €427 million in current financial assets, mainly as a result of a €713 million decrease in short-term financial receivables (of which €375 million in respect of the final installment of the receivable due from Gazprom for the sale of SeverEnergia and €189 million in respect of changes in positions in margin contracts), partially offset by the increase in financial assets in respect of financial derivatives (€192 million);
- a decrease of €114 million in tax receivables, mainly as the net result of higher income tax receivables, more than offset by the decrease in VAT receivables;
- a decrease of €168 million in receivables due from the Electricity Equalization Fund and similar bodies, attributable to a decline in receivables on the Italian and Spanish markets associated with the application of equalization mechanisms;
- an increase of €258 million in other receivables, largely attributable to greater receivables in respect of gains on energy commodity derivatives to be collected.

Assets held for sale – *€1,000 million*

These essentially consist of assets held by Endesa in Greece and Latin America that, as a result of decisions made by management, meet the requirements of IFRS 5 for classification as assets held for sale. The item also includes Endesa renewable energy assets that are covered by the terms of the agreement of February 20, 2009 but, pending the conclusion of the authorization process, have yet to be transferred to Acciona. The change with respect to December 31, 2009, reflects both the disposal of the 1% holding in Red Eléctrica de España and the reclassification of the assets of Endesa Gas under this item.

Equity attributable to the shareholders of the Parent Company – *€34,006 million*

The change in the first three months of 2010 in equity attributable to the shareholders of the Parent Company reflects the recognition of net income for the period (€1,050 million) and net income for the 1st Quarter of 2010 recognized directly in equity (a positive €450 million).

Non-current liabilities – *€85,289 million*

Long-term loans totaled €58,535 million (€55,850 million at December 31, 2009), consisting of bonds in the amount of €36,899 million (€33,352 million at December 31, 2009) and bank and other loans in euro and other currencies in the amount of €21,636 million (€22,498 million at December 31, 2009).
Provisions and deferred tax liabilities amounted to €22,120 million at March 31, 2010 (€22,201 million at December 31, 2009) and include post-employment and other employee benefits of €3,131 million (€3,110 million at December 31, 2009), provisions for risks and charges of €8,729 million (€8,846 million at December 31, 2009) and deferred tax liabilities of €10,259 million (€10,245 million at December 31, 2009).
Other non-current liabilities came to €4,634 million, essentially unchanged compared with the previous year (€4,793 million at December 31, 2009).

Current liabilities – *€32,860 million*

Short-term loans and current portion of long-term loans decreased by €415 million, from €10,451 million at the end of 2009 to €10,036 million at March 31, 2010; the change reflects €302 million in repayments of the current portion of bonds.
Trade payables came to €10,167 million, down €1,007 million, essentially as a result of a decrease in payables for electricity purchases on domestic markets.

Other current liabilities, which came to €12,657 million, break down as follows:

Millions of euro

	at Mar. 31, 2010	at Dec. 31, 2009	Change
Payables due to customers	1,475	1,484	(9)
Payables due to Electricity Equalization Fund and similar bodies	2,991	3,058	(67)
Current financial liabilities	2,166	1,784	382
Social security contributions payable and payables due to employees	528	558	(30)
Tax payables	3,162	2,071	1,091
Other	2,335	2,456	(121)
Total	**12,657**	**11,411**	**1,246**

The increase in the period, €1,246 million, was mainly due to the following:
> an increase of €1,091 million in tax payables, largely attributable to the estimate for taxes on income for the period;
> an increase of €382 million in current financial liabilities due essentially to the rise in financial liabilities in respect of financial derivatives (€94 million) and an increase in financial payables in respect of interest to be settled (about €180 million);
> a decrease of €121 million in other payables, largely attributable to a decline in payables for the purchase of shareholdings.

Liabilities held for sale – *€417 million*

These essentially consist of liabilities held by Endesa in Greece and Latin America that, as a result of decisions made by management, meet the requirements of IFRS 5 for classification as liabilities held for sale. The increase for the period reflects the classification of the liabilities of Endesa Gas under this item.

