Interim Financial Report at March 31, 2011

Enel

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The Enel structure

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

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.

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:
  - generation by thermal and schedulable hydroelectric 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).

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.

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.

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 the Iberia and Latin America Division, while the balance sheet figures for the same business at December 31, 2010 are reported under the Renewable Energy Division.

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 activities (RusEnergoSbyt), power generation and sales (Enel OGK-5), and support services (Enel Rus).

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), 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 and Enel Unión Fenosa Renovables) and Latin America (Enel Green Power Latin America);
- North America, with power generation from renewable sources (Enel Green Power North America).

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.

Forward

The Interim Financial Report at March 31, 2011 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), as well as the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and the Standing Interpretations Committee (SIC), recognized in the European Union pursuant to Regulation (EC) no. 1606/2002 and in effect as of the close of the period.

The accounting standards adopted and measurement criteria used for the Interim Financial Report at March 31, 2011, which has not been audited, are consistent with those used to prepare the consolidated financial statements at December 31, 2010, 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, 2011:

> "Revised IAS 24 - *Related party disclosures*": the standard allows companies that are subsidiaries or under the significant influence of a government agency to adopt special related-party disclosure rules allowing summary disclosure of transactions with the government agency and with other companies controlled or under the significant influence of the government agency. The new version of IAS 24 also amends the definition of related parties for the purposes of disclosure in the notes to the financial statements. The retrospective application of IAS 24 did not have an impact during the quarter.

> "Amendments to IFRIC 14 - *Prepayments of a minimum funding requirement*": the changes clarify the accounting treatment under the so-called asset ceiling rules, in cases of prepayment of a minimum funding requirement (MFR). More specifically, the amended interpretation sets out new rules for measuring the economic benefits of reducing future MFR contributions. The prospective application of the amendments did not have an impact during the quarter.

> "IFRIC 19 - *Extinguishing financial liabilities with equity instruments*": the interpretation clarifies the accounting treatment that a debtor must apply in the case of liability being extinguished through the issue of equity instruments to the creditor. In particular, the equity instruments issued represent the consideration for extinguishing the liability and must be measured at fair value as of the date of extinguishment. Any difference between the carrying amount of the extinguished liabilities and the initial value of the equity instruments shall be recognized through profit or loss. The retrospective application of IFRIC 19 did not have an impact during the quarter.

> *"Amendments to IAS 32 - Financial instruments: Presentation"*: the amendments specify that rights, options or warrants that entitle the holder to purchase a specific number of equity instruments of the entity issuing such rights for a specified amount of any currency shall be classified as equity instruments if (and only if) they are offered pro rata to all existing holders of the same class of equity instruments (other than derivatives). The retrospective application of the amendments did not have an impact during the quarter.

> *"Improvements to International Financial Reporting Standard"*: the changes regard improvements to existing standards. The main developments regard:
- *IFRS 3 - Business combinations,* as revised in 2008: specifies that non-controlling interests in an acquiree that are present ownership interests entitle their holders, in the event of the liquidation of the company, to a proportionate share of the entity's net assets. They must be measured at fair value or as a proportionate share of the acquiree's net identifiable assets. All other components classifiable as non-controlling interests but which do not have the above characteristics (for example, share options, preference shares, etc.), must be measured at fair value at the acquisition date. The prospective application of IFRS 3 as from January 1, 2010 (date of first-time adoption of IFRS 3 – as revised in 2008) did not have an impact during the quarter;
- *IFRS 7 - Financial instruments: Disclosures*: clarifies the disclosures required in the case of renegotiated

financial instruments as well as disclosure requirements for credit risk. The retrospective application of the amendments did not have an impact during the quarter;

- *IAS 1 - Presentation of financial statements*: specifies that the reconciliation of the carrying amount at the start and end of the period for each element of "other comprehensive income" shall be presented either in the statement of changes in equity or in the notes to the financial statements. In this regard, with the introduction of "*Revised IAS 27 - Consolidated and separate financial statements*", the standard had been modified, calling for the reconciliation to be presented in the statement of changes in equity. The retrospective application of the amendments did not have an impact during the quarter;
- *IAS 34 - Interim financial reporting*: the standard has been amended to add disclosure requirements for interim financial reports concerning, in particular, financial assets and liabilities. For example, it now requires information on changes in the business or in economic conditions that have had an impact on the fair value of financial assets/liabilities measured at fair value or using the amortized cost method. The retrospective application of the amendments did not have an impact during the quarter.

Summary of results

	1st Quarter	
	2011	2010
Income data (millions of euro)		
Revenues	19,536	18,117
Gross operating margin	4,399	4,478
Operating income	3,036	3,130
Net income before non-controlling interests	1,526	1,326
Group net income	1,201	1,050
Financial data (millions of euro)		
Net capital employed	99,736	98,469 (1)
Net financial debt	45,563	44,924 (1)
Shareholders' equity (including non-controlling interests)	54,173	53,545 (1)
Cash flows from operating activities	7	407
Capital expenditure on tangible and intangible assets	1,132	1,133
Per share data (euro)		
Group net income per share in circulation at period-end	0.13	0.11
Group shareholders' equity per share in circulation at period-end	4.15	4.03 (1)
Operating data		
Net electricity generated by Enel (TWh)	73.5	72.6
Electricity transported on the Enel distribution network (TWh)	110.2	108.1
Electricity sold by Enel (TWh) (2)	80.0	80.0
Gas sales to end users (billions of cubic meters)	3.3	3.5
Employees at period-end (no.) (3)	76,623	78,313 (1)
Market indicators		
Average IPE Brent oil price ($/bbl)	105.2	77.3
Average price of low-sulfur fuel oil ($/t) (4)	593.4	468.7
Average price of coal ($/t CIF ARA) (5)	123.0	78.3
Average price of gas (Gbpence/therm) (6)	56.6	35.2
Average dollar/euro exchange rate	1.368	1.383
Six-month Euribor rate (average for the period)	1.37%	0.96%

(1) At December 31, 2010.
(2) Excluding sales to resellers.
(3) Of which 799 at March 31, 2011 (2,324 at December 31, 2010) 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 three months of 2011 amounted to €19,536 million, an increase of €1,419 million or 7.8% on the corresponding period of 2010. The rise is essentially attributable to the increased revenues from the sale of electricity abroad.

The *gross operating margin* in the 1st Quarter of 2011 totaled €4,399 million, down €79 million or 1.8% on the year-earlier period. The decrease, which was partially offset by the improvement in the margin achieved by the International Division and the Infrastructure and Networks Division, is essentially due to the decrease in the margin on generation in Italy and the contraction in the margin of the Iberia and Latin America Division. The latter development is mainly associated with the disposals, completed in the 4th Quarter of 2010, of the assets of the gas distribution network and the power transmission grid in Spain, as well as the recognition in the period of the net-worth tax for 2011 in Colombia.

Operating income amounted to €3,036 million in the 1st Quarter of 2011, down €94 million or 3.0% compared with the first three months of 2010, reflecting an increase of €15 million in depreciation, amortization and impairment losses.

Group net income amounted to €1,201 million in the 1st Quarter of 2011, an increase of €151 million or 14.4% on the first three months of 2010. The positive impact of the decline in net financial expense and in the tax liability for the period more than offset the decrease in operating income.

Net financial debt, excluding debt in respect of assets held for sale totaling €660 million at March 31, 2011 (€636 million at December 31, 2010), amounted to €45,563 million, up €639 million compared with the end of 2010. At March 31, 2011, the ratio of net financial debt to equity came to 0.84 (0.84 at December 31, 2010).

Capital expenditure amounted to €1,132 million in the 1st Quarter of 2011, essentially in line with the year-earlier period.

At March 31, 2011, Enel Group *employees* totaled 76,623 (78,313 at December 31, 2010), a decrease of 1,769 essentially attributable to the change in the scope of consolidation with the sale of CAM and Synapsis (-1,711 employees). At March 31, 2011, the total number of Group employees working abroad amounted to 39,408.

Significant events in the 1st Quarter of 2011

Agreement for development of geothermal energy in Turkey

On January 24, 2011, Enel Green Power (EGP) reached an agreement with the Turkish group Uzun for the development of geothermal plants in Turkey. In particular, the agreement provides for the establishment of a research and exploration company, majority owned and managed by EGP, with a minority stake to be held by Meteor, a company 70% owned by Uzun and 30% owned by the Turkish geothermal consultancy G-Energy.

The new company will hold a package of 142 exploration licenses in the west of the country, where it will carry out surface and deep exploration activities with the aim of finding geothermal resources suitable for the generation of electricity and heat.

The licenses were acquired by Meteor under a law which allows private parties to invest in research for geothermal resources with a view to exploiting them for electricity, heating and in agriculture.

EGP will finance the initial surface exploration with a view to identifying the areas most suitable for the development of geothermal projects, resulting in what could be one of the most important centers of geothermal activity in Turkey. Meteor will participate in EGP's investments in both surface and deep exploration on a pro-rata basis.

Individual companies (with EGP again the majority shareholder) will then be formed to develop each geothermal project in the various areas involved.

Partial repayment of credit facility

With effect from January 31, 2011, a voluntary early repayment was made on the Credit Facility Agreement held by Enel Finance International and 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.

Sale of CAM and Synapsis

On February 24, 2011, the disposal of the Peruvian company Grana y Montero of the Compañía Americana de Multiservicios (CAM) was completed at a price of $20 million. On March 1, 2011, the disposal of Synapsis Soluciones y Servicios IT (Synapsis) to Riverwood Capital was completed at a price of $52 million.

Bond issue for institutional investors

On March 2, 2011, the Board of Directors of Enel SpA, as part of the strategy to extend the average maturity of the Group's consolidated debt and to optimize the profile of its medium and long-term maturities, approved the issue by December 31, 2011 of one or more bonds, to be placed with institutional investors, up to a maximum amount of €1 billion.

The bond issues may be carried out either directly by Enel SpA or by its Dutch subsidiary Enel Finance International NV (guaranteed by the Parent Company) in relation to opportunities offered by the latter for placing bonds on regulated foreign markets and/or in private placements with foreign institutional investors.

The Board of Directors also authorized the CEO to allocate the bond issues between the two above-mentioned companies, as well as setting the amounts, currencies, timing and characteristics of the individual issues, and the power to apply for listing them on one or more regulated markets.

Acquisition of additional stakes in CESI SpA

On March 11, 2011, Enel SpA acquired E.ON Produzione SpA's entire holding in CESI SpA, equal to 3.9% (134,033 shares). On March 25, 2011, additional holdings in CESI were acquired from Edison, Edipower, Iren Energia and A2A, totaling 9.6% of share capital (328,432 shares). Following the transactions, Enel SpA holds 39.4% of CESI.

Agreement for disposal of Maritza

On March 14, 2011, Enel reached an agreement with ContourGlobal for the sale of the entire share capital of the Netherlands-registered companies Maritza East III Power Holding BV and Maritza O&M Holding Netherland BV, which own, respectively, 73% of the share capital of the Bulgarian company Maritza East 3 AD, which in turn is the owner of a lignite-fired power station with an installed capacity of 908 MW ("Maritza"), and 73% of the share capital of the Bulgarian company Enel Operations Bulgaria AD, which is responsible for operating and maintaining the Maritza plant.

ContourGlobal will pay Enel a total of €230 million for the companies. The transaction is expected to close by July 2011 and is subject to obtaining the necessary authorizations from the relevant authorities.

Agreement for the acquisition of Sociedad Eólica de Andalucía

On March 31, 2011 Enel Green Power España signed an agreement to acquire the 16.67% stake held by DEPSA (Desarrollos Eólicos Promoción SA) in Sociedad Eólica de Andalucía SA (SEA). The transaction raises Enel Green Power España's interest in SEA from 46.67% to 63.34%, making it SEA's majority shareholder. The agreement also provides for Enel Green Power to exercise de facto control over the company from the date of signing. SEA is the owner of two wind farms, Planta Eólica del Sur with 42 MW and Energía Eólica del Estrecho with 32 MW, with a total capacity of 74 MW and an annual output of 256,000 MWh. Both plants are located in the province of Cadiz.

Subsequent events and outlook

Subsequent events

Acquisition of Sociedad Eólica de Andalucía

On April 8, 2011, the transfer of the 16.67% stake in Sociedad Eólica de Andalucía SA (SEA) held by DEPSA (Desarrollos Eólicos Promoción SA) to Enel Green Power España was completed. As a result, Enel Green Power España is now the majority shareholder of the company, as its interest has increased from 46.67% to 63.34%.

Purchase of gas extraction permit in Algeria

On April 27, 2011, Enel reached an agreement to purchase 18.375% of the Isarene Permit (Algeria) from Irish company Petroceltic International. The permit, which is currently in the appraisal stage, covers the Ain Tsila field, called by international consulting firm IHS one of the ten biggest gas finds in 2009 and by far the largest discovery in Algeria in recent years. The purchase is awaiting approval by Algerian authorities. Petroceltic, which is engaged in hydrocarbon exploration and production in Algeria, Tunisia and Italy, will continue to operate the field. Enel and Petroceltic will conduct a joint appraisal of Isarene, with plans to drill six wells by the end of this year, in order to quantify and maximize the reserves contained with the field. Once this work is completed, Enel and Petroceltic will have to present a field development plan to Sonatrach, an Algerian state-owned company and a 25% partner in the permit. They will then submit an application to Algerian authorities for authorization to develop and extract gas from the field. Gas production is expected to start in 2017.

Outlook

In the first three months of 2011, the major markets in which the Enel Group operates showed significant growth in Latin America, Eastern Europe and Russia, and weak signs of recovery in the other European countries.
In this environment, Enel will continue with determination to implement its development plans for the renewable energy sector, environmentally sustainable thermoelectric generation technologies and smart grids, and pursue its efforts to boost operational efficiency along the entire value chain.
On this foundation, the Group expects to achieve the consolidated financial targets for 2011 announced to investors.

Regulatory and rate issues

Third Energy Package

The deadline for transposing the "Third Energy Package" into national legislation expired on March 3, 2011. The new regulations contain measures for completely liberalizing the electricity and gas market, strengthening energy security and making the European Union energy market more competitive.
The Third Energy Package is comprised of 2 directives and 3 regulations:

> Directive 2009/72/EC (Common rules for the internal market in electricity);
> Directive 2009/73/EC (Common rules for the internal market in natural gas);
> Regulation (EC) no. 714/2009 (Conditions for access to the network for cross-border exchanges in electricity);
> Regulation (EC) no. 715/2009 (Conditions for access to the natural gas transmission networks);
> Regulation (EC) no. 713/2009 establishing an Agency for the Cooperation of Energy Regulators (ACER).

