Interim Financial Report at September 30, 2010

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Interim Financial Report at September 30, 2010

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(2) In 2010 includes data for Sfera.

Foreword

The Interim Financial Report at September 30, 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) n. 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.

Accounting policies and measurement criteria

The accounting standards adopted and measurement criteria used for the Interim Financial Report at September 30, 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:

> "Amendments to IAS 27 – Consolidated and separate financial statements". The new version of the standard establishes that in the consolidated financial statements disposals of equity interests in a subsidiary that do not result in a loss of control shall be recognized in equity. Similar treatment is required in the consolidated financial statements in the event of the acquisition of an additional stake in an existing subsidiary. Where a controlling interest is divested, any residual interest must be re-measured to fair value at that date, recognizing the effects through profit or loss.
> The application of the standard did not have an impact in the period under review.

> "Amendment to IAS 39 – Financial instruments: recognition and measurement - eligible hedged items". With this amendment to the current IAS 39, the IASB has sought to clarify the conditions under which certain financial/non-financial instruments may be designated as hedged items. The amendment specifies that an entity may also choose to hedge only one kind of change in the cash flow or in the fair value of the hedged item (i.e. that the

price of a hedged commodity increases beyond a specified price), which would constitute a one-sided risk. The IASB also specifies that a purchased option designated as a hedge in a one-sided risk hedge relationship is perfectly effective only if the hedged risk refers exclusively to changes in the intrinsic value of the hedging instrument, not to changes in its time value as well.
The retrospective application of the interpretation did not have an impact in the period under review.

> "Amendment to IFRS 2 – Share-based payment". The amendments seek to:
  - clarify the scope of application of the standard, incorporating the guidelines contained in IFRIC 8 "Scope of IFRS 2";
  - provide guidelines for classifying share-based payments in the consolidated financial statements and separate financial statements of the companies involved;
  - specify the accounting treatment of equity-settled share-based payments involving different Group companies, incorporating and expanding on the guidelines contained in IFRIC 11 "IFRS 2 – Group and treasury share transactions";
  - specify the accounting treatment of cash-settled share-based payments involving different Group companies, a situation not addressed by IFRIC 11.

  The retrospective application of the amendments – which replaced IFRIC 8 and IFRIC 11 – did not have an impact in the period under review.

> "Revised IFRS 3 – Business combinations". This introduced important amendments to the method for recognizing business combinations. The main provisions regard:
  - the obligation to recognize in profit or loss any changes in the consideration subsequently paid by the acquiring party, as well as the transaction costs of the business combination;
  - the possibility of opting for either the full goodwill or the partial goodwill approach in choosing the methodology for initial recognition of goodwill;
  - the obligation to recognize, in the case of the acquisition of additional holdings after acquiring control, the difference between the purchase price and the corresponding share of equity as an adjustment of equity;
  - the obligation to recognize in profit or loss the effects of the fair value measurement, at the date of acquisition of control, of the holdings acquired previously in business combinations achieved in stages.

  The application of the standard on a prospective basis did not have an impact in the period under review.

> "IFRIC 12 – Service concession arrangements". The interpretation, applied retrospectively, 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.

An analysis found that for the concession operated for the distribution of electricity in Italy, the conditions for application of IFRIC 12 do not obtain, as the concession holder has full control, as defined in the interpretation. 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 of the comparative balance sheet figures at December 31, 2009.

> "IFRIC 15 – Agreements for the construction of real estate". This interpretation sets out the guidelines for recognizing revenues and costs arising from the contracts for the construction of real estate, clarifying when a contract falls within the scope of IAS 11 "Construction contracts" and IAS 18 "Revenue". The interpretation also specifies the accounting treatment to be used in respect of revenues from the delivery of additional services relating to real estate under construction.
The retrospective application of the interpretation did not have an impact in the period under review.

> "IFRIC 16 – Hedges of a net investment in a foreign operation". The interpretation applies to entities that intend to hedge the exchange rate risk associated with a net investment in a foreign operation. The main aspects of the interpretation are:
  - the hedge may only cover the exchange rate difference between the functional currency (not the presentation currency) of the foreign operation and the functional currency of the parent (a parent being a controlling entity at any level, whether intermediate or final);
  - in the consolidated financial statements, the risk may be designated as hedged only once, even if more than one entity in the same group has hedged its exchange-rate exposure to the same foreign operation;
  - the hedging instrument may be held by any entity in the group (apart from that being hedged);
  - in the event of the disposal of the foreign operation, the value of the translation reserve connected with the hedging instrument that is reclassified to profit or loss in the consolidated financial statements shall be equal to the value of the gain/loss on the effective portion of the hedging instrument.

The application of the interpretation on a prospective basis did not have an impact in the period under review.

> "IFRIC 17 – Distributions of non-cash assets to owners". The interpretation clarifies matters relating to the distribution of non-cash dividends to owners. In particular:
  - dividends shall be recognized as soon as they are authorized;
  - the company shall recognize dividends at the fair value of the net assets to be distributed;
  - the company shall recognize the difference between the carrying amount of the dividend and its fair value through profit or loss.

The application of the interpretation on a prospective basis did not have an impact in the period under review.

> "IFRIC 18 – Transfers of assets from customers". The interpretation 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 interpretation was applied as from January 1, 2010, to transactions carried out as from July 1, 2009 and, therefore, had an impact on the performance figures for the 3rd Quarter of 2009 reported for comparative purposes in this Interim Financial Report. Its application led to the recognition of €360 million in extra revenues in the first nine months of 2010, as well as the redetermination of equity at December 31, 2009 in the amount of the contributions received in the 2nd Half of 2009, net of the associated tax effect.

Alternative performance indicators

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.

Restatement of balance sheet figures at December 31, 2009 and income statement figures for the first nine months and the 3rd Quarter of 2009

The changes in the policies used to account for certain assets in respect of services carried out on a concession basis (IFRIC 12) and the transfer of assets from customers (IFRIC 18) gave rise to adjustments of the related balance sheet accounts, included in the consolidated financial statements at December 31, 2009 and the relative income statement items, included in the Interim Financial Report at September 30, 2009, presented for comparative purposes only in this Interim Financial Report.
More specifically, the retrospective application of the interpretations set out in IFRIC 12 involved appropriate reclassifications in the consolidated balance sheet at December 31, 2009, while the prospective application as from July 1, 2009 of the provisions of IFRIC 18 led to the restatement of a number of accounts in the consolidated balance sheet at December 31, 2009 and the consolidated income statement for the first nine months and the 3rd Quarter of 2009.

In addition, the balance sheet figures reported in the 2009 consolidated financial statements and the income statement figures in the Interim Financial Report at September 30, 2009 have been restated to take account of the effects of the definitive determination in the 1st Half of 2010 (within the time limit envisaged under IFRS 3) of the fair value of the assets acquired and the liabilities and contingent liabilities assumed with the acquisition of the 25.01% of Endesa on June 25, 2009.
The following table shows the changes in the consolidated balance sheet at December 31, 2009, reporting the differences based on the reason for the modification.

Millions of euro	at Dec. 31, 2009	Endesa PPA	Application of IFRIC 12	Application of IFRIC 18	at Dec. 31, 2009 restated
Non-current assets					
- Property, plant and equipment and intangible assets	94,426	2,456	(325)	-	96,557
- Goodwill	19,372	(327)	-	-	19,045
- Equity investments accounted for using the equity method	1,029	-	-	-	1,029
- Other non-current assets	16,168	-	70	-	16,238
Total	**130,995**	**2,129**	**(255)**	**-**	**132,869**
Current assets					
- Trade receivables	13,010	-	-	-	13,010
- Inventories	2,500	-	-	-	2,500
- Cash and cash equivalents	4,170	-	-	-	4,170
- Other current assets	9,210	-	-	-	9,210
Total	**28,890**	**-**	**-**	**-**	**28,890**
Assets held for sale	**572**	**-**	**-**	**-**	**572**
TOTAL ASSETS	**160,457**	**2,129**	**(255)**	**-**	**162,331**
Shareholders' equity					
- Equity attributable to shareholders of the Parent Company	32,505	556	(9)	216	33,268
- Equity attributable to minority interests	11,848	805	(8)	20	12,665
Total	**44,353**	**1,361**	**(17)**	**236**	**45,933**
Non-current liabilities					
- Long-term loans	55,850	-	-	-	55,850
- Provisions and deferred tax liabilities	22,201	768	3	91	23,063
- Other non-current liabilities	4,793	-	(243)	(327)	4,223
Total	**82,844**	**768**	**(240)**	**(236)**	**83,136**
Current liabilities					
- Short-term loans and current portion of long-term loans	10,451	-	-	-	10,451
- Trade payables	11,174	-	-	-	11,174
- Other current liabilities	11,411	-	2	-	11,413
Total	**33,036**	**-**	**2**	**-**	**33,038**
Liabilities held for sale	**224**	**-**	**-**	**-**	**224**
TOTAL LIABILITIES	**116,104**	**768**	**(238)**	**(236)**	**116,398**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**160,457**	**2,129**	**(255)**	**-**	**162,331**

The following table shows the changes in the consolidated income statement for the first nine months and the 3rd Quarter of 2009, reporting the differences based on the reason for the modification.

3rd Quarter 2009 restated	Endesa PPA	Application of IFRIC 18	3rd Quarter of 2009	Millions of euro	First nine months of 2009	Application of IFRIC 18	Endesa PPA	First nine months of 2009 restated
17,339	**-**	**109**	**17,230**	**Total revenues**	**45,687**	**109**	**-**	**45,796**
13,554	**-**	**-**	**13,554**	**Total costs**	**33,659**	**-**	**-**	**33,659**
871	**-**	**-**	**871**	**Net income/(charges) from commodity risk management**	**458**	**-**	**-**	**458**
4,656	**-**	**109**	**4,547**	**GROSS OPERATING MARGIN**	**12,486**	**109**	**-**	**12,595**
1,328	25	-	1,303	Depreciation, amortization and impairment losses	3,663	-	25	3,688
3,328	**(25)**	**109**	**3,244**	**OPERATING INCOME**	**8,823**	**109**	**(25)**	**8,907**
409	-	-	409	Financial income	2,550	-	-	2,550
1,206	-	-	1,206	Financial expense	3,556	-	-	3,556
(797)	**-**	**-**	**(797)**	**Total financial income/(expense)**	**(1,006)**	**-**	**-**	**(1,006)**
9	-	-	9	Share of gains/(losses) from equity investments accounted for using the equity method	30	-	-	30
2,540	**(25)**	**109**	**2,456**	**INCOME BEFORE TAXES**	**7,847**	**109**	**(25)**	**7,931**
862	(8)	30	840	Income taxes	2,173	30	(8)	2,195
1,678	**(17)**	**79**	**1,616**	**NET INCOME FROM CONTINUING OPERATIONS**	**5,674**	**79**	**(17)**	**5,736**
(69)	-	-	(69)	Net income from discontinued operations	(153)	-	-	(153)
1,609	**(17)**	**79**	**1,547**	**NET INCOME FOR THE PERIOD (shareholders of the Parent Company and minority interests)**	**5,521**	**79**	**(17)**	**5,583**
375	(1)	16	360	Attributable to minority interests	810	16	(1)	825
1,234	(16)	63	1,187	Attributable to shareholders of the Parent Company	4,711	63	(16)	4,758

Summary of results

Highlights

3rd Quarter 2010	3rd Quarter 2009		First nine months 2010	First nine months 2009	
		Income data (millions of euro)			
18,170	17,339	Revenues	52,972	45,796	
4,387	4,656	Gross operating margin	13,265	12,595	
2,846	3,328	Operating income	8,929	8,907	
1,353	1,609	Net income before minority interests	4,406	5,583	
1,024	1,234	Group net income	3,449	4,758	
		Financial data (millions of euro)			
		Net capital employed	99,870	96,803	(1)
		Net financial debt	50,903	50,870	(1)
		Shareholders' equity (including minority interests)	48,967	45,933	(1)
		Cash flows from operating activities	5,121	3,837	
		Capital expenditure on tangible and intangible assets	4,025	4,109	
		Per share data (euro)			
		Group net income per share in circulation at period-end	0.37	0.51	
		Group shareholders' equity per share in circulation at period-end	3.73	3.54	(1)
		Operating data			
76.0	73.4	Net electricity generated by Enel (TWh)	216.9	195.8	
109.6	107.8	Electricity transported on the Enel distribution network (TWh)	322.2	287.7	
79.0	81.2	Electricity sold by Enel (TWh) (2)	229.1	210.8	
1.6	1.7	Gas sales to end users (billions of cubic meters)	6.9	5.8	
		Employees at period-end (no.) (3)	79,868	81,208	(1)
		Market indicators			
		Average IPE Brent oil price ($/bbl)	77.9	58.2	
		Average price of low-sulfur fuel oil ($/t) (4)	467.1	340.9	
		Average price of coal ($/t CIF ARA) (5)	86.2	68.4	
		Average price of gas (GB pence/therm) (6)	39.8	32.5	
		Average dollar/euro exchange rate	1.315	1.366	
		Six-month Euribor (average for the period)	1.03%	1.57%	

(1) At December 31, 2009.
(2) Excluding sales to resellers.
(3) Of which 2,395 at September 30, 2010 (1,330 at December 31, 2009) in units classified as "Held for sale".
(4) Platt's CIF Med index.
(5) API #2 index.
(6) Belgium Zeebrugge index.

Revenues in the first nine months of 2010 totaled €52,972 million, an increase of €7,176 million (15.7%) on the year-earlier period. The rise is essentially attributable to the increased revenues earned abroad from the sale and transport of electricity by the Iberia and Latin America Division, whose revenues were affected by the change in the consolidation method used for Endesa (from proportionate to full line-item) adopted following the acquisition of an additional 25.01% of that company, and greater revenues posted by the International Division, especially thanks to the greater revenues produced by electricity generation and sales operations in Russia. These positive effects were only partially offset by lower revenues from the sale of electricity in Italy, mainly attributable to lower sales volumes, as well as lower gains on the disposal of assets, which in 2009 included the gain on the disposal of Enel Linee Alta Tensione (€297 million) and 51% of the stake previously held in SeverEnergia following the exercise of the call option by Gazprom (€68 million).

The *gross operating margin* amounted to €13,265 million, an increase of €670 million or 5.3% on the year-earlier period. The increase was essentially due to the change in the consolidation method of Endesa (from proportionate to full line-item), and an improvement in the margin on the sale and transport of electricity in the Iberian market. This change was partially offset by the lower margin from domestic markets and the lower gains recognized.

Operating income totaled €8,929 million, essentially in line with the same period of 2009 (€8,907 million).

Group net income was €3,449 million euros in the first nine months of 2010, compared with €4,758 million in the same period of 2008 (down 27.5%). More specifically, strong operating performance was more than offset by higher net financial expense, which reflected the change in the method used to consolidate Endesa's debt and the decline in financial income that, during the same period of 2009, had benefited from the positive impact (recognition of income of €970 million) of the early exercise of the put option granted by Enel to Acciona on 25.01% of Endesa.

Net financial debt, excluding debt in respect of assets held for sale totaling €590 million at September 30, 2010 (€63 million at December 31, 2009), amounted to €50,903 million, up by €33 million compared with the €50,870 million posted at the end of 2009.

Enel Group employees at September 30, 2010 numbered 79,868 (81,208 at December 31, 2009). The change is the result of the net balance of hirings and terminations (-1,313) and the change in the scope of consolidation (-27). At September 30, 2010, the personnel of Group companies headquartered abroad numbered 41,717.

Significant events in the 3rd Quarter of 2010

Disposal of Endesa Hellas

On July 1, 2010, Endesa completed the sale of a 50.01% stake in Endesa Hellas to Mytilineos for €136 million. At the same time, Enel Green Power SpA acquired a number of power plants using renewable resources in Greece from Endesa Hellas for €20 million. These assets include plants currently in service (for a total of 8.80 MW, of which 2.80 MW mini-hydro and 6 MW wind) and under construction (for a total of 6.35 MW, entirely mini-hydro).

Endesa-REE agreement to sell power transmission networks

On July 1, 2010, Endesa reached an agreement with Red Eléctrica de España (REE) for the sale, to a subsidiary of REE, of the power transmission networks owned by Endesa Distribución Electrica SL, a wholly owned subsidiary of Endesa. This sale is taking place in accordance with the provisions of Law 17/2007, which designates REE as the sole entity to perform transmission activities. The agreement refers to both the assets in service and the assets currently under construction expected to go into service in 2010. The agreement, which sets a price of around €1.4 billion (of which €1 billion has already been paid), will be effective subject to obtaining the required administrative authorizations.

Agreement with Gas Natural to divide assets of Enel Unión Fenosa Renovables

On July 30, 2010, Enel Green Power and its subsidiary Enel Green Power España (EGPE) signed an agreement with Gas Natural to divide the assets of Enel Unión Fenosa Renovables (EUFER), an equally held joint venture between EGPE and Gas Natural Fenosa. The purpose is to enable each party to pursue its own strategy in the Iberian renewable energy sector most effectively.
The agreement is subject to conditions, including receipt of approval from the competent regulatory and antitrust authorities, that are expected to be fulfilled by the end of the year; the conditions will be deemed unfulfilled if not met by January 31, 2011. Pending fulfillment of the conditions, the EUFER assets have been divided into two well-balanced groups (Lot A and Lot B): Lot A will continue to be held by the Enel Group, which will own all of EUFER, and Lot B will be transferred to Gas Natural Fenosa. Accordingly, the assets and liabilities associated

with Lot B have been classified as "Assets held for sale" and "Liabilities held for sale" in the balance sheet at September 30, 2010, as they meet the requirements for such classification set out in IFRS 5.

Agreement for the sale of Endesa's gas transport and distribution network

As part of efforts to leverage its operations in the gas transport and distribution industry in Spain, on September 24, 2010 Endesa reached an agreement for the sale of an 80% stake in its subsidiary Endesa Gas (a gas distribution company) to two infrastructure investment funds managed by Goldman Sachs. Endesa may repurchase the stake upon the exercise of a call option between five and seven years after the completion of the transaction. Endesa will continue to have a presence in Spain's gas transport and distribution sector through its remaining 20% interest in Endesa Gas, to which it will continue to provide a number of support services. The assets held by Endesa Gas comprise about 3,800 kilometers of distribution networks, 600 kilometers of transport network and 355,000 delivery points, with annual consumption of 7,500 GWh.
Endesa estimates that the operation will be completed by the end of the year, once the necessary administrative approvals have been received.

2010 interim dividend

On September 29, 2010, the Board of Directors of Enel SpA approved the accounts of Enel SpA at June 30, 2010 and the directors' report showing that the performance and financial position of the Company and the Group allow the distribution of an interim dividend for 2010 of €0.10 per share. The interim dividend, gross of any withholding tax, will be paid as from November 25, 2010, with the ex-dividend date falling on November 22, 2010.

Subsequent events and outlook

Subsequent events

Public offering of Enel Green Power shares

On October 13, 2010, Enel Green Power SpA (EGP) received authorization from CONSOB to publish the prospectus for the public offering and listing of the shares of the company. The authorization follows the approval on October 11 by Borsa Italiana of the admission of EGP shares for trading on the electronic stock market. With a view to launching a public offering in Spain also – in connection with the planned listing of EGP shares on the regulated markets of that country – EGP and Enel also asked CONSOB to send the certificate of approval certifying that the prospectus has been prepared in accordance with Directive 2003/71/EC to *Comisión Nacional del Mercado de Valores* (CNMV).
On October 15, 2010, in order to enable the receipt of expressions of interest from institutional investors as part of the offering, Enel announced that it had determined the price range for shares of EGP. This price range was set at a minimum of €9 billion and a maximum of €10.5 billion (equal to a non-binding minimum price of €1.80 per share and a binding maximum price of €2.10 per share, the latter equal to the maximum placement price).
On October 28, 2010, Enel, without prejudice to the indicative price range reported above, announced that it would consider expressions of interest as from €1.60 per share in order to achieve the best possible valuation of such an important asset as EGP. On October 30, 2010, Enel, in consultation with the Joint Global Coordinators and the Joint Bookrunners, set the final offering price at €1.60 per share. The final price, which was identical for both the public offering and the offering to institutional investors, was set by taking into account, *inter alia*, conditions in financial markets in Italy and abroad, the volume and quality of the expressions of interest received from institutional investors, as well as the volume of applications received in the public offering. The offering generated total gross demand for around 1,780 million shares (of which about 1,260 million shares on the part of retail investors in Italy and Spain and about 520 million shares on the part of institutional investors), compared with the 1,415 million EGP shares involved in the global offering, which could be supplemented by a maximum of 210 million additional shares that the Global Coordinators, within 30 days from the start of trading of EGP shares, could purchase through the exercise of the greenshoe option reserved for them.
Following the completion of the global offering, as from November 4, 2010 EGP shares have been traded on the MTA electronic market operated by Borsa Italiana and on regulated Spanish markets.

Memorandum of understanding for the development and implementation of technologies for smart grids in Russia

On October 14, 2010, Enel and IDGC Holding signed a memorandum of understanding to cooperate in the development of smart grid technologies. The two companies will work together to develop and build smart grids, including smart meters, in Russia. The companies are also considering various options of cooperation in grid asset management, including setting up a joint venture. Enel and IDGC Holding also plan to share best practices in the areas of design, development of standardized technology, and the unification and implementation of quality management standards.

Within three months of the signing of the memorandum, the agreement provides for the establishment of a committee to handle the organization and coordination of the activities.

Agreement with the Tennessee Valley Authority

On October 20, 2010, Enel Green Power and its development partner TradeWind Energy announced that the Caney River Wind Project has entered into an agreement with the Tennessee Valley Authority for the purchase of the annual output of a 200 MW wind farm to be built and operated by Enel Green Power in Elk County, Kansas.

Updating of bylaws to incorporate new shareholders' rights regulations

On October 21, 2010, the Board of Directors approved a number of amendments to the bylaws in order to fully update the contents to incorporate the changes introduced with Legislative Decree 27/2010 (transposing into Italian law Directive 2007/36/EC, which seeks to facilitate the participation of shareholders in the general meetings of listed companies). The changes approved completed an adjustment process that was initiated at the Extraordinary Shareholders' Meeting held on April 29, 2010, which approved a number of "optional" amendments to the bylaws, the adoption of which Legislative Decree 27/2010 left to the discretion of each listed company.