Net capital employed and related funding

The following schedule shows the composition of and changes in *net capital employed*:

Millions of euro

	at Mar. 31, 2010	at Dec. 31, 2009	Change
Net non-current assets:			
- property, plant and equipment and intangible assets	94,942	94,367	575
- goodwill	19,641	19,372	269
- equity investments accounted for using the equity method	996	1,029	(33)
- other net non-current assets/(liabilities)	(2,384)	(2,848)	464
Total	**113,195**	**111,920**	**1,275**
Net current assets:			
- trade receivables	14,664	13,010	1,654
- inventories	2,348	2,500	(152)
- net receivables due from Electricity Equalization Fund and similar bodies	(1,112)	(1,011)	(101)
- other net current assets/(liabilities)	(5,291)	(4,407)	(884)
- trade payables	(10,167)	(11,174)	1,007
Total	**442**	**(1,082)**	**1,524**
Gross capital employed	**113,637**	**110,838**	**2,799**
Provisions:			
- post-employment and other employee benefits	(3,131)	(3,110)	(21)
- provisions for risks and charges and net deferred taxes	(12,843)	(12,853)	10
Total	**(15,974)**	**(15,963)**	**(11)**
Net assets held for sale	**583**	**348**	**235**
Net capital employed	**98,246**	**95,223**	**3,023**
Total shareholders' equity	**46,301**	**44,353**	**1,948**
Net financial debt	**51,945**	**50,870**	**1,075**

Net capital employed at March 31, 2010 amounted to €98,246 million and is funded by shareholders' equity attributable to the Group and minority interests in the amount of €46,301 million and net financial debt of €51,945 million. The debt-to-equity ratio at March 31, 2010, came to 1.12 (compared with 1.15 at December 31, 2009).

Net financial debt

Millions of euro

	at Mar. 31, 2010	at Dec. 31, 2009	Change
Long-term debt:			
- bank loans	20,756	21,632	(876)
- bonds	35,433	31,889	3,544
- preference shares	1,466	1,463	3
- other loans	880	866	14
Long-term debt	*58,535*	*55,850*	*2,685*
Long-term financial receivables and securities	(8,144)	(8,044)	(100)
Net long-term debt	**50,391**	**47,806**	**2,585**
Short-term debt:			
Bank loans:			
- short-term portion of long-term debt	781	1,438	(657)
- drawings on revolving credit facilities	36	20	16
- other short-term bank debt	512	927	(415)
Short-term bank debt	*1,329*	*2,385*	*(1,056)*
Bonds (short-term portion)	795	1,096	(301)
Other loans (short-term portion)	401	375	26
Commercial paper	7,478	6,573	905
Other short-term financial payables	33	22	11
Other short-term debt	*8,707*	*8,066*	*641*
Long-term financial receivables (short-term portion)	(907)	(767)	(140)
Factoring receivables	(241)	(304)	63
Financial receivables – cash collateral	(704)	(893)	189
Other short-term financial receivables	(548)	(1,156)	608
Cash and cash equivalents	(6,082)	(4,267)	(1,815)
Cash and cash equivalents and short-term financial receivables	*(8,482)*	*(7,387)*	*(1,095)*
Net short-term financial debt	**1,554**	**3,064**	**(1,510)**
NET FINANCIAL DEBT	**51,945**	**50,870**	**1,075**
Financial debt of "Assets held for sale"	**51**	**63**	**(12)**

Net financial debt was equal to €51,945 million at March 31, 2010, up €1,075 million on December 31, 2009.

Net long-term financial debt increased by €2,585 million, as the net result of the increase in gross long-term debt in the amount of €2,685 million and the increase in long-term financial receivables of €100 million.

More specifically, long-term bank loans, totaling €20,756 million, report the use by Enel SpA and Enel Finance International of €9,909 million in respect of the 36- and 60-month tranches of the original €35 billion syndicated line of credit. The five-year, €5 billion syndicated revolving line of credit (renewable for a further 2 years) established in November 2005 by Enel SpA was entirely undrawn at March 31, 2010 (compared with drawings of €500 million at December 31, 2009).

Bonds amounted to €35,433 million and reflect the issue on February 26, 2010, by Enel SpA of bonds for retail investors totaling €3 billion maturing in 2016, of which €2 billion in fixed-rate notes and €1 billion in floating-rate notes.

Net short-term financial debt stood at €1,554 million at March 31, 2010, down

€1,510 million from its level at the end of 2009. The decrease reflects a reduction of €1,056 million in short-term bank debt, an increase of €641 million in other loans and a rise of €1,095 million in cash and cash equivalents and short-term financial receivables.
Other short-term loans, which totaled €8,707 million, include €7,478 million in respect of the issue of commercial paper by Enel Finance International, Endesa Internacional, Endesa Capital and Enel OGK-5 as well as €795 million in bonds maturing within the next 12 months, essentially regarding bonds issued by Endesa.