Agency for the Cooperation of Energy Regulators (ACER)

As envisaged in the Third Energy Package, in March the Agency for the Cooperation of Energy Regulators (ACER) began operations. ACER replaces and strengthens the European Regulators Group for Electricity and Gas (ERGEG). It will be headquartered in Ljubljana (Slovenia).
ACER coordinates the actions of national regulatory authorities (NRAs) in the electricity area and its main responsibilities are to:

> establish the rules governing European electricity and gas networks;
> evaluate the terms and conditions for access to and operational security for cross-border infrastructures where the national authorities are in disagreement;
> prepare the Ten-Year Network Development Plan (TYNDP).

Emissions trading

In January 21, 2011, the Climate Change Committee approved the European Commission's proposal on restricting the use of Clean Development Mechanism (CDM) credits for industrial gas emission reduction projects, starting from May 1, 2013. Following the publication of the announcement of financing available for pilot projects for generating electricity from renewable resources and carbon capture and storage (CCS), the European Commission received applications for 22 CCS projects and 131 renewable energy projects. Enel presented application for a number of projects.
The projects, which will be financed by the European Investment Bank, the agency responsible for selling emissions allowances, will be chosen by the Member States. The European Commission has proposed auctioning 120 million allowances in 2012, thus moving forward the start of Phase III (2013-2020).
On March 15, 2011, an amendment to the auction rules

was proposed on determining the amount of the allowances that will be auctioned. The Climate Change Committee is expected to approve the actual allocation amounts prior to the summer of 2011.

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 14, 2010, the decree of the Minister for Economic Development governing the import procedures for the long-term contract for 2011 was published. The decree confirmed the capacity reserve required to perform the contract and set the price for the 1st Quarter of 2011 at €66.3/MWh, confirming the mechanism for updating the price for the subsequent quarters based on the indexing of the Single National Price (SNP). In line with the previous decree for 2010, it gave the Single Buyer the right to not draw the electricity under the long-term contract if prices are not consistent with its forecast for average provisioning costs. The Single Buyer confirmed its intention to draw the electricity governed by the contract for 2011. The price for the 2nd Quarter of 2011 was set at €68.84/MWh.

Green certificates

On March 30, 2011, the Energy Services Operator (ESO) announced the guaranteed withdrawal price for green certificates issued for generation in 2008, 2009 and 2010 (with the exception of those regarding co-generation plants connected with district heating) at €87.38/MWh (excluding VAT). This corresponds to the weighted average price in green certificate trading on the market run by the Energy Markets Operator (EMO) in 2008-2010.

In addition, the price for green certificates held by the ESO for 2011 is €113.1/MWh. This price is equal to the difference between the price of €180/MWh in the 2008 Finance Act (Article 2, paragraph 148) and the annual average sales price for electricity in 2010 of €66.90/MWh, published by the Authority for Electricity and Gas (the Authority) in Resolution ARG/elt no. 5/11.

Legislative Decree 28/2011, transposing Directive 2009/28/EC on the promotion of the use of energy from renewable resources, repealed Article 45 of the decree law containing budget adjustment measures which established 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. Based on Legislative Decree 28/2011, the withdrawal price for green certificates issued for generation from 2011 to 2015 will be equal to 78% of the offer price for green certificates held by the ESO, as provided for under Article 2, paragraph 148 of the 2008 Finance Act.

Sales

Electricity

Rates and rate updates

With Resolutions ARG/elt no. 232/10 and ARG/com no. 236/10, the Authority for Electricity and Gas (the Authority) set the rates for the enhanced protection service for the 1st Quarter of 2011. The final rate for average residential customers was set at €155.65/MWh, a reduction of 0.2% from the previous quarter. More specifically, the PED component (covering sourcing and dispatching costs) was increased by €3.7/MWh to €89.83/MWh. However, this increase was more than offset by the reductions in the PPE (covering imbalances in the equalization system, -€2.5/MWh), A2 (covering the dismantling of decommissioned nuclear power plants, -€0.6 /MWh) and As (covering costs in respect of the social rate, -€0.3/MWh) components. The amount of the final rate for the average customer for the 1st Quarter of 2011 was also affected by the updating, with Resolution ARG/elt no. 228/10, of the distribution and metering rates for 2011, which were reduced by about €0.3/MWh for that category of customer.
With Resolutions ARG/elt no. 30/11 and ARG/com no. 34/11, the Authority set the rates for the enhanced protection service for the 2nd Quarter of 2011. The final rate for average residential customers was set at €161.77/MWh, an increase of 3.9% from the previous quarter. More specifically, the PED component was increased by €1.57/MWh to €91.40/MWh, while the PPE component was reduced by €0.28/MWh. The Authority also approved a 36.7% increase in the A3 component (incentives for renewable and comparable sources) to €16.21/MWh for the average residential customer.

Inquiries and fact-finding investigations

On February 24, 2011, the Council of State denied Enel Distribuzione's appeal to revoke ruling no. 2507/2010, which upheld the levying of a fine of €11.7 million on the company for having failed to meet the provisions of Resolution no. 55/00 concerning the transparency of invoices.
With Resolution VIS no. 143/10, the Authority approved a new inspection of Enel Servizio Elettrico (which was carried out on January 25-27, 2011) in order to assess the full implementation of the Integrated Service Quality Code (TIQV) and re-examine the findings of the inspection carried out under VIS no. 28/10. Enel Servizio Elettrico has also appealed that measure, with additional motivations.
With Resolution VIS no. 49/11, the Authority launched a formal inquiry to determine whether any violations of the quality of commercial services for the sale of electricity have occurred.

Gas

Rates and rate updates

With Resolution ARG/gas no. 223/10 the Authority updated the supply prices for natural gas for the 1st Quarter of 2011, setting a price of 75 eurocents/m^3, an increase of 1.3% on the previous quarter, for the average residential customer.
With Resolution ARG/gas no. 31/11, the Authority updated the supply prices for natural gas for the 2nd Quarter of 2011, setting a price of 76.52 eurocents/m^3, an increase of 2% on the previous quarter, for the average residential customer. More specifically, the component covering raw materials costs was set at 27.2 eurocents/m^3, an increase of 1.26 eurocents/m^3.
As provided for by Resolution ARG/gas no. 89/10, the QE component (covering raw materials provisioning costs) was reduced by 7.5% compared with the level established using the formula previously in force until September 2011, so as to take account of the outcome of the renegotiation of long-term contracts with gas operators.

Enel Energia and Enel Trade have appealed Resolutions ARG/gas no. 89/10 and ARG/gas no. 233/10.

Supplier of last resort

With Resolution ARG/gas no. 23/11, the Authority ordered that the costs incurred in connection with serving as supplier of last resort for the 2009-2010 gas year be paid by the Equalization Fund by May 14, 2011. During that period, Enel Energia, as supplier of last resort, supplied gas to two areas (Piedmont and Liguria; Lazio, Abruzzo, Marche, Basilicata, Puglia, Campania, Calabria and Sicily).

Inquiries and fact-finding investigations

On February 2, 2010, Enel Energia lodged an appeal with the Council of State against the decision of the Lazio Regional Administrative Court of September 8, 2009, which had denied Enel Energia's appeal against the Competition Authority's measure PS/1874 of December 3, 2008. The Competition Authority alleged that the company failed to read and verify metering equipment and issued estimated invoices calculated using unspecified estimation criteria. The Council of State denied the appeal with its ruling of January 31, 2011, affirming the fine of €90 thousand levied by the Competition Authority.

Generation and Energy Management

Electricity

Emissions trading

The national committee for the management of Directive 2003/87/EC notified Enel of the emissions allowances for 2010 (4.4 million metric tons), that will be allocated to units 2 and 3 of the Torrevaldaliga Nord plant, which were ineligible for the "New Entrant Reserve". A formal resolution from the committee and the determination of the amount to be reimbursed are expected shortly.

As to unit 4, the Authority for Electricity and Gas (the Authority) set the reimbursement amount for 2010 at €37.5 million.

At March 31, 2011, the emissions produced by Enel Produzione amounted to 8.76 million metric tons. Considering that the allowances assigned under the national allocation plan (calculated based on the projected emissions for that period) were equal to 8.56 million metric tons, there was a deficit of 0.2 million metric tons.

Gas

Promoting investment in storage

Pursuant to Legislative Decree 130 of August 13, 2010, the Ministry for Economic Development issued a decree on January 31, 2011 approving Eni's plan for investment in storage. The plan calls for the gradual introduction of 4 billion cubic meters of new storage capacity no later than September 1, 2015.

Of the total new storage capacity, as of April, 1.7 billion cubic meters of physical storage capacity is available for the 2011-2012 gas storage year. In allocating storage capacity following the procedures and timetables set out in Resolution ARG/gas no. 40/11, priority will be given to industrial customers and thermal power plants.

Gas transport and metering rates

In 2010, Enel Trade appealed Resolutions ARG/gas nos. 184/09, 192/09 and 198/09 with which the Authority established the criteria for transport and metering rates for 2010-2013 and set the rates for 2010, with a higher increase in the transport rates for users who import gas from the network entry points in southern Italy as compared with the national average. Pending the hearing, the Authority issued Resolution ARG/gas no. 218/10 approving the transport and metering rates for 2011. Enel Trade has also appealed that measure.

Late metering adjustments

With Resolution ARG/gas no. 182/09, the Authority established the criteria for adjustment payments arising in respect of late adjustments of metering data for the transport network. The settlement of payments was suspended after the Regional Administrative Court granted the appeal of a transport network user against the resolution in its ruling no. 1/11, a decision that also affected Enel Trade. The Authority appealed the Regional Administrative Court's decision to the Council of State, which upheld the suspension.

Infrastructure and Networks

Distribution rates

With Resolution ARG/elt no. 228/10, the Authority for Electricity and Gas (the Authority) updated, on the basis of the criteria set out in Resolution no. 348/07 concerning the 2008-2011 regulatory period, the distribution and metering rates for 2011, reducing the average unit rate by 1% compared with 2010.

Inquiries and fact-finding investigations

On July 6, 2009, with Resolution VIS no. 65/09, the Authority initiated a formal inquiry for the adoption of sanctions against Enel Distribuzione for non-compliance with the time limits for switching customers in the safeguard service market, as well as a small number of disclosure omissions during first safeguard service period. On April 7, 2011, the Authority closed its inquiry and fined Enel Distribuzione €169 thousand.

Smart grids

With Resolution ARG/elt no. 39/10, the Authority specified the criteria for selecting investments in pilot smart grid projects, which, as already established under the Integrated Rate Code (Annex A to Resolution no. 348/07), will receive a higher rate of remuneration.
Enel Distribuzione's project was approved to receive the higher rate with Resolution ARG/elt no. 12/11.

Iberia and Latin America

Spain

Rate updates

On December 29, 2010, the government published Ministerial Order 3353/10, which set the electricity rates starting from January 2011.
The access rates, which cover system costs (grid, renewable subsidies, payments for prior-year deficits and other costs), were left unchanged.
The Ministerial Order also calls for, among other things:
> revision of the unit prices paid by consumers to finance capacity payments, which increased available funds by about 71%;
> specification of the definitive final remuneration of distribution services for 2009 and 2010, which is calcu-

lated using the method set out in Royal Decree 222/08. The remuneration due to Endesa was increased for both years;
> publication of the zonal coefficients for calculating the incentive for reductions in grid losses for 2011;
> extension until December 2011 of the right to be supplied by the *Comercializadores de Ultimo Recurso* (CUR) for non-TUR customers without a supply contract on the free market.

With a Resolution of December 28, 2010, also published on December 29, 2010, the Ministry for Industry updated the TUR for the 1st Quarter of 2011, raising the rate without regard to time band by about 9.8% over that applied in the 4th Quarter of 2010.

On March 31, 2011, Ministerial Order 688/2011 was published, revising the access rates in effect starting from April 2011. The projected average increase for TUR customers is 10.85% (equivalent to the average decrease in the electricity component of the TUR) while the rate for high-voltage customers was raised by 2% on average.

Also on March 31, 2011, the Ministerial Resolution of March 30, 2010 was published, setting the TUR for the 2nd Quarter of 2011 and leaving it unchanged from the previous quarter.

CESUR auctions

On March 5, 2011, Royal Decree 302/2011 was published. It requires CURs to purchase contracts for differences (CFD) for a maximum amount of electricity equal to the difference between the volume required and that awarded via the CESUR auctions. The CFDs were sold by plants eligible for special feed-in rates. The measure establishes that the CURs can obtain supplies at the price set by the CESUR auctions, even for electricity covered by CFDs, thereby reducing their exposure to price risk.

On March 22, 2011, the fourteenth CESUR auction was held. Twenty-one operators were awarded supplies for the 2nd Quarter of 2011 for a total of 4,000 MW at a price of €51.79/MWh for base load power and 406 MW at a price of €55.13/MWh for peak load power. As to the purchase obligations of the CURs, Endesa Energia XXI must purchase 1,709 MW and 183 MW, respectively, of the energy auctioned for each product.

Rate deficit

On January 11, 2011, the first securities were issued under the deficit securitization process governed by Royal Decree 437/2010. The fund raised €2 billion from the issue, which were used to pay the receivables assigned by the electricity companies (Endesa received €1,040 million).

With a Ministerial Resolution of January 20, 2011, published on January 26, 2011, the Ministry for Industry established the total amount at December 31, 2010 of receivables in respect of financing the rate deficit that can be securitized at €16,694 million, of which €8,467 million was assigned to Endesa.

On February 15 and March 22, 2011, the second and third tranches of securities, respectively, were issued to securitize the deficit. The two operations raised €4 billion (Endesa received about €2 billion).

On March 16, 2011, the *Tribunal Supremo* granted Endesa's appeal arguing that the interest rate on the financing of the deficit rate for 2006 requires an additional spread beyond Euribor. The court recognized that the Euribor by itself is not sufficient to cover the financial expense incurred.

Incentives to use domestic coal

On January 10, 2011 the *Audiencia Nacional* decided to remove the *cautelarisimas* adopted in respect of the SEE Resolution of October 22, 2010.

On February 3, 2011, Endesa and the other electric companies withdrew the appeals and petitions for precautionary measures that they had submitted to the European Court of Justice.

On February 10, 2011, the Resolution of the Ministry for Industry of February 8, 2011 was published, establishing the main parameters for application of the *Resolución de restricciones por garantía de suministro* process for 2011. In particular, the mechanism will regard consumption of about 10 million metric tons of domestic coal and a maximum electricity output of 23.3 TWh. The measure also sets out the regulated prices of the electricity produced by each plant involved in the process.

On February 17, 2011, the European Court of Justice withdrew the suspension it ordered on November 3, 2010, denied the request of the Autonomous Community of Galizia for the adoption of precautionary measures and authorized the domestic coal incentive scheme.

The mechanism has been applied starting from February 26, 2011.