The amendments to the bylaws adopted by the Board of Directors, as with those approved by the Extraordinary Shareholders' Meeting of April 29, 2010, will apply as from the Shareholders' Meeting for which the notice calling the meeting is published after October 31, 2010.

Outlook

With the finalization of the Enel Green Power IPO, Enel's pursuit of its strategic aims has continued on schedule, above all with regard to its priority of ensuring the Group's financial stability.

The proceeds of the disposal and the other operations to optimize the Enel portfolio now being finalized, together with measures to improve operating cash flow, are expected to make a substantial contribution to reducing consolidated debt.

In addition, the contribution of all the initiatives and programs under way should make it possible to improve performance compared with the previous year, with consolidated EBITDA projected to outperform the 2010 target announced last March.

On these foundations, the Enel Group will therefore continue with its programs to strengthen its leadership in the markets in which it operates, leveraging the benefits of the optimal diversification of its plants and its competitive cost structure, as well as the synergies generated by increasingly close integration with Endesa.

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 provides for the completion of the first call for proposals by the end of 2011. Within the scope of the revision of Europe's Emission Trading System (ETS) as from 2013, on July 14, 2010 the Regulation on the rules governing the auctioning of emissions allowances was approved. The measure is now undergoing scrutiny (to last 3 months) by the European Parliament and the Council before being adopted. Finally, with its decision of July 9, 2010, the European Commission published the total number of EU emission allowances (EUA) for 2013, the first year of Phase III of the ETS, consistent with EU emission reduction targets for 2020. The European cap for 2013 (as revised on October 22, 2010, to take account of new gases and new sectors, including the natural gas industry, to be covered by the ETS) is therefore 2,039 million EUAs.

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 and set the price for the 1st Quarter of 2010 at €59.5/MWh. It also confirmed the price updating mechanism, based on the quarterly indexing of the Single National Price (SNP); on this basis the price for the 2nd and 3rd Quarters of 2010 amounted to €66.49/MWh and €63.66/MWh, while that for the 4th Quarter is €73.02/MWh.

Green certificates

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 in Resolution ARG/elt. 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 district 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.
The law ratifying the decree law containing budget adjustment measures, Law 122 of July 30, 2010, establishes (Article 45) that as from 2011 the charges incurred by the ESO for the withdrawal of expiring green certificates shall be 30% less than those for 2010 and that at least 80% of this reduction shall come from limiting the quantity of excess green certificates.
The implementing procedures for this provision will be specified in a subsequent decree to be issued by December 31, 2010.

Sales

Code of Commercial Conduct

With Resolution ARG/com 104/10, the Authority for Electricity and Gas (the Authority) introduced the Code of Commercial Conduct for the sale of electricity and gas, which modifies and harmonizes the rules governing the two sectors. The code establishes the rules to be followed by operators in promoting offers and will enter force as from January 1, 2011. Enel Energia has appealed the measure before the Lombardy Regional Administrative Court.

Quality standards

With Resolution ARG/com 147/10 the Authority updated the integrated code governing the quality of commercial services for the sale of electricity and gas, published with Resolution ARG/com 164/08. The Authority has established stricter rules for sellers concerning time limits (maximum of two business days) for transmitting requests for service to distributors. Specifically, starting from July 2011, sellers must pay customers a penalty of €30 if they fail to meet the time limit.

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 was awarded the concessions for areas in the Centre and the South and Islands (Sardinia; Campania; Lazio and Abruzzo; Molise and Puglia; Basilicata and Calabria; Sicily), as well as certain areas in the North (Piedmont, Valle d'Aosta and Liguria; Lombardy). The average premium bid by Enel Energia in the eight areas it was awarded was about €21.5/MWh.
In preparation for the auctions for the next two-year period, the Authority, with Resolution ARG/elt 139/10, altered the composition of certain areas in the South (combining Basilicata with Calabria and Molise with Puglia), although it left the total number of areas unchanged at twelve.
Law 129 of August 13, 2010 created an Integrated Information System (IIS) at

the Single Buyer to manage the exchange of information relating to the electricity markets. This system could include information on customers who have failed to make payments for the purposes of possibly suspending deliveries to such customers. The Authority must establish the procedures for managing the IIS and the standards for handling customers' personal data.

Rates and rate updates

With Resolutions ARG/com 93/10 and ARG/elt 94/10, the Authority set the rates for the enhanced protection service for the 3rd Quarter of 2010. The final rate for the average residential customer was set at €156.8/MWh, a decrease of 0.5% on the previous quarter. More specifically, the PED component for sourcing and dispatching costs was reduced by €1.8/MWh to €87.59/MWh. The Authority also increased the A3 component (intended to encourage generation using renewable and similar resources) by about €1.1/MWh to €11.4/MWh.

With Resolutions ARG/com 151/10 and ARG/elt 152/10, the Authority set the rates for the enhanced protection service for the 4th Quarter of 2010. The final rate for the average residential customer was set at €155.9/MWh, a decrease of 0.5% from the previous quarter. More specifically, the PED component for sourcing and dispatching costs was reduced by €1.5/MWh to €86.1/MWh. The Authority also increased the A3 component by €0.4/MWh (3.6%) from the previous quarter to around €11.9/MWh.

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

The decree of the Ministry 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, for the 2nd Quarter at €63.69/MWh, and for the 3rd Quarter at €60.99/MWh, while that for the 4th Quarter comes to €69.96/MWh.

Inquiries and fact-finding investigations

On December 2, 2009, the Competition Authority launched an inquiry into improper commercial practices (PS/5150) against Enel Energia, alleging that its call centers used misleading and aggressive methods to persuade customers to change contracts. On January 21, 2010 the company submitted a number of commitments in order to close the proceeding without a finding of a violation. On June 16, 2010 the Competition Authority decided to accept the commitments, thereby closing the proceeding without the imposition of sanctions.

On March 3, 2010 the Competition Authority initiated a proceeding for improper commercial practices (PS/3317) against Enel Energia. The Competition Authority alleged that the company issued invoices with estimated consumption of electricity and gas in excess of actual consumption and that customers were having difficulty in notifying the company of their self-readings of meters. On May 7, 2010 Enel Energia submitted commitments in order to close the proceeding without a finding of violation. On July 7, 2010 the proceeding was extended to include Enel Servizio Elettrico, which

simultaneously submitted commitments in order to close the proceeding without a finding of violation. On October 6, 2010, the Competition Authority accepted the commitments, closing the proceeding without sanctions.
On May 6, 2010 the Competition Authority, following the issue of ruling 5290/09 by the Lazio Regional Administrative Court, initiated a proceeding (PS/1554B) to recalculate the fine levied on October 16, 2008 against Enel Energia and Enel Servizio Elettrico as part of proceeding PS/1554, equal to €225,000 and €210,000 respectively. On July 28, 2010 the Competition Authority issued a measure reducing the fines to €125,000 and €110,000 respectively.
With ruling 2507/2010, on May 3, 2010 the Council of State granted the appeal of the Authority for Electricity and Gas against ruling 321/08 of February 13, 2008 with which the Lombardy Regional Administrative Court had voided Resolution 66/07. With the latter measure, the Authority had fined Enel Distribuzione €11.7 million for alleged violation of the provisions of Resolution 55/00 concerning the transparency of invoices. Enel Distribuzione lodged an appeal with the Council of State to revoke ruling 2507/2010, notifying the Authority on June 1, 2010. In addition to the petition asking for revocation, Enel Distribuzione has filed an appeal with the European Court of Human Rights.
With Resolution VIS 93/09, the Authority launched a formal inquiry of a number of electricity sellers, including Enel Energia, to determine whether measures concerning the transparency of invoices had been violated.
Upon completing the inquiry, the Authority issued Resolution VIS 109/10 fining Enel Energia a total of €872,000.

Gas

Rates and rate updates

With Resolution ARG/gas 47/10, the Authority initiated a proceeding for the change of supply prices for natural gas for the enhanced protection service. The Authority published Resolution ARG/gas 89/10, with which it reduced the QE component (covering raw materials provisioning costs) by 7.5% compared with the level established using the formula previously in force, thereby taking account of the renegotiation of operators' long-term contracts from October 2010 to September 2011. In the same resolution, the Authority also initiated a market monitoring exercise to assess possible additional measures to be taken by February 2011 concerning modifications of the QE component after September 2011. Enel Energia and Enel Trade submitted an appeal against the resolution. We are waiting for a hearing date to be set.
With Resolution ARG/gas 95/10, the Authority updated the supply prices for natural gas for the 3rd Quarter of 2010, setting a price of 74.13 eurocents/m^3, an increase of 3.2% on the previous quarter. Specifically, the component covering the cost of the raw materials was increased by 8.4% compared with the previous quarter.
With Resolution ARG/gas 153/10, the Authority updated the supply prices for natural gas for the 4th Quarter of 2010, setting a price for an average residential customer (annual consumption of up to 1,400 cubic meters) of 74.07 eurocents/m^3, a reduction of 0.1% from the previous quarter.

Supplier of last resort

With Resolution ARG/gas 131/10, the Authority established the procedure to be followed by the Single Buyer in selecting suppliers of last resort for natural gas for the 2010-2011 gas year. On September 21, 2010 the Single Buyer published the list of suppliers for the four areas being tendered. Enel Energia placed second in all the areas and will become supplier of last resort if the first-ranked company's supply of gas allocated for this purpose runs out.

Inquiries and fact-finding investigations

With Resolution VIS 92/10, the Authority initiated an inquiry against Enel Energia to ascertain any violations of mandatory gas distribution rates and to impose the related fines.
Specifically, the Authority alleges that Enel Energia failed to apply the fees for gas distribution and metering services approved by the Authority (Resolution ARG/gas 79/09) in invoices issued through June 2010.

Generation and Energy Management

Virtual Power Plant in Sardinia

Article 30, paragraph 9, of Law 99/2009 (the "Development Act") requires the Authority for Electricity and Gas (the 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 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), with companies chosen through auction. The measure also established that at least 10% of the total VPP capacity be assigned by entering into five-year contracts (2010-2014) and by permitting the companies providing capacity to set a minimum allotment price. The entire capacity was assigned through the auction for assigning five-year (23 MW) contracts and contracts for 2010 (202 MW) held on October 15, 2009. The Authority, with Resolution ARG/elt 146/10, approved the reserve premiums relating to the auction of VPPs for 2011. The auction was held on September 28, 2010 and resulted in the assignment of all available capacity.

"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.
On June 23, 2009, the Council of State held a hearing on the Authority's appeal of the Regional Administrative Court's decision voiding Resolution ARG/elt 97/08. The resolution placed all plants in Sicily and Sardinia under the essential unit system. On May 11, 2010 the full text of the ruling with which the Council of State ordered Terna to pay damages to Enel Produzione was published. The

ruling took account of the criteria set out in the report submitted by Terna itself. The damages, recently quantified by Terna and including interest and the revaluation as at October 2010, amount to about €3.6 million.
With Resolution ARG/elt 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 exempted from administrative requirements by entering into forward contracts with Terna.

With Resolution ARG/elt 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.
On April 28, 2010 the Milan Regional Administrative Court ordered that the ruling on the challenge of Authority Resolution ARG/elt 52/09 concerning essential units be suspended and referred the matter to the European Court of Justice.
With Resolution ARG/elt 162/10, the Authority defined the parameters of the forward contracts that can be used as alternatives to the essential unit mechanism for 2011. With Resolutions ARG/elt 161/10 and 180/10, the Authority set the criteria for determining the remuneration to be paid to essential plants as from 2011.

With regard to the remuneration for available productive capacity for 2009, the Authority issued Resolution ARG/elt 120/10 calling for a further payment to be made under Article 36 of Annex A to Resolution 48/04 as remuneration supplemental to the revenues received by producers on the exchanges. In 2009, the conditions for receipt of this supplemental remuneration were satisfied, i.e., the revenues received by the producers on the exchanges were less that the reference amount conventionally set equal to the revenues that they would have received for the same capacity in an administered pricing regime.
Enel was allocated around €28 million of amount allocated for supplemental remuneration.

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. On May 3, 2010 Enel Produzione submitted a number of commitments in order to close the proceeding with no finding of violation. On August 9, 2010 the commitments were published on the Competition Authority's website for market testing, which ended on September 27, 2010. The proceeding is scheduled to be closed by March 31, 2011.

Emissions trading

On April 28, 2010, the national committee for the management of Directive 2003/87/EC issued Resolution 9/2010 fully allocating the residual reserve to new plants that entered service up until April 2009, for a total of about 21.7 million metric tons. Allocations to cover the requirements at Enel's Torrevaldaliga Nord plant, as well as numerous plants owned by other operators, were not included as they entered service subsequent to the period considered.
In order to ensure that the New Entrant Reserve would not be fully depleted,

the Government, under the commitments made at the time of the Allocation Decision for the 2008-2012 period, adopted Decree Law 72 of May 20, 2010, which establishes an ex-post reimbursement of emissions allowances at market value for new entrants excluded from the allocation. The reimbursement – for an estimated allowance requirement of about 42 million metric tons – will be financed from part of the proceeds of the auctions for the allocation of allowances in Phase III of the ETS (i.e. after 2012). The decree was ratified by Parliament with Law 111 of July 19, 2010. In implementation of this law, the ETS committee issued Resolution 16/2010 establishing the reimbursement owed for plants that entered into service in 2009 and for which the preliminary process has been completed: the Torrevaldaliga Nord plant is eligible for reimbursement for 9.6 million metric tons for the first unit and for the start-up period of the second unit. Further measures will follow setting the amount to be reimbursed for plants that entered service after that period. Finally, with Resolution 117/2010, the Authority established the method for calculating the reimbursement reference price.

While awaiting the publication of the EU Commission call under the "NER-300" framework, the ETS committee, with Resolution 23/2010, approved the call for expressions of interest from domestic projects potentially eligible for subsidies. This is in preparation for the pre-selection of the applications for financing to be entered in the NER-300 tender that the member states must perform.

At September 30, 2010, the emissions produced by Enel Produzione amounted to 25.9 million metric tons. Considering that the allowances assigned under the national allocation plan, calculated on the basis of emissions forecast for the same period, were equal to 28.1 million metric tons, there was no deficit.

Promoting investment in storage

The government, with a decree issued on August 13, 2010, adopted measures aimed at developing storage capacity to make the gas market more flexible and to allow customers to take advantage of the price difference for gas between the winter and summer periods. Specifically, the measure requires Eni to build 4 billion cubic meters of new storage capacity over the next few years. This requirement is an alternative to the new gas release procedures. Of the total new storage capacity, 3 billion cubic meters is reserved for gas-intensive industrial customers and consortia of SMEs and 1 billion cubic meters for thermal power plants.

Mechanisms to encourage the development of new storage sites, including companies other than Eni for up to an additional 4 billion cubic meters, are also expected to be introduced.

Infrastructure and Networks

Energy efficiency

The Authority of Electricity and Gas (the Authority) rejected two requests from Enel.si concerning certification of energy savings achieved through energy efficiency initiatives involving the free distribution of compact fluorescent light bulbs to residential customers in 2007 and the first half of 2008. Enel.si appealed the decision to the Regional Administrative Court.
The hearing before the Regional Administrative Court was held on April 15, 2010. Subsequently, with an order of April 19, 2010, the Milan Regional Administrative Court set the Authority a deadline of 90 days to rule on the request for re-examination submitted earlier by Enel.si to the Authority. With Resolution EEN 11/10, the Authority ruled on the request for re-examination, affirming its decision to reject the projects. Enel.si appealed the resolution on further grounds. The hearing has been set for November 18, 2010.
The Authority, with Resolution EEN 12/10, ordered the payment of the rate contribution due to each distribution company to cover the costs incurred in meeting their energy savings targets for 2009. Enel Distribuzione is expected to receive €93 million.

Distribution rates

With Resolution ARG/elt 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 129/10, the Authority left provision of the electricity metering aggregation service with the distribution companies, reviewing the provision for Terna to tender the service starting from 2011. The Authority also set the new rates to reflect the capital expenditure and operating expenses incurred by distribution companies for the 2008-2010 regulatory period and introduced an incentive mechanism to encourage distributors to properly perform this service. Under the mechanism, the amount paid is adjusted based on certain performance parameters characterizing the business and automatic indemnities to be paid to dispatch service users, to be introduced gradually starting from January 2011, relating to the deadlines for and the quality of the data communicated.

Quality of electricity service

With Resolution ARG/elt 149/10 of September 28, 2010, the Authority began the process of drafting measures on the quality of electricity transmission, distribution and metering services for the 2012-2015 regulatory period. Specifically, the objectives of the resolution include the need to extend the incentives concerning the number of service interruptions (for medium-voltage customers) to comprise short interruptions and to introduce new rules governing voltage quality.

Iberia and Latin America

Spain

Rate updates

On June 30, 2010, Ministerial Order 1732/2010 was published, setting access rates for the 2nd Half of 2010. All rates were kept at the same level as for the 1st

Half of the year, except for the variable component of the access rate, which corresponds to the *Tarifa de Ultimo Recurso* (TUR) without regard to time band and was cut by 4.3% to offset the rise in the cost of electricity resulting from the most recent CESUR auction.

On the same date, the Ministerial Resolution of June 28, 2010, setting the cost of electricity for the TUR for the 3rd Quarter of 2010, was also published. Overall, the TUR without regard to time band was kept at the same level as for the previous period.

Royal Decree 1202/2010, published on September 25, 2010, set the access rate revision schedule. Access rates will be updated annually, unless the following extraordinary events (that could require the rates to be revised more frequently, though no more often than quarterly) occur:

- the existence of a rate deficit;
- regulatory changes that affect the regulated costs used in calculating access rates;
- on an exceptional basis, when special circumstances occur that affect regulated costs or the parameters used in calculating them.

The Ministerial Resolution of September 29, 2010 (published on September 30) set the parameters used in calculating the TUR for the 4th Quarter of 2010. There was a 5% increase overall in the TUR without regard to time band due entirely to the rise in the cost of electricity resulting from the twelfth CESUR auction. The access rates were left unchanged.

CESUR auctions

The eleventh CESUR auction was held on June 23, 2010. Thirty operators were awarded supplies for the 3rd Quarter of 2010 for a total of 4,000 MW at a price of €44.50/MWh for base load power and 536 MW at €50.48/MWh for peak load power. As to the purchase of obligations of suppliers of last resort (*Comercializadores de Ultimo Recurso* - CUR), Endesa Energia XXI must purchase 1,706 MW and 209 MW, respectively, of the energy auctioned for each product.

The twelfth CESUR auction was held on September 21, 2010. Thirty operators were awarded supplies for the 4th Quarter of 2010 for a total of 4,000 MW at a price of €46.94/MWh for base load power and 392 MW at €53.00/MWh for peak load power. As to the purchase obligations of the CURs, Endesa Energia XXI must purchase 1,629 MW and 186 MW, respectively, of the energy auctioned for each product.

Incentives to use domestic coal

On September 29, 2010 the European Commission approved the compensation to be paid to producers that generate electricity using Spanish coal. The Commission limited the amount of energy that can be generated under the Spanish Royal Decree for the 2011-2014 period to 23.4 TWh per year. The limit for the remainder of 2010 was set at 9.6 TWh from the date of application of the decree.

Royal Decree 1221/2010 amending Royal Decree 134/2010 was published on October 2, 2010, creating an incentive to consume domestic coal to bring it in line with the European treaty.

The government announced that it is speeding up the process of implementing the regulations required to make Royal Decree 1221/2010 effective.

Rate deficit

The Ministerial Resolution of July 26, 2010 (published on July 31) establishes that the final total of receivables accrued in respect of financing the deficit at December 31, 2009 can be securitized in the amount of €14,624 million, of which €7,702 million is owed to Endesa.

Vandellos nuclear power plant

With Ministerial Order ITC/2149/2010, published on August 5, 2010, the Spanish government approved the renewal of the operating license of the Vandellos II nuclear power plant (in which Endesa has a 72% stake). The license takes effect as from July 26, 2010, with a term of 10 years.

Argentina

Remuneration of distribution activities

In August 2010 the appellate court issued a ruling in favor of distribution company Edenor requiring the regulator, ENRE, to recognize the increases for the *Mecanismo de Monitoreo de Costos* (MMC – an indicator of price developments introduced by the *Acta de Acuerdo* in 2005) not incorporated into the rates. In March 2010, the court of first instance had ruled in favor of recognizing the MMCs.
ENRE may either appeal the decision or recognize the outstanding MMCs.

Generation

On September 1, 2010, the Argentine government and Endesa signed a preliminary agreement to increase the availability of steam turbines at the Costanera plant, a move expected to bring Endesa around $120 million.

Cooperation agreement between Argentina and Chile

In September 2010, the Argentine Planning Minister and the Chilean Energy Minister signed a cooperation agreement for future export of gas from Chile to Argentina (through the Quinteros and Mejillones regasification terminals).

Reorganization of wholesale electricity market

In September 2010, the Argentine *Secretaría de Energía* presented generating companies with a proposal to reorganize the wholesale electricity market, as well as the compensation to be paid to generators for the 2010-2011 period.

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.
On July 22, 2010, the regulator, ANEEL, approved the regulation making the law operational, including the definitive criteria to be used to determine customer eligibility and the amount of the consumption-based discounts. The distribution companies must publish their lists of eligible customers within 60 days of approval.

Commercial rules for distribution companies

On September 9, 2010, ANEEL approved Resolution 414/2010, amending Resolution 456/2000 containing the commercial rules to be followed by distribution companies in dealing with their regulated customers The new text, which incorporates a range of resolutions adopted in the past ten years, governs the rights and obligation of distributors and will apply to all final customers. The resolution requires distribution companies to establish an office in each city covered by the concession.

Argentina-Brazil interconnection line (CIEN)

On September 20, 2010 ANEEL issued Technical Note 091/2010 setting the basis of the remuneration for the CIEN interconnection line. The company responded by submitting a higher basic request for remuneration and asked that the concession period be extended from 20 to 30 years.

Distribution rates

On September 10, 2010 ANEEL formally initiated the process of reviewing the distribution rates (third rate cycle), proposing to change the method and reference parameters used (such as WACC and Regulatory Asset Base - RAB) non-technical losses and the X efficiency factor. As to the RAB, the regulator agreed to not subject assets recognized during the previous period to review, rather allowing a simple adjustment for capital expenditure and disposals made over the last few years. The consultation process will continue until December 10, 2010, with a public hearing set for September 2, 2010.
Coelce will be the first Brazilian distribution company subject to review for the April 2011 - April 2014 period.