Cash flows

Cash flows from operating activities in the first three months of 2010 were positive at €407 million, a fall of €708 million compared with the corresponding period of 2009. The increased use of cash connected with the change in net current assets between the two periods was only partially offset by an improvement in the gross operating margin.

Cash flows from (investing)/disinvesting activities in the first three months of 2010 absorbed funds in the amount of €917 million, while in the corresponding period of 2009 they had absorbed liquidity totaling €1,452 million.
In particular, investments in property, plant and equipment and in intangible assets totaling €1,140 million did not change significantly compared with the corresponding period of the previous year. Investments in entities and business units, net of cash and cash equivalents acquired, came to €24 million and essentially comprise the acquisition by Enel Green Power of Maicor Wind and Italgest Wind. Sales of entities and business units generated cash flows of €375 million, accounted for by the collection of the installment on the sale in the 3rd Quarter of 2009 of 51% of Enel's holding in the Russian company SeverEnergia. Cash needs generated by other investing activities amounted to €128 million and regarded the payment of the balance on the holding in Bayan Resources acquired in 2008.

Cash flows from financing activities generated €2,181 million in liquidity. In the first three months of 2009 financing activities had absorbed cash of €832 million. Cash flows for the period under review essentially reflect the effects of the increase in gross long-term debt associated with Enel SpA's issue of bonds for retail investors in the amount of about €3 billion.

In the first three months del 2010, the €2,181 million in cash flows generated by financing activities and the €407 million generated by operating activities went toward covering the €917 million in cash needed for investing activities. The difference is reflected in the increase in cash and cash equivalents, which at March 31, 2010, amounted to €6,103 million, compared with €4,289 million at the end of 2009. The increase also reflects the positive effect of exchange rate changes in the amount of €143 million.

Other information

Related parties

As an operator in the generation, transport, distribution and sale of electricity, Enel provides services to a number of companies controlled by the Italian State, Enel's controlling shareholder. In the current regulatory framework, Enel concludes transactions with Terna - Rete Elettrica Nazionale (Terna), the Single Buyer, the Energy Services Operator, and the Energy Markets Operator (each of which is controlled either directly or indirectly by the Ministry for the Economy and Finance). Fees for the transport of electricity payable to Terna and certain charges paid to the Energy Markets Operator are determined by the Authority for Electricity and Gas. Transactions relating to purchases and sales of electricity concluded with the Energy Markets Operator on the Power Exchange and with the Single Buyer are settled at market prices.
In particular, companies of the Sales Division acquire electricity from the Single Buyer and settle the contracts for differences related to the allocation of CIP 6 energy with the Energy Services Operator, in addition to paying Terna fees for the use of the national transmission network. Companies that are a part of the Generation and Energy Management Division, in addition to paying fees for the use of the national transmission network to Terna, carry out electricity transactions with the Energy Markets Operator on the Power Exchange and sell electricity to the Single Buyer. The company of the Renewable Energy Division that operates in Italy sells electricity to the Energy Markets Operator on the Power Exchange. Enel also acquires fuel for generation and gas for distribution and sale from Eni, a company controlled by the Ministry for the Economy and Finance. All transactions with related parties are concluded on normal market terms and conditions.

The following table summarizes the relationships:

	Balance sheet		Income statement	
Millions of euro	Receivables	Payables	Revenues	Costs
	at Mar. 31, 2010		**1st Quarter of 2010**	
Single Buyer	291	990	420	1,574
Energy Markets Operator	750	596	1,167	915
Terna	254	431	208	475
Energy Services Operator	173	402	89	1
Eni	7	110	66	242
Italian Post Office	-	26	-	44
Other	1	7	-	24
Total	**1,477**	**2,562**	**1,950**	**3,275**

The following table shows transactions with associated companies outstanding at March 31, 2010 and carried out during the period, respectively.

	Balance sheet		Income statement	
Millions of euro	Receivables	Payables	Revenues	Costs
	at Mar. 31, 2010		**1st Quarter of 2010**	
SeverEnergia	152	-	1	-
Enel Rete Gas	22	115	10	141
Elica 2	1	1	-	-
Elcogas	3	-	-	-
Tecnatom	-	1	-	-
Cesi	1	24	-	2
Other companies	1	3	1	2
Total	**180**	**144**	**12**	**145**

In compliance with the Enel Group's rules of corporate governance, which are discussed in a specific section of the consolidated financial statements at December 31, 2009, mechanisms have been established to ensure that transactions with related parties are carried out in accordance with criteria of procedural and substantive propriety.