Economic Sustainability Law

The *Ley de Economía Sostenible* was published on March 5, 2011. Among the main measures concerning the energy sector were the following:

> operation of nuclear power plants: there is no time limit on plant operation. Under the indicative energy plan, the government will determine the percentage that nuclear energy must contribute to the generation mix by 2020, in accordance with the calendar of operations of existing plants and with the license renewals sought by plant owners, taking into consideration the opinion of the Nuclear Safety Board (CSN), changes in demand, the development of new technologies, the safety of electricity supplies, generation costs and greenhouse gas emissions;

> transposition of European efficiency, energy savings and renewables targets:
  - 20% of final gross consumption of energy must be generated from renewable resources by 2020;
  - cut demand by 20% by 2020 as compared with the business-as-usual scenario;

> photovoltaic power plants:
  - extension of the right to receive incentives up to 30 years for plants receiving remuneration based on Royal Decree 661/2007;
  - prohibition against retroactive application of any changes to the hour restrictions on the right to incentives imposed by Royal Decree Law 14/2010. The changes only affect plants listed in the *pre-asignación* registry following the entry into force of the Royal Decree Law.

Nuclear safety

On March 16, 2011, in line with discussions occurring at the European level, the Spanish government asked the CSN to review the safety systems in place at Spanish nuclear power plants. Specifically, it was asked to perform additional seismic studies and studies on the threat posed by flooding.

Emissions trading

In the 1st Quarter of 2011, Endesa produced emissions totaling around 7.9 million metric tons. Allowances assigned under the national allocation plan on a pro rata basis for the same period amounted to about 5.9 million metric tons.

Argentina

Service quality regulations

Following a number of supply interruptions by Edesur between December 22 and 31, 2010 (due to high temperatures and high demand), on January 4, 2011, ENRE Resolutions 525/2010 and 551/2010 were published. ENRE suspended the analysis of the allotment of dividends by Edesur for 2009 and asked the company to upgrade its 2010 investment plan and submit a "*Programa de Regularización Operativo*" to remedy the shortcomings it found with regard to service quality.

On February 8, 2011, ENRE issued Resolution 31/2011, imposing fines on distributors to the benefit of end users.

On February 16, 2011, ENRE announced the results of a 30-day inquiry into whether the three distribution companies for Buenos Aires (Edesur, Edenor and Edelap) were in compliance with the investment requirements. ENRE concluded that Edesur must still invest $35 million. Edesur has filed an administrative appeal against Resolution 525. Meanwhile, the company submitted its 2010 investment plan adjustment, which provides for expenditure of an amount greater than that required by ENRE and detailed the actions envisaged under the "*Programa de Regularización Operativo*" for the October 2010 - March 2011 period.

Brazil

Distribution rates

On September 10, 2010, Brazilian regulator 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, 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.

On February 1, 2011, ANEEL announced that the current distribution rates will remain in effect pending the adoption of the new rate calculation method and that retroactive adjustments will be made only once the new method is approved.

Coelce will be the first Brazilian distribution company subject to review for the April 2011 - April 2014 period. The review of Ampla is expected for the 2014-2019 period.

Annual rate adjustments

On March 15, 2011 the process of adjusting the annual rates for the distribution company Ampla was completed. It received a 10% increase in the VAD (*Valor Agregado de Distribución – Parcela B* in Brazil), the component for compensating distribution activity.

Argentina-Brazil interconnection line (CIEN)

In 2010, technical negotiations were conducted with ANEEL to determine the value of the interconnection line between Brazil and Argentina (CIEN) and of the remuneration rates.

On December 14, 2010, ANEEL formally approved the value of the *Receita Anual Permitida* (RAP) of the CIEN, which will initially amount to R$239 million (about $150 million), valuing the line at about $1 billion. The ANEEL resolution also provides for the possibility of an extension of the concessions beyond the current 20 years (i.e., until 2021).

On December 28, 2010, the Ministry for Energy and Mineral Resources published *Portaría* 1004/2010, ratifying the RAP of the CIEN and asking for expressions of interest concerning the treatment of interconnection lines as part of the transmission grid, in light of the special terms and conditions applied by ANEEL.

At the request of the Ministry, on February 2, 2011, ANEEL changed the value of the RAP of the CIEN to R$248 million (updated value at June 2010). On February 23, 2011, the Ministry published *Portaría* 126/2011 amending *Portaría* 1004/2010 clarifying that, at the end of the concession period, non-amortized investments will be compensated in the amount of the residual value (consistent with Law 8987 on administrative concessions). Following the publication of this *Portaría*, on February 28, 2011, CIEN expressed interest in the process of treating the lines as part of the transmission grid and, on April 5, 2011, *Portarías* 210/2011 and 211/2011 were published in the Official Journal, treating the CIEN as a regulated interconnection line with annual remuneration of R$248 million. The final phase of the process will only involve the signing of contracts with the Brazilian market operator, ONS.

Chile

Regulations governing emissions by thermal power plants

On January 18, 2011, the Chilean President and the Minister for the Environment signed a decree containing rules on emissions by thermal power plants, sending it to the *Contraloría General de la República* for final approval. The main changes with respect to the version initially proposed by the Bachelet government regard the elimination of the principle of convergence between standards for existing and new plants by 2020, the recognition of plants under construction as existing plants and the extension of the period for adapting plants to the new rules.

Review of sub-transmission rates

The process of reviewing Chilectra's sub-transmission rates is currently under way, with the new four-year rates to come into effect retroactively starting from November 2010. On March 16, 2011, the regulator CNE unveiled a new technical report on the proposed sub-transmission rates, intended to correct certain errors in the previous version, published on February 21, 2011. The CNE must now publish its definitive resolution on the rates. The rate review process should be completed in May or June 2011.

"*Racionamiento*" Decree

On February 17, 2011, Ministerial Decree 26 was published, containing operational measures to prevent, reduce and manage electricity shortages in the Central Interconnection System (reducing voltages, maintaining hydroelectric reserves, etc.). This decree will be in effect until August 31, 2011.

International

France

NOME Act

On December 7, 2010, the NOME (*Nouvelle Organization du Marché de l'Electricité*) Act was officially published. It sets out the main recommendations of the Champsaur Commission (2009) and contains the reform measures that will open up the French electricity market to competition and lead to the elimination of the TaRTAM rate.
The French government plans to launch the ARENH ("*Accès Régulé à l'Electricité Nucléaire Historique*") mechanism, introduced by the NOME Act, on July 1, 2011. This mechanism provides access to nuclear-generated base electricity for alternative suppliers at regulated prices for a 15 year period, with volumes calculated annually with a ceiling of 100 TWh. The drafts of the implementing decrees needed to implement the ARENH mechanism were published and opened to public consultation. More specifically, on January 26, 2011, the first draft of the decree concerning ARENH access conditions was published and the Champsaur Commission began work on the regulated ARENH price. In March 2011, the drafts of the remaining implementing decrees for the ARENH and the draft of the framework agreement between EDF and the individual alternative suppliers for delivery of the regulated volumes were opened to public consultation. On April 19, 2011, the Ministry for the Economy confirmed the government's plan to permit the sale of ARENH electricity starting from July 1 and gave a preview of the ARENH access rates being considered, which should be definitively adopted by ministerial decree.

Romania

Reform of electricity sector

In May 2010, the Antitrust Authority conducted a consultation with market operators on the restructuring of the Romanian electricity sector proposed by the government. The restructuring provides for the creation of two generation companies (Electra and Hidroenergetica), into which the existing companies would be folded, thereby concentrating about 95% of generation in the hands of the State. Enel welcomed the opening of the process to comments from operators and expressed its concerns about a reform that would lead to such a substantial concentration of generation activity and few incentives for potential foreign operators to invest in the sector. Enel also proposed a number of alternative solutions to create greater transparency in the wholesale market, increase liquidity on the trading platforms, generate adequate returns for investors and ensure stability in energy provisioning.
On March 17, 2011, the Bucharest Court of Appeal denied the appeal presented by Nuclearelectrica against the decision of the Bucharest Court adverse to the formation of Electra and Hidroenergetica.

Russia

Capacity market

Since January 1, 2011, all capacity for non-household customers outside the Caucasus region is sold on the free market.
At the conclusion of the long consultation process, in February and April 2010 the government published two decrees regulating the new long-term capacity market and setting out the pricing parameters for both new and existing capacity.
The new capacity market began operation in 2011 in the Europe and Ural zone (Price Zone 1) and Siberia (Price Zone 2), each of which was subdivided into Free Capacity Transfer Zones, on the basis of interconnection difficulties. The first auction was held in October 2010 for 2011. All of Enel's plants were chosen.
In the Free Capacity Transfer Zones, the remuneration price is affected by market dynamics (demand and supply). In zones where competition between generators is limited, a price cap is applied and a price floor will also be used.
The price cap set for 2011 for the zones relevant to Enel is equal to 118,125 RUB/MW/month. In 2011, 27 Free

Capacity Transfer Zones (out of a total of 29) were subject to the price cap. For Enel OGK-5, the price cap was only applicable to the Nevinnomiysskaya plant.

On April 1, 2011, in effect retroactively from January 1, 2011, the government published the new target rules for the wholesale market. The main changes relate to postponing the start of the four-year capacity auctions (through 2013) and, for 2011 only, not indexing the market price for capacity to inflation. The government has also undertaken to introduce a system of guarantees for trading in centralized markets and has instructed the Federal Antitrust Services (FAS) to again assess the state of competition in the capacity market and to propose any changes in the configuration of the market zones (Free Capacity Transfer Zones).

Decrees issued in January and February 2011 establish that investments in new capacity shall receive a remuneration on the basis of Capacity Contracts (DPM). Enel has two new gas combined-cycle plants under construction that are eligible for this remuneration, one in Nevinnomysskaya and the other in Sredneuralskaya (with an expected commercial capacity of 400 MW each).

Under the DPM, the capacity offered by plants has priority access to the market with guaranteed remuneration (capacity payment) for ten years. In addition, for certain new plants ad hoc parameters may be negotiated to cover the actual level of investment. Enel is currently in negotiations for the new unit at Nevinnomysskaya.

Retail market

Decree 1242 of December 31, 2010 contains the transitional rules for 2011 for the retail market. The major changes involve abolishing the tender process for selecting the Guarantee Supplier and newly defining the price cap on the sale of unregulated electricity and capacity by the Guarantee Supplier.

Ancillary services market

The rules for the ancillary services market were approved with Decree 117 of March 3, 2010. The operator responsible for system security (System Operator of the Unified Energy System of Russia - SO UES) chose the operators to provide ancillary services at the end of 2010. Enel's two units at Kolomenskaya were chosen to offer services for primary frequency control and automatic secondary control of frequency and voltage.

Slovakia

New regulatory policy for 2012-2016

In March 2011, the regulator URSO issued a new regulatory policy for the 2012-2016 period. The new policy introduces a general framework and targets for the next regulatory cycle. This will be the fourth regulatory cycle and will, for the first time, cover five years. The main points contained in the regulatory policy can be summarized as follows:

- a five-year regulatory period;
- incorporation of Third Energy Package principles;
- incentives (price caps) across all the regulated portions of the electricity industry (excluding rates for the must-run ENO plant);
- changes in drawing electricity generated from renewable resources and through co-generation (organized by market operator OKTE);
- emphasis on quality standards.

The legislation regarding the new regulatory policy will be issued in the second half of the year.

Must-run plants

In September 2010, the regulator issued a decision on the base price for establishing the rates for the ENO plant for 2011 at €40.25/MWh and the Y factor (adjustment factor for the remuneration for ENO) at 32.6%. The rate covers price decreases, the corrections of previous periods, rising coal prices and higher revenues for ancillary services. ENO's output is guaranteed until 2020 at around 1,700 GWh.

Law 309/2009 concerning support for electricity generated from renewable resources and co-generation

In December 2010, the Slovakian parliament approved the amendment to the law concerning support for electricity generated from renewable resources and co-generation, which took effect from February 2011 and contains three major changes:

> application of a feed-in tariff only for photovoltaic systems mounted on buildings with an installed capacity of up to 100 kW;
> for an existing plant to be eligible for the feed-in tariff, its upgrading costs must exceed 50% of the costs to build a new plant with the same features (excluding hydroelectric plants of up to 2 MW);
> only systems with an installed capacity of less than 1 MW will not be held responsible for deviations from the scheduled daily output.

Emissions trading

In the 1st Quarter of 2011, Slovenské elektrárne produced about 0.86 million metric tons of emissions, while the allowances assigned by the national allocation plan on a pro rata basis for the same period amounted to about 1.35 million metric tons.

URSO Decree 2/2008, amended by URSO Decree 7/2011

URSO Decree 2/2008 was amended at the end of March 2011 by Decree 7/2011, which came into force starting from April 1, 2011. The decree contains the feed-in tariff amounts and the related calculation method. The decree introduces:

> indexing the feed-in tariff to inflation;
> the mechanism for calculating the tariffs for old plants;
> the mechanism for calculating the tariffs for upgraded plants (based on the amount of the investment);
> the feed-in tariffs through June 2011 and the feed-in tariffs starting from July 2011.

Order of the Ministry for the Environment concerning taxation of CO_2

Based on the approval of the amendment to Decree 595/2003 on the taxation of profits at the end of December 2010, which introduced taxation of CO_2 for 2011 and 2012, the Ministry for the Environment is preparing an order on the method for calculating the taxation of CO_2 following a consultation on the issue. The consultation process began in early March and was completed on March 15, 2011. The order is in the final stage of preparation and should enter into effect shortly.

Renewable Energy

Italy

Transposition of Directive 2009/28/EC

Legislative Decree 28/2011, transposing EC Directive 2009/28, introduced new incentives for plants that generate electricity from renewable resources that will enter into service staring from January 1, 2013. More specifically, under the decree and the implementing acts to be issued within six months of its entry into force, plants with a nominal capacity of up to an amount that differs based on the resource employed (although these amounts have not yet been set, they will not be less than 5 MW) will be eligible for incentives in the form of fixed rates. The incentives will be determined via a Dutch auction run by the Energy Services Operator (ESO) for all plants with a nominal capacity that exceeds the above values. As to the total or partial renovation of the plants, the incentive is granted, based on capacity class, in an amount up to 25% and 50%, respectively, of the incentive due for generation by new plants (for plants that generate electricity from biomass, these percentages are set at 80% and 90%), provided that the plant undergoing the work has been in service for at least two-thirds of its conventional useful life.

The decree also provides for a period of transition from the current green certificates mechanism to the auction and rate mechanism. This transitional period will involve a reduction in the mandatory percentage of green certificates starting from the figure set in the 2008 Finance Act for 2012 until it is fully phased out in 2015. The green certificates issued for generation from 2011 to 2015 will be withdrawn by the ESO at a price equal to 78% of the reference value stated in Article 2, paragraph 148 of the 2008 Finance Act (€180/MWh, net of the average price for the sale of electricity during the previous year set by the Authority for Electricity and Gas – the Authority). The right to use green certificates after 2015 will be converted into the right to receive the fixed rates described above for the remainder of the incentive period.