Chile

Regulations governing emissions by thermal power plants

The Chilean environmental commission (*Comisión Nacional del Medio Ambiente* - CONAMA) is reviewing its Resolution 7550, published on December 15, 2009, containing the draft regulations on thermal power plant emissions, setting the maximum levels allowed for particulates, nitrogen oxide, sulfur dioxide, mercury, nickel and vanadium.
The document sets different limits for new and existing power plants through 2020, when the limits applicable to all plants come into force.

System security measures

In light of the damage caused to Chilean electricity systems by the recent earthquakes, the government has adopted a number of measures designed to improve dispatching and to guarantee the quality and security of electricity service. These are largely operational measures targeted at improving monitoring, network planning and coordination provided by system operators (CDEC).

Review of sub-transmission rates

The process of reviewing Chilectra's sub-transmission rates is currently under way, with the new four-year rates expected to come into effect starting from November 2010. A public hearing was held on August 24, 2010. The regulator CNE has three months in which to present its technical proposal.

Ancillary generation services

On September 29, 2010 CNE published a draft resolution on ancillary generation services. A public consultation on this issue is under way.

Colombia

Wholesale market

In September 2010 the regulator CREG published Resolution 121 on "negative reconciliation". Under the mechanism, generation companies will no longer receive compensation in the event it is impossible for them to deliver power owing to problems beyond their control, mainly related to system availability.
In addition, CREG adopted Resolution 138-2010 on September 17, 2010, reducing the degree of confidentiality given information on transactions carried out in the daily wholesale market. Specifically, information on withdrawals will be considered in the public domain and the bid price will remain confidential only until the first business day of the subsequent month.

Gas service security

With Decree 2730/2010, adopted in July 2010 and subsequently partially amended by Decree 2830-2010, the Ministry for Energy and Mineral Resources introduced regulations designed to improve oversight and increase the security of gas services. It is expected that these regulations will have a positive impact on the electricity industry with regard to the stability and security of services and, therefore, its ability to provide greater assurances of thermal power plant availability.
Resolution 181.651, published by the Ministry for Energy and Mineral Resources on September 20, 2010, declared the natural gas scarcity for the country to be over.

Peru

Secondary natural gas market

On August 5, 2010 the Peruvian Ministry of Energy and Mines approved Supreme Decree 46-2010-EM, regulating the secondary gas market where gas and transport capacity is traded through electronic auctions held on MECAP (*Mercado Electrónico de las subastas de Transferencia de Producción y/o Capacidad de Transporte a Firme de Gas Natural*). Secondary gas market transactions may take the form of bilateral contracts for a transitional period of no more than one year. After that, only centralized auctions can be used. The creation of the secondary gas market means that the electricity sector will enjoy more flexible provisioning arrangements.

International

France

NOME Act

The French National Assembly approved the NOME Act at first reading on June 15, 2010. It was subsequently sent to the Senate's Economy Committee, which made a number of changes to the text and submitted it to the Senate.
During the Senate debate, the main new issue to arise was discussion of extending the TaRTAM mechanism until the ARENH mechanism (also introduced by the law) is effectively operational. The Senate also approved a change suggested by the Economy Committee to transfer the payment of connection costs to the generation companies in order to reduce the impact on distribution

companies and to contain requests for connection made by generators using renewable energy resources.

Roussely Report and nuclear policy

On May 11, 2010 a confidential report prepared under the guidance of François Roussely was sent to the French President. In July 2010 a summary of the report was published, containing guidelines for France's nuclear energy policy. Among its objectives, the report calls for forging a partnership between EDF and AREVA and making them more competitive in the global nuclear energy market in order to create opportunities for exporting French technology.
The report suggests ensuring that the construction of the Flamanville 3 plant proceed as quickly and cost-effectively as possible and calls for making investments to expand existing plant availability. Recognizing that certain problems faced by EPR plants are the result of the large number of safety standards imposed during construction, the report recommends greater cooperation between EDF and the French nuclear safety authority (*Autorité de Sûreté Nucléaire* - ASN) concerning safety measures and the operational life of French nuclear power plants to make them more competitive. Finally, the report suggests that smaller-scale plants (1,000-1,150 MW), for which there is higher demand internationally, be added to France's portfolio.

Regulated electricity rates

On August 15, 2010 the French Energy Ministry set the new final regulated electricity rates, featuring average increases of 4%, 4.5% and 5.5% for small, medium and large customers, respectively.
TaRTAM rates, in effect through December 2010, were also increased by an average of 0.6%.

Slovakia

Emissions trading

In the 3rd Quarter of 2010, Slovenské elektrárne produced about 0.7 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

Capacity market

The volumes of capacity sold on the free market are rising in line with the volume of liberalized electricity envisaged in the decree of April 7, 2007: currently, 80% of capacity for non-residential customers is sold on the free market. The Russian antitrust authority (FAS) has identified capacity zones for which bids will be subject to price caps for 2011 for the long-term capacity market that will come into effect starting next year. Only Enel's Nevinnomyskaya plant falls within the zones subject to the price cap, set at 118 rubles/MW/month. Negotiations are currently under way to set the ten-year capacity rates for the new groups of plants in Nevinnomyskaya and Sredneuralskaya, for a capacity of 410 MW each.

Romania

Distribution rates

On March 5, 2010, the Romanian regulator ANRE published a consultation document that amends Order 39/2007 on the methodology used to calculate distribution rates. The proposed amendment establishes an annual correction mechanism for distribution rates based on the difference between investments carried out during the year and those planned and remunerated ex ante in rates in the investment plan agreed with the regulator at the start of the regulatory period. The existing rules provided for the adjustment to be made at the end of the regulatory period.

The new measure was published on September 2, 2010.

Greece

Wholesale market rules

Following a consultation process with electricity sellers and generators and based on comments received from the Greek Transmission System Operator (TSO), in September 2010 the Greek regulator RAE announced its final position on the changes in the wholesale market rules meant to counter alleged gaming by the dominant operator. The proposal provides starting from January 1, 2011:

> the mandatory inclusion of opportunity costs for CO_2 in the bids of generators on the electronic market, only as to the portion not freely assigned;
> the imposition of close monitoring and penalties for false statements of availability;
> more stringent rules governing offers of mandatory electricity from hydroelectric plants for the dominant operator and restrictions on intra-day changes in output;
> extension of the regulated mechanism for remuneration of capacity for 2011.

The Ministry is expected to issue its final decision in the 4th Quarter of 2010.

Renewable Energy

Italy

National action plan

As regards implementation of Directive 2009/28/EC on the promotion of the use of energy from renewable sources, on July 28, 2010 the Ministry for Economic Development sent the national renewable energy action plan to the European Commission. The plan divides the national development target between the electricity, heating and transport sectors. Specifically, for the electricity sector the plan sets a target for renewables' contribution to gross final electricity consumption of about 26%.

Brazil

Renewable energy auctions

The Brazilian regulator ANEEL approved the rules for the auctions of reserve power and A-3 energy generated from renewable hydroelectric, wind and biomass resources (respectively regulations 05/2010 and 07/2010) on July 22,

2010. Through these auctions, held on August 25 and 26, 2,892 MW of installed capacity for 70 wind power plants, 12 biomass plants and 7 small hydroelectric plants was assigned.
The average price assigned for wind power plants was 130 reais/MWh (about €58/MWh).
The contracts have a duration of 15 years for biomass plants, 20 years for wind plants and 30 years for hydroelectric plants.

Greece

Geothermal power exploration

In August 2010, the Greek Ministry for the Environment and Energy published a consultation document for the tender to award exploration contracts for four areas of the country in order to discover new geothermal fields for subsequent development.

Extension of rate regime for rooftop photovoltaic panels to islands

In September 2010, the Ministry for the Environment and Energy announced its decision to extend the rate regime for photovoltaic panels installed on rooftops (less than 10 kW) to the Greek isles, but with a lower threshold (<5kW – except for Crete where the 10 kW restriction applies). The decision extends the program beyond systems installed on top of residential buildings to photovoltaic panels on any type of building.

France

New remuneration rules for photovoltaic systems

On September 1, 2010, the French Energy Ministry approved a new decree on remuneration for photovoltaic systems, which replaces that approved on January 14, 2010.
As of September 1, the following rates apply:
> €580/MWh for systems integrated into residential buildings of less than 3 kWc;
> €510/MWh for systems integrated into residential buildings of more than 3 kWc and into hospitals and schools;
> €440/MWh for systems integrated into other types of buildings;
> €370/MWh for simplified-integration systems;
> for systems installed on the ground, the remuneration depends on the location of the systems, since it is based on the product of €276/MWh and an "R" location coefficient.

These rates remain unchanged for plants in operation from 2011 and will be cut by 10% per year for plants that enter into operation starting from 2012.

Mexico

Regulatory measures in support of renewable energy

On July 8, 2010 the Environmental Protection Committee submitted amendments to Article 122 of the Environmental Law proposed by Mexico's Green Party (*Partido Verde Ecologista de México* - PVEM) to the Legislative Assembly of the Federal District in March for official approval. The proposal calls for the construction of solar power systems on public buildings in Mexico City in order to reduce consumption and greenhouse gas emissions. These changes could take effect starting from January 2012.

Peru

Renewable energy auctions

The second auction to assign capacity for generation from renewable resources for 2010 was held on July 23, 2010 (500 MW in total, 410 MW of which assigned on February 12, 2010).

Romania

Government Decision 29/2010

This decision amends Law 139/2010 establishing:

> the definition of final gross consumption for the purposes of the renewable resources generation obligation;

> the information that must be included in the report on how national targets will be achieved;

> the introduction of two new chapters concerning administrative procedures and certification schemes.

Spain

Remuneration for photovoltaic plants

On July 20, 2010, the government published the results of the third *convocatoria* of 2010. Based on the capacity recorded, the rates that will apply starting from the 4th Quarter of 2010 were recalculated and set as follows: for integrated installations, €321.97/MWh for plants of less than or equal to 20 kW, €286.84/MWh for those of more than 20 kW and €258.60/MWh for ground installations.
On August 6, 2010 Royal Decree 1003/2010, governing the payment of incentives for the use of photovoltaic systems, was published. Due to the numerous irregularities discovered during inspections of these installations, the government has established a procedure through the measure to improve the qualification process for the incentive scheme.
The National Energy Commission (CNE) will check whether certain systems identified by DGPEM (the Energy and Mineral Policy Directorate General) have installed all the components required for electricity generation, upon threat of suspension of the incentive as a precautionary measure and return of payments received if found to not be in compliance.
In order to be exempt from Royal Decree 1003/2010, applicants have until October 5, 2010 to waive the financial terms of Royal Decree 661/2007 and instead receive the remuneration set in the first *convocatoria* of Royal Decree 1578/2008.
With the Resolution of August 6, 2010, the DGPEM established that inspections will begin with those systems listed in the administrative register prior to September 30, 2008, for a total capacity of 800 MW.
Under Royal Decree 1003/2010, on September 24, 2010 CNE send requests for information to the owners of 9,041 photovoltaic systems with a total capacity of 955 MW. The documentation must be submitted to CNE within two months of the receipt of the request.

United States

Carbon Regulation

Following the approval of the American Clean Energy and Security Act (also known as the Waxman-Markey Act, 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 2009 (the CLEAR Act) and subsequently a new bill (the American Power Act) was presented by Senators Kerry and Lieberman in May 2010. However, as they were unable to find a compromise that enjoyed majority support, the bills were abandoned. Therefore, it is highly uncertain whether an emissions trading system will be adopted by the current Congress. However, the debate in the Senate slowed 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 an 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 an emission permit scheme for industrial sites based on certain emission performance standards, in effect starting from 2011.

Operating review

Electricity generation and demand

DOMESTIC ELECTRICITY GENERATION AND DEMAND

3rd Quarter				Millions of kWh	First nine months			
2010	2009	Change			**2010**	2009	Change	
				Net electricity generation:				
57,358	56,502	856	1.5%	- thermal	164,413	156,009	8,404	5.4%
12,433	13,791	(1,358)	-9.8%	- hydroelectric	37,937	44,113	(6,176)	-14.0%
3,297	2,605	692	26.6%	- geothermal and other resources	10,724	8,517	2,207	25.9%
73,088	**72,898**	**190**	**0.3%**	**Total net electricity generation**	**213,074**	**208,639**	**4,435**	**2.1%**
10,692	10,692	-	-	Net electricity imports	33,607	34,845	(1,238)	-3.6%
83,780	**83,590**	**190**	**0.2%**	**Electricity delivered to the network**	**246,681**	**243,484**	**3,197**	**1.3%**
(739)	(1,223)	484	39.6%	Consumption for pumping	(3,334)	(4,220)	886	21.0%
83,041	**82,367**	**674**	**0.8%**	**Electricity demand**	**243,347**	**239,264**	**4,083**	**1.7%**

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

> Domestic **electricity demand** increased by 1.7% in the first nine months of 2010 compared with the same period of 2009, reaching 243.3 TWh. Of the total, 86.2% was met by net domestic generation for consumption (85.4% in the first nine months of 2009) and 13.8% by net imports (14.6% in the first nine months of 2009). Developments were similar in the 3rd Quarter of 2010, when electricity demand rose by 0.8% (up 0.7 TWh).

> **Net electricity imports** in the first nine months of 2010 decreased by 1.2 TWh (concentrated in the 1st Half) 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 first nine months of 2010 rose by 2.1% (up 4.4 TWh). The rise in demand, together with the reduction in hydroelectric generation (down 6.2 TWh) due to the effect of better water availability in the year-earlier period, led to an increase in thermal generation (up 8.4 TWh) and in generation from geothermal and other resources (up 2.2 TWh). In the 3rd Quarter of 2010, developments in net electricity generation were in line with the same period of the previous year.

DOMESTIC GAS DEMAND

3rd Quarter				Billions of m3	First nine months			
2010	2009	Change			**2010**	2009	Change	
1.8	2.2	(0.4)	-18.2%	Residential and commercial	20.8	20.8	-	-
4.2	3.8	0.4	10.5%	Industrial	14.2	11.6	2.6	22.4%
7.6	7.6	-	-	Thermal generation	21.6	20.1	1.5	7.5%
0.5	0.5	-	-	Other (1)	1.6	1.6	-	-
14.1	**14.1**	**-**	**-**	**Total**	**58.2**	**54.1**	**4.1**	**7.6%**

(1) Includes other consumption and losses.

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

Domestic demand for natural gas in the first nine months of 2010 increased by 7.6% compared with the year-earlier period, when consumption had declined in reflection of the slowdown in the Italian economy as a result of the financial crisis. More specifically, the increase in industrial demand and thermal generation was accompanied by unchanged residential and commercial demand.
Developments changed in the 3rd Quarter of 2010, when the increase in industrial demand was offset by the decline in residential and commercial consumption.

Enel's electricity and natural gas flows

ENEL'S ELECTRICITY AND NATURAL GAS FLOWS (DOMESTIC)

3rd Quarter					First nine months			
2010	2009	Change			**2010**	2009	Change	
				Electricity (TWh)				
20.7	21.4	(0.7)	-3.3%	Enel's net electricity generation in Italy	61.6	63.7	(2.1)	-3.3%
62.2	61.4	0.8	1.3%	Electricity transported on Enel's domestic distribution network (1)	183.6	179.5	4.1	2.3%
28.8	33.5	(4.7)	-14.2%	Enel's domestic electricity sales (2)	84.6	97.8	(13.2)	-13.5%
				Natural gas (billions of m3)				
0.6	0.6	-	-	Gas sold to end users	3.8	3.5	0.3	8.6%

(1) Excluding sales to resellers. The figures for the first nine months and 3rd Quarter of 2009 reflect a more accurate measurement of quantities transported following additional checks.
(2) Excluding sales to resellers.

> Enel's **net electricity generation** in Italy decreased by 3.3% in the first nine months and 3rd Quarter of 2010. The decrease in output over the first nine months is largely attributable to the decline in hydroelectric generation (down 2.2 TWh) as a result of poorer water availability conditions;

> **electricity transported** in the first nine months of 2010 came to 183.6 TWh, an increase of 2.3% that reflects the trend in demand on the national grid;

> Enel's domestic **electricity sales** in the first nine months of 2010 amounted to 84.6 TWh (28.8 TWh in the 3rd Quarter of 2010), a decrease of 13.5% and 14.2% respectively, attributable to a decline in sales to business customers on the free market and enhanced protection market customers;

> **gas sold** rose by 8.6% in the first nine months of 2010 (but was largely unchanged in the 3rd Quarter) as a result of the increase in industrial production in response to the domestic economic recovery.

ENEL ELECTRICITY AND NATURAL GAS FLOWS (ABROAD)

3rd Quarter					First nine months			
2010	2009	Change			**2010**	2009	Change	
				Electricity (TWh)				
55.3	52.0	3.3	6.3%	Enel's net electricity generation abroad	155.3	132.1	23.2	17.6%
47.4	46.4	1.0	2.2%	Electricity transported on Enel's international distribution network (1)	138.6	108.2	30.4	28.1%
50.2	47.7	2.5	5.2%	Enel's international electricity sales (1)	144.5	113.0	31.5	27.9%
				Natural gas (billions of m^3)				
1.0	1.1	(0.1)	-9.1%	Gas sold to end users	3.1	2.3	0.8	34.8%

(1) Excluding sales to resellers.

> Enel's **net electricity generation** abroad in the first nine months of 2010 amounted to 155.3 TWh, compared with 132.1 TWh in the same period of 2009. The rise is largely attributable to the change in the method used to consolidate Endesa (23.2 TWh) as from the end of June 2009, with generation abroad essentially in line with that in the first nine months of 2009. This reflected greater generation by the International Division and the Renewable Energy Division, offset by a decline in the output of the Iberia and Latin America Division;

> **electricity transported** in the first nine months of 2010 came to 138.6 TWh, an increase of 30.4 TWh that reflects the change in the method of consolidating Endesa (an increase of 27.1 TWh), as well as an increase in demand in the Latin American market;

> Enel's international **electricity sales** in the first nine months of 2010 rose by 31.5 TWh, mainly due to the change in the method used to consolidate Endesa (an increase of 24.8 TWh), together with greater sales in France, Russia and the Latin American countries.

Main changes in the scope of consolidation

In the first nine months 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 International Wind Parks of Rhodes, Glafkos Hydroelectric Station and International Wind Parks of Achaia, which operate in Greece in the generation of electricity from renewables;

> acquisition, on June 25, 2009, by Enel, acting through its subsidiary Enel Energy Europe, of the 25.01% of Endesa held, directly and indirectly, by Acciona. Following the acquisition, Enel holds 92.06% of Endesa and exercises full control over the company. As a result, as from that date, Endesa is consolidated in the Enel Group on a full, line-by-line basis rather than proportionately, with separate reporting of the minority interest of 7.94%;

> 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 exercise joint control with 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 the 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, Enel Green Power Puglia (formerly Italgest Wind), Enel Green Power Strambino Solar, Altomonte FV (formerly Resit Altomonte), EnerLIVE and Enel Green Power TSS (formerly Anemos 1);

> acquisition, on April 20, 2010, of Enel Longanesi Development, which operates in Italy in the natural gas extraction field;

> disposal, on July 1, 2010, by Endesa of 50.01% of Endesa Hellas, a Greek company operating in the renewables generation sector;

> subscription, on July 30, 2010, of the capital increase of 3Sun, with which Enel Green Power acquired a 33.33% stake in that company.

As regards the acquisition, by way of subscription of a restricted capital increase, of 33.33% of 3Sun, the following table reports the main effects of the transaction.

ACQUISITION OF 3SUN

Millions of euro	
Property, plant and equipment	34
Cash and cash equivalents	27
Other current and non-current assets	7
Total assets	**68**
Other current and non-current liabilities	1
Total liabilities and minority interests	**1**
Total net assets acquired	**67**
Badwill	(7)
Value of the transaction	**60**
Cash flow impact at September 30, 2010	**60**

The contribution of 3Sun to Group operating income was nil.

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 and operational since January 1, 2008.

Segment information for the 3rd Quarter of 2010 and 2009

3rd 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	4,438	2,994	33	682	7,812	1,605	490	90	36	(10)	**18,170**
Revenues from other segments	63	1,187	92	1,072	(9)	38	53	71	226	(2,793)	**-**
Total revenues	**4,501**	**4,181**	**125**	**1,754**	**7,803**	**1,643**	**543**	**161**	**262**	**(2,803)**	**18,170**
Net income/(charges) from commodity risk management	(109)	187	-	-	(11)	16	1	(3)	-	-	**81**
Gross operating margin	**88**	**624**	**7**	**981**	**1,983**	**363**	**315**	**(13)**	**44**	**(5)**	**4,387**
Depreciation, amortization and impairment losses	57	139	1	233	813	182	91	2	23	-	**1,541**
Operating income	**31**	**485**	**6**	**748**	**1,170**	**181**	**224**	**(15)**	**21**	**(5)**	**2,846**
Net financial income/(expense) and income/(expense) from equity investments accounted for using the equity method	-	-	-	-	-	-	-	-	-	-	**(867)**
Income taxes	-	-	-	-	-	-	-	-	-	-	**626**
Net income from continuing operations	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,353**
Net income from discontinued operations	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Net income (Group and minority interests)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,353**

(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.

3rd 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	4,690	3,033	43	445	7,323	1,370	347	68	28	(8)	17,339
Revenues from other segments	103	1,313	155	1,163	-	43	49	90	242	(3,158)	-
Total revenues	**4,793**	**4,346**	**198**	**1,608**	**7,323**	**1,413**	**396**	**158**	**270**	**(3,166)**	**17,339**
Net income/(charges) from commodity risk management	(223)	174	-	-	850	36	30	4	-	-	871
Gross operating margin	**108**	**805**	**-**	**827**	**2,186**	**411**	**264**	**2**	**53**	**-**	**4,656**
Depreciation, amortization and impairment losses	49	176	1	210	674	137	56	2	23	-	1,328
Operating income	**59**	**629**	**(1)**	**617**	**1,512**	**274**	**208**	**-**	**30**	**-**	**3,328**
Net financial income/(expense) and income/(expense) from equity investments accounted for using the equity method	-	-	-	-	-	-	-	-	-	-	(788)
Income taxes	-	-	-	-	-	-	-	-	-	-	862
Net income from continuing operations	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,678**
Net income from discontinued operations	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(69)**
Net income (Group and minority interests)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,609**

(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.