With a view to assuring substantive propriety – in order to ensure fairness in transactions with related parties, and to account for the special nature, value or other characteristics of a given transaction – the Board of Directors may ask independent experts to value the assets involved in the transaction and provide financial, legal or technical advice.

Contractual commitments and guarantees

The commitments entered into by the Enel Group and the guarantees given to third parties are shown below.

Millions of euro	
	at Mar. 31, 2010
Guarantees given:	
- sureties and other guarantees granted to third parties	2,403
Commitments to suppliers for:	
- electricity purchases	45,231
- fuel purchases	60,159
- various supplies	5,959
- tenders	3,526
- other	3,010
Total	117,885
TOTAL	**120,288**

Guarantees granted to third parties amounted to €2,403 million and include €640 million in commitments relating to the sale of real estate assets, in connection with the regulations that govern the termination of leases and the related

payments, for a period of six years and six months from July 2004. The value of such guarantees is reduced annually by a specified amount.
Commitments for electricity amounted to €45,231 million at March 31, 2010, of which €18,276 million refers to the period April 1, 2010-2014, €9,943 million to the period 2015-2019, €8,403 million to the period 2020-2024 and the remaining €8,609 million beyond 2024.
Commitments for the purchase of fuels are determined with reference to the contractual parameters and exchange rates applicable at the end of the period (given that fuel prices vary and are mainly set in foreign currencies). The total at March 31, 2010, was €60,159 million, of which €29,545 million refer to the period April 1, 2010-2014, €22,253 million to the period 2015-2019, €6,450 million to the period 2020-2024 and the remaining €1,911 million beyond 2024.
Various supply commitments include €271 million in respect of those under the cooperation agreement with EDF of November 30, 2007 for the construction of the Flamanville nuclear plant. The amount represents Enel's share of 12.5% of the cost of construction of the plant, which is scheduled to begin in 2012.

Contingent liabilities and assets

Compared with the consolidated financial statements at December 31, 2009, which the reader is invited to consult, the following main changes have occurred in contingent assets and liabilities:

> as regards litigation involving environmental issues, in August 2008, the Court of Cassation (the supreme court of appeal) issued a ruling concerning a 380 kW power line (Forlì-Fano) no longer owned by Enel that, in conflict with current scientific knowledge in this area, accepted the existence of a causal relationship between the headaches suffered by a number of parties and exposure to electromagnetic fields. The situation concerning litigation has evolved thanks to the clarification of the legislative framework following the entry into force of the framework law on electromagnetic emissions (Law 36 of February 22, 2001) and the related implementing regulations for power lines (Prime Minister's Order of July 8, 2003). In ruling no. 642/2010 of February 2, 2010, the Council of State reaffirmed that regional governments may not derogate from the limits set by the State in implementing Law 36/2001, in line with ruling no. 307/2003 of the Constitutional Court;

> as regards the dispute in which the tax authorities have issued a tax assessment against Enel Rete Gas for the 2004 financial year following a partial audit conducted in 2007 concerning unallowable deductions of capital losses from the disposal of certain assets, in May 2008 Enel Rete Gas received a request for clarification pursuant to Article 37-*bis*, paragraph 4, of Presidential Decree 600/73 from the Milan Office of the Revenue Agency (mandatory taxpayer hearing). The briefs containing the clarifications were submitted by Enel Rete Gas to the Revenue Agency in 2008. Although appropriate documentation was provided for all issues raised during the course of the procedure envisaged under Article 37-*bis* of Presidential Decree 600/73, the Major Taxpayer Office elected to reject the arguments of the company, and the findings of the audit report were essentially incorporated into the notice of assessment in November 2009. Although the company believes that the tax claim advanced with the assessment is entirely illegitimate and objectively unfounded, for the sole purpose of avoiding litigation on January 15, 2010 it submitted a request for settlement

pursuant to Article 6, paragraph 2, of Legislative Decree 218 of June 19, 1997 with the Revenue Agency. However, the formal attempt at settlement through the above mechanism was not successful and it was not possible to reach a reduced settlement of the initial assessment originally notified to Enel Rete Gas. The dispute is therefore continuing through the ordinary procedures governing tax disputes;

> in the wake of the blackout that occurred on September 28, 2003, numerous claims were submitted for automatic and other indemnities for losses. These claims gave rise to substantial litigation before justices of the peace, mainly in the regions of Calabria, Campania and Basilicata, with a total of some 120,000 proceedings. Charges in respect of such indemnities could be recovered in part under existing insurance policies;