Finally, the Legislative Decree introduces important changes pertaining to incentives for photovoltaic systems, which are described in the following section.

Energy Account

Legislative Decree 28/2011 establishes that only plants that enter service by May 31, 2011 will be eligible for the incentive rates established by the Ministry for Economic Development on August 6, 2010 ("Third Energy Account"). This voids the original eligibility period that encompassed all of 2013. The incentives that will apply to plants entering service from June 1, 2011, with the exception of plants covered by Law 129/2010 (the "Alcoa Rescue" Act), will be established by a ministerial decree

Legislative Decree 28/2011 also sets out the criteria that must be followed in the ministerial decree in establishing the incentives:

> determination of an annual ceiling on the cumulative capacity of plants eligible for the incentive rates;
> determination of the incentive rates taking account of the reduction in technological costs and incentives applied in EU Member States;
> determination of the rates and annual ceilings based on the type of installation.

Energy efficiency

With its ruling of December 21, 2010, the Regional Administrative Court denied Enel.si's appeal of the decision by the Authority to not certify energy savings achieved through the free distribution of compact fluorescent light bulbs to residential customers in 2007 and the first half of 2008.

On March 21, 2011 Enel.si filed an appeal with the Council of State.

France

New remuneration rates for photovoltaic systems

On March 4, 2011 the Ministry for the Environment published a decree governing the new incentive rates for photovoltaic systems that has entered into operation starting from March 10. The basic rates vary:

> for systems integrated (€460/MWh) or partially integrated (€288/MWh) into residential buildings of less than 100 kW;
> for systems integrated (€406/MWh) or partially integrated (€288/MWh) into healthcare facilities and schools of less than 100 kW;
> for systems integrated (€352/MWh) or partially integrated (€288/MWh) into other types of buildings of less than 100 kW;
> for other types of systems of less than 12 MW (€120/MWh).

The rates will also be adjusted downward on a quarterly basis using the following parameters:

> a coefficient based on the concentration of systems in the same land parcel or building;
> a coefficient based on the number of projects registered during the previous quarter.

Greece

Renewable energy support measures

The Ministry for Energy and the Environment and the Ministry for the Economy agreed in March 2011 to approve the transfer of 95% of the revenues derived from the sale of 10 million metric tons of CO_2 credits not used between 2008 and 2012 to the Transmission System Operator (TSO). The revenues will be used by the TSO to cover the costs of the incentive rates for the generation of electricity from renewable resources.

Mexico

Renewable energy support law

On February 4, 2011 the Ministry for Energy announced a 300 MW reduction in the 2012 target (from 2,564 MW to 2,264 MW).

Despite this reduction, on March 1, the President released a document on the national strategic energy plan for 2011-2025, establishing that 35% of electricity should come from renewable resources. The Senate is currently examining the draft in preparation for its final approval.

Meanwhile, on March 2, 2011, the Parliament amended the renewable energy support law by extending the incentives for hydroelectric plants with a capacity of more than 30 MW with a catchment basin of less than 50,000 m^3 or with existing dams covering less than 1 hectare.

USA

Renewable energy support law

On January 13, 2011 the California Public Utilities Commission voted to authorize the trading of tradable renewable energy credits in order to reach the target of 33% of electricity generation from renewable resources by 2020. The utilities have until December 31, 2013 to use traded credits to satisfy up to 25% of their obligation. On April 12, 2011, the governor of California signed a law requiring all utilities to meet the 33% target by 2020.

Spain

Remuneration for photovoltaic plants

On March 31, 2011 the Spanish government published the results of the first *convocatoria* for 2011. Based on the capacity registered and the reduction under Royal Decree 1565/2010 (45% for ground systems, 5% for integrated systems of up to 20 MW and 25% for integrated systems of more than 20 MW), the rates for the quarter that will apply to plants registered in the second *convocatoria* of 2011 were recalculated and set as follows: for integrated systems, €288.82/MWh for plants of less than or equal to 20 kW and €203.73/MWh for those of more than 20 kW; for ground installations, €134.59/MWh.

Operating review

Domestic electricity and gas production and demand

Domestic electricity generation and demand

Millions of kWh	1st Quarter			
	2011	2010	Change	
Net electricity generation:				
- thermal	58,117	57,465	652	1.1%
- hydroelectric	9,775	10,668	(893)	-8.4%
- wind	2,225	2,439	(214)	-8.8%
- geothermal and other resources	1,794	1,473	321	21.8%
Total net electricity generation	**71,911**	**72,045**	**(134)**	-0.2%
Net electricity imports	11,987	11,691	296	2.5%
Electricity delivered to the network	**83,898**	**83,736**	**162**	0.2%
Consumption for pumping	(639)	(1,351)	712	52.7%
Electricity demand	**83,259**	**82,385**	**874**	1.1%

Source: Terna - Rete Elettrica Nazionale (monthly report – March 2011).

> Domestic *electricity demand* increased by 1.1% in the 1st Quarter of 2011 compared with the same period of 2010, reaching 83.3 TWh. Of the total, 85.6% was met by net domestic generation for consumption (85.8% in the 1st Quarter of 2010) and 14.4% by net imports (14.2% in the 1st Quarter of 2010).

> *Net electricity imports* in the 1st Quarter of 2011 increased by 0.3 TWh, essentially as a result of the electricity price differential between the domestic market and foreign markets.

> *Net electricity generation* in the 1st Quarter of 2011 was in line with the year-earlier period (down 0.1 TWh). The reduction in hydroelectric generation (down 0.9 TWh) and wind generation (down 0.2 TWh) was only partially offset by an increase in thermal generation (up 0.7 TWh) and in generation from geothermal and other resources (up 0.3 TWh).

Domestic gas demand

Billions of m^3	1st Quarter			
	2011	2010	Change	
Residential and commercial	15.6	16.2	(0.6)	-3.7%
Industrial and services	4.4	4.5	(0.1)	-2.2%
Thermal generation	7.9	7.8	0.1	1.3%
Other (1)	0.6	0.7	(0.1)	-14.3%
Total	**28.5**	**29.2**	**(0.7)**	**-2.4%**

(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 1st Quarter of 2011 decreased by 2.4% to 28.5 billion cubic meters. The decline involved all categories of consumption, with the exception of thermal generation, reflecting the net increase in output from that resource. Residential and commercial consumption diminished, essentially due to warmer weather compared with the 1st Quarter of the previous year.

Enel's electricity and natural gas flows

	Italy	Abroad	**Total**	Italy	Abroad	**Total**
	1st Quarter of 2011			1st Quarter of 2010		
Enel's net electricity generation (TWh)	19.7	53.8	**73.5**	20.7	51.9	**72.6**
Electricity transported on Enel's distribution network (TWh)	62.4	47.8	**110.2**	61.9	46.2	**108.1**
Enel's electricity sales (TWh) (1)	27.0	53.0	**80.0**	29.6	50.4	**80.0**
Gas sold to end users (billions of m^3)	2.1	1.2	**3.3**	2.4	1.1	**3.5**

(1) Excluding sales to resellers.

> Enel's *net electricity generation* in the 1st Quarter of 2011 totaled 73.5 TWh, up 1.2% on the first three months of the previous year. More specifically, the decline in output in Italy (down 1.0 TWh or 4.8%), which involved all generation technologies with the exception of geothermal, was more than offset by an increase in generation abroad (up 1.9 TWh or 3.7%). The latter development is attributable to an increase in thermal generation, which more than offset the decline in nuclear generation (due essentially to shutdowns at Spanish plants) and hydroelectric generation, which was affected by less favorable water conditions than in the 1st Quarter of 2010.

> *Electricity transported* by Enel in the 1st Quarter of 2011 amounted to 110.2 TWh, an increase of 1.9%, which essentially reflects developments in demand in Italy and the other countries in which Enel operates.

> Enel's *electricity sales* in the 1st Quarter of 2011 came to 80.0 TWh, as in the 1st Quarter of 2010. More specifically, the reduction in quantities sold on the domestic free market and enhanced protection market (down by a total of 2.6 TWh) was entirely offset by greater sales abroad, especially in Chile, France and Russia.

> *Gas sold* in the 1st Quarter of 2011 declined by 0.2 billion cubic meters, essentially as a result of the fall in consumption on the domestic market, with virtually no change on markets abroad.

Main changes in the scope of consolidation

In the 1st Quarter of 2011, the scope of consolidation changed with respect to the year-earlier period as a result of the following main transactions:

> establishment of SE Hydropower, which operates in the generation of electricity in the Province of Bolzano, which since June 1, 2010, Enel, despite holding only 40%, consolidates on a full line-by-line basis owing to specific shareholders' agreements concerning the governance of the company. In view of the manner in which the company was formed, the transaction qualifies as a business combination. The fair value of the assets acquired and liabilities and contingent liabilities assumed with the operation have been recognized on a provisional basis pending their definitive determination pursuant to IFRS 3;

> disposal, on July 1, 2010, of 50.01% of Endesa Hellas,

a Greek company operating in the renewables generation sector;

- disposal, on December 17, 2010, of 80% of Nubia 2000, a company owning assets (acquired by Endesa Gas during the year) in the gas transport and distribution industry in Spain. The sale also includes a 35% stake in Gas Aragon, which had previously been acquired by Nubia 2000;
- disposal, on February 24, 2011, of Compañía Americana de Multiservicios (CAM), which operates in Latin America in the general services sector;
- disposal, on March 1, 2011, of Synapsis Soluciones y Servicios IT (Synapsis), which operates in Latin America in the IT services sector.

Compared with December 31, 2010, "Net assets held for sale", in addition to the impact of the sale of CAM and Synapsis, reflect the inclusion of the net assets of Deval and Vallenergie in view of the decisions taken by management and the state of negotiations for their sale under way. As at December 31, 2010, the item also includes the assets of Enel Maritza East 3, Enel Operations Bulgaria, Enel Green Power Bulgaria, Endesa Ireland and the part of the assets of Enel Unión Fenosa Renovables being sold to Gas Natural.

Results by Division

The representation of divisional performance and financial position presented here is based on the approach used by management in monitoring Group performance for the two periods under review.

Segment information for the 1st Quarter of 2011 and 2010

1st Quarter of 2011 (1)

Millions of euro	Sales	GEM	Eng. & Innov.	Infra. & Networks	Iberia and Latin America	Int'l	Renewable Energy	Parent Company	Services and Other Activities	Eliminations and adjustments	**Total**
Revenues from third parties	4,884	3,501	15	680	8,001	1,870	487	88	13	(3)	**19,536**
Revenues from other segments	46	1,594	80	1,103	96	155	119	70	238	(3,501)	**-**
Total revenues	**4,930**	**5,095**	**95**	**1,783**	**8,097**	**2,025**	**606**	**158**	**251**	**(3,504)**	**19,536**
Net income/(charges) from commodity risk management	15	82	-	-	(12)	(18)	2	-	-	-	**69**
Gross operating margin	**179**	**558**	**3**	**984**	**1,820**	**449**	**390**	**(17)**	**36**	**(3)**	**4,399**
Depreciation, amortization and impairment losses	57	140	1	225	668	155	91	2	24	-	**1,363**
Operating income	**122**	**418**	**2**	**759**	**1,152**	**294**	**299**	**(19)**	**12**	**(3)**	**3,036**
Net financial income/(expense) and income/(expense) from equity investments accounted for using the equity method	-	-	-	-	-	-	-	-	-	-	**(680)**
Income taxes	-	-	-	-	-	-	-	-	-	-	**830**
Net income from continuing operations	-	-	-	-	-	-	-	-	-	-	**1,526**
Net income from discontinued operations	-	-	-	-	-	-	-	-	-	-	**-**
Net income (Group and non-controlling interests)	-	-	-	-	-	-	-	-	-	-	**1,526**
Operating assets	**7,247 (2)**	**15,019**	**183**	**17,944 (4)**	**76,012 (7)**	**13,635 (9)**	**9,855 (12)**	**1,218**	**1,976**	**(4,683)**	**138,406**
Operating liabilities	**5,588 (3)**	**4,219**	**245**	**5,798 (5)**	**11,774 (8)**	**5,127 (10)**	**1,107 (13)**	**1,126**	**1,261**	**(4,721)**	**31,524**
Capital expenditure	**1**	**39**	**-**	**238 (6)**	**417**	**229 (11)**	**204**	**1**	**3**	**-**	**1,132**

(1) Segment revenues include both revenues from third parties and revenue flows between the segments. An analogous approach was taken for other income and costs for the year.
(2) Of which €31 million regarding units classified as "Held for sale".
(3) Of which €7 million regarding units classified as "Held for sale".
(4) Of which €85 million regarding units classified as "Held for sale".
(5) Of which €19 million regarding units classified as "Held for sale".
(6) Does not include €2 million regarding units classified as "Held for sale".
(7) Of which €390 million regarding units classified as "Held for sale".
(8) Of which €47 million regarding units classified as "Held for sale".
(9) Of which €559 million regarding units classified as "Held for sale".
(10) Of which €28 million regarding units classified as "Held for sale".
(11) Does not include €2 million regarding units classified as "Held for sale".
(12) Of which €397 million regarding units classified as "Held for sale".
(13) Of which €12 million regarding units classified as "Held for sale".

1st Quarter of 2010 (1)

Millions of euro	Sales	GEM	Eng. & Innov.	Infra. & Networks	Iberia and Latin America		Int'l		Renewable Energy		Parent Company	Services and Other Activities	Eliminations and adjustments	Total
Revenues from third parties	5,048	2,955	26	502	7,476		1,601		414		79	23	(7)	**18,117**
Revenues from other segments	40	1,513	148	1,195	19		37		43		57	225	(3,277)	**-**
Total revenues	**5,088**	**4,468**	**174**	**1,697**	**7,495**		**1,638**		**457**		**136**	**248**	**(3,284)**	**18,117**
Net income/(charges) from commodity risk management	(181)	203	-	-	36		(5)		25		-	-	-	**78**
Gross operating margin	**157**	**660**	**2**	**921**	**2,001**		**377**		**326**		**2**	**32**	**-**	**4,478**
Depreciation, amortization and impairment losses	79	140	1	213	684		141		64		1	25	-	**1,348**
Operating income	**78**	**520**	**1**	**708**	**1,317**		**236**		**262**		**1**	**7**	**-**	**3,130**
Net financial income/(expense) and income/(expense) from equity investments accounted for using the equity method	-	-	-	-	-		-		-		-	-	-	**(935)**
Income taxes	-	-	-	-	-		-		-		-	-	-	**869**
Net income from continuing operations	-	-	-	-	-		-		-		-	-	-	**1,326**
Net income from discontinued operations	-	-	-	-	-		-		-		-	-	-	**-**
Net income (Group and non-controlling interests)	-	-	-	-	-		-		-		-	-	-	**1,326**
Operating assets (2)	**6,162**	**14,934**	**316**	**17,680**	**77,764**	(3)	**13,103**	(6)	**9,654**	(8)	**1,075**	**2,529**	**(5,732)**	**137,485**
Operating liabilities (2)	**5,673**	**4,467**	**374**	**5,825**	**13,500**	(4)	**5,184**	(7)	**1,235**	(9)	**1,166**	**1,543**	**(5,734)**	**33,233**
Capital expenditure	**4**	**131**	**1**	**238**	**381**	(5)	**204**		**150**		**-**	**24**	**-**	**1,133**

(1) Segment revenues include both revenues from third parties and revenue flows between the segments. An analogous approach was taken for other income and costs for the year.
(2) At December 31, 2010.
(3) Of which €484 million regarding units classified as "Held for sale".
(4) Of which €145 million regarding units classified as "Held for sale".
(5) Does not include €7 million regarding units classified as "Held for sale".
(6) Of which €592 million regarding units classified as "Held for sale".
(7) Of which €26 million regarding units classified as "Held for sale".
(8) Of which €399 million regarding units classified as "Held for sale".
(9) Of which €14 million regarding units classified as "Held for sale".