Segment information for the first nine months of 2010 and 2009

FIRST NINE MONTHS 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	13,500	8,623	81	1,871	22,586	4,644	1,357	258	83	(31)	52,972
Revenues from other segments	149	3,794	372	3,297	60	110	160	226	703	(8,871)	-
Total revenues	**13,649**	**12,417**	**453**	**5,168**	**22,646**	**4,754**	**1,517**	**484**	**786**	**(8,902)**	**52,972**
Net income/(charges) from commodity risk management	(490)	586	-	-	15	3	64	(5)	-	-	173
Gross operating margin	**281**	**1,853**	**14**	**2,826**	**6,030**	**1,204**	**966**	**(16)**	**117**	**(10)**	**13,265**
Depreciation, amortization and impairment losses	199	408	3	673	2,282	442	247	5	77	-	4,336
Operating income	**82**	**1,445**	**11**	**2,153**	**3,748**	**762**	**719**	**(21)**	**40**	**(10)**	**8,929**
Net financial income/(expense) and income/(expense) from equity investments accounted for the using equity method	-	-	-	-	-	-	-	-	-	-	(2,634)
Income taxes	-	-	-	-	-	-	-	-	-	-	1,889
Net income from continuing operations	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**4,406**
Net income from discontinued operations	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Net income (Group and minority interests)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**4,406**
Operating assets	**7,137**	**14,910**	**187**	**17,270**	**80,280** (2)	**13,002** (4)	**8,912** (6)	**1,210**	**1,794**	**(5,598)**	**139,104**
Operating liabilities	**5,105**	**3,626**	**271**	**5,465**	**12,858** (3)	**4,812** (5)	**1,032** (7)	**2,385**	**1,826**	**(5,606)**	**31,774**
Capital expenditure	**27**	**411**	**2**	**784**	**1,386**	**779**	**593**	**2**	**41**	**-**	**4,025**

(1) Segment revenues include both revenues from third parties and revenue flows between the segments. An analogous approach was taken for other income and costs for the period.
(2) Of which €1,974 million regarding units classified as "Held for sale".
(3) Of which €149 million regarding units classified as "Held for sale".
(4) Of which €585 million regarding units classified as "Held for sale".
(5) Of which €25 million regarding units classified as "Held for sale".
(6) Of which €411 million regarding units classified as "Held for sale".
(7) Of which €11 million regarding units classified as "Held for sale".

FIRST NINE MONTHS 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	15,175	9,060	148	1,562	14,469	3,926	1,141	259	85	(29)	**45,796**
Revenues from other segments	231	4,580	507	3,517	3	136	118	255	694	(10,041)	**-**
Total revenues	**15,406**	**13,640**	**655**	**5,079**	**14,472**	**4,062**	**1,259**	**514**	**779**	**(10,070)**	**45,796**
Net income/(charges) from commodity risk management	(601)	601	-	-	328	49	76	5	-	-	**458**
Gross operating margin	**268**	**2,682**	**13**	**2,843**	**4,602**	**1,109**	**884**	**56**	**142**	**(4)**	**12,595**
Depreciation, amortization and impairment losses	218	520	2	630	1,628	443	169	6	72	-	**3,688**
Operating income	**50**	**2,162**	**11**	**2,213**	**2,974**	**666**	**715**	**50**	**70**	**(4)**	**8,907**
Net financial income/(expense) and income/(expense) from equity investments accounted for using equity method	-	-	-	-	-	-	-	-	-	-	(976)
Income taxes	-	-	-	-	-	-	-	-	-	-	2,195
Net income from continuing operations	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**5,736**
Net income from discontinued operations	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(153)**
Net income (Group and minority interests)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**5,583**
Operating assets (2)	**6,598**	**15,054**	**342**	**17,272**	**80,799** (3)	**12,292**	**6,423**	**1,229**	**2,197**	**(6,142)**	**136,064**
Operating liabilities (2)	**5,471**	**4,218**	**363**	**5,651**	**13,016** (4)	**4,786**	**804**	**1,090**	**1,612**	**(4,981)**	**32,030**
Capital expenditure	**43**	**503**	**1**	**762**	**1,515**	**671**	**564**	**1**	**49**	**-**	**4,109**

(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. The figures were restated as a result of the retrospective application of a number of accounting standards, as well as the completion of the process of allocating the cost of the purchase of 25.01% of Endesa to the assets acquired and liabilities assumed.
(3) Of which €485 million regarding units classified as "Held for sale".
(4) Of which €102 million regarding units classified as "Held for sale".

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

Millions of euro

	at Sept. 30, 2010	at Dec. 31, 2009 restated (1)
Total assets	**166,932**	**162,331**
Financial assets, cash and cash equivalents	19,005	18,480
Tax assets	8,823	7,787
Segment assets	139,104	136,064
- *of which:*		
Sales	7,137	6,598
Generation and Energy Management	14,910	15,054
Engineering and Innovation	187	342
Infrastructure and Networks	17,270	17,272
Iberia and Latin America (2)	80,280	80,799
International (3)	13,002	12,292
Renewable Energy (4)	8,912	6,423
Parent Company	1,210	1,229
Services and Other Activities	1,794	2,197
Eliminations and adjustments	(5,598)	(6,142)
Total liabilities	**117,965**	**116,398**
Loans and other financial liabilities	72,031	71,159
Tax liabilities	14,160	13,209
Segment liabilities	31,774	32,030
- *of which:*		
Sales	5,105	5,471
Generation and Energy Management	3,626	4,218
Engineering and Innovation	271	363
Infrastructure and Networks	5,465	5,651
Iberia and Latin America (5)	12,858	13,016
International (6)	4,812	4,786
Renewable Energy (7)	1,032	804
Parent Company	2,385	1,090
Services and Other Activities	1,826	1,612
Eliminations and adjustments	(5,606)	(4,981)

(1) The figures were restated as a result of the retrospective application of a number of accounting standards, as well as the completion of the process of allocating the cost of the purchase of 25.01% of Endesa to the assets acquired and liabilities assumed.
(2) Of which €1,974 million regarding units classified as "Held for sale" at September 30, 2010 (€485 million at December 31, 2009).
(3) Of which €585 million regarding units classified as "Held for sale" at September 30, 2010.
(4) Of which €411 million regarding units classified as "Held for sale" at September 30, 2010.
(5) Of which €149 million regarding units classified as "Held for sale" at September 30, 2010 (€102 million at December 31, 2009).
(6) Of which €25 million regarding units classified as "Held for sale" at September 30, 2010.
(7) Of which €11 million regarding units classified as "Held for sale" at September 30, 2010.

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

3rd Quarter				Millions of kWh	First nine months			
2010	2009	Change			**2010**	2009	Change	
				Free market:				
7,070	7,218	(148)	-2.1%	- mass-market customers	20,551	20,659	(108)	-0.5%
3,454	5,895	(2,441)	-41.4%	- business customers (1)	9,860	17,309	(7,449)	-43.0%
1,322	1,375	(53)	-3.9%	- safeguard market customers	3,381	4,198	(817)	-19.5%
11,846	14,488	(2,642)	-18.2%	Total free market	33,792	42,166	(8,374)	-19.9%
16,818	19,005	(2,187)	-11.5%	Total regulated market (enhanced protection market)	50,447	55,478	(5,031)	-9.1%
28,664	**33,493**	**(4,829)**	**-14.4%**	**Total**	**84,239**	**97,644**	**(13,405)**	**-13.7%**

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

Electricity sold in the first nine months of 2010 amounted to 84,239 million kWh (28,664 million kWh in the 3rd Quarter of 2010), down 13,405 million kWh (down 4,829 million kWh in the 3rd Quarter of 2010) compared with the corresponding period of the previous year, mainly due to lower sales on the free market to business customers and a decrease in sales to customers on the enhanced protection market.

NATURAL GAS SALES

3rd Quarter				Millions of m^3	First nine months			
2010	2009	Change			**2010**	2009	Change	
199	180	19	10.6%	Mass-market customers (1)	2,378	2,140	238	11.1%
365	350	15	4.3%	Business customers	1,430	1,330	100	7.5%
564	**530**	**34**	**6.4%**	**Total**	**3,808**	**3,470**	**338**	**9.7%**

(1) Includes residential customers and microbusinesses.

A total of 3,808 million cubic meters of gas was sold in the first nine months of 2010 (564 million cubic meters in the 3rd Quarter of 2010), an increase of 338 million cubic meters (up 34 million cubic meters in the 3rd Quarter of 2010) from the same period of the previous year. The increase is essentially in line with developments in demand for natural gas in Italy, which have also been driven by the economic recovery that emerged in the first nine months of 2010.

Performance

3rd Quarter			Millions of euro	First nine months		
2010	2009	Change		**2010**	2009	Change
4,501	4,793	(292)	Revenues	13,649	15,406	(1,757)
(109)	(223)	114	Net income/(charges) from commodity risk management	(490)	(601)	111
88	*108*	*(20)*	*Gross operating margin*	*281*	*268*	*13*
31	59	(28)	Operating income	82	50	32
			Operating assets	7,137	6,598 (1)	539
			Operating liabilities	5,105	5,471 (1)	(366)
			Employees at period-end (no.)	3,949	3,962 (1)	(13)
			Capital expenditure	27	43	(16)

(1) At December 31, 2009.

Performance in the 3rd Quarter

Revenues for the 3rd Quarter of 2010 totaled €4,501 million, a decline of €292 million or 6.1% from the same period of 2009 due to the following factors:

> a €165 million decrease in revenues on the regulated electricity market due mainly to the decrease in quantities sold (down 2.2 TWh) to customers on the enhanced protection market and to the decline in average sales prices, especially in the component covering generation costs;
> a €211 million decline in revenues on the free market, essentially attributable to smaller volumes sold (down 2.6 TWh);
> a €6 million increase in revenues on the natural gas market, essentially due to higher volumes sold despite lower average sales prices.

The **gross operating margin** in the 3rd Quarter of 2010 came to €88 million, a decrease of €20 million from the corresponding period of 2009. This reflects:

> a €10 million decrease in the margin on electricity sales on the regulated market, largely due to lower volumes sold; this negative effect was only partially offset by the increase in revenues recognized for the sales service and the reduction in provisioning costs;
> a €20 million increase in the margin on electricity sales on the free market, reflecting lower provisioning costs – partly as a result of the decline in quantities sold – and an increase in net income realized on commodity risk management;
> a €11 million increase in the margin on the sale of natural gas to end users;
> an increase in operating expenses, greater unrealized charges on commodity risk management and lower revenues for sundry reimbursements from customers totaling €41 million.

Operating income for the 3rd Quarter of 2010, after depreciation, amortization and impairment losses of €57 million (€49 million in the corresponding period of the previous year), came to €31 million, a decrease of €28 million from the same period of 2009.
The increase in depreciation, amortization and impairment losses is mainly attributable to increased provisions for doubtful accounts.

Performance in the first nine months

Revenues for the first nine months of 2010 came to €13,649 million, a decrease of €1,757 million (11.4%) from the same period of 2009, due to the following main factors:

> a €1,014 million decrease in revenues on the regulated electricity market due mainly to the decrease in quantities sold (down 5.0 TWh) to customers on the enhanced protection market and to the decline in average sales prices, especially in the component covering generation costs;
> a €781 million decline in revenues on the free market, essentially attributable to smaller volumes sold (down 8.4 TWh);
> a €29 million increase in revenues on the natural gas market, essentially due to higher volumes sold (an increase of 338 million cubic meters) despite lower average sales prices.

The **gross operating margin** for the first nine months of 2010 totaled €281 million, an increase of €13 million from the same period of 2009. The increase is essentially due to the following factors:

> a €52 million increase in the margin on electricity sales on the free market, reflecting lower provisioning costs, taking account of the decline in quantities sold and lower net charges realized on commodity risk management;
> a €23 million increase in the margin on the sale of natural gas to end users;
> a €20 million decrease in revenues for sundry reimbursements from customers;
> a decrease of €18 million in the margin on electricity sales on the regulated market, largely due to lower volumes sold; this negative effect was only partially offset by the increase in revenues recognized for the sales service and the reduction in provisioning costs;
> the recognition of €12 million for costs in respect of the fine levied by the Authority for Electricity and Gas with Resolution 66/07 for failure to comply with the obligation to indicate free payment options in invoices.

Operating income for the first nine months of 2010, after depreciation, amortization and impairment losses in the amount of €199 million (€218 million for the same period of 2009), came to €82 million, increasing by €32 million over the first nine months of 2009. The decrease in depreciation, amortization and impairment losses is mainly attributable to decreased provisions for doubtful accounts, partially offset by increased amortization.

Capital expenditure

Capital expenditure amounted to €27 million, down €16 million from the first nine months of 2009, when a number of investments in invoicing systems were made.

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 hydroelectric and thermal power plants in Italy through Enel Produzione, Hydro Dolomiti Enel (in the province of Trento) and SE Hydro Power (in the province of Bolzano);
  - 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:
  - nuclear power plants, through Sviluppo Nucleare Italia;
  - natural gas extraction projects, through Enel Longanesi Development;
  - natural gas regasification and storage plants, through Nuove Energie and Enel Stoccaggi.

Operations

NET ELECTRICITY GENERATION

3rd Quarter				Millions of kWh	First nine months			
2010	2009	Change			**2010**	2009	Change	
12,822	13,051	(229)	-1.8%	Thermal	35,965	36,015	(50)	-0.1%
5,146	5,567	(421)	-7.6%	Hydroelectric	16,549	18,570	(2,021)	-10.9%
2	-	2	-	Other resources	4	-	4	-
17,970	**18,618**	**(648)**	**-3.5%**	**Total net generation**	**52,518**	**54,585**	**(2,067)**	**-3.8%**

Net electricity generation in the first nine months of 2010 amounted to 52,518 million kWh, a decrease of 3.8% on the same period of 2009. A similar trend was seen in the 3rd Quarter of 2010, with net power generation of 17,970 million kWh, a decline of 3.5% from the 3rd Quarter of 2009. The 2,021 million kWh decrease in hydro generation for the first nine months of 2010 (down 421 million kWh in the 3rd Quarter of 2010), attributable to less favorable water conditions during the period, was compounded by the decrease in thermal generation of 50 million kWh (down 229 million kWh in the 3rd Quarter of 2010).

CONTRIBUTION TO GROSS THERMAL GENERATION

3rd Quarter						Millions of kWh	First nine months					
2010		2009		Change			**2010**		2009		Change	
162	1.2%	363	2.6%	(201)	-55.4%	High-sulfur fuel oil (S>0.25%)	585	1.5%	1,430	3.7%	(845)	-59.1%
408	3.0%	379	2.7%	29	7.7%	Low-sulfur fuel oil (S<0.25%)	739	2.0%	1,508	3.9%	(769)	-51.0%
570	*4.2%*	*742*	*5.3%*	*(172)*	*-23.2%*	*Total fuel oil*	*1,324*	*3.5%*	*2,938*	*7.6%*	*(1,614)*	*-54.9%*
5,207	38.1%	5,966	42.8%	(759)	-12.7%	Natural gas	15,332	40.0%	14,165	36.7%	1,167	8.2%
7,755	56.8%	7,076	50.7%	679	9.6%	Coal	21,262	55.5%	21,116	54.7%	146	0.7%
126	0.9%	162	1.2%	(36)	-22.2%	Other fuels	369	1.0%	400	1.0%	(31)	-7.8%
13,658	**100.0%**	**13,946**	**100.0%**	**(288)**	**-2.1%**	**TOTAL**	**38,287**	**100.0%**	**38,619**	**100.0%**	**(332)**	**-0.9%**

Gross thermal generation for the first nine months of 2010 decreased slightly (down 332 million kWh, or 0.9%) compared with the same period of 2009 (down 288 million kWh in the 3rd Quarter of 2010, or 2.1%). The decline involved fuel-oil generation (down 54.9% in the first nine months of 2010), attributable to unfavorable developments in fuel prices, making this raw material uncompetitive. This was partially offset by the increase in natural-gas generation (up 8.2% in the first nine months of 2010), due to the increased operation requested of the combined-cycle plants in the northern part of the country (which offset the decline registered for plants in the center of Italy and in Sicily due to shutdowns for maintenance) and a slight rise in coal generation (up 0.7%). In the 3rd Quarter of 2010, declines were posted both in fuel-oil generation (down 23.2%) and natural-gas generation (down 12.7%) as a result of reduced use of combined-cycle plants. These decreases were partially offset by the increase in coal generation (up 9.6%), which was mainly attributable to the operation of the three units of the Torrevaldaliga Nord power plant (whose output more than offset the additional reduction in the availability of plants due to maintenance at the Brindisi and Fusina plants).

Performance

3rd Quarter			Millions of euro	First nine months		
2010	2009	Change		**2010**	2009	Change
4,181	4,346	(165)	Revenues	12,417	13,640	(1,223)
187	174	13	Net income/(charges) from commodity risk management	586	601	(15)
624	*805*	*(181)*	*Gross operating margin*	*1,853*	*2,682*	*(829)*
485	629	(144)	Operating income	1,445	2,162	(717)
			Operating assets	14,910	15,054 (1)	(144)
			Operating liabilities	3,626	4,218 (1)	(592)
			Employees at period-end (no.)	6,644	6,703 (1)	(59)
			Capital expenditure	411	503	(92)

(1) At December 31, 2009.

Performance in the 3rd Quarter

Revenues came to €4,181 million for the 3rd Quarter of 2010, down €165 million or 3.8% from the same period of 2009 due mainly to the following factors:

> a €324 million decrease in revenues from sales on the Power Exchange, mainly owing to a reduction in volumes sold (down 4.2 TWh);
> a €35 million decrease in revenues from contributions from the Electricity Equalization Fund due to the termination as from the end of 2009 of the right to receive reimbursement of stranded costs;
> a €26 million decrease in revenues from trading on international electricity markets, due essentially to lower average sales prices, as volumes sold increased (up 3.0 TWh).

These effects were partially offset by:

> a €127 million increase in revenues from electricity sales, due to higher revenues from electricity sales to resellers operating on the domestic and international markets (up €304 million), partially offset by lower volumes sold (down 3.0 TWh) on the free market by the Sales Division (down €177 million);
> a €48 million increase in revenues from the sale of fuels for trading, resulting from the €83 million increase in natural gas sales, partially offset by the €35 million decline in sales of other fuels;
> a €40 million increase in revenues from the sale of certified emission reductions (CERs), partially offset by a decrease of €12 million in revenues from the sale of green certificates to the Energy Services Operator;
> a €19 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.

The **gross operating margin** for the 3rd Quarter of 2010 came to €624 million, down €181 million or 22.5% from the €805 million posted for the same period of 2009. The decrease is essentially attributable to the decline in the generation margin, as well as the termination of the right to receive reimbursement of stranded costs mentioned in the comments on revenues.

Operating income came to €485 million, down €144 million or 22.9% from the 3rd Quarter of 2009. The change also reflects the effects of a €37 million decrease in depreciation, amortization and impairment losses, mainly attributable to the revision of the useful life of a number of plants deemed essential to system security.

Performance in the first nine months

Revenues for the first nine months of 2010 totaled €12,417 million, a decrease of €1,223 million (9.0%) from the same period of 2009, due primarily to the following factors:

> a €1,081 million decrease in revenues from sales on the Power Exchange, mainly owing to a reduction in volumes sold (down 12.0 TWh) and the decrease in average sales prices;
> a €204 million decrease in revenues from the sale of green certificates to the Energy Services Operator, partially offset by an increase of €67 million in revenues from sales of CERs;
> a €108 million decrease in revenues from contributions from the Electricity Equalization Fund due to the termination as from the end of 2009 of the right to receive reimbursement of stranded costs;

- a €74 million decline in revenues from the sale of fuels for trading resulting from the €57 million decrease in sales of other fuels and the €17 million decline in sales of natural gas;
- a €57 million decrease in revenues from trading on international electricity markets, due essentially to lower average sales prices, as volumes sold increased (up 9.7 TWh);
- a €78 million decrease in revenues due to the recognition in the 2nd Quarter of 2009 of revenues relating to prior-year items under a settlement reached between Eni and Enel Trade.

These effects were partially offset by:

- a €179 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 €162 million increase in revenues from electricity sales, the net results of higher revenues from electricity sales to resellers operating on the domestic and international markets (up €863 million), partially offset by lower volumes sold (down 9.5 TWh) on the free market by the Sales Division (down €701 million).

The **gross operating margin** for the first nine months of 2010 came to €1,853 million, down €829 million or 30.9% from the €2,682 million posted for the same period of 2009. The decrease is essentially attributable to the decline in the margin on generation and that on natural gas trading, to the recognition in the 2nd Quarter of 2009 of revenues from positive items related to prior-year periods under a settlement agreement reached with Eni and to the termination of the right to receive stranded costs mentioned above.

Operating income amounted to €1,445 million, down €717 million or 33.2% on the first nine months of 2009. The change also reflects the effects of a €112 million decrease in depreciation, amortization and impairment losses, mainly attributable to the revision of the useful life of a number of plants deemed essential to system security.

Capital expenditure

Capital expenditure came to €411 million, €402 million of which for generation plants. The main investments in the first nine months of the year regarded the continuation of work on thermal plants in the amount of €344 million (including the coal conversion of the Torrevaldaliga Nord plant in the amount of €151 million and the refurbishment of particulate capture systems at the Brindisi plant for €16 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

3rd Quarter			Millions of euro	First nine months		
2010	2009	Change		**2010**	2009	Change
125	198	(73)	Revenues	453	655	(202)
7	*-*	*7*	*Gross operating margin*	*14*	*13*	*1*
6	(1)	7	Operating income	11	11	-
			Operating assets	187	342 (1)	(155)
			Operating liabilities	271	363 (1)	(92)
			Employees at period-end (no.)	1,287	1,202 (1)	85
			Capital expenditure	2	1	1

(1) At December 31, 2009.

Performance in the 3rd Quarter

Revenues for the 3rd Quarter of 2010 came to €125 million, down €73 million or 36.9% from the same period of the prior year. The decrease is essentially the net effect of:

> a €71 million decline in business with the Generation and Energy Management Division, related mainly to the coal conversion of the Torrevaldaliga Nord plant;

> a €26 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 €7 million increase in business with the companies of the International Division.

The **gross operating margin** and **operating income** in the 3rd Quarter of 2010 rose by €7 million, thanks mainly to containment of operating expenses.