> as regards litigation concerning the Porto Tolle thermoelectric plant, on March 12, 2009, the Court of Appeal of Venice partially reversed the Court of Adria which, concluding criminal proceedings begun in 2005, convicted former directors and employees of Enel for a number of incidents of air pollution caused by emissions from the Porto Tolle plant, holding them liable for the payment of damages to multiple parties, both natural persons and local authorities. The Court of Appeal of Venice found that the former directors had not committed a crime and that there was no environmental damage and therefore ordered recovery of the provisional award already paid. The employees were given token sentences and the damages awarded to private parties were halved. The prosecutors and the civil claimants lodged an appeal against the ruling with the Court of Cassation;

> in 2005, the Brazilian tax authorities notified Ampla of an assessment that was subsequently appealed. The tax authorities alleged that the tax exemption for interest received by subscribers of fixed-rate notes issued by Ampla in 1998 did not apply. On December 6, 2007, Ampla was successful in the second level of the administrative appeals, but the Brazilian authorities appealed the ruling to the Superior Council for Tax Appeals. The dispute involves a total of about €281 million;

> in 2002 the State of Rio de Janeiro ruled that the ICMS (*Impuesto a la Circulación de Mercaderías y Servicios*) should be calculated and paid on the 10th, 20th and 30th of the same month in which the tax accrues. Nevertheless, Ampla continued to pay the tax in compliance with the previous system (up to the 5th day of the subsequent month). Despite an informal agreement with the State of Rio de Janeiro and two tax amnesties, in October 2004 Ampla was fined for late payment of the ICMS. Ampla appealed the fine. At the first level of adjudication, the court ruled in favor of the State of Rio de Janeiro, prompting Ampla to appeal to the next level. The dispute involves a total of €60 million;

> a Brazilian construction company held a contract for civil works with the Brazilian company CELF (owned by the State of Rio de Janeiro), which withdrew from the contract. As a consequence of the transfer of assets from CELF to Ampla Energia e Serviços (an Endesa Group company), the Brazilian construction company complained that its creditor rights in respect of CELF (deriving from the contract for civil works) had been infringed and, in 1998, lodged a claim for about €59 million. In March 2009, the Brazilian court ruled in favor of the plaintiff; Ampla and the State of Rio de Janeiro appealed the decision. On December 15, 2009, the *Tribunal de Justicia Estadual* granted the appeal and, as a result, voided the March 2009 ruling in favor of the construction company, accepting Ampla's arguments. The Brazilian construction company lodged an appeal against the December 15, 2009 ruling, but it was denied. The company

could lodge a new appeal before the *Tribunal Superior de Justicia de Brasil*;

> in 1998 the Brazilian company CIEN signed an agreement with Tractebel for the delivery of electricity from Argentina. As a result of Argentine regulatory changes introduced as a consequence of the economic crisis in 2002, CIEN was unable to make the electricity available to Tractebel. In October 2009, Tractebel sued CIEN, which submitted its defense.

Declaration of the manager responsible for the preparation of the company's financial reports pursuant to the provisions of Article 154-*bis*, paragraph 2, of Legislative Decree 58/1998

The manager responsible for the preparation of the company's financial reports, Luigi Ferraris, declares, pursuant to Article 154-*bis*, paragraph 2, of the Consolidated Law on Financial Intermediation, that the accounting information contained in the Interim Financial Report at March 31, 2010 corresponds with that contained in the accounting documentation, books and records.

Editorial format
Inarea Strategic Design - Rome

Design, layout and cover concept
BCMROMA - Rome

Publishing consultancy and layout
Sogester - Rome

Copy editing
postScriptum - Rome

on the cover:
Priolo Gargallo (SR), Sicily
Archimede combined cycle power plant
Guido Fuà – Eikona for Enel

Printed by
Varigrafica Alto Lazio – Nepi (Viterbo)

Printed in July 2010
on re-cycled Fedrigoni Matt Plus

300 copies printed

Publication not for sale

Edited by the External Relations Department

Enel
Società per azioni
Registered office in Rome
137, Viale Regina Margherita
Capital Stock
Euro 9,403,357,795
(as of December 31, 2009) fully paid-in
Tax I.D. and Companies' Register
of Rome no. 00811720580
R.E.A. of Rome no. 756032
VAT Code no. 00934061003

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