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

Millions of euro

	at Mar. 31, 2011	at Dec. 31, 2010
Total assets	**166,612**	**168,052**
Financial assets, cash and cash equivalents	20,745	22,934
Tax assets	7,461	7,633
Segment assets	**138,406**	**137,485**
- of which:		
Sales (1)	7,247	6,162
Generation and Energy Management	15,019	14,934
Engineering and Innovation	183	316
Infrastructure and Networks (2)	17,944	17,680
Iberia and Latin America (3)	76,012	77,764
International (4)	13,635	13,103
Renewable Energy (5)	9,855	9,654
Parent Company	1,218	1,075
Services and Other Activities	1,976	2,529
Eliminations and adjustments	(4,683)	(5,732)
Total liabilities	**112,439**	**114,507**
Loans and other financial liabilities	67,302	68,683
Tax liabilities	13,613	12,591
Segment liabilities	**31,524**	**33,233**
- of which:		
Sales (6)	5,588	5,673
Generation and Energy Management	4,219	4,467
Engineering and Innovation	245	374
Infrastructure and Networks (7)	5,798	5,825
Iberia and Latin America (8)	11,774	13,500
International (9)	5,127	5,184
Renewable Energy (10)	1,107	1,235
Parent Company	1,126	1,166
Services and Other Activities	1,261	1,543
Eliminations and adjustments	(4,721)	(5,734)

(1) Of which €31 million regarding units classified as "Held for sale" at March 31, 2011.
(2) Of which €85 million regarding units classified as "Held for sale" at March 31, 2011.
(3) Of which €390 million regarding units classified as "Held for sale" at March 31, 2011 (€484 million at December 31, 2010).
(4) Of which €559 million regarding units classified as "Held for sale" at March 31, 2011 (€592 million at December 31, 2010).
(5) Of which €397 million regarding units classified as "Held for sale" at March 31, 2011 (€399 million at December 31, 2010).
(6) Of which €7 million regarding units classified as "Held for sale" at March 31, 2011.
(7) Of which €19 million regarding units classified as "Held for sale" at March 31, 2011.
(8) Of which €47 million regarding units classified as "Held for sale" at March 31, 2011 (€145 million at December 31, 2010).
(9) Of which €28 million regarding units classified as "Held for sale" at March 31, 2011 (€26 million at December 31, 2010).
(10) Of which €12 million regarding units classified as "Held for sale" at March 31, 2011 (€14 million at December 31, 2010).

Sales

Operations

Electricity sales

Millions of kWh	1st Quarter			
	2011	2010	Change	
Mass-market customers	7,092	7,137	(45)	-0.6%
Business customers [(1)]	2,528	3,108	(580)	-18.7%
Safeguard-market customers	493	1,042	(549)	-52.7%
Total free market [(2)]	**10,113**	**11,287**	**(1,174)**	**-10.4%**
Total regulated market (enhanced protection market)	**16,803**	**18,261**	**(1,458)**	**-8.0%**
TOTAL	**26,916**	**29,548**	**(2,632)**	**-8.9%**

(1) Supplies to large customers and energy-intensive users (annual consumption greater than 1 GWh).
(2) The figure for the 1st Quarter of 2010 for the free market reflects a more accurate measurement of quantities sold on the basis of final data provided by Terna.

Electricity sold in the 1st Quarter of 2011 amounted to 26,916 million kWh, down 2,632 million kWh compared with the same period of the previous year, owing to a decrease in sales on the free market and to customers on the enhanced protection market. The latter was essentially attributable to the increasing competitiveness of the market.

Natural gas sales

Millions of m^3	1st Quarter			
	2011	2010	Change	
Mass-market customers [(1)]	1,682	1,767	(85)	-4.8%
Business customers	374	602	(228)	-37.9%
Total	**2,056**	**2,369**	**(313)**	**-13.2%**

(1) Includes residential customers and microbusinesses.

Gas sales for the 1st Quarter of 2011 totaled 2,056 million cubic meters, a decline of 313 million cubic meters from the same period of the previous year. The decline is essentially attributable to the decrease in volumes sold to business customers, in addition to the fall in sales to mass-market customers.

Performance

Millions of euro	1st Quarter		
	2011	2010	Change
Revenues	4,930	5,088	(158)
Net income/(charges) from commodity risk management	15	(181)	196
Gross operating margin	*179*	*157*	*22*
Operating income	122	78	44
Operating assets (1)	7,247	6,162 (2)	1,085
Operating liabilities (3)	5,588	5,673 (2)	(85)
Employees at period-end (no.) (4)	3,817	3,823 (2)	(6)
Capital expenditure	1	4	(3)

(1) Of which €31 million regarding units classified as "Held for sale".
(2) At December 31, 2010.
(3) Of which €7 million regarding units classified as "Held for sale".
(4) Includes 18 in units classified as "Held for sale" at March 31, 2011 (zero at December 31, 2010).

Revenues in the 1st Quarter of 2011 totaled €4,930 million, down €158 million or 3.1% compared with the same period of 2010, due to the following main factors:

> a €75 million decline in revenues on the free electricity market, essentially attributable to smaller volumes sold (down 1.2 TWh);
> a €17 million decrease in revenues on the regulated electricity market, mainly connected with the decrease in quantities sold (down 1.4 TWh) to customers on the enhanced protection market as a result of the opening of the market and the decline in revenues from the component covering sales costs. These negative factors were partially offset by an increase in average revenues from the component covering generation costs;
> a €28 million decrease in revenues on the natural gas market, essentially due to the decline in quantities sold (a decrease of 313 million cubic meters);
> a €27 million decrease in connection fees.

The **gross operating margin** in the 1st Quarter of 2011 amounted to €179 million, up €22 million compared with the same period of 2010. The increase is essentially ascribable to the net effect of:

> a €64 million increase in the electricity margin on the free market, as the increase in provisioning costs was more than offset by the net result on commodity risk management, giving rise to an increase in the unit margin;
> an €8 million decline in the margin on electricity sales on the regulated market, mainly due to a decrease in volumes sold;
> an €8 million decline in the margin on sales of natural gas to end users, mainly due to a decline in quantities sold;
> a €25 million increase in operating expenses, essentially attributable to greater costs for customer acquisition and management on the free market.

Operating income in the 1st Quarter of 2011, after depreciation, amortization and impairment losses of €57 million (€79 million in the same period of 2010), amounted to €122 million, up €44 million compared with the 1st Quarter of 2010. The decrease in depreciation, amortization and impairment losses was related mainly to the decrease in provisions for doubtful accounts.

Capital expenditure

Capital expenditure came to €1 million, down €3 million from the same period of the previous year.

Generation and Energy Management

Operations

Net electricity generation

Millions of kWh	1st Quarter			
	2011	2010	Change	
Thermal	12,397	12,943	(546)	-4.2%
Hydroelectric	4,321	4,827	(506)	-10.5%
Other resources	1	1	-	-
Total net generation	**16,719**	**17,771**	**(1,052)**	**-5.9%**

In the 1st Quarter of 2011, net electricity generation totaled 16,719 million kWh, a decline of 5.9% compared with the corresponding period of the previous year, involving both thermal generation (down 546 million kWh) and hydroelectric generation (down 506 million kWh).

Contribution to gross thermal generation

Millions of kWh	1st Quarter					
	2011		2010		Change	
High-sulfur fuel oil (S>0.25%)	146	1.1%	247	1.8%	(101)	-40.9%
Low-sulfur fuel oil (S<0.25%)	106	0.8%	177	1.3%	(71)	-40.1%
Total fuel oil	**252**	**1.9%**	**424**	**3.1%**	**(172)**	**-40.6%**
Natural gas	4,957	37.7%	5,375	39.1%	(418)	-7.8%
Coal	7,815	59.5%	7,831	56.9%	(16)	-0.2%
Other fuels	117	0.9%	123	0.9%	(6)	-4.9%
TOTAL	**13,141**	**100.0%**	**13,753**	**100.0%**	**(612)**	**-4.4%**

Gross thermal generation in the 1st Quarter of 2011 decreased by 4.4% with respect to the corresponding period of 2010. The decline involved all plants that use natural gas and fuel oil as a result of the decline in the use of combined-cycle plants and the reduced competitiveness of traditional oil-gas plants.

Performance

Millions of euro	1st Quarter		
	2011	2010	Change
Revenues	5,095	4,468	627
Net income/(charges) from commodity risk management	82	203	(121)
Gross operating margin	*558*	*660*	*(102)*
Operating income	418	520	(102)
Operating assets	15,019	14,934 (1)	85
Operating liabilities	4,219	4,467 (1)	(248)
Employees at period-end (no.)	6,564	6,601 (1)	(37)
Capital expenditure	39	131	(92)

(1) At December 31, 2010.

Revenues in the 1st Quarter of 2011 totaled €5,095 million, up €627 million or 14.0% compared with the corresponding period of 2010, due primarily to the following factors:

> an increase of €484 million in revenues from trading on international electricity markets, due essentially to higher volumes sold (up 8.8 TWh);
> an increase of €111 million in revenues from electricity sales, mainly due to higher volumes sold (up 0.5 TWh) to other Group Divisions (up €54 million) in relation to the increase in international business, which more than offset the contraction in sales in Italy to the Sales Division, as well as increased revenues in respect of electricity sales to resellers on the domestic market (up €26 million);
> an increase of €38 million in revenues from fuel trading, attributable to the increase in revenues from the sale of natural gas (€30 million), as well as the increase in revenues from the sale of other fuels (€8 million);
> an increase of €37 million in revenues attributable to the Authority for Electricity and Gas' grant (under Resolution ARG/elt no. 38/11) for 2010 in respect of commercial operation of unit 4 of the Torrevaldaliga Nord power plant, which was classified as a "new entrant" in the emissions trading system;
> an increase of €26 million in revenues from the sale of green certificates to the Energy Services Operator (ESO).

These positive factors were only partially offset by lower revenues for sales on the Power Exchange (€96 million), mainly attributable to the decline in quantities sold (down 1.0 TWh) and the decrease in average sales prices.

The **gross operating margin** in the 1st Quarter of 2011 amounted to €558 million, down €102 million or 15.5% compared with €660 million in the same period of 2010. The decrease is largely attributable to the reduction in the generation margin (down €88 million), essentially due to the decline in hydroelectric generation and to the decrease in the margin on natural gas sales (down €35 million); these factors were partially offset by the increase in the margin on trading (up €25 million).

Operating income amounted to €418 million and, with unchanged depreciation, amortization and impairment losses, fell by €102 million or 19.6% compared with the €520 million posted in the year-earlier period.

Capital expenditure

Capital expenditure in the 1st Quarter of 2011 came to €39 million, mainly in respect of generation plants. The main investments regarded the continuation of work at thermal plants and the construction of new hydroelectric plants and the refurbishing/repowering of existing plants. The decrease compared with the same period of 2010 reflects the completion of a number of major projects, including the coal conversion of the Torrevaldaliga Nord plant.

Engineering and Innovation

Performance

Millions of euro	1st Quarter		
	2011	2010	Change
Revenues	95	174	(79)
Gross operating margin	*3*	*2*	*1*
Operating income	2	1	1
Operating assets	183	316 (1)	(133)
Operating liabilities	245	374 (1)	(129)
Employees at period-end (no.)	1,343	1,339 (1)	4
Capital expenditure	-	1	(1)

(1) At December 31, 2010.

Revenues in the 1st Quarter of 2011 totaled €95 million, down €79 million or 45.4% compared with the same period of the previous year. This decline was essentially due to the following:

> a €58 million decline in business with the Generation and Energy Management Division, related mainly to the coal conversion of the Torrevaldaliga Nord plant, which regarded the 1st Quarter of 2010;
> an €18 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;
> an €11 million decline in business with the companies of the International Division, essentially connected with a decrease in activities in Russia (€8 million) and in Belgium (€7 million), only partially offset by the increase in modernization work on thermal plants in Slovakia (€4 million).

The **gross operating margin** amounted to €3 million in the 1st Quarter of 2011, essentially in line with the same period of 2010.

Operating income for the 1st Quarter of 2011 totaled €2 million, an increase of €1 million, in line with the trend in gross operating margin.

Infrastructure and Networks

Operations

Transport of electricity

Millions of kWh	1st Quarter			
	2011	2010 (1)	Change	
Electricity transported on Enel's distribution network	62,372	61,905	467	0.8%

(1) The figure for the 1st Quarter of 2010 takes account of a more accurate calculation of quantities transported.

Electricity transported on the Enel network in Italy in the 1st Quarter of 2011 rose by 467 million kWh (up 0.8%), going from 61,905 million kWh in the 1st Quarter of 2010 to 62,372 kWh in the 1st Quarter of 2011. The change is essentially in line with developments in electricity demand in Italy.

Performance

Millions of euro	1st Quarter		
	2011	2010	Change
Revenues	1,783	1,697	86
Gross operating margin	*984*	*921*	*63*
Operating income	759	708	51
Operating assets (1)	17,944	17,680 (2)	264
Operating liabilities (3)	5,798	5,825 (2)	(27)
Employees at period-end (no.)	19,022 (4)	19,152 (2)	(130)
Capital expenditure (5)	238	238	-

(1) Of which €85 million regarding units classified as "Held for sale".
(2) At December 31, 2010.
(3) Of which €19 million regarding units classified as "Held for sale".
(4) Of which 155 in units classified as "Held for sale" at March 31, 2011.
(5) The figure for the 1st Quarter of 2011 does not include €2 million regarding units classified as "Held for sale".

Revenues in the 1st Quarter of 2011 totaled €1,783 million, up €86 million or 5.1% compared with the year-earlier period. This change is essentially due to:

> an increase of €52 million in revenues from grid connection fees (including equalization mechanisms);
> an increase of €19 million in revenues in respect of white certificates;
> an increase of €7 million in revenues for indemnities paid for damage to plants;
> positive prior-year items amounting to €4 million, essentially attributable to adjustments and estimate revisions.