Performance in the first nine months

Revenues for the first nine months of 2010 totaled €453 million, down €202 million or 30.8% from the same period of the previous year. The decline was essentially due to the following:

> a €202 million decline in business with the Generation and Energy Management Division, related mainly to the coal conversion of the Torrevaldaliga Nord plant, which was largely completed in the 1st Half of 2010;

> a €79 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 €47 million increase in business with the companies of the International Division, related mainly to the construction of combined-cycle plants in Russia (€24 million) and Belgium (€22 million), as well as to work to modernize the thermal power plants in Slovakia (€18 million). These factors were partially offset by a decline in business in Bulgaria (€12 million) and Greece (€5 million).

The **gross operating margin** came to €14 million in the first nine months of 2010, in line with that for the corresponding period of the previous year.

Operating income totaled €11 million in the first nine months of the year, in line with developments in the 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

3rd Quarter					First nine months			
2010	2009	Change			**2010**	2009	Change	
62,172	61,433	739	1.2%	Electricity transported on Enel's distribution network (millions of kWh) (1)	183,600	179,517	4,083	2.3%

(1) The figures for the first nine months and 3rd Quarter of 2009 reflect a more accurate measurement of quantities transported following additional checks.

Developments in energy transported on the Enel network in Italy in the 3rd Quarter and the first nine months of 2010 essentially reflect the increase in electricity demand in the country, associated in part with the recovery in economic activity in the two periods of 2010 compared with the corresponding periods of 2009.

Performance

3rd Quarter			Millions of euro	First nine months		
2010	2009	Change		**2010**	2009	Change
1,754	1,608	146	Revenues	5,168	5,079	89
981	*827*	*154*	*Gross operating margin*	*2,826*	*2,843*	*(17)*
748	617	131	Operating income	2,153	2,213	(60)
			Operating assets	17,270	17,272 (1)	(2)
			Operating liabilities	5,465	5,651 (1)	(186)
			Employees at period-end (no.)	19,704	19,700 (2)	4
			Capital expenditure	784	762	22

(1) At December 31, 2009. The figures were restated as a result of the retrospective application of a number of accounting standards.
(2) At December 31, 2009.

Performance in the 3rd Quarter

Revenues in the 3rd Quarter of 2010 amounted to €1,754 million, up €146 million or 9.1% compared with the corresponding period of 2009. This change is essentially due to:

> a €97 million increase in revenues on electricity transport, attributable mainly to the increase in average transport prices (including equalization mechanisms) and the increase in quantities of electricity distributed to end users;
> a €47 million increase in revenues from prior-year items;
> a €10 million increase in contributions in respect of white certificates.

The **gross operating margin** amounted to €981 million, up €154 million or 18.6%, essentially attributable to:

- a €75 million increase in positive prior-year items;
- a €59 million increase in the margin on electricity transport.

Operating income, after depreciation, amortization and impairment losses of €233 million (€210 million in the 3rd Quarter of 2009), came to €748 million, up €131 million or 21.2% on that posted in the corresponding period of 2009.

Performance in the first nine months

Revenues for the first nine months of 2010 totaled €5,168 million, an €89 million increase (1.8%) over the same period of 2009; excluding the capital gain on the sale of Enel Linee Alta Tensione recognized in the 2nd Quarter of 2009 in the amount of €297 million (including the price adjustment), revenues for the first nine months increased by €386 million. This change is essentially due to:

- a €338 million increase in revenues on electricity transport, attributable mainly 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;
- a positive impact from prior-year items amounting to €36 million, equal to the net balance of items recognized in the first nine months of 2010 (a positive €7 million), mainly attributable to equalization covering electricity purchases, and the items recognized in the same period of 2009 (a negative €29 million), attributable to the equalization mechanism for the difference between actual grid losses and standard losses for 2007 and 2008, partially offset by the net positive adjustment of the residential customer equalization mechanism for 2007, the increase in revenues covering the employee and pensioner electricity discount for 2008 and the equalization mechanism covering electricity purchases;
- an increase in revenues for connection fees, partly attributable to the effect (€13 million) of the application of IFRIC 18;
- a €10 million increase in contributions in respect of white certificates;
- a €17 million decrease in service-continuity bonuses following the changes to Resolution 333/07.

The **gross operating margin** totaled €2,826 million, a decline of €17 million (down 0.6%) essentially attributable to:

- the effects of the recognition in the first nine months of 2009 of the €297 million gain on the sale of Enel Linee Alta Tensione mentioned above;
- a €33 million decline in margins resulting from the sale of the high-voltage grid on April 1, 2009;
- a €17 million decrease in service-continuity bonuses following the changes to Resolution 333/07;
- a €205 million increase in the margin on electricity transport;
- net negative prior-year items recognized in the first nine months of 2009 totaling €36 million; more specifically, in addition to the effects discussed under revenues above, positive items were also recognized in respect of electricity purchases from the Single Buyer following alignment of withdrawal points on the high-voltage grid;
- a €13 million increase in revenues due to the effect of the application of IFRIC 18, mentioned above;

- an increase of €10 million in the margin of Enel Sole, largely attributable to increased grants received;
- an €81 million decline in charges for early retirement incentives.

Operating income, after depreciation, amortization and impairment losses in the amount of €673 million (€630 million for the first nine months of 2009), came to €2,153 million, a decrease of €60 million or 2.7% over the same period of 2009. Excluding the effects of the capital gain recognized in the first nine months of 2009 on the sale of Enel Linee Alta Tensione in the amount of €297 million, operating income would have risen €237 million.

Capital expenditure

Capital expenditure for the first nine months of 2010 totaled €784 million, a €22 million increase compared with the same period of the previous year, due mainly to the work done on the low and medium-voltage grids in order to improve service quality.

Iberia and Latin America

The Iberia and Latin America Division focuses on developing Enel's presence and coordinating its operations in the electricity and gas markets of Spain, Portugal and Latin America, formulating growth strategies in the related regional markets.
Following the integration of Enel's operations in the renewable energy sector in Spain and Portugal, the activities of Endesa Cogeneración y Renovables (ECyR, now Enel Green Power España) 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 those for the Iberia and Latin America Division, while the balance sheet figures for the same businesses at September 30, 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 Half of 2009 were determined on a proportionate basis equal to the Group's holding at that time (67.05%).

Operations

NET ELECTRICITY GENERATION

3rd Quarter				Millions of kWh	First nine months			
2010	2009	Change			**2010**	2009	Change	
17,749	16,684	1,065	6.4%	Thermal	44,342	39,324	5,018	12.8%
7,462	6,184	1,278	20.7%	Nuclear	20,278	13,868	6,410	46.2%
10,814	11,688	(874)	-7.5%	Hydroelectric	32,534	27,427	5,107	18.6%
32	335	(303)	-90.4%	Wind	597	1,387	(790)	-57.0%
-	78	(78)	-100.0%	Other resources	60	167	(107)	-64.1%
36,057	**34,969**	**1,088**	**3.1%**	**Total net generation**	**97,811**	**82,173**	**15,638**	**19.0%**

Net electricity generation in the first nine months of 2010 amounted to 97,811 million kWh (36,057 million kWh in the 3rd Quarter of 2010), an increase of 15,638 million kWh (up 1,088 million kWh in the 3rd Quarter of 2010) compared with the same period of 2009. Net power generation on the Iberian peninsula in the first nine months of 2010 rose by 6,489 million kWh (up 119 million kWh in the 3rd Quarter of 2010): the increase associated with the change in the consolidation method (12,369 million kWh) and greater nuclear generation was only partially offset by the reduction in thermal generation (down 24.7%) and in wind generation, largely attributable to the transfer of ECyR (now Enel Green Power España) to the Renewable Energy Division.
In addition, output increased in Latin America by 9,456 million kWh (up 1,326 million kWh in the 3rd Quarter of 2010), essentially due to the change in consolidation method (10,556 million kWh), partially offset by the decline in hydroelectric generation (down 10.8%) in Colombia and Chile due to less favorable water conditions in the period. This reduction was partially offset in

the 3rd Quarter of 2010 by the increase in thermal generation, partly due to the full availability of the plants at Fortaleza (Brazil) and San Isidro (Chile).

CONTRIBUTION TO GROSS THERMAL GENERATION

3rd Quarter						Millions of kWh	First nine months					
2010		2009		Change			**2010**		2009		Change	
2,433	9.3%	2,220	9.2%	213	9.6%	High-sulfur fuel oil (S>0.25%)	6,615	9.8%	4,881	8.8%	1,734	35.5%
243	0.9%	377	1.6%	(134)	-35.5%	Low-sulfur fuel oil (S<0.25%)	569	0.8%	807	1.5%	(238)	-29.5%
2,676	*10.2%*	*2,597*	*10.8%*	*79*	*3.0%*	*Total fuel oil*	*7,184*	*10.6%*	*5,688*	*10.3%*	*1,496*	*26.3%*
6,306	24.1%	7,182	30.0%	(876)	-12.2%	Natural gas	19,460	28.9%	17,107	30.8%	2,353	13.8%
6,343	24.3%	6,389	26.7%	(46)	-0.7%	Coal	13,395	19.9%	14,831	26.7%	(1,436)	-9.7%
7,811	29.9%	6,513	27.2%	1,298	19.9%	Nuclear fuel	21,168	31.4%	14,390	25.9%	6,778	47.1%
2,995	11.5%	1,284	5.3%	1,711	133.3%	Other fuels	6,166	9.2%	3,497	6.3%	2,669	76.3%
26,131	**100.0%**	**23,965**	**100.0%**	**2,166**	**9.0%**	**Total**	**67,373**	**100.0%**	**55,513**	**100.0%**	**11,860**	**21.4%**

The increase of 11,860 million kWh in gross thermal generation compared with the first nine months of 2009 (up 2,166 million kWh in the 3rd Quarter of 2010) is largely attributable to the effect of the change in the method of consolidating Endesa (an increase of 15,504 million kWh) and greater nuclear generation, only partially offset by the reduction in thermal generation (down 24.8%).

ELECTRICITY SALES

3rd Quarter				Millions of kWh	First nine months			
2010	2009	Change			**2010**	2009	Change	
				Free market:				
28,001	27,945	56	0.2%	- Iberian peninsula	80,173	46,334	33,839	73.0%
1,666	1,658	8	0.5%	- Latin America	5,339	3,970	1,369	34.5%
29,667	**29,603**	**64**	**0.2%**	**Total free market**	**85,512**	**50,304**	**35,208**	**70.0%**
				Regulated market:				
-	-	-	-	- Iberian peninsula	-	15,010	(15,010)	-
11,187	10,431	756	7.2%	- Latin America	32,498	23,855	8,643	36.2%
11,187	**10,431**	**756**	**7.2%**	**Total regulated market**	**32,498**	**38,865**	**(6,367)**	**-16.4%**
40,854	**40,034**	**820**	**2.0%**	**TOTAL**	**118,010**	**89,169**	**28,841**	**32.3%**
28,001	*27,945*	*56*	*0.2%*	*- of which Iberian peninsula*	*80,173*	*61,344*	*18,829*	*30.7%*
12,853	*12,089*	*764*	*6.3%*	*- of which Latin America*	*37,837*	*27,825*	*10,012*	*36.0%*

Electricity sales to end users by the Iberia and Latin America Division in the first nine months of 2010 amounted to 118,010 million kWh, up 28,841 million kWh compared with the same period of 2009 (up 820 million kWh in the 3rd Quarter of 2010). The increase includes 24,844 million kWh in respect of the change in the consolidation method, in addition to the increase in sales, especially in Latin America as a result of higher electricity demand.
Finally, following the introduction of the *Tarifa de Ultimo Recurso* in Spain on July 1, 2009, all sales on the Spanish market are to be considered sales conducted on the free market.

Performance

3rd Quarter			Millions of euro	First nine months		
2010	2009	Change		**2010**	2009	Change
7,803	7,323	480	Revenues	22,646	14,472	8,174
(11)	850	(861)	Net income/(charges) from commodity risk management	15	328	(313)
1,983	*2,186*	*(203)*	*Gross operating margin*	*6,030*	*4,602*	*1,428*
1,170	1,512	(342)	Operating income	3,748	2,974	774
			Operating assets (1)	80,280	80,799 (2)	(519)
			Operating liabilities (3)	12,858	13,016 (2)	(158)
			Employees at period-end (no.) (4)	25,057	26,305 (5)	(1,248)
			Capital expenditure	1,386	1,515	(129)

(1) Of which €1,974 million regarding units classified as "Held for sale" (€485 million at December 31, 2009).
(2) At December 31, 2009. The figures were restated as a result of the retrospective application of a number of accounting standards, as well as the completion of the process of allocating the cost of the purchase of 25.01% of Endesa to the assets acquired and liabilities assumed.
(3) Of which €149 million regarding units classified as "Held for sale" (€102 million at December 31, 2009).
(4) Of which 1,854 in units classified as "Held for sale" (1,330 at December 31, 2009).
(5) At December 31, 2009.

Performance in the 3rd Quarter

The table below shows performance by geographical area.

Millions of euro	Revenues			Gross operating margin			Operating income		
	2010	2009	Change	**2010**	2009	Change	**2010**	2009	Change
Europe	5,158	5,240	(82)	1,110	1,335	(225)	588	917	(329)
Latin America	2,645	2,083	562	873	851	22	582	595	(13)
Total	**7,803**	**7,323**	**480**	**1,983**	**2,186**	**(203)**	**1,170**	**1,512**	**(342)**

Revenues in the 3rd Quarter of 2010 rose by €480 million, the net result of:

> an increase of €562 million in Endesa's revenues in Latin America, attributable to the increase in volumes sold in all Latin American countries (especially Brazil);

> a decrease of €82 million in revenues in Europe, essentially due to the decline in volumes sold as well as lower connection fees (a decrease of €35 million). These factors were only partially offset by an increase of €197 million in grants received for extra-peninsular generation.

The **gross operating margin** amounted to €1,983 million, a decrease of €203 million (9.3%) from the 3rd Quarter of 2009. In particular, the change reflects:

> a decrease of €225 million in the gross operating margin in Europe, essentially due to the decline in the margin on electricity, largely in sales and distribution operations;

> an increase of €22 million in the gross operating margin in Latin America.

Operating income for the 3rd Quarter of 2010 totaled €1,170 million, down €342 million from the same period of 2009.

Performance in the first nine months

The table below shows performance by geographical area.

Millions of euro	Revenues			Gross operating margin			Operating income		
	2010	2009	Change	**2010**	2009	Change	**2010**	2009	Change
Europe	15,416	9,646	5,770	3,561	2,714	847	2,145	1,645	500
Latin America	7,230	4,826	2,404	2,469	1,888	581	1,603	1,329	274
Total	**22,646**	**14,472**	**8,174**	**6,030**	**4,602**	**1,428**	**3,748**	**2,974**	**774**

Revenues for the first nine months of 2010 rose by €8,174 million due to:

> a €5,770 million increase in revenues in Europe, of which €2,165 million is attributable to the change in the scope of consolidation and €2,180 million to the application of the aforementioned *Tarifa de Ultimo Recurso* 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. Other factors include an increase of €962 million in grants for extra-peninsular generation (which in the first nine months of 2009 had been affected by negative prior-year items) and the effect of the application of IFRIC 18 (€218 million);

> a €2,404 million increase in revenues for Endesa in Latin America, due to the change in consolidation method (€1,348 million) and to increased volumes sold in all the Latin American countries (especially Brazil).

The **gross operating margin** totaled €6,030 million, up €1,428 million or 31.0% over the first nine months of 2009. The improvement can be attributed to:

> an increase of €847 million in the gross operating margin in Europe, attributable to the change in the method used to consolidate Endesa (€678 million) and the effect of the application as from July 1, 2009 of IFRIC 18 (€218 million);

> an increase of €581 million in the gross operating margin in Latin America, due essentially to the €510 million increase related to the change in consolidation method.

Operating income in the first nine months of 2010 amounted to €3,748 million, an increase of €774 million compared with the corresponding period of 2009, of which €718 million attributable to the change in the method used to consolidate Endesa.

Capital expenditure

Capital expenditure came to €1,386 million, down €129 million from the same period of the previous year. In particular, investments in the first nine months of 2010 included €497 million related to generation plants.

Investments in the electricity network, in the amount of €728 million (€429 million in Europe), concerned the expansion of the distribution network, as well as work to enhance the service quality and operating efficiency of the electrical system.

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 first nine months of 2009 include the performance data for SeverEnergia, which at September 30, 2009 had been sold.

Operations

NET ELECTRICITY GENERATION

3rd Quarter				Millions of kWh	First nine months			
2010	2009	Change			**2010**	2009	Change	
12,535	11,333	1,202	10.6%	Thermal	36,583	31,606	4,977	15.7%
3,001	2,910	91	3.1%	Nuclear	10,189	9,553	636	6.7%
1,474	1,049	425	40.5%	Hydroelectric	4,023	3,453	570	16.5%
7	3	4	133.3%	Other resources	15	3	12	-
17,017	**15,295**	**1,722**	**11.3%**	**Total net generation**	**50,810**	**44,615**	**6,195**	**13.9%**

Net generation abroad in the first nine months of 2010 amounted to 50,810 million kWh, an increase of 6,195 million kWh compared with the corresponding period of 2009. The rise is attributable to greater output by Enel OGK-5 (up 4,410 million kWh), Enel Maritza East 3 (up 930 million kWh) and Slovenské elektrárne (up 855 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. Developments in the 3rd Quarter of 2010 were in line with those for the first nine months.

CONTRIBUTION TO GROSS THERMAL GENERATION

3rd Quarter						Millions of kWh	First nine months					
2010		2009		Change			**2010**		2009		Change	
20	0.1%	60	0.4%	(40)	-66.7%	High-sulfur fuel oil (S>0.25%)	110	0.2%	143	0.3%	(33)	-23.1%
6,059	36.5%	5,260	34.5%	799	15.2%	Natural gas	15,785	31.6%	14,269	32.3%	1,516	10.6%
7,252	43.8%	6,765	44.4%	487	7.2%	Coal	23,125	46.3%	19,479	44.1%	3,646	18.7%
3,247	19.6%	3,150	20.7%	97	3.1%	Nuclear fuel	10,975	21.9%	10,311	23.3%	664	6.4%
16,578	**100.0%**	**15,235**	**100.0%**	**1,343**	**8.8%**	**Total**	**49,995**	**100.0%**	**44,202**	**100.0%**	**5,793**	**13.1%**

Gross thermal generation in the first nine months of 2010 rose by 5,793 million kWh (up 1,343 million kWh in the 3rd Quarter of 2010) to reach 49,995 million kWh (16,578 million kWh in the 3rd Quarter of 2010). The increase, which involved all types of fuel and plant technology (except fuel oil), reflected the increase in demand for electricity as a result of the partial recovery of the international economy. The greatest growth came in coal-fired generation, with an increase in the contribution of Enel OGK-5 (3,027 million kWh) and Enel Maritza East 3 (1,037 million kWh).

ELECTRICITY SALES

3rd Quarter				Millions of kWh	First nine months			
2010	2009	Change			**2010**	2009	Change	
				Free market:				
245	251	(6)	-2.4%	- Romania	679	812	(133)	-16.4%
1,284	667	617	92.5%	- France	4,122	2,295	1,827	79.6%
4,487	1,901	2,586	136.0%	- Russia	10,308	3,474	6,834	196.7%
6,016	**2,819**	**3,197**	**113.4%**	**Total free market**	**15,109**	**6,581**	**8,528**	**129.6%**
				Regulated market:				
1,947	2,063	(116)	-5.6%	- Romania	6,140	6,459	(319)	-4.9%
1,321	2,780	(1,459)	-52.5%	- Russia	5,201	10,757	(5,556)	-51.7%
3,268	**4,843**	**(1,575)**	**-32.5%**	**Total regulated market**	**11,341**	**17,216**	**(5,875)**	**-34.1%**
9,284	**7,662**	**1,622**	**21.2%**	**TOTAL**	**26,450**	**23,797**	**2,653**	**11.1%**
2,192	*2,314*	*(122)*	*-5.3%*	*- of which Romania*	*6,819*	*7,271*	*(452)*	*-6.2%*
1,284	*667*	*617*	*92.5%*	*- of which France*	*4,122*	*2,295*	*1,827*	*79.6%*
5,808	*4,681*	*1,127*	*24.1%*	*- of which Russia*	*15,509*	*14,231*	*1,278*	*9.0%*

Electricity sold by the International Division in the first nine months of 2010 rose by 2,653 million kWh (up 1.622 million kWh in the 3rd Quarter of 2010), mainly attributable to an increase of 1,827 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 1,278 million kWh on the Russian market following the increase in demand in that country. The increase was only partially offset by the decline in the sales of the Romanian companies (452 million kWh), attributable mainly to the decline in consumption, especially in the region served by Enel Energie Muntenia.

Performance

3rd Quarter			Millions of euro	First nine months		
2010	2009	Change		**2010**	2009	Change
1,643	1,413	230	Revenues	4,754	4,062	692
16	36	(20)	Net income/(charges) from commodity risk management	3	49	(46)
363	*411*	*(48)*	*Gross operating margin*	*1,204*	*1,109*	*95*
181	274	(93)	Operating income	762	666	96
			Operating assets (1)	13,002	12,292 (2)	710
			Operating liabilities (3)	4,812	4,786 (2)	26
			Employees at period-end (no.)	15,350 (4)	15,752 (5)	(402)
			Capital expenditure	779	671	108

(1) Of which €585 million regarding units classified as "Held for sale" at September 30, 2010.
(2) At December 31, 2009. The figures were restated as a result of the retrospective application of a number of accounting standards.
(3) Of which €25 million regarding units classified as "Held for sale" at September 30, 2010.
(4) Of which 513 in units classified as "Held for sale".
(5) At December 31, 2009.

Performance in the 3rd Quarter

The table below shows performance by geographical area.

Millions of euro	Revenues			Gross operating margin			Operating income		
	2010	2009	Change	**2010**	2009	Change	**2010**	2009	Change
Central Europe	671	612	59	161	227	(66)	48	142	(94)
South-eastern Europe	288	280	8	94	71	23	54	40	14
Russia	684	521	163	108	113	(5)	79	92	(13)
Total	**1,643**	**1,413**	**230**	**363**	**411**	**(48)**	**181**	**274**	**(93)**

Revenues for the 3rd Quarter of 2010 grew by €230 million or 16.3%, going from €1,413 million to €1,643 million. The performance was related to the following factors:

> a €163 million increase in revenues in Russia, mainly pertaining to Enel OGK-5 (€136 million) and the greater revenues posted by RusEnergoSbyt associated with an increase in sales prices. These effects were partially offset by the impact of the recognition in the 3rd Quarter of 2009 of the capital gain on the sale of 51% of the investment in SeverEnergia (€68 million);
> a €59 million increase in revenues in central Europe, mainly attributable to the rise in revenues from electricity sales by Slovenské elektrárne (€38 million) and Enel France (€22 million). Both of these developments were due to an increase in volumes sold, the effect of which more than offset declining average sales prices;
> an €8 million increase in revenues in south-eastern Europe.

The **gross operating margin** totaled €363 million, a decline of €48 million compared with the 3rd Quarter of 2009. The performance was the result of:

> a €66 million decrease in the gross operating margin in central Europe due to lower margins achieved by Slovenské elektrárne (€64 million) and Enel France;
> a reduction of €5 million in the gross operating margin in Russia, essentially due to the impact of the recognition in the 3rd Quarter of 2009 of the capital gain on the sale of 51% of the investment in SeverEnergia (€68 million), partially offset by the increase in the margin of Enel OGK-5 (€35 million) and

RusEnergoSbyt (€24 million), as well as the positive effect of the deconsolidation of SeverEnergia (€5 million);
- a €23 million rise in the margin in south-eastern Europe, essentially attributable to the improved margin achieved in Romania (€20 million).

Operating income in the 3rd Quarter of 2010 amounted to €181 million, a decrease of €93 million compared with the corresponding period of 2009, taking account of a €45 million increase in depreciation, amortization and impairment losses.

Performance in the first nine months

The table below shows performance by geographical area.

Millions of euro	Revenues			Gross operating margin			Operating income		
	2010	2009	Change	**2010**	2009	Change	**2010**	2009	Change
Central Europe	1,998	1,902	96	663	726	(63)	419	473	(54)
South-eastern Europe	899	855	44	266	187	79	147	93	54
Russia	1,857	1,305	552	275	196	79	196	100	96
Total	**4,754**	**4,062**	**692**	**1,204**	**1,109**	**95**	**762**	**666**	**96**

Revenues for the first nine months of 2010 grew by €692 million or 17.0%, going from €4,062 million to €4,754 million. The performance was related to the following factors:
- a €552 million increase in revenues in Russia, mainly pertaining to Enel OGK-5 (€350 million) and the greater revenues posted by RusEnergoSbyt associated with an increase in volumes sold against a background of rising prices. These factors were partially offset by the recognition in the 3rd Quarter of 2009 of the gain on the sale of 51% of the stake held in SeverEnergia (€68 million);
- a €96 million increase in revenues in central Europe, mainly attributable to the rise in revenues from electricity sales by Enel France (€53 million) and higher revenues in Slovakia (€44 million). Both of these developments were due to an increase in volumes sold, the effect of which more than offset declining average sales prices;
- a €44 million increase in revenues in south-eastern Europe, due essentially to the rise in revenues for the Romanian companies (€21 million), largely as a result of the application IFRIC 18, and Enel Maritza East 3 (€23 million) as a result of higher sales prices and the full operation of the plants.

The **gross operating margin** amounted to €1,204 million, up €95 million compared with the first nine months of 2009. The performance was the result of:
- a €79 million increase in the gross operating margin in Russia, essentially the effect of the increase in the margin of Enel OGK-5 (€79 million) and RusEnergoSbyt (€52 million), in addition to the positive effect of the deconsolidation of SeverEnergia (€13 million). These effects were partially offset by the impact of the recognition in the 3rd Quarter of 2009 of the capital gain on the sale of 51% of the investment in SeverEnergia;
- a €79 million rise in the margin in south-eastern Europe, essentially attributable to the €68 million improvement in the margin in Romania (of which €21 million as a result of the application of IFRIC 18) as well as the entry into service of a new unit at the Enel Maritza East 3 plant;
- a reduction in the gross operating margin in central Europe compared with

that for the first nine months of 2009, attributable to the lower margin achieved by Slovenské elektrárne (€47 million, essentially the net effect of the increased accrual to the provision for contract losses, the release of the nuclear decommissioning provision and the lower margin on generation as a result of lower unit sales prices) and the lower margin reported by Enel France, due to declining prices between the two periods compared.

Operating income in the first nine months of 2010 amounted to €762 million, an increase of €96 million or 14.4% compared with the corresponding period of 2009, taking account of €442 million in depreciation, amortization and impairment losses.

Capital expenditure

Capital expenditure came to €779 million, up €108 million from the same period of the previous year. Of this change €92 million is attributable to greater capital expenditure on generation plants (totaling €590 million in the first nine months of 2010), mainly associated with greater investment in nuclear power plants, partially offset by lower investment in thermal plants.

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 Enel Group's strategies. The geographical areas of operation for this Division are:

> Italy and the rest of Europe, with power generation from non-schedulable hydroelectric plants, as well as geothermal, wind and solar plants in Italy (Enel Green Power, Enel Green Power Portoscuso, Enel Green Power Calabria, Maicor Wind, Enel Green Power Puglia, Enel Green Power Strambino Solar, Altomonte FV, EnerLIVE, Energia Eolica, Enel Green Power TSS, Enel Green Power & Sharp Solar Energy, 3Sun and Taranto Solar), Greece (Enel Green Power Hellas), France (Enel Green Power France), Romania (Enel Green Power Romania) and Bulgaria (Enel Green Power Bulgaria), and plant and franchising activities in Italy (Enel.si);

> Iberia and Latin America, with power generation from renewable sources in Spain and Portugal (Enel Green Power España – formerly Endesa Cogeneración y Renovables (ECyR) – and Enel Unión Fenosa Renovables) and Latin America (Enel Latin America);

> North America, with power generation from renewable sources (Enel North America).

Following the integration of Enel's operations in the renewable energy sector in Spain and Portugal at the end of the 1st Quarter of 2010, ECyR – whose results were reported in those for the Iberia and Latin America Division until the reorganization – became part of the Renewable Energy Division.

Operations

NET ELECTRICITY GENERATION

3rd Quarter				Millions of kWh	First nine months			
2010	2009	Change			**2010**	2009	Change	
				Italy:				
1,355	1,472	(117)	-7.9%	Hydroelectric	4,869	5,090	(221)	-4.3%
1,209	1,251	(42)	-3.4%	Geothermal	3,721	3,728	(7)	-0.2%
114	81	33	40.7%	Wind	482	322	160	49.7%
-	1	(1)	-	Other resources	1	2	(1)	-50.0%
2,678	**2,805**	**(127)**	**-4.5%**	**Total net generation in Italy**	**9,073**	**9,142**	**(69)**	**-0.8%**
				International:				
1,113	1,117	(4)	-0.4%	Hydroelectric	3,372	3,456	(84)	-2.4%
45	35	10	28.6%	Geothermal	178	83	95	114.5%
955	473	482	101.9%	Wind	2,766	1,515	1,251	82.6%
169	56	113	-	Other resources	399	210	189	90.0%
2,282	**1,681**	**601**	**35.8%**	**Total net generation abroad**	**6,715**	**5,264**	**1,451**	**27.6%**
4,960	**4,486**	**474**	**10.6%**	**TOTAL**	**15,788**	**14,406**	**1,382**	**9.6%**

Net power generation by the Division rose 1,382 million kWh (9.6%) during the first nine months of the year to 15,788 million kWh (4,960 million kWh in the 3rd Quarter of 2010). The increase is attributable to a rise of 1,451 million kWh

in generation abroad (up 601 million kWh in the 3rd Quarter of 2010), where wind power output benefited from the change in the scope of consolidation within the Division attributable to Enel Green Power España, as well as the start of operations at the Codesas II wind farm and greater output from the Smoky I and Snyder wind farms, both in the United States. An additional factor was greater geothermal generation from the start of operations of the new plants in the United States (Still Water and Salt Wells).
Net electricity generation in Italy in the first nine months of 2010 fell by 0.8% compared with the same period of the previous year, as the increase in wind output was more than offset by the decline in hydroelectric generation due to less favorable water availability. The same trend was registered in the 3rd Quarter of 2010, with net electricity generation falling by 4.5% due to lower hydroelectric and geothermal generation, only partially offset by the increase in wind output (up 33 million kWh).

Performance

3rd Quarter			Millions of euro	First nine months		
2010	2009	Change		**2010**	2009	Change
543	396	147	Revenues	1,517	1,259	258
1	30	(29)	Net income/(charges) from commodity risk management	64	76	(12)
315	*264*	*51*	*Gross operating margin*	*966*	*884*	*82*
224	208	16	Operating income	719	715	4
			Operating assets (1)	8,912	6,423 (2)	2,489
			Operating liabilities (3)	1,032	804 (2)	228
			Employees at period-end (no.) (4)	2,957	2,685 (2)	272
			Capital expenditure	593	564	29

(1) Of which €411 million regarding units classified as "Held for sale" at September 30, 2010.
(2) At December 31, 2009.
(3) Of which €11 million regarding units classified as "Held for sale" at September 30, 2010.
(4) Of which 28 in units classified as "Held for sale".

Performance in the 3rd Quarter

The table below shows performance by geographical area.

Millions of euro	Revenues			Gross operating margin			Operating income		
	2010	2009	Change	**2010**	2009	Change	**2010**	2009	Change
Italy and the rest of Europe	359	285	74	207	203	4	165	169	(4)
Iberia and Latin America	143	80	63	94	49	45	56	36	20
North America	41	31	10	14	12	2	3	3	-
Total	**543**	**396**	**147**	**315**	**264**	**51**	**224**	**208**	**16**

Revenues rose by €147 million or 37.1%, going from €396 million to €543 million. This change is due to:
> a €74 million increase in revenues in Italy and the rest of Europe as a result of:
  – a €69 million increase in revenues for Enel.si, connected with sales of photovoltaic panels;
  – a €10 million increase in sales of green certificates in Italy;
  – a €5 million increase in revenues in France and Greece due to increased wind power output despite a reduction in average sales prices;

– a €15 million reduction in electricity sales, mainly ascribable to a €32 million fall in revenues from subsidized CIP 6 electricity, only partially offset by an increase of €17 million in revenues on the Power Exchange;

> a €63 million increase in revenues in the Iberian peninsula and in Latin America, essentially due to the change in the scope of consolidation in respect of ECyR (now Enel Green Power España) and higher wind power output in Spain;

> a €10 million increase in revenues in North America.

The **gross operating margin** amounted to €315 million, up €51 million on the same period of the previous year. This performance was the net result of:

> a €45 million increase in margins in the Iberian peninsula and in Latin America, due mainly to the aforementioned change in the scope of consolidation, which more than offset the decrease in margins on generation posted in the Latin American countries as a result of lower volumes sold;

> a €4 million increase in the margin in Italy and the rest of Europe, essentially attributable to the effect of the increase in the margin of Enel.si (€21 million) and higher margins in France and Greece. These effects were partially offset by the decline in the margin on electricity in Italy (€26 million);

> a €2 million increase in the margin in North America.

Operating income amounted to €224 million, an increase of €16 million from the 3rd Quarter of 2009, including greater depreciation, amortization and impairment losses in the amount of €35 million, related mainly to the change in the scope of consolidation.

Performance in the first nine months

The table below shows performance by geographical area.

Millions of euro	Revenues			Gross operating margin			Operating income		
	2010	2009	Change	**2010**	2009	Change	**2010**	2009	Change
Italy and the rest of Europe	1,015	924	91	677	681	(4)	560	580	(20)
Iberia and Latin America	386	262	124	226	174	52	132	136	(4)
North America	116	73	43	63	29	34	27	(1)	28
Total	**1,517**	**1,259**	**258**	**966**	**884**	**82**	**719**	**715**	**4**

Revenues rose by €258 million or 20.5%, going from €1,259 million to €1,517 million. This change is due to:

> a €124 million increase in revenues in the Iberian peninsula and in Latin America due to the aforementioned change in the scope of consolidation and higher wind power output in Spain;

> a €91 million increase in revenues in Italy and the rest of Europe as a result of:

– a €111 million increase in revenues for Enel.si, mainly connected with sales of photovoltaic panels;

– a €34 million increase in sales of green certificates in Italy;

– an €18 million increase in revenues in France and Greece due to increased wind power output despite a reduction in average sales prices;

– a €68 million reduction in electricity sales, mainly ascribable to an €87 million fall in revenues from subsidized CIP 6 electricity, to a reduction of €16 million in revenues on the Power Exchange and to a €6 million

decrease in revenues from small plants (Legislative Decree 387/03 and Law 293/04); these effects were partially offset by an increase of €41 million in revenues in respect of bilateral contracts;
- a €9 million decrease in operating grants in Italy;
- the effect of the recognition in 2009 of the hydroelectric rent under Resolution ARG/elt 63/09 in the amount of €4 million.

> a €43 million increase in revenues in North America due to higher revenues from the sale of electricity and from the tax partnership, as well as the effect of the negative prior-year items recognized in the first nine months of 2009.

The **gross operating margin** rose to €966 million, up €82 million or 9.3% compared with the first nine months of 2009. The increase is attributable to:

> a €52 million increase in the margin in the Iberian peninsula and Latin America, due mainly to the aforementioned change in the scope of consolidation, which more than offset the decrease in margins on generation posted in the Latin American countries as a result of lower volumes sold;
> a €34 million increase in the margin reported in North America, essentially due to the effect of the negative prior-year items recognized in the first nine months of 2009, in addition to higher output during the period under review;
> a €4 million reduction in the margin posted in Italy and the rest of Europe, essentially due to the €50 million decline in the margin on electricity reported in Italy (which includes a €15 million decline in positive prior-year items recognized and a loss of €13 million on commodity risk management) and the decrease in operating grants. These factors were partially offset by higher margins achieved in France and Greece as a result of higher volumes sold and the €32 million increase in the margin posted by Enel.si.

Operating income amounted to €719 million, in line with performance in the year-earlier period, reflecting an increase of €78 million in depreciation, amortization and impairment losses, essentially attributable to the change in the scope of consolidation.

Capital expenditure

Capital expenditure came to €593 million, up €29 million compared with the same period of the previous year. Capital expenditure in the first nine months of 2010 came to €330 million in Italy (€228 million in the first nine months of 2009) and €263 million abroad (€336 million in the first nine months of 2009). Expenditure mainly regarded work on power plants (€576 million), of which €375 million on alternative energy plants (mainly wind power), €114 million on geothermal plants and €87 million on hydroelectric facilities.

Parent Company, Services and Other Activities

3rd Quarter			Millions of euro	First nine months		
2010	2009	Change		**2010**	2009	Change
			Parent Company			
161	158	3	Revenues	484	514	(30)
(13)	*2*	*(15)*	*Gross operating margin*	*(16)*	*56*	*(72)*
(15)	-	(15)	Operating income	(21)	50	(71)
			Operating assets	1,210	1,229 (1)	(19)
			Operating liabilities	2,385	1,090 (1)	1,295
			Employees at period-end (no.)	796	731 (1)	65
			Capital expenditure	2	1	1
			Services and Other Activities			
262	270	(8)	Revenues	786	779	7
44	*53*	*(9)*	*Gross operating margin*	*117*	*142*	*(25)*
21	30	(9)	Operating income	40	70	(30)
			Operating assets	1,794	2,197 (1)	(403)
			Operating liabilities	1,826	1,612 (1)	214
			Employees at period-end (no.)	4,124	4,168 (1)	(44)
			Capital expenditure	41	49	(8)

(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 in the 3rd Quarter

Revenues in the 3rd Quarter of 2010 came to €161 million, an increase of €3 million compared with the corresponding period of the previous year (up 1.9%), due to:

> a €20 million increase in revenues from electricity sales to the Single Buyer, essentially attributable to the rise in average sales prices in the 3rd Quarter of 2010 compared with the same period of 2009;

> a €13 million decrease in revenues for support and staff activities for the Group companies.

The **gross operating margin** for the 3rd Quarter of 2010 was a negative €13 million, a deterioration of €15 million. This performance was related to a €29 million rise in operating expenses, partially offset by a €20 million increase in the electricity margin.

The **operating loss** amounted to €15 million, a deterioration of €15 million from the 3rd Quarter of 2009, in line with developments in the gross operating margin.

Performance in the first nine months

Revenues in the first nine months of 2010 were down €30 million or 5.8% compared with the same period last year, reaching €484 million. This can mainly be attributed to:

> a €24 million decrease in revenues for support and staff activities for the Group companies;
> a €2 million decrease in revenues from the sale of electricity to the Single Buyer, essentially ascribable to a slight reduction in the average sales price while the quantities sold remained virtually unchanged.

The **gross operating margin** in the first nine months of 2010 deteriorated by €72 million to a negative €16 million. The performance was related to an increase in operating expenses (€39 million), a reduction in the electricity margin (€16 million) and the adjustment of provisions for risks and charges, which in the first nine months of 2009 had a positive impact of €11 million on earnings.

The **operating loss** amounted to €21 million, a deterioration of €71 million on the first nine months 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 in the 3rd Quarter

Revenues for the Services and Other Activities area in the 3rd Quarter of 2010 came to €262 million, a decrease of €8 million over the same period of 2009. The change largely reflects lower capital gains on the sale of land and buildings (€4 million), a reduction in revenues for real estate services and lower revenues for IT services (€2 million). These factors were partially offset by higher revenues for staff services.

The **gross operating margin** in the 3rd Quarter of 2010 amounted to €44 million, a decrease of €9 million or 17.0% 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 for the 3rd Quarter of 2010 fell by €9 million compared with the 3rd Quarter of 2009, reaching €21 million, in line with developments in the gross operating margin.

Performance in the first nine months

Revenues for the Services and Other Activities area in the first nine months of 2010 came to €786 million, an increase of €7 million over the same period of 2009. This increase essentially reflects the €15 million rise in revenues reported for IT services, greater hardware and software sales to the Infrastructure and Networks Division, as well as higher revenues for staff services. These factors were partially offset by a decrease in capital gains on the sale of land and buildings (€10 million) and the reduction in revenues from real estate services.

The **gross operating margin** in the first nine months of 2010 amounted to €117 million, a decrease of €25 million or 17.6% from the same period of the previous year. This decrease is essentially a reflection of the positive effects recognized in the first nine months of 2009 as a result of a revision of the liabilities previously recognized in respect of early retirement incentives, as well as of lower capital gains on the sale of land and buildings.

Operating income in the first nine months of 2010 totaled €40 million, down €30 million compared with the same period of 2009, reflecting an increase of €5 million in depreciation, amortization and impairment losses, due essentially to the net effect of the entry into service of intangible assets and new investments in software as well as certain hardware sales.

Consolidated financial statements

Condensed Consolidated Income Statement

3rd Quarter				Millions of euro	First nine months			
2010	2009 restated	Change			**2010**	2009 restated	Change	
18,170	17,339	831	4.8%	Total revenues	52,972	45,796	7,176	15.7%
13,864	13,554	310	2.3%	Total costs	39,880	33,659	6,221	18.5%
81	871	(790)	-90.7%	Net income/(charges) from commodity risk management	173	458	(285)	-62.2%
4,387	4,656	(269)	-5.8%	GROSS OPERATING MARGIN	13,265	12,595	670	5.3%
1,541	1,328	213	16.0%	Depreciation, amortization and impairment losses	4,336	3,688	648	17.6%
2,846	3,328	(482)	-14.5%	OPERATING INCOME	8,929	8,907	22	0.2%
(528)	409	(937)	-	Financial income	1,913	2,550	(637)	-25.0%
346	1,206	(860)	-71.3%	Financial expense	4,553	3,556	997	28.0%
(874)	(797)	(77)	9.7%	Total financial income/(expense)	(2,640)	(1,006)	(1,634)	162.4%
7	9	(2)	-22.2%	Share of gains/(losses) on investments accounted for using the equity method	6	30	(24)	-80.0%
1,979	2,540	(561)	-22.1%	INCOME BEFORE TAXES	6,295	7,931	(1,636)	-20.6%
626	862	(236)	-27.4%	Income taxes	1,889	2,195	(306)	-13.9%
1,353	1,678	(325)	-19.4%	Net income from continuing operations	4,406	5,736	(1,330)	-23.2%
-	(69)	69	-100.0%	Net income from discontinued operations	-	(153)	153	-100.0%
1,353	1,609	(256)	-15.9%	NET INCOME FOR THE PERIOD (shareholders of the Parent Company and minority interests)	4,406	5,583	(1,177)	-21.1%
329	375	(46)	-12.3%	Attributable to minority interests	957	825	132	16.0%
1,024	1,234	(210)	-17.0%	Attributable to shareholders of the Parent Company	3,449	4,758	(1,309)	-27.5%
				Net earnings attributable to shareholders of the Parent Company per share (euro) (1)	*0.37*	*0.51*	*(0.14)*	*-27.5%*

(1) The Group's diluted net earnings per share are equivalent to the net earnings per share.

Statement of Comprehensive Income

Millions of euro	First nine months	
	2010	2009 restated
Net income/(loss) for the period (shareholders of the Parent Company and minority interests)	**4,406**	**5,583**
Other components of comprehensive income:		
- Effective portion of change in the fair value of cash flow hedges	(282)	(863)
- Income recognized in equity by companies accounted for using the equity method	3	-
- Change in the fair value of financial investments available for sale	186	157
- Exchange rate differences	1,849	741
Income/(Loss) recognized directly in equity	**1,756**	**35**
COMPREHENSIVE INCOME FOR THE PERIOD	**6,162**	**5,618**
Attributable to:		
- shareholders of the Parent Company	4,119	4,235
- minority interests	2,043	1,383

Condensed Consolidated Balance Sheet

Millions of euro

	at Sept. 30, 2010	at Dec. 31, 2009 restated	Change
ASSETS			
Non-current assets			
- Property, plant and equipment and intangible assets	96,917	96,557	360
- Goodwill	19,096	19,045	51
- Equity investments accounted for using the equity method	911	1,029	(118)
- Other non-current assets (1)	10,835	16,238	(5,403)
Total	127,759	132,869	(5,110)
Current assets			
- Trade receivables	13,658	13,010	648
- Inventories	2,633	2,500	133
- Cash and cash equivalents	3,405	4,170	(765)
- Other current assets (2)	16,278	9,210	7,068
Total	35,974	28,890	7,084
Assets held for sale	3,199	572	2,627
TOTAL ASSETS	**166,932**	**162,331**	**4,601**
LIABILITIES AND SHAREHOLDERS' EQUITY			
- Equity attributable to the shareholders of the Parent Company	35,038	33,268	1,770
- Equity attributable to minority interests	13,929	12,665	1,264
Total shareholders' equity	48,967	45,933	3,034
Non-current liabilities			
- Long-term loans	53,982	55,850	(1,868)
- Provisions and deferred tax liabilities	22,767	23,063	(296)
- Other non-current liabilities	4,519	4,223	296
Total	81,268	83,136	(1,868)
Current liabilities			
- Short-term loans and current portion of long-term loans	12,556	10,451	2,105
- Trade payables	9,444	11,174	(1,730)
- Other current liabilities	13,665	11,413	2,252
Total	35,665	33,038	2,627
Liabilities held for sale	1,032	224	808
TOTAL LIABILITIES	**117,965**	**116,398**	**1,567**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**166,932**	**162,331**	**4,601**

(1) Of which long-term financial receivables and other securities at September 30, 2010 equal to € 1,857 million (€ 7,936 million at December 31, 2009) and € 111 million (€ 108 million at December 31, 2009), respectively.
(2) Of which short-term portion of long-term financial receivables, short-term financial receivables and other securities at September 30, 2010 equal to € 8,555 million (€ 767 million at December 31, 2009), € 1,618 million (€ 2,353 million at December 31, 2009) and € 89 million (€ 97 million at December 31, 2009), respectively.