Revenues from the transport of electricity were essentially in line with the corresponding period of 2010. More specifically, the positive effects (€8 million) of the increased quantities of electricity distributed to end users and the net positive impact (€2 million) of the updating of rates (a positive effect for transmission rates and a negative effect for distribution and metering rates) were essentially offset by the negative impact of the recognition in the 1st Quarter of 2010 of the rate component to remunerate the early replacement of electromechanical meters.

The **gross operating margin** amounted to €984 million, up €63 million or 6.8%, essentially attributable to:

> an increase of €52 million in connection fees (including equalization mechanisms), as noted in the comments on revenues;
> an increase of €9 million in the margin on white certificates;
> an increase of €7 million in revenues in respect of indemnities for damage to plants;
> a decrease of €5 million in personnel costs;
> a decrease of €20 million in the margin on the transport of electricity, mainly due to the negative effect of the updating of distribution and metering rates.

Operating income, after depreciation, amortization and impairment losses of €225 million (€213 million in the 1st Quarter of 2010), amounted to €759 million, up €51 million or 7.2% compared with the same period of 2010.

Capital expenditure

Capital expenditure in the 1st Quarter of 2011 totaled €238 million, in line with the year-earlier period. It mainly regarded the work done on the low and medium-voltage grids in order to improve service quality and the connection of renewables plants.

Iberia and Latin America

Operations

Net electricity generation

Millions of kWh	1st Quarter			
	2011	2010	Change	
Thermal	17,701	13,765	3,936	28.6%
Nuclear	5,819	6,493	(674)	-10.4%
Hydroelectric	9,865	11,120	(1,255)	-11.3%
Wind	35	526	(491)	-93.3%
Other resources	9	60	(51)	-85.0%
Total net generation	**33,429**	**31,964**	**1,465**	**4.6%**

Net electricity generation in the 1st Quarter of 2011 amounted to 33,429 million kWh, an increase of 1,465 million kWh compared with the same period of 2010.
In the 1st Quarter of 2011, net electricity generation in Europe rose by 1,092 million kWh: the increase in thermal generation (up 48.1%) more than offset the reduction in nuclear generation (down 10.4%), attributable to the unavailability of the Almaraz 2, Vandellos and Asco I plants, and the decline in hydroelectric generation owing to poorer water availability in the period and to the change in the scope of consolidation (which also impacted wind generation) as a result of the transfer of ECyR (Enel

Green Power España) to the Renewable Energy Division. Generation in Latin America rose by 373 million kWh, mainly as a result of greater thermal generation in Argentina, Chile and Peru, partially offset by the decline in hydroelectric generation (due to less favorable water availability in the period) in all the other Latin American countries in which the Division operates, with the exception of Colombia.

Contribution to gross thermal generation

Millions of kWh	1st Quarter					
	2011		2010		Change	
High-sulfur fuel oil (S>0.25%)	2,042	8.2%	1,950	9.2%	92	4.7%
Low-sulfur fuel oil (S<0.25%)	-	-	65	0.3%	(65)	-100.0%
Total fuel oil	**2,042**	**8.2%**	**2,015**	**9.5%**	**27**	**1.3%**
Natural gas	9,183	37.0%	6,780	32.0%	2,403	35.4%
Coal	6,434	25.9%	4,138	19.5%	2,296	55.5%
Nuclear fuel	6,066	24.5%	6,785	32.1%	(719)	-10.6%
Other fuels	1,077	4.4%	1,460	6.9%	(383)	-26.2%
TOTAL	**24,802**	**100.0%**	**21,178**	**100.0%**	**3,624**	**17.1%**

Gross thermal generation in the 1st Quarter of 2011 amounted to 24,802 million kWh, an increase of 3,624 million kWh compared with the same period of 2010. The generation mix used reflected both the unavailability of a number of plants and the price differential between the two periods for certain fuels, which had an impact on their use.

Electricity sales

Millions of kWh	1st Quarter			
	2011	2010	Change	
Free market:				
- Iberian peninsula	27,207	27,727	(520)	-1.9%
- Latin America	1,882	1,864	18	1.0%
Total free market	**29,089**	**29,591**	**(502)**	**-1.7%**
Regulated market:				
- Latin America	12,105	10,865	1,240	11.4%
Total regulated market	**12,105**	**10,865**	**1,240**	**11.4%**
TOTAL	**41,194**	**40,456**	**738**	**1.8%**
- of which Iberian peninsula	*27,207*	*27,727*	*(520)*	*-1.9%*
- of which Latin America	*13,987*	*12,729*	*1,258*	*9.9%*

Electricity sales to end users in the 1st Quarter of 2011 amounted to 41,194 million kWh, up 738 million kWh compared with the same period of 2010. The increase of 1,258 million kWh in sales in Latin America (especially in Chile) as a result of stronger electricity demand was partially offset by the reduction in quantities sold in the Iberian peninsula.

Performance

Millions of euro	1st Quarter			
	2011	2010		Change
Revenues	8,097	7,495		602
Net income/(charges) from commodity risk management	(12)	36		(48)
Gross operating margin	*1,820*	*2,001*		*(181)*
Operating income	1,152	1,317		(165)
Operating assets [1]	76,012	77,764	[2]	(1,752)
Operating liabilities [3]	11,774	13,500	[2]	(1,726)
Employees at period-end (no.) [4]	23,177	24,731	[2]	(1,554)
Capital expenditure	417	381		36

(1) Of which €390 million regarding units classified as "Held for sale" at March 31, 2011 (€484 million at December 31, 2010).
(2) At December 31, 2010.
(3) Of which €47 million regarding units classified as "Held for sale" at March 31, 2011 (€145 million at December 31, 2010).
(4) Includes 109 in units classified as "Held for sale" at March 31, 2011 (1,809 at December 31, 2010).

The table below shows performance by geographical area.

Millions of euro	Revenues			Gross operating margin			Operating income		
	1st Quarter			1st Quarter			1st Quarter		
	2011	2010	Change	**2011**	2010	Change	**2011**	2010	Change
Europe	5,644	5,399	245	1,133	1,284	(151)	702	864	(162)
Latin America	2,453	2,096	357	687	717	(30)	450	453	(3)
Total	**8,097**	**7,495**	**602**	**1,820**	**2,001**	**(181)**	**1,152**	**1,317**	**(165)**

Revenues in the 1st Quarter of 2011 increased by €602 million, as a result of:

> a €357 million increase in revenues for Endesa in Latin America, due to increased quantities of electricity sold in all the Latin American countries, especially Chile. These effects were accompanied by the capital gain (€12 million) posted on the sales of CAM and Synapsis;

> a €245 million increase in revenues in Europe, essentially due to increased revenues from electricity generation (of which €293 million in higher grants for extra-peninsular generation), partially offset by the decline in revenues from distribution operations following the sale of the power transmission networks in Spain.

The **gross operating margin** amounted to €1,820 million, down €181 million or 9.0% compared with the corresponding period of 2010, as a result of:

> a decrease of €151 million in the gross operating margin in Europe, essentially due to the decline in the margin on generation and sales (€88 million) and the margin on distribution (€31 million), as well as the negative impact (€78 million) of the change in the scope of consolidation attributable to the power transmission grid in Spain, the natural gas distribution network and the transfer of Enel Green Power España to the Renewable Energy Division. These effects were partially offset by other revenues, essentially relating to insurance indemnities;

> a reduction of €30 million in the gross operating margin in Latin America, due mainly to the recognition of the net-worth tax (€109 million) in Colombia following the reform of tax law with the entry into force of Law 1430/2010, the effect of which was partially offset by the improvement in the generation margin.

Operating income in the 1st Quarter of 2011, after depreciation, amortization and impairment losses of €668 million (€684 million in the 1st Quarter of 2010), amounted to €1,152 million, a decrease of €165 million compared with the same period of 2010.

Capital expenditure

Capital expenditure totaled €417 million, up €36 million compared with the same period of the previous year. In particular, capital expenditure in the 1st Quarter of 2011 concerned work on generation plants, including: in Spain and Portugal, the construction of combined-cycle plants

(Ca's Tresorer 2 and Granadilla 2) and gas-powered plants (Ibiza and Ceuta); in Latin America, among other projects, the construction of the coal-fired Bocamina II plant and the El Quimbo hydroelectric plant in Colombia.

International

Operations

Net electricity generation

Millions of kWh	1st Quarter			
	2011	2010	Change	
Thermal	12,371	13,065	(694)	-5.3%
Nuclear	3,865	3,752	113	3.0%
Hydroelectric	1,217	1,059	158	14.9%
Other resources	7	4	3	75.0%
Total net generation	**17,460**	**17,880**	**(420)**	**-2.3%**

Net generation abroad in the 1st Quarter of 2011 amounted to 17,460 million kWh, a decrease of 420 million kWh compared with the same period of 2010. The change is attributable to lower output by Enel OGK-5 (down 800 million kWh), only partially offset by increased generation by Slovenské elektrárne (up 340 million kWh) and Enel Maritza East 3 (up 40 million kWh). The decrease is essentially attributable to the unavailability of Enel OGK-5 plants for unscheduled maintenance.

Contribution to gross thermal generation

Millions of kWh	1st Quarter					
	2011		2010		Change	
High-sulfur fuel oil (S>0.25%)	29	0.2%	46	0.2%	(17)	-37.0%
Natural gas	5,723	32.9%	5,686	31.6%	37	0.7%
Coal	7,478	43.0%	8,239	45.8%	(761)	-9.2%
Nuclear fuel	4,147	23.9%	4,029	22.4%	118	2.9%
Total	**17,377**	**100.0%**	**18,000**	**100.0%**	**(623)**	**-3.5%**

Gross thermal generation in the 1st Quarter of 2011 fell by 623 million kWh to 17,377 million kWh. The decline, which involved both coal-fired generation and fuel-oil generation, was a consequence of the unavailability of Enel OGK-5 plants mentioned above. These factors were only partially offset by greater nuclear generation by Slovenské elektrárne.

Electricity sales

Millions of kWh	1st Quarter			
	2011	2010	Change	
Free market:				
- Romania	257	213	44	20.7%
- France	2,548	1,480	1,068	72.2%
- Russia	5,968	2,040	3,928	192.5%
- Slovakia	889	550	339	61.6%
Total free market	**9,662**	**4,283**	**5,379**	**125.6%**
Regulated market:				
- Romania	2,102	2,281	(179)	-7.8%
- Russia	66	3,336	(3,270)	-98.0%
Total regulated market	**2,168**	**5,617**	**(3,449)**	**-61.4%**
TOTAL	**11,830**	**9,900**	**1,930**	**19.5%**
- of which Romania	*2,359*	*2,494*	*(135)*	*-5.4%*
- of which France	*2,548*	*1,480*	*1,068*	*72.2%*
- of which Russia	*6,034*	*5,376*	*658*	*12.2%*
- of which Slovakia	*889*	*550*	*339*	*61.6%*

Electricity sold by the International Division in the 1st Quarter of 2011 rose by 1,930 million kWh, mainly attributable to an increase of 1,068 million kWh in sales by Enel France as a result of the greater anticipated capacity available compared with the corresponding period of 2010, an increase of 658 million kWh on the Russian market following the expansion of operations in new regions and a rise of 339 million kWh in sales in Slovakia. The increase was only partially offset by the decline in the sales of the Romanian companies (135 million kWh), attributable mainly to the decline in sales in the region served by Enel Energie Muntenia following the termination of contracts with business customers.

Performance

Millions of euro	1st Quarter		
	2011	2010	Change
Revenues	2,025	1,638	387
Net income/(charges) from commodity risk management	(18)	(5)	(13)
Gross operating margin	*449*	*377*	*72*
Operating income	294	236	58
Operating assets (1)	13,635	13,103 (2)	532
Operating liabilities (3)	5,127	5,184 (2)	(57)
Employees at period-end (no.) (4)	14,839	14,876 (2)	(37)
Capital expenditure (5)	229	204	25

(1) Of which €559 million regarding units classified as "Held for sale" at March 31, 2011 (€592 million at December 31, 2010).
(2) At December 31, 2010.
(3) Of which €28 million regarding units classified as "Held for sale" at March 31, 2011 (€26 million at December 31, 2010).
(4) Include 505 in units classified as "Held for sale" at March 31, 2011 (503 at December 31, 2010).
(5) The figure for the 1st Quarter of 2011 does not include €2 million regarding units classified as "Held for sale".

The table below shows performance by geographical area.

Millions of euro	Revenues			Gross operating margin			Operating income		
	1st Quarter			1st Quarter			1st Quarter		
	2011	2010	Change	**2011**	2010	Change	**2011**	2010	Change
Central Europe	955	691	264	257	219	38	194	135	59
South-eastern Europe	313	321	(8)	71	69	2	3	30	(27)
Russia	757	626	131	121	89	32	97	71	26
Total	**2,025**	**1,638**	**387**	**449**	**377**	**72**	**294**	**236**	**58**

Revenues in the 1st Quarter of 2011 rose by €387 million or 23.6%, going from €1,638 million to €2,025 million. The performance was related to the following factors:

> an increase of €264 million in revenues in Central Europe, mainly associated with the increase of revenues in Slovakia (€176 million) and increased revenues from electricity sales by Enel France (€74 million). Both of these developments were due to an increase in volumes sold;

> an increase of €131 million in revenues in Russia, mainly attributable to RusEnergoSbyt (€81 million, associated with higher volumes sold and a rise in sales prices) and to Enel OGK-5 (€48 million);

> a reduction of €8 million in revenues in south-eastern Europe, essentially in respect of the decline in the revenues of the Romanian companies as a result of the greater opening of the market and of Enel Maritza East 3, associated with a decline in average prices as output increased.

The **gross operating margin** amounted to €449 million, an increase of €72 million compared with the 1st Quarter of 2010. The performance was the result of:

> an increase of €38 million in the gross operating margin in Central Europe, of which €17 million relating to Slovenské elektrárne (essentially due to the effect of increased output and greater sales of CO_2 allowances, the effects of which were partially offset by the decline in the generation margin) and €21 million relating to Enel France (due to higher volumes sold);

> an increase of €32 million in the gross operating margin in Russia, the joint effect of the increase in the margin of Enel OGK-5 (€18 million) and RusEnergoSbyt (€14 million);

> developments in the margin in south-eastern Europe that were essentially in line with the same period of 2010.

Operating income in the 1st Quarter of 2011 amounted to €294 million, an increase of €58 million compared with the corresponding period of 2010 (up 24.6%), despite an increase of €14 million in depreciation, amortization and impairment losses.

Capital expenditure

Capital expenditure came to €229 million, up €25 million from the same period of the previous year. The change is essentially attributable to greater capital expenditure on generation plants (mainly associated with Slovenské elektrárne).