Statement of Changes in Consolidated Shareholders' Equity

	Share capital and reserves attributable to the shareholders of the Parent Company											
	Share capital	Share premium reserve	Legal reserve	Other reserves	Retained earnings	Translation of financial statements in currencies other than euro	Reserve from measurement of financial instruments	Reserve from equity investments accounted for using the 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 January 1, 2009	6,186	662	1,453	2,255	6,827	(1,247)	206	-	4,056	20,398	5,897	**26,295**
Effect of application of new accounting standards	-	-	-	-	(6)	-	-	-	-	(6)	-	**(6)**
at January 1, 2009 restated	6,186	662	1,453	2,255	6,821	(1,247)	206	-	4,056	20,392	5,897	**26,289**
Charge for stock options plans for the period	-	-	-	4	-	-	-	-	-	4	-	**4**
Dividends	-	-	-	-	(1,794)	-	-	-	-	(1,794)	(358)	**(2,152)**
Allocation of net income from the previous year	-	-	-	-	4,056	-	-	-	(4,056)	-	-	**-**
Capital increases	3,217	4,637	-	-	-	-	-	-	-	7,854	-	**7,854**
Change in scope of consolidation	-	-	-	-	-	-	-	-	-	-	4,540	**4,540**
Comprehensive income	-	-	-	-	-	239	(762)	-	4,758	4,235	1,383	**5,618**
of which:												
- Income/(Loss) recognized directly in equity	-	-	-	-	-	*239*	*(762)*	-	-	*(523)*	*558*	***35***
- Net income/(loss) for the period	-	-	-	-	-	-	-	-	*4,758*	*4,758*	*825*	***5,583***
at September 30, 2009	9,403	5,299	1,453	2,259	9,083	(1,008)	(556)	-	4,758	30,691	11,462	**42,153**
at January 1, 2010	9,403	5,293	1,453	2,260	10,759	(544)	(582)	8	4,455	32,505	11,848	**44,353**
Effect of application of new accounting standards and Endesa PPA	-	-	-	-	650	(78)	-	-	191	763	817	**1,580**
at January 1, 2010 restated	9,403	5,293	1,453	2,260	11,409	(622)	(582)	8	4,646	33,268	12,665	**45,933**
Charge for stock options plans for the period	-	-	-	1	-	-	-	-	-	1	-	**1**
Dividends	-	-	-	-	(1,410)	-	-	-	-	(1,410)	(567)	**(1,977)**
Interim dividend for 2010	-	-	-	-	-	-	-	-	(940)	(940)	-	**(940)**
Allocation of net income from the previous year	-	-	428	-	4,218	-	-	-	(4,646)	-	-	**-**
Change in scope of consolidation	-	-	-	-	-	-	-	-	-	-	(212)	**(212)**
Comprehensive income	-	-	-	-	-	755	(88)	3	3,449	4,119	2,043	**6,162**
of which:												
- Income/(Loss) recognized directly in equity	-	-	-	-	-	*755*	*(88)*	*3*	-	*670*	*1,086*	***1,756***
- Net income/(loss) for the period	-	-	-	-	-	-	-	-	*3,449*	*3,449*	*957*	***4,406***
at September 30, 2010	**9,403**	**5,293**	**1,881**	**2,261**	**14,217**	**133**	**(670)**	**11**	**2,509**	**35,038**	**13,929**	**48,967**

Condensed Consolidated Statement of Cash Flows

Millions of euro	First nine months		
	2010	2009 restated	Change
Cash flows from operating activities (A)	**5,121**	**3,837**	**1,284**
of which discontinued operations	**-**	***(210)***	***210***
Investments in property, plant and equipment and intangible assets	(4,078)	(4,264)	186
Investments in entities (or business units) less cash and cash equivalents acquired	(150)	(9,408)	9,258
Disposals of entities (or business units) less cash and cash equivalents sold	1,439	3,249	(1,810)
(Increase)/Decrease in other investing activities	(85)	16	(101)
Cash flows from (investing)/disinvesting activities (B)	**(2,874)**	**(10,407)**	**7,533**
of which discontinued operations	**-**	***(60)***	***60***
Change in net financial debt	(1,073)	(122)	(951)
Dividends paid	(2,019)	(2,152)	133
Increases in capital and reserves	-	7,991	(7,991)
Capital increases paid by minority interests	-	3	(3)
Cash flows from financing activities (C)	**(3,092)**	**5,720**	**(8,812)**
of which discontinued operations	**-**	***273***	***(273)***
Impact of exchange rate fluctuations on cash and cash equivalents (D)	**173**	**79**	**94**
Increase/(Decrease) in cash and cash equivalents (A+B+C+D)	**(672)**	**(771)**	**99**
of which discontinued operations	**-**	***3***	***(3)***
Cash and cash equivalents at 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)	3,617	4,440	(823)
of which discontinued operations	-	-	-

(1) Of which short-term securities equal to € 92 million at September 30, 2010 (€ 58 million at September 30, 2009).
(2) Of which cash and cash equivalents pertaining to "Assets held for sale" in the amount of € 123 million (€ 7 million at September 30, 2009).

Operating performance and financial position

Group performance

Revenues

3rd Quarter			Millions of euro	First nine months		
2010	2009	Change		**2010**	2009	Change
	restated				restated	
16,243	15,814	429	Electricity sales and transport and contributions from Electricity Equalization Fund and similar bodies	46,815	40,332	6,483
730	393	337	Gas sold and transported to end users	2,649	2,066	583
5	72	(67)	Gains on the disposal of assets	12	380	(368)
1,192	1,060	132	Other services, sales and revenues	3,496	3,018	478
18,170	**17,339**	**831**	**Total**	**52,972**	**45,796**	**7,176**

In the 3rd Quarter of 2010, revenues from **electricity sales and transport and contributions from Electricity Equalization Fund and similar bodies** increased by € 429 million compared with the corresponding period of the previous year (up 2.7%) to reach € 16,243 million. This increase is connected primarily with the following factors:

> a € 486 million increase in revenues from the sale and transport of electricity and comparable contributions abroad, attributable to the rise in revenues from electricity sales in Russia (Enel OGK-5 and RusEnergoSbyt) and in France as a result of greater volumes generated and sold, as well as a € 184 million increase in revenues for Endesa, largely due to the increase in grants received for generation in extra-peninsular areas;

> a € 40 million increase in revenues generated by electricity sales and transport on the end-user markets in Italy as a result of an increase in business with other resellers, which more than offset the decrease in revenues on the domestic free market and the enhanced protection market due to a decline in quantities delivered;

> an overall € 241 million decrease in revenues from the sale of electricity on the Power Exchange and the Ancillary Services Market, attributable to a decrease in quantities sold, the effect of which was partially offset by a slight increase in average unit prices. This decrease was only partially offset by increased sales to the Single Buyer (€ 184 million), essentially under bilateral contracts entered into by the generating companies in Italy;

> a € 43 million decrease in revenues from wholesale business.

In the first nine months of 2010, revenues from electricity sales and transport and contributions from the Electricity Equalization Fund and similar bodies rose by € 6,483 million or 16.1% compared with the year-earlier period to € 46,815 million. The growth can essentially be ascribed to the following factors:

> a € 7,722 million increase in revenues from the sale and transport of electricity and comparable contributions abroad, mainly associated with increased revenues at Endesa (€ 6,977 million). The increase is attributable to the change in the consolidation method used for Endesa as from the end of June 2009 (€ 3,118 million), the positive impact (€ 2,180 million) of regulatory changes following the application in the Spanish market from July 1, 2009 onwards of the *Tarifa de Ultimo Recurso* (TUR), to greater revenues achieved in Europe and Latin America (€ 717 million) and the increase in grants received for extra-peninsular generation (€ 962 million). In addition to the increase in Endesa revenues, the rise in revenues from the sale of electricity abroad reflects higher revenues from the operations in Russia (€ 600 million) of Enel OGK-5 and RusEnergoSbyt and in France (€ 100 million) thanks to greater quantities sold;

> a € 1,626 million reduction in revenues from the sale and transport of electricity in Italy on the free market and the enhanced protection market as a result of the overall decline in quantities sold and average sales prices, partially offset by an increase in revenues from the sale and transport of electricity to other resellers (€ 944 million);

> an overall € 899 million decrease in revenues from the sale of electricity on the Power Exchange and the Ancillary Services Market owing to a decline in quantities sold and lower average unit prices. This decrease was only partially offset by greater revenues in respect of the Single Buyer (€ 473 million), essentially under bilateral contracts entered into by the generating companies in Italy;

> a € 136 million decrease in revenues from wholesale business.

Revenues from **gas sold and transported to end users** in the 3rd Quarter of 2010 were up by € 337 million or 85.8%, essentially due to increased revenues on the Spanish market as a result of greater quantities sold, only partially offset by the impact of the decline in residential and commercial consumption on the domestic market. In the first nine months of 2010 revenues from the sale and transport of gas came to € 2,649 million, up € 583 million or 28.2% on the same period of the previous year (which was characterized by a decline in consumption associated with the slowdown in the domestic economy), essentially due to the change in the consolidation method used for Endesa and the growth in gas demand in Italy.

Gains on the disposal of assets in the 3rd Quarter of 2010 include that on the disposal by Enel SpA to Acqua SpA of 39% of the investment in Idrosicilia SpA, while for the first nine months of 2010 gains also include that on the sale of the mini-hydro operations of Hydro Dolomiti Enel. In the 3rd Quarter of 2009, the item reported the gain (€ 68 million) on the sale of 51% of SeverEnergia by Enel and Eni, while the first nine months of 2009 essentially included the gain (adjusted in the 2nd Half of 2009 following the contractually-agreed price adjustment) on the sale to Terna of the 100% holding in Enel Linee Alta Tensione.

Revenues from **other services, sales and revenues** in the 3rd Quarter of 2010 came to € 1,192 million (€ 1,060 million in the year-earlier period), an increase of € 132 million (up 12.5%), mainly due to increased sales of fuels for trading by

Endesa, of photovoltaic modules by Enel.si and of CERs and EUAs by Enel Trade, the effect of which was partially offset by a decrease in sales of green certificates. In the first nine months of 2010, revenues from other services, sales and revenues amounted to € 3,496 million, up € 478 million on the same period of 2009, a rise of 15.8%. The increase was essentially due to the increase in connection fees (€ 251 million) following the application of IFRIC 18, the increase in other revenues as a result of the change in the consolidation method used for Endesa (about € 170 million), the rise in revenues from the sale of fuels for trading (€ 129 million) and greater revenues from the sale of CERs and EUAs (about € 70 million). These factors were partially offset by lower revenues from contract work (€ 127 million) and the negative difference (€ 109 million) attributable to the termination in December 2009 of payments from the Electricity Equalization Fund to reimburse stranded costs in respect of Nigerian gas.

Costs

3rd Quarter			Millions of euro	First nine months		
2010	2009 restated	Change		**2010**	2009 restated	Change
6,231	6,750	(519)	Electricity purchases	17,916	17,109	807
1,991	1,686	305	Consumption of fuel for electricity generation	5,091	4,326	765
670	182	488	Fuel for trading and natural gas for sale to end users	2,170	1,258	912
497	319	178	Materials	1,233	863	370
1,098	1,067	31	Personnel	3,352	3,093	259
3,319	3,293	26	Services, leases and rentals	9,851	6,480	3,371
469	655	(186)	Other operating expenses	1,470	1,559	(89)
(411)	(398)	(13)	Capitalized costs	(1,203)	(1,029)	(174)
13,864	**13,554**	**310**	**Total**	**39,880**	**33,659**	**6,221**

Costs for **electricity purchases** decreased by € 519 million in the 3rd Quarter of 2010 compared with the year-earlier period, but increased by € 807 million in the first nine months of the year. Developments in the quarter were mainly attributable to lower purchase costs for Endesa (€ 559 million) owing to the decline in electricity demand in the Iberian market, while in the first nine months of 2010 they reflect the effects (€ 743 million) of the introduction of the *Tarifa de Ultimo Recurso* (TUR) from July 1, 2009, as discussed in the comments on revenues, as well as the change in the consolidation method (from proportionate to full) used for Endesa from the end of June 2009 (€ 523 million). The increase in costs for electricity purchases in the first nine months of 2010 with respect to the year-earlier period was partially offset by the contraction in electricity purchases for sales on Italian markets.

Costs for the **consumption of fuel for electricity generation** in the 3rd Quarter of 2010 amounted to € 1,991 million, up € 305 million or 18.1% on the year-earlier period, while they totaled € 5,091 million in the first nine months of 2010, an increase of € 765 million or 17.7%. In addition to the change in the method used to consolidate Endesa (for the nine-month period only), these changes reflect developments in the quantity of electricity generated from thermal plants, with the increase posted by the foreign companies (in particular, Enel OGK-5) only partially offset, in both periods, by the contraction in quantities consumed on the domestic market.

Costs for the purchase of **fuel for trading and natural gas for sale to end users** amounted to € 670 million for the 3rd Quarter of 2010 (€ 2,170 million in the first nine months), up € 488 million (€ 912 million in the first nine months) compared with the figures for the corresponding periods of 2009. The changes are essentially attributable to increased purchases of natural gas for the domestic market for sale to final customers as a result of the pick-up in demand and (for the first nine months of 2010) the effects of the change in the method used to consolidate Endesa.

Costs for **materials** amounted to € 497 million in the 3rd Quarter of 2010 (€ 1,233 million in the first nine months), up € 178 million compared with the corresponding period of 2009, a rise of 55.8% (€ 370 million in the first nine months of 2010, up 42.9%). Developments in the 3rd Quarter are mainly associated with the operations of the companies of the International Division and the Renewable Energy Division, while in the first nine months of 2010 they also reflect the change in the contribution of Endesa following the change in the consolidation method.

Personnel costs in the 3rd Quarter of 2010 amounted to € 1,098 million, up € 31 million or 2.9%. In the first nine months of 2010, costs amounted to € 3,352 million, up € 259 million (8.4%) compared with the year-earlier period. Excluding the impact of changes in the scope of consolidation and the impact of the contract renewal, in the first nine months of 2010 labor costs fell by € 28 million or 0.8%, while the average size of the workforce contracted by 3.3%.

Costs for **services, leases and rentals** amounted to € 3,319 million in the 3rd Quarter of 2010, broadly unchanged compared with the 3rd Quarter of 2009. In the first nine months of 2010, these costs amounted to € 9,851 million, up € 3,371 million compared with the corresponding period in 2009. In addition to greater electricity transport costs on domestic markets (totaling € 264 million), this development is largely attributable to higher electricity transport costs for Endesa (€ 2,494 million), which are essentially due to the effects of the regulatory changes associated with the introduction of the TUR (€ 1,437 million) and the change in the method used to consolidate the company.

Other operating expenses in the 3rd Quarter of 2010 amounted to € 469 million, down € 186 million from the year-earlier period, while in the first nine months of 2010 they amounted to € 1,470 million, a decrease of € 89 million compared with the same period of 2009. The developments in the two periods under review mainly reflect the change in the volume of purchases of green certificates by Enel Trade, which in the first nine months of 2010 was only partially offset by the increase in local taxes and sundry operating expenses due to the change in the method used to consolidate Endesa.

Capitalized costs increased by € 13 million or 3.5% in the 3rd Quarter of 2010 and by € 174 million or 16.9% in the first nine months, attributable mainly to the companies of the International Division.

Net income/(charges) from commodity risk management amounted to € 81 million in income in the 3rd Quarter of 2010 (€ 871 million in net income in the corresponding period of the previous year), while in the first nine months net income amounted to € 173 million (€ 458 million in net income for the first nine months of 2009). The performance in the 3rd Quarter of 2010 is essentially attributable to net income realized in the period in the amount of € 75 million and € 6 million in net unrealized income from the fair value measurement of derivatives positions open at the end of the period. For the first nine months of 2010, the net income from commodity risk management in the amount of € 173 million was related to net unrealized charges in respect of changes in fair value in the amount of € 116 million and net realized income during the period in the amount of € 289 million.

Depreciation, amortization and impairment losses in the 3rd Quarter of 2010 rose by € 213 million (up 16.0%); in the first nine months of the year, the item increased by € 648 million (up 17.6%). The change largely reflects increased depreciation and amortization of property, plant and equipment and intangible assets (up € 123 million for the quarter and up € 595 million for the first nine months of 2010), mainly due to the effects of the final allocation of the purchase price of 25.01% of Endesa (€ 60 million) as well as the change in the method used to consolidate that company (€ 469 million).

Operating income for the 3rd Quarter of 2010 amounted to € 2,846 million, down € 482 million compared with the corresponding period in the previous year (down 14.5%). For the first nine months of 2010, operating income amounted to € 8,929 million, a rise of € 22 million or 0.2%.

Net financial expense increased by € 77 million for the 3rd Quarter of 2010 and by € 1,634 million for the first nine months of the year. In particular, financial income declined by € 937 million in the 3rd Quarter of 2010 and € 637 million in the first nine months of 2010 compared with the corresponding periods of 2009. The latter change is essentially attributable to a decrease in revenues from financial derivatives (which in the first nine months of 2009 included income of € 970 million from the early exercise of the put option granted to Acciona on the 25.01% stake in Endesa) and a reduction in foreign exchange gains. Financial expense declined in the 3rd Quarter of 2010 by € 860 million and rose in the first nine months of 2010 by € 997 million. The decrease for the quarter is mainly associated with lower charges on financial derivatives and a decrease in exchange rate losses. The increase for the first nine months essentially reflects the effect of realized and unrealized exchange rate differences and increased interest expense as a result of the full consolidation of Endesa’s debt and the debt refinancing strategy undertaken in the last quarter of 2009 and continued in the early months of 2010 with a view to lengthening the average life of the debt and replacing the Credit Agreement.

The **share of gains/(losses) on investments accounted for using the equity method** in the 3rd Quarter of 2010 showed a net gain of € 7 million, down € 2 million from the same period of 2009, while in the first nine months of 2010 the net gain was € 6 million, a decline of € 24 million from the first nine months of 2009.

Income taxes for the 3rd Quarter of 2010 amounted to € 626 million, while the tax liability for the first nine months of 2010 was an estimated € 1,889 million, equal to 30.0% of taxable income, compared with 27.7% in the first nine months of 2009. This change is essentially attributable to the effects of the recognition of partially or fully tax-exempt revenues in the first nine months of 2009.

Analysis of the Group's financial position

Non-current assets – *€ 127,759 million*

Property, plant and equipment and intangible assets, including investment property, amounted to € 96,917 million at September 30, 2010, an overall increase of € 360 million. The rise is essentially attributable to capital expenditure during the period (€ 4,025 million) and exchange rate differences (€ 2,702 million), net of depreciation, amortization and impairment losses (€ 3,986 million) and the reclassification to "Assets held for sale" of a total of € 2,528 million in respect of the assets of the power transmission grid in Spain, of Endesa Gas, Enel Maritza East 3 (and its related holding company), Enel Operations Bulgaria (and its related holding company) and Enel Green Power Bulgaria, as well as of Enel Unión Fenosa Renovables, which is set for disposal under the agreements signed with Gas Natural on July 30, 2010.
Goodwill, which totaled € 19,096 million, showed an increase of € 51 million for the period. The change mainly reflects the net effects of the adjustment of goodwill denominated in foreign currency at the current exchange rate and the goodwill recognized on a provisional basis on new acquisitions completed during the first nine months of 2010 in respect of Enel Longanesi Development, which operates in the natural gas extraction sector in Italy (€ 35 million) and a number of companies involved in generation from renewable resources in Italy (€ 22 million). The amounts recognized in respect of these acquisitions are to be considered provisional pending conclusion of the analysis required for more accurate allocation to the assets acquired and/or liabilities assumed. These positive effects were partially offset, in the amount of € 60 million, by the reclassification to "Assets held for sale" of the goodwill in respect of the Bulgarian companies mentioned above and the assets of Enel Unión Renovables to be divested.
Equity investments accounted for using the equity method amounted to € 911 million, broadly unchanged compared with December 31, 2009.

Other non-current assets came to € 10,835 million and include:

Millions of euro

	at Sept. 30, 2010	at Dec. 31, 2009 restated	Change
Deferred tax assets	6,094	6,238	(144)
Non-current financial assets	3,781	9,024	(5,243)
Receivables due from Electricity Equalization Fund and similar bodies	188	188	-
Other long-term receivables	772	788	(16)
Total	**10,835**	**16,238**	**(5,403)**

The decrease of € 5,403 million in the period is attributable to the following main factors:

> a decrease of € 5,243 million in non-current financial assets, largely attributable to the reduction in receivables and other financial items (down € 6,080 million), which reflect the reclassification from non-current to current of receivables in respect of the rate deficit held by Endesa. This effect was partially offset by the positive change in the fair value of derivatives (€ 554 million) and the increase in the value of equity investments in other companies measured at fair value (€ 190 million), the latter being mainly attributable to the holding in Bayan Resources;

> a decrease of € 144 million in deferred tax assets, due essentially to the recognition of deferred tax items for the period.

Current assets – *€ 35,974 million*

Trade receivables totaled € 13,658 million, an increase of € 648 million. The rise is mainly attributable to greater receivables in respect of electricity sales on the domestic free market and sales to the Single Buyer under bilateral contracts, as well as increased receivables for sales on foreign markets, in line with developments in revenues.

Inventories amounted to € 2,633 million, an increase of € 133 million, mainly attributable to larger fuel inventories.