Renewable Energy

Operations

Net electricity generation

Millions of kWh	1st Quarter			
	2011	2010	Change	
Italy:				
Hydroelectric	1,470	1,431	39	2.7%
Geothermal	1,320	1,248	72	5.8%
Wind	195	220	(25)	-11.4%
Total net generation in Italy	**2,985**	**2,899**	**86**	**3.0%**
International:				
Hydroelectric	1,241	1,134	107	9.4%
Geothermal	77	79	(2)	-2.5%
Wind	1,383	732	651	88.9%
Other resources	164	77	87	113.0%
Total net generation abroad	**2,865**	**2,022**	**843**	**41.7%**
TOTAL	**5,850**	**4,921**	**929**	**18.9%**

Net electricity generation in the 1st Quarter of 2011 increased by €929 million kWh (up 18.9%) to reach 5,850 million kWh. The increase is attributable to a rise of 843 million kWh in generation abroad, where wind output benefited from the change in the scope of consolidation in respect of the acquisition (from the Iberia and Latin America Division) of Enel Green Power España, and greater generation at the Smoky II and Snyder wind farms, both in the United States. An additional factor was greater hydroelectric generation due to the improvement in water availability, especially in Panama and Guatemala.

Net electricity generation in Italy in the 1st Quarter of 2011 rose by 86 million kWh (up 3.0%) compared with the same period of the previous year, mainly with regard to the increase in geothermal generation (as a result of a rise in installed capacity) and hydroelectric generation.

Performance

Millions of euro	1st Quarter		
	2011	2010	Change
Revenues	606	457	149
Net income/(charges) from commodity risk management	2	25	(23)
Gross operating margin	*390*	*326*	*64*
Operating income	299	262	37
Operating assets (1)	9,855	9,654 (2)	201
Operating liabilities (3)	1,107	1,235 (2)	(128)
Employees at period-end (no.) (4)	3,027	2,955 (2)	72
Capital expenditure	204	150	54

(1) Of which €397 million regarding units classified as "Held for sale" at March 31, 2011 (€399 million at December 31, 2010).
(2) At December 31, 2010.
(3) Of which €12 million regarding units classified as "Held for sale" at March 31, 2011 (€14 million at December 31, 2010).
(4) Includes 12 in units classified as "Held for sale" at March 31, 2011 and at December 31, 2010.

The table below shows performance by geographical area.

Millions of euro	Revenues			Gross operating margin			Operating income		
	1st Quarter			1st Quarter			1st Quarter		
	2011	2010	Change	**2011**	2010	Change	**2011**	2010	Change
Italy and the rest of Europe	357	312	45	213	235	(22)	169	198	(29)
Iberia and Latin America	194	101	93	137	63	74	102	48	54
North America	55	44	11	40	28	12	28	16	12
Total	**606**	**457**	**149**	**390**	**326**	**64**	**299**	**262**	**37**

Revenues rose by €149 million (up 32.6%), going from €457 million to €606 million. The change is due to:

> an increase of €93 million in revenues in the Iberian peninsula and Latin America due to higher volumes sold, partly owing to the aforementioned change in the scope of consolidation. An additional factor was the recognition in the 1st Quarter of 2011 of the income in respect of the fair value measurement of the net assets of Sociedad Eólica de Andalucía (previously accounted for using the equity method) held prior to the acquisition of an additional stake in the company that gave Enel full control;

> an increase of €45 million in revenues in Italy and the rest of Europe as a result of:
- a €31 million increase in revenues for Enel.si, mainly connected with sales of photovoltaic panels;
- a €13 million increase in revenues from generation in Italy, mainly attributable to increased revenues under bilateral contracts (€59 million) and greater sales of green certificates (€6 million), partially offset by lower revenues on the Power Exchange (€35 million) and lower revenues in respect of subsidized CIP 6 electricity (€21 million);

> an increase of €11 million in revenues in North America, mainly due to the increase in electricity sales and the indemnity received from the Canadian authorities in settlement of a dispute.

The **gross operating margin** amounted to €390 million, up €64 million or 19.6% compared with the 1st Quarter of 2010. The increase is attributable to:

> a €74 million increase the Iberian peninsula and in Latin America attributable to the higher generation margins achieved in Spain and in the Latin American countries as a result of higher volumes sold (in part due to the aforementioned change in the scope of consolidation) and the fair value measurement of the net assets held in Sociedad Eólica de Andalucía, as noted in the comments on revenues;

> a €12 million increase in the margin in North America, mainly attributable to the increase in electricity sales and the indemnity from the Canadian authorities noted above;

> a €22 million reduction in the margin achieved in Italy and the rest of Europe, due mainly to lower revenues from subsidized CIP 6 electricity and an increase in costs for personnel and services.

Operating income totaled €299 million, an increase of €37 million, despite an increase of €27 million in depreciation, amortization and impairment losses, essentially attributable to the change in the scope of consolidation.

Capital expenditure

Capital expenditure in the 1st Quarter of 2011 totaled €204 million, up €54 million compared with the same period of the previous year, mainly due to the increase in capital expenditure on wind plants in Italy and Europe and in North America (€41 million) and solar plants in Italy and Europe (€31 million), partially offset by the reduction in work on geothermal plants in Italy and Chile (€14 million).

Parent Company, Services and Other Activities

Millions of euro	1st Quarter		
	2011	2010	Change
Parent Company			
Revenues	158	136	22
Gross operating margin	*(17)*	*2*	*(19)*
Operating income	(19)	1	(20)
Operating assets	1,218	1,075 (1)	143
Operating liabilities	1,126	1,166 (1)	(40)
Employees at period-end (no.)	840	803 (1)	37
Capital expenditure	1	-	1
Services and Other Activities			
Revenues	251	248	3
Gross operating margin	*36*	*32*	*4*
Operating income	12	7	5
Operating assets	1,976	2,529 (1)	(553)
Operating liabilities	1,261	1,543 (1)	(282)
Employees at period-end (no.)	3,994	4,033 (1)	(39)
Capital expenditure	3	24	(21)

(1) At December 31, 2010.

Parent Company

Performance

Revenues in the 1st Quarter of 2011 totaled €158 million, up €22 million or 16.2% compared with the same period of 2010, essentially attributable to:

> an €8 million increase in revenues from the sale of electricity to the Single Buyer, essentially ascribable to a rise in the average sales price, as quantities sold were virtually unchanged;

> a €16 million increase in revenues for support and staff activities performed by the Parent Company for the Group companies.

The **gross operating margin** in the 1st Quarter of 2011 was a negative €17 million, a deterioration of €19 million. The fall is largely attributable to the reduction of €8 million in the margin on electricity and an increase of €11 million in operating costs.

Operating income showed a loss of €19 million, a deterioration of €20 million compared with the 1st Quarter of 2010, in line with developments in the gross operating margin.

Services and Other Activities

Performance

Revenues for the Services and Other Activities area in the 1st Quarter of 2011 came to €251 million, up €3 million compared with the year-earlier period. The increase essentially reflects higher revenues for IT services, mainly in respect of telephony services for Group companies (an activity not performed in the 1st Quarter of 2010), as well as higher revenues for construction contracts, mainly relating to IT projects. These factors were partially offset by a decrease in revenues from the sale of goods.

The **gross operating margin** in the 1st Quarter of 2011 amounted to €36 million, up €4 million or 12.5% from the same period of the previous year as a result of operational efficiency gains.

Operating income in the 1st Quarter of 2011 amounted to €12 million, up €5 million compared with the 1st Quarter of 2010, also reflecting a decrease of €1 million in depreciation, amortization and impairment losses.

Consolidated financial statements

Condensed Consolidated Income Statement

Millions of euro	1st Quarter			
	2011	2010	Change	
Total revenues	**19,536**	**18,117**	**1,419**	**7.8%**
Total costs	**15,206**	**13,717**	**1,489**	**10.9%**
Net income/(charges) from commodity risk management	**69**	**78**	**(9)**	**-11.5%**
GROSS OPERATING MARGIN	**4,399**	**4,478**	**(79)**	**-1.8%**
Depreciation, amortization and impairment losses	**1,363**	**1,348**	**15**	**1.1%**
OPERATING INCOME	**3,036**	**3,130**	**(94)**	**-3.0%**
Financial income	1,140	804	336	41.8%
Financial expense	1,878	1,741	137	7.9%
Total financial income/(expense)	**(738)**	**(937)**	**199**	**-21.2%**
Share of gains/(losses) on investments accounted for using the equity method	**58**	**2**	**56**	**-**
INCOME BEFORE TAXES	**2,356**	**2,195**	**161**	**7.3%**
Income taxes	830	869	(39)	-4.5%
Net income from continuing operations	**1,526**	**1,326**	**200**	**15.1%**
Net income from discontinued operations	**-**	**-**	**-**	**-**
NET INCOME FOR THE PERIOD (shareholders of the Parent Company and non-controlling interests)	**1,526**	**1,326**	**200**	**15.1%**
Attributable to shareholders of the Parent Company	1,201	1,050	151	14.4%
Attributable to non-controlling interests	325	276	49	17.8%
Net earnings attributable to shareholders of the Parent Company per share (euro) (1)	*0.13*	*0.11*	*0.02*	*14.4%*

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

Statement of Comprehensive Income

Millions of euro	1st Quarter	
	2011	2010
Net income/(loss) for the period (shareholders of the Parent Company and non-controlling interests)	1,526	1,326
Other components of comprehensive income:		
- Effective portion of change in the fair value of cash flow hedges (1)	284	(220)
- Income recognized in equity by companies accounted for using the equity method	-	25
- Change in the fair value of financial investments available for sale	(9)	50
- Exchange rate differences (2)	(993)	1,079
Income/(Loss) recognized directly in equity	(718)	934
COMPREHENSIVE INCOME FOR THE PERIOD	**808**	**2,260**
Attributable to:		
- shareholders of the Parent Company	1,124	1,500
- non-controlling interests	(316)	760

(1) Of which charges of €12 million regarding units classified as "Held for sale" in the 1st Quarter of 2011 (zero in the 1st Quarter of 2010).
(2) Of which exchange rate differences of €12 million regarding units classified as "Held for sale" in the 1st Quarter of 2011 (€3 million in the 1st Quarter of 2010).

Condensed Consolidated Balance Sheet

Millions of euro

	at Mar. 31, 2011	at Dec. 31, 2010	Change
ASSETS			
Non-current assets			
- Property, plant and equipment and intangible assets	97,424	98,994	(1,570)
- Goodwill	18,495	18,470	25
- Equity investments accounted for using the equity method	1,045	1,033	12
- Other non-current assets (1)	11,520	11,780	(260)
Total	**128,484**	**130,277**	**(1,793)**
Current assets			
- Inventories	3,091	2,803	288
- Trade receivables	14,399	12,505	1,894
- Cash and cash equivalents	5,194	5,164	30
- Other current assets (2)	13,889	15,685	(1,796)
Total	**36,573**	**36,157**	**416**
Assets held for sale	**1,555**	**1,618**	**(63)**
TOTAL ASSETS	**166,612**	**168,052**	**(1,440)**

Millions of euro

	at Mar. 31, 2011	at Dec. 31, 2010	Change
LIABILITIES AND SHAREHOLDERS' EQUITY			
- Equity attributable to the shareholders of the Parent Company	38,985	37,861	1,124
- Equity attributable to non-controlling interests	15,188	15,684	(496)
Total shareholders' equity	**54,173**	**53,545**	**628**
Non-current liabilities			
- Long-term loans	48,122	52,440	(4,318)
- Provisions and deferred tax liabilities	22,780	23,242	(462)
- Other non-current liabilities	3,610	3,835	(225)
Total	**74,512**	**79,517**	**(5,005)**
Current liabilities			
- Short-term loans and current portion of long-term loans	13,144	11,208	1,936
- Trade payables	10,904	12,373	(1,469)
- Other current liabilities	12,983	10,411	2,572
Total	**37,031**	**33,992**	**3,039**
Liabilities held for sale	**896**	**998**	**(102)**
TOTAL LIABILITIES	**112,439**	**114,507**	**(2,068)**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**166,612**	**168,052**	**(1,440)**

(1) Of which long-term financial receivables and other securities at March 31, 2011 equal to €2,462 million (€2,463 million at December 31, 2010) and €104 million (€104 million at December 31, 2010), respectively.

(2) Of which short-term portion of long-term financial receivables, short-term financial receivables and other securities at March 31, 2011 equal to €6,322 million (€9,290 million at December 31, 2010), €1,580 million (€1,608 million at December 31, 2010) and €41 million (€95 million at December 31, 2010), 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	Other retained earnings
at January 1, 2010	9,403	5,292	1,453	2,260	10,759
Effect of application of new accounting standards and Endesa PPA	-	-	-	-	650
at January 1, 2010 restated	9,403	5,292	1,453	2,260	11,409
Charge for stock options plans for the period	-	-	-	1	-
Dividends and interim dividends	-	-	-	-	-
Allocation of net income from the previous year	-	-	-	-	4,646
Comprehensive income	-	-	-	-	-
of which:					
- Income/(Loss) recognized directly in equity	-	-	-	-	-
- Net income/(loss) for the period	-	-	-	-	-
at March 31, 2010 restated	9,403	5,292	1,453	2,261	16,055
at January 1, 2011	9,403	5,292	1,881	2,262	14,217
Dividends and interim dividends	-	-	-	-	-
Allocation of net income from the previous year	-	-	-	-	3,450
Change in scope of consolidation	-	-	-	-	-
Comprehensive income	-	-	-	-	-
of which:					
- Income/(Loss) recognized directly in equity	-	-	-	-	-
- Net income/(loss) for the period	-	-	-	-	-
at March 31, 2011	**9,403**	**5,292**	**1,881**	**2,262**	**17,667**

Translation of financial statements in currencies other than euro	Reserve from measurement of financial instruments	Reserve from sale of equity holdings without loss of control	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 non-controlling interests	**Total shareholders' equity**
(543)	(582)	-	8	4,455	32,505	11,848	**44,353**
(78)	-	-	-	191	763	817	**1,580**
(621)	(582)	-	8	4,646	33,268	12,665	**45,933**
-	-	-	-	-	1	-	**1**
-	-	-	-	-	-	(313)	**(313)**
-	-	-	-	(4,646)	-	-	**-**
593	(168)	-	25	1,050	1,500	760	**2,260**
593	*(168)*	-	*25*	-	*450*	*484*	***934***
-	-	-	-	*1,050*	*1,050*	*276*	***1,326***
(28)	(750)	-	33	1,050	34,769	13,112	**47,881**
456	80	796	24	3,450	37,861	15,684	**53,545**
-	-	-	-	-	-	(172)	**(172)**
-	-	-	-	(3,450)	-	-	**-**
-	-	-	-	-	-	(8)	**(8)**
(368)	291	-	-	1,201	1,124	(316)	**808**
(368)	*291*	-	-	-	*(77)*	*(641)*	***(718)***
-	-	-	-	*1,201*	*1,201*	*325*	***1,526***
88	**371**	**796**	**24**	**1,201**	38,985	15,188	**54,173**

Condensed Consolidated Statement of Cash Flows

Millions of euro	1st Quarter		
	2011	2010	Change
Cash flows from operating activities (A)	**7**	**407**	**(400)**
Investments in property, plant and equipment and intangible assets	(1,136)	(1,140)	4
Investments in entities (or business units) less cash and cash equivalents acquired	(4)	(24)	20
Disposals of entities (or business units) less cash and cash equivalents sold	65	375	(310)
(Increase)/Decrease in other investing activities	(7)	(128)	121
Cash flows from (investing)/disinvesting activities (B)	**(1,082)**	**(917)**	**(165)**
Change in net financial debt	1,407	2,448	(1,041)
Charges related to sales of equity holdings without loss of control	(34)	-	(34)
Dividends and interim dividends paid	(266)	(267)	1
Cash flows from financing activities (C)	**1,107**	**2,181**	**(1,074)**
Impact of exchange rate fluctuations on cash and cash equivalents (D)	**(79)**	**143**	**(222)**
Increase/(Decrease) in cash and cash equivalents (A+B+C+D)	**(47)**	**1,814**	**(1,861)**
Cash and cash equivalents at beginning of the period	5,342	4,289	1,053
Cash and cash equivalents at the end of the period [1] [2]	5,295	6,103	(808)

(1) Of which short-term securities equal to €41 million at March 31, 2011 (€104 million at March 31, 2010).
(2) Of which cash and cash equivalents pertaining to "Assets held for sale" in the amount of €60 million at March 31, 2011.