Other current assets came to € 16,278 million and break down as follows:

Millions of euro

	at Sept. 30, 2010	at Dec. 31, 2009 restated	Change
Current financial assets	10,792	4,186	6,606
Tax receivables	2,693	1,534	1,159
Receivables due from Electricity Equalization Fund and similar bodies	967	2,047	(1,080)
Other receivables	1,826	1,443	383
Total	**16,278**	**9,210**	**7,068**

The € 7,068 million increase during the period is largely the result of:

> an increase of € 6,606 million in current financial assets, mainly due to the rise in short-term financial receivables (€ 7,044 million), which in addition to the increase for the period also reflects the reclassification from non-current to current of the receivables in respect of the rate deficit of Endesa, net of the decline in financial assets in respect of financial derivatives (€ 283 million);

> an increase of € 1,159 million in tax receivables, mainly attributable to advance payments of tax;

> a decrease of € 1,080 million in net 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.

Assets held for sale – *€ 3,199 million*

This essentially consists of certain assets held by Endesa in Spain (including assets in respect of high-voltage transmission and natural gas distribution operations) and in Latin America that, as a result of decisions made by management, meet the requirements of IFRS 5 for classification as assets held for sale, as well as the assets of Enel Unión Fenosa Renovables due to be sold under the agreement with Gas Natural of July 30, 2010 and the assets of the Bulgarian companies discussed above. In addition to the inclusion of the Bulgarian companies, certain Enel Unión Fenosa Renovables assets and the Endesa Gas assets, the change with respect to December 31, 2009 also reflects Endesa's disposal of its 1% stake in Red Eléctrica de España in the 1st Half of 2010.

Equity attributable to the shareholders of the Parent Company – *€ 35,038 million*

Share capital at September 30, 2010, consisted of 9,403,357,795 ordinary shares with a par value of € 1.00 each.
The main changes in equity attributable to the shareholders of the Parent Company in the 3rd Quarter of 2010 regard net income for the period in the amount of € 3,449 million and the positive impact of exchange rate differences arising from the translation of financial statements denominated in foreign currency totaling € 755 million. These factors were partially offset by the impact of dividends distributed as the balance for 2009 (€ 1,410 million) and the interim dividend for 2010 (€ 940 million), as well as the decrease in the value of financial instruments recognized directly in equity (€ 88 million).

Non-current liabilities – *€ 81,268 million*

Long-term loans totaled € 53,982 million (€ 55,850 million at December 31, 2009), consisting of bonds – including preference shares – in the amount of € 36,013 million (€ 33,352 million at December 31, 2009) and bank and other loans in euro and other currencies in the amount of € 17,969 million (€ 22,498 million at December 31, 2009).
Provisions and deferred tax liabilities amounted to € 22,767 million at September 30, 2010 (€ 23,063 million at December 31, 2009) and include post-employment and other employee benefits of € 3,174 million (€ 3,110 million at December 31, 2009), provisions for risks and charges of € 8,487 million (€ 8,846 million at December 31, 2009) and deferred tax liabilities of € 11,106 million (€ 11,107 million at December 31, 2009).
Other non-current liabilities amounted to € 4,519 million, an increase of € 296 million compared with December 31, 2009.

Current liabilities – *€ 35,665 million*

Short-term loans and current portion of long-term loans increased by € 2,105 million, going from € 10,451 million at the end of 2009 to € 12,556 million at September 30, 2010. The change is mainly due to the increase of € 1,993 million in commercial paper issues and one of € 812 million in the current portion of bonds, partially offset by the decline of € 693 million in the current portion of bank loans.
Trade payables came to € 9,444 million, a decline of € 1,730 million due mainly to a reduction in payables in respect of electricity purchases.

Other current liabilities, which came to € 13,665 million, break down as follows:

Millions of euro

	at Sept. 30, 2010	at Dec. 31, 2009 restated	Change
Payables due to customers	1,559	1,484	75
Payables due to Electricity Equalization Fund and similar bodies	2,559	3,058	(499)
Current financial liabilities	1,378	1,784	(406)
Social security contributions payable and payables to employees	413	558	(145)
Tax payables	3,001	2,071	930
Other	4,755	2,458	2,297
Total	**13,665**	**11,413**	**2,252**

The increase in the period, € 2,252 million, was mainly due to the following:

> a decrease of € 499 million in payables due to Electricity Equalization Fund and similar bodies, mainly due to a decline in payables on the domestic market (€ 261 million) and the Spanish market (€ 236 million) associated with the application of equalization mechanisms to electricity purchases;

> a contraction of € 406 million in financial liabilities, mainly due to the reduction in liabilities in respect of financial derivatives in the amount of € 298 million and accrued liabilities and deferred income of a financial nature totaling € 287 million, partially offset by the increase in payables in respect of interest to be paid amounting to € 190 million, essentially attributable to Endesa;

> an increase of € 930 million in tax payables, largely attributable to the estimate for taxes on income for the period;

> an increase of € 2,297 million in other payables, essentially associated with the liability in respect of the interim dividend for 2010 (€ 940 million) and that for the advance received by Endesa for the sale of the high-voltage transmission network (€ 1,000 million).

Liabilities held for sale – *€ 1,032 million*

These essentially consist of liabilities held by Endesa in Spain and Latin America, by the Bulgarian companies discussed under "Assets held for sale" and by Enel Unión Fenosa Renovables as specified in the agreement signed with Gas Natural on July 30, 2010. The change with respect to December 31, 2009 reflects the inclusion of the Bulgarian companies, and the liabilities of Enel Unión Fenosa Renovables and Endesa Gas (mentioned above) 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 Sept. 30, 2010	at Dec. 31, 2009 restated	Change
Net non-current assets:			
-property, plant and equipment and intangible assets	96,917	96,557	360
- goodwill	19,096	19,045	51
- equity investments accounted for using the equity method	911	1,029	(118)
- other net non-current assets/(liabilities)	(1,747)	(2,267)	520
Total	**115,177**	**114,364**	**813**
Net current assets:			
- trade receivables	13,658	13,010	648
- inventories	2,633	2,500	133
- net receivables due from Electricity Equalization Fund and similar bodies	(1,592)	(1,011)	(581)
- other net current assets/(liabilities)	(6,056)	(4,409)	(1,647)
- trade payables	(9,444)	(11,174)	1,730
Total	**(801)**	**(1,084)**	**283**
Gross capital employed	**114,376**	**113,280**	**1,096**
Provisions:			
- post-employment and other employee benefits	(3,174)	(3,110)	(64)
- provisions for risks and charges and net deferred taxes	(13,499)	(13,715)	216
Total	**(16,673)**	**(16,825)**	**152**
Net assets held for sale	**2,167**	**348**	**1,819**
Net capital employed	**99,870**	**96,803**	**3,067**
Total shareholders' equity	**48,967**	**45,933**	**3,034**
Net financial debt	**50,903**	**50,870**	**33**

Net capital employed at September 30, 2010 totaled € 99,870 million and is funded by shareholders' equity attributable to the Group and minority interests in the amount of € 48,967 million and net financial debt of € 50,903 million. The debt-to-equity ratio at September 30, 2010 came to 1.04 (compared with 1.11 at December 31, 2009).

Net financial debt

The *net financial debt* of the Enel Group and changes in the period are detailed in the table below:

Millions of euro

	at Sept. 30, 2010	at Dec. 31, 2009	Change
Long-term debt:			
- bank loans	17,191	21,632	(4,441)
- bonds	34,541	31,889	2,652
- preference shares	1,472	1,463	9
- other loans	778	866	(88)
Long-term debt	*53,982*	*55,850*	*(1,868)*
Long-term financial receivables and securities	(1,968)	(8,044)	6,076
Net long-term debt	**52,014**	**47,806**	**4,208**
Short-term debt:			
Bank loans:			
- short-term portion of long-term debt	745	1,438	(693)
- drawings on revolving credit facilities	13	20	(7)
- other short-term bank debt	496	927	(431)
Short-term bank debt	*1,254*	*2,385*	*(1,131)*
Bonds (short-term portion)	1,908	1,096	812
Other loans (short-term portion)	256	375	(119)
Commercial paper	8,506	6,573	1,933
Cash collateral and other financing on derivatives	534	2	532
Other short-term financial payables	98	20	78
Other short-term debt	*11,302*	*8,066*	*3,236*
Long-term financial receivables (short-term portion)	(8,555)	(767)	(7,788)
Factoring receivables	(244)	(304)	60
Financial receivables – cash collateral	(727)	(893)	166
Other short-term financial receivables	(647)	(1,156)	509
Cash and cash equivalents	(3,494)	(4,267)	773
Cash and cash equivalents and short-term financial receivables	*(13,667)*	*(7,387)*	*(6,280)*
Net short-term financial debt	**(1,111)**	**3,064**	**(4,175)**
NET FINANCIAL DEBT	**50,903**	**50,870**	**33**
Financial debt of "Assets held for sale"	*590*	*63*	*527*

Net financial debt was equal to € 50,903 million at September 30, 2010, up € 33 million on December 31, 2009.

The increase essentially reflects the payment of dividends, income taxes and the negative effect of exchange rate differences, mainly associated with medium/long-term debt denominated in currencies other than the euro. These factors were partially offset by a number of disposals and the strong performance of cash flows from operations. The exchange rate difference are attributable to the measurement, at current exchange rates, of the debt instruments issued in currencies other than the euro by companies that adopt the euro as their local functional currency (such transactions are hedged by corresponding cross currency interest rate swaps), as well as the translation into euros of the net debt of Group companies that have a functional currency other than the euro.

Net long-term financial debt increased by € 4,208 million, as the net result of the decrease in gross long-term debt in the amount of € 1,868 million and the decrease in long-term financial receivables of € 6,076 million.
More specifically, bank loans totaled € 17,191 million, down € 4,441 million, mainly due to:
> voluntary repayments of the 2007 and 2009 Credit Facilities following the issue of bonds for retail investors by Enel SpA, of which:
- – € 1,484 million related to the tranche maturing in 2012;
- – € 1,042 million related to the tranche maturing in 2014;
- – € 474 million related to the tranche maturing in 2016;

> the repayment of € 500 million of the € 5 billion five-year syndicated revolving line of credit established in November 2005 and cancelled in April 2010;
> early repayment of bank loans by Endesa totaling € 2,000 million, partly offset by an increase of € 1,380 million in drawings on committed credit lines.

Bonds amounted to € 34,541 million, an increase of € 2,652 million. They include, among others, the long-term portion of the bonds issued by Enel SpA on February 26, 2010 for retail investors totaling € 3 billion maturing in 2016, of which € 2 billion in fixed-rate notes and € 1 billion in floating-rate notes.
Long-term financial receivables totaled € 1,968 million, down € 6,076 million, essentially in reflection of the reclassification from non-current to current of Endesa's receivables in respect of the rate deficit system, which are expected to be collected within twelve months.

Net short-term financial debt showed a net creditor position of € 1,111 million at September 30, 2010, a change of € 4,175 million from the net debtor position posted at the end of 2009. The change reflects a reduction of € 1,131 million in short-term bank debt and an increase in cash and cash equivalents and greater short-term financial receivables in the amount of € 6,280 million; these effects were partially offset by an increase of € 3,236 million in other loans.
Other short-term loans in the amount of € 11,302 million include the issues of commercial paper by Enel Finance International, Endesa Internacional BV, Endesa Capital SA, Térmica Portuguesa SA (Enel Green Power España Group) and Enel OGK-5 totaling € 8,506 million, as well as bonds maturing within 12 months in the amount of € 1,908 million, of which about € 650 million in bonds issued by the Endesa Group, about € 804 million in bonds issued by Enel SpA, € 195 million in a bond issued by Slovenské elektrárne, € 120 million in a bond issued by Enel OGK-5 and € 125 million in bonds issued by Enel Investment Holding BV.
Cash collateral paid to counterparties in over-the-counter derivatives transactions on interest rates, exchange rates and commodities totaled € 727 million, while cash collateral received from such counterparties amounted to € 534 million.

Cash flows

Cash flows from operating activities in the first nine months of 2010 were positive at € 5,121 million, an increase of € 1,284 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 more than offset by an improvement in the gross operating margin.

Cash flows from (investing)/disinvesting activities in the first nine months of 2010 absorbed funds in the amount of € 2,874 million, while in the corresponding period of 2009 they had absorbed € 10,407 million.
More specifically, investments in property, plant and equipment and in intangible assets totaling € 4,078 million did not change significantly compared with the corresponding period of the previous year.
Investments in entities or business units, net of cash and cash equivalents acquired, amounted to € 150 million and are largely accounted for by the acquisition by Enel Green Power of a number of companies operating in the generation of electricity from renewable resources in Italy, the acquisition by Enel Trade of Enel Longanesi Development, which operates in the natural gas extraction sector in Italy, the acquisition by Enel North America of Padoma Wind Power, which is specialized in the development of wind plants in California, and a number of smaller acquisitions by Endesa. Investments in entities in the first nine months of 2009, which are also reported net of cash and cash equivalents acquired, essentially reflected the acquisition of 25.01% of Endesa as well as Endesa's acquisition of the Irish company KJWB (now Endesa Ireland).
In the first nine months of 2010 the disposal of entities and business units generated cash flows of € 1,439 million, accounted for by the collection of the final installment on the sale in the third quarter of 2009 of 51% of Enel's holding in the Russian company SeverEnergia, the collection of the price for the sale of 50.01% of Endesa Hellas and advances received by Endesa for the sale of the high-voltage electricity network. In the first nine months of 2009, the item reported cash flows from payment of the first installment of the price for the sale of SeverEnergia, the sale of the renewable energy assets of Endesa to Acciona, the completion of the sale to Terna of the entire share capital of Enel Linee Alta Tensione (ELAT) and the sale of 80% of the holding in Enel Rete Gas.
Cash needs generated by other investing activities in the first nine months of 2010 totaled € 85 million, essentially attributable to the payment of the balance on the holding in Bayan Resources acquired in 2008, the effect of which was partially offset by collection of the price for the disposal of 39% of the investment held in Idrosicilia SpA and other divestments during the period.

Cash flows from financing activities used cash in the amount of € 3,092 million, whereas such activities generated liquidity totaling € 5,720 million in the first nine months of 2009. The flows for the period essentially reflect uses associated with the payment of dividends in the amount of € 2,019 million and the change in financial debt in the amount of € 1,073 million, while in the same period of 2009 they were impacted by the positive effects of the Enel capital increase.

In the first nine months of 2010, cash flows from operating activities in the amount of € 5,121 million were used to cover the cash requirements of investing activities in the amount of € 2,874 million and of financing activities in the amount of € 3,092 million. The difference is reflected in the decrease in cash and cash equivalents, which came to € 3,617 million at September 30, 2010, compared with € 4,289 million at the end of 2009. This decline also reflects the positive effect of exchange rate fluctuations in the amount of € 173 million.

Other information

Related parties

As the main operator in the field of generation, transport and distribution of electricity in Italy, Enel provides services to a number of State-controlled companies. In the current regulatory framework, Enel concludes transactions with Terna - Rete Elettrica Nazionale (Terna), the Single Buyer, the 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 companies of the Renewable Energy Division that operate in Italy sell 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 Sept. 30, 2010		**First nine months 2010**	
In respect of continuing operations				
Single Buyer	309	878	1,293	4,479
Energy Markets Operator	653	279	3,220	2,554
Terna	228	397	847	1,369
Electricity Services Operator	86	419	163	20
Eni	10	113	187	558
Italian Post Office	-	42	-	130
Other	2	19	1	77
In respect of assets held for sale	-	-	-	-
Total	**1,288**	**2,147**	**5,711**	**9,187**

The following table shows transactions with associated companies outstanding at September 30, 2010 and carried out during the first nine months of the year, respectively.

	Balance sheet		Income statement	
Millions of euro	Receivables	Payables	Revenues	Costs
	at Sept. 30, 2010		**First nine months 2010**	
SeverEnergia	171	-	2	-
Enel Rete Gas	12	34	15	215
Elica 2	4	1	-	-
CESI	-	18	-	13
La Geo	7	-	-	-
Other companies	19	2	3	2
Total	**213**	**55**	**20**	**230**

In compliance with the Enel Group's rules of corporate governance, transactions with related parties are carried out in accordance with criteria of procedural and substantive propriety.
With a view to assuring substantive propriety – in order to ensure fairness in transactions with related parties, and to account for the special nature, value or other characteristics of a given transaction – the Board of Directors may ask independent experts to value the assets involved in the transaction and provide financial, legal or technical advice.

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 Sept. 30, 2010
Sureties granted to third parties	3,850
Commitments to suppliers for:	
- electricity purchases	51,378
- fuel purchases	58,296
- various supplies	7,184
- tenders	1,893
- other	2,815
Total	121,566
TOTAL	**125,416**

Guarantees granted to third parties amounted to € 3,850 million and include € 610 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 € 51,378 million at September 30, 2010, of which € 17,325 million refer to the period October 1, 2010-2014, € 8,391 million to the period 2015-2019, € 8,028 million to the period 2020-2024 and the remaining € 17,634 million beyond 2024.
Commitments for the purchase of fuels are determined with reference to the parameters and exchange rates applicable at the end of the period (given that fuel prices vary and are mainly set in foreign currencies). The total at September 30, 2010, was € 58,296 million, of which € 25,985 million refer to the period October 1, 2010-2014, € 23,372 million to the period 2015-2019, € 7,142 million to the period 2020-2024 and the remaining € 1,797 million beyond 2024.
Various supply commitments include € 183 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 operation in 2012.

Contingent assets and liabilities

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.

Developments in the inquiries of the Milan Public Prosecutor's Office and the State Audit Court into former senior managers

With regard to the trial proceedings involving former directors and senior managers of Enelpower and other individuals for offences to the detriment of Enelpower, including receiving payments from contractors to receive certain contracts, on April 20, 2010 the judge ruled that the trial could not proceed against the managers for the offences of corruption and embezzlement as the statute of limitations had run out. The trial is continuing against the managers for the offence of criminal conspiracy. Enel, Enelpower and Enel Produzione therefore remain involved in the proceeding as injured parties for that offence. Following extinguishment of the grounds for seeking damages for pecuniary losses as a result of the Court of Cassation's ruling 26806/09 of December 19, 2009 – restricted to substantiated pecuniary losses with ruling 532/08 – and the extinguishment of the charges of embezzlement and corruption due to the statute of limitations, two civil suits were filed with the courts of Monza and Udine seeking tortious damages for the losses caused by the actions of the former directors and senior managers being pursued through the State Audit Court and the criminal court. In addition, Enel Produzione and Enelpower have undertaken revocatory actions against the former directors and senior managers, voiding certain transfers of assets. Finally, following the enforcement proceedings undertaken against the former directors and managers, more than € 450,000 have been recovered. Enelpower is participating as an injured party in the trial of the former directors and senior managers for money laundering in the Swiss courts. In a decision notified on July 2, 2010, the Federal Criminal Court of Bellinzona ruled that since the injured parties were already seeking the same damages in Italy, they could not seek damages in Switzerland as well. Enel recently appealed that decision. Again in Switzerland, Enelpower obtained a precautionary seizure order for amounts deposited on the Swiss current accounts of the defendants in a total amount of about 32 million Swiss francs (about € 23 million).

Litigation concerning free bill payment procedures

In its ruling 2507/2010 of May 3, 2010, the Council of State granted the appeal of the Authority for Electricity and Gas (the Authority) against ruling 321/08 of February 13, 2008 with which the Lombardy Regional Court had voided Resolution 66/07. With the latter, the Authority had fined Enel Distribuzione € 11.7 million for alleged violation of the provisions of Resolution 55/2000 concerning the transparency of invoices. On June 1, 2010, Enel Distribuzione lodged an appeal with the Council of State asking for it to revoke ruling 2507/2010. On October 29, 2010, it also appealed to the European Court of Human Rights in Strasbourg. In Enel's view, with the ruling the Council of State adopted an interpretation of the legal concept of legality that differs sharply from that usually adopted in the case law of the European court. The granting of the appeal would require the Italian State to pay damages equal to the amount paid with the fine. The impact of the fine was recognized in the income statement for the first nine months of 2010.

BEG litigation

As regards the arbitration proceeding under Italian law undertaken by BEG SpA in November 2000 against Enelpower for alleged breach of a collaboration agreement concerning the construction of a hydroelectric power station in Albania, on April 28, 2010 the Albanian Court of Appeal upheld the decision of the Court of Tirana awarding Albania BEG Ambient tortious damages of about € 25 million as well as an unspecified amount of other tortious damages. The ruling was appealed to the Albanian Court of Cassation.
In parallel, in a ruling of April 7, 2009, the Rome Court of Appeal rejected the appeal lodged by BEG against the arbitration award against it. On June 25, 2009, BEG appealed the ruling of the Court of Appeal to the Court of Cassation, which held the hearing on October 20, 2010. Publication of the decision is still pending.

Wisco litigation

As regards the dispute between Enel.NewHydro and Trenitalia, the latter sold Enel.NewHydro the remaining 49% of Wisco for € 16.6 million (net of a discount of € 0.9 million and waiver of accrued interest). At the same time, Wisco and Trenitalia signed an addendum to the water treatment services contract of April 6, 2004, providing for an expansion of the activities entrusted to Wisco by Trenitalia.

Tax dispute with Enel Rete Gas

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.

Contingent liabilities of the Endesa Group

In 2005, the Brazilian tax authorities notified Ampla of an assessment that was subsequently appealed. 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 amount involved in the dispute has risen to about € 328 million.

In 2002 the State of Rio de Janeiro ruled that the ICMS (*Imposto sobre Circulação de Mercadoria y Serviços*) 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). Ampla has appealed the ruling to the Court of Appeals. The amount involved in the dispute has risen to € 64 million.

As regards the dispute of a Brazilian construction company with CELF and Ampla Energia e Serviços, the court recently granted the appeals lodged by Ampla and the State of Rio de Janeiro. The Brazilian construction company appealed that decision to the Court of Cassation, which declined to grant the petition. The construction company then lodged a new appeal (*"de Agravo Regimental"*) with the *Tribunal Superior de Justicia de Brasil*, which was also rejected.

With regard to the dispute between CIEN, an Endesa Group company in Brazil, and Tractebel, for analogous reasons in June 2010 the company Furnas also filed suit against CIEN for failure to deliver electricity, requesting payment of about € 235 million in addition to unspecified damages. CIEN's defense is similar to the earlier case, namely that 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.

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 September 30, 2010 corresponds with that contained in the accounting documentation, books and records.

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