Operating performance and financial position

Group performance

Revenues

Millions of euro	1st Quarter		
	2011	2010	Change
Electricity sales and transport and contributions from Electricity Equalization Fund and similar bodies	16,815	15,737	1,078
Gas sold and transported to end users	1,320	1,265	55
Other services, sales and revenues	1,401	1,115	286
Total	**19,536**	**18,117**	**1,419**

In the 1st Quarter of 2011 revenues from **electricity sales and transport and contributions from Electricity Equalization Fund and similar bodies** amounted to €16,815 million, up €1,078 million compared with the corresponding period of the previous year (an increase of 6.9%). The increase can principally be attributed to the following factors:

> an increase of €1,172 million in revenues abroad, of which €351 million attributable to increased revenues at Endesa and €821 million to higher revenues from operations in Russia, France, south-eastern Europe and Latin America as a result of greater volumes generated and sold;

> a decrease of €233 million 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, as well as lower sales to the Single Buyer (€114 million), essentially under bilateral contracts entered into by the generating companies in Italy;

> a reduction of €98 million in revenues from the sale and transport of electricity in Italy on the free market and on the enhanced protection market, essentially due to the decline in quantities sold and average sales prices, more than offset by an increase of €216 million in revenues from the sale and transport of electricity to other resellers;

> an increase of €20 million in revenues from wholesale business.

Revenues from **gas sold and transported to end users** in the 1st Quarter of 2011 amounted to €1,320 million, an increase of €55 million or 4.3% with respect to the corresponding period of the previous year. The increase reflects increased revenues on the Spanish market (€84 million), essentially due to the increase in average sales prices and quantities sold, partly offset by the decline in revenues on the domestic market (€29 million) as a result of the reduction in consumption, largely attributable to better weather compared with the 1st Quarter of 2010.

Revenues from **other services, sales and revenues** amounted to €1,401 million in the 1st Quarter of 2011 (€1,115 million in the 1st Quarter of 2010), an increase of €286 million (up 25.7%). The increase was essentially the result of the following factors:

> an increase of €19 million in gains on the disposal of assets, of which €12 million in respect of the gains on the disposals of CAM and Synapsis;

> the recognition of €23 million from the fair value measurement of the net assets of Sociedad Eólica de Andalucía (previously accounted for using the equity method) held prior to the acquisition of an additional stake that gave Enel full control;

> an increase of €72 million in sales of fuel for trading, essentially due to increased sales on the domestic market (€22 million) and on the Iberian and Latin American markets (€50 million);

> an increase of €78 million in revenues from the sale of goods, mainly attributable to increased sales of photovoltaic panels (€44 million) and green certificates (€34 million);
> an increase of €89 million in other revenues, partly due to higher revenues associated with the indemnity received as part of the successful settlement of a dispute in Canada (€16 million) and insurance payments for snow damage to the Spanish distribution networks and partly to the increase in contributions for white certificates from Enel Distribuzione (€19 million), as well as increased revenues granted to Enel Produzione by the Authority for Electricity and Gas in relation to the commercial operation of unit 4 of the Torrevaldaliga Nord power plant (€37 million).

Costs

Millions of euro	1st Quarter		
	2011	2010	Change
Electricity purchases	7,052	6,211	841
Consumption of fuel for electricity generation	1,803	1,725	78
Fuels for trading and gas for sale to end users	1,042	744	298
Materials	216	350	(134)
Personnel	1,143	1,112	31
Services, leases and rentals	3,503	3,405	98
Other operating expenses	775	533	242
Capitalized costs	(328)	(363)	35
Total	**15,206**	**13,717**	**1,489**

Costs for **electricity purchases** rose by €841 million or 13.5% in the 1st Quarter of 2011. This development mainly reflects an increase of €524 million on domestic markets due to the rise in electricity demand during the quarter and an increase in purchases of electricity on the Spanish and Latin American markets (€159 million) and the Russian and Slovakian markets (€160 million).

Costs for the **consumption of fuel for electricity generation** amounted to €1,803 million in the 1st Quarter of 2011, up €78 million or 4.5% on the corresponding period of the previous year. The increase reflects both the greater quantities consumed by the generation companies abroad, which was connected with the rise in quantities consumed for thermal generation, and the adverse trend in sales prices for gas.

Costs for the purchase of **fuels for trading and gas for sale to end users** amounted to €1,042 million in the 1st Quarter of 2011, up €298 million of 40.1% compared with the 1st Quarter of 2010. The rise is mainly attributable to increased natural gas purchases for the Spanish market for sales to end users as a result of higher demand.

Costs for **materials** came to €216 million in the 1st Quarter of 2011, down €134 million compared with the year-earlier period. The increases posted by the International Division and the Renewable Energy Division were offset by the decreases registered by all the other Divisions.

Personnel costs in the 1st Quarter of 2011 amounted to €1,143 million, up €31 million or 2.8%. Excluding the impact of the change in the scope of consolidation and the charges in respect of the renewal of the collective bargaining agreement in Italy in the 1st Quarter of 2010, personnel costs in the first three months of 2011 rose by €42 million or 3.8% compared with the same period of the previous year, while the average size of the workforce declined by 4.2%.

Costs for **services, leases and rentals** in the 1st Quarter of 2011 amounted to €3,503 million, up €98 million compared with the 1st Quarter of 2010. In particular, the rise is essentially associated with increased costs for services connected with the electrical systems of the countries in which the Group operates.

Other operating expenses in the 1st Quarter of 2011 totaled €775 million, up €242 million compared with the corresponding period in 2010. The increase reflects increased costs for green certificates (€83 million), as well as an increase in local taxes and sundry operating expenses (€164 million). The latter change includes the recognition of the net-worth tax (€109 million) in Colombia following the tax reform introduced in that country with Law 1430/2010.

In the 1st Quarter of 2011, **capitalized costs** came to €328 million, virtually unchanged on the corresponding period of the previous year.

Net income/(charges) from commodity risk management showed net income of €69 million in the 1st Quarter of 2011, compared with €78 million in the first three months of 2010. The performance in the first three months of 2011 is essentially attributable to net income realized in the period in the amount of €89 million, offset by €20 million in net unrealized charges from the fair value measurement of derivatives positions open at the end of the period.

Depreciation, amortization and impairment losses in the 1st Quarter of 2011 came to €1,363 million, up €15 million compared with the €1,348 million registered in the 1st Quarter of 2010.

Operating income in the 1st Quarter of 2011 amounted to €3,036 million, down €94 million or 3.0% compared with the corresponding period of the previous year.

Net financial expense in the 1st Quarter of 2011 totaled €738 million, compared with €937 million in the same period of 2010. The decline reflects a number of non-recurring items recognized in the 1st Quarter of 2010 in respect of interest on deficit of the Spanish peninsular and extra-peninsular electrical system (€104 million) and the overall reduction in charges in respect of the accretion of provisions for early retirement obligations (€98 million).
In addition to these factors, while net financial debt declined, the general increase in interest rates caused interest expense on the debt to rise, offset by developments in derivatives hedging the positions.

The **share of gains/(losses) on investments accounted for using the equity method** showed a net gain of €58 million in the 1st Quarter of 2011, up €56 million compared with the first three months of the previous year.

Income taxes for the 1st Quarter of 2011 totaled €830 million (€869 million in the 1st Quarter of 2010), equal to 35.2% of taxable income, compared with 39.6% for the corresponding period of 2010.

Analysis of the Group’s financial position

Non-current assets - *€128,484 million*

Property, plant and equipment and intangible assets (including investment property) came to €97,424 million at March 31, 2011, a decrease of €1,570 million, essentially attributable to negative exchange rate differences (€1,431 million), and depreciation, amortization and impairment losses on those assets (€1,296 million), net of capital expenditure for the period (€1,132 million).

Goodwill amounted to €18,495 million, essentially unchanged with respect to the previous year.
Equity investments accounted for using the equity method amounted to €1,045 million, broadly unchanged compared with the previous year.
Other non-current assets came to €11,520 million and include:

Millions of euro

	at Mar. 31, 2011	at Dec. 31, 2010	Change
Deferred tax assets	5,994	6,017	(23)
Non-current financial assets	4,458	4,701	(243)
Receivables due from Electricity Equalization Fund and similar bodies	142	142	-
Other long-term receivables	926	920	6
Total	**11,520**	**11,780**	**(260)**

The decrease of €260 million for the period is essentially due to the decline in non-current financial assets associated with the fair value measurement of financial derivatives.

Current assets - *€36,573 million*

Trade receivables amounted to €14,399 million, up €1,894 million. The change is mainly connected with the shift in invoicing schedules on the domestic electricity market to the end of odd-numbered months, as well as the increase in trade receivables for electricity transport and sales abroad due to the increase in sales.

Inventories came to €3,091 million, an increase of €288 million, largely attributable to the change in inventories of green certificates.

Other current assets, which total €13,889 million, break down as follows:

Millions of euro

	at Mar. 31, 2011	at Dec. 31, 2010	Change
Current financial assets	9,963	11,922	(1,959)
Tax receivables	1,456	1,587	(131)
Receivables due from Electricity Equalization Fund and similar bodies	864	630	234
Other short-term financial receivables	1,606	1,546	60
Total	**13,889**	**15,685**	**(1,796)**

The decrease of €1,796 million in the period is attributable to the following main factors:

- a decrease of €1,959 million in current financial assets, mainly due to the reimbursement (for a total of €3,043 million) in the 1st Quarter of 2011 of financial receivables in respect of the rate deficit following the securitization plan launched by the Spanish government. This decrease was partially offset by an increase of €1,104 million in financial assets in respect of financial derivatives;
- an increase of €234 million in receivables due from the Electricity Equalization Fund and similar bodies, attributable to an increase in receivables on the Italian and Spanish markets associated with the application of equalization mechanisms.

Assets held for sale - *€1,555 million*

The item regards the assets of Enel Maritza East 3, Enel Operations Bulgaria, Enel Green Power Bulgaria, Endesa Ireland and the part of the assets of Enel Unión Fenosa Renovables being sold to Gas Natural, which were already reported in this account at December 31, 2010. It also includes the assets of Deval and Vallenergie, which in view of the decisions taken by management and the state of negotiations for their sale under way meet the requirements of IFRS 5 for classification here at March 31, 2011. It does not include the assets of Compañía Americana de Multiservicios (CAM) and Synapsis Soluciones y Servicios IT (Synapsis), which were sold during the 1st Quarter of 2011.

Equity attributable to the shareholders of the Parent Company - *€38,985 million*

The change in the first three months of 2011 in equity attributable to the shareholders of the Parent Company reflects the recognition of net income for the period (€1,201 million) and the result for the 1st Quarter of 2011 recognized directly in equity (a negative €77 million).

Non-current liabilities - *€74,512 million*

Long-term loans totaled €48,122 million (€52,440 million at December 31, 2010), consisting of bonds in the amount of €34,640 million (€35,876 million at December 31, 2010) and bank and other loans in euro and other currencies in the amount of €13,482 million (€16,654 million at December 31, 2010).

Provisions and deferred tax liabilities came to €22,780 million at March 31, 2011 (€23,242 million at December 31, 2010) and include post-employment and other employee benefits totaling €3,061 million (€3,069 million at December 31, 2010), provisions for risks and charges totaling €8,747 million (€9,026 million at December 31, 2010) and deferred tax liabilities totaling €10,972 million (€11,147 million at December 31 2010).

Other non-current liabilities amounted to €3,610 million, down €225 million (€3,835 million at December 31, 2010) owing to a decrease in liabilities in respect of financial derivatives.

Current liabilities - *€37,031 million*

Short-term loans and current portion of long-term loans increased by €1,936 million, from €11,208 million at the end of 2010 to €13,144 million at March 31, 2011. The change reflects the effects of a rise in short-term bank debt in the amount of €1,319 million and maturing bonds in the amount of €901 million, of which the main positions regard bonds issued by Endesa and Enel SpA.

Trade payables came to €10,904 million, down €1,469 million, mainly due to the effect of the decline in payables of the foreign companies.

Other current liabilities, which came to €12,983 million, break down as follows:

Millions of euro

	at Mar. 31, 2011	at Dec. 31, 2010	Change
Payables due to customers	1,662	1,500	162
Payables due to Electricity Equalization Fund and similar bodies	2,550	2,519	31
Current financial liabilities	3,005	1,672	1,333
Social security contributions payable and payables to employees	533	717	(184)
Tax payables	2,608	1,404	1,204
Other	2,625	2,599	26
Total	**12,983**	**10,411**	**2,572**

The increase in the period, €2,572 million, was mainly due to the following:

> an increase of €1,204 million in tax payables, attributable to the estimate for taxes on income for the period;

> an increase of €1,333 million in current financial liabilities, due essentially to the increase in financial liabilities in respect of financial derivatives.

Liabilities held for sale - *€896 million*

This includes liabilities associated with "Assets held for sale", as discussed in the section for that item.

Net capital employed and related funding

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

Millions of euro

	at Mar. 31, 2011	at Dec. 31, 2010	Change
Net non-current assets:			
- property, plant and equipment and intangible assets	97,424	98,994	(1,570)
- goodwill	18,495	18,470	25
- equity investments accounted for using the equity method	1,045	1,033	12
- other net non-current assets/(liabilities)	(650)	(639)	(11)
Total	116,314	117,858	(1,544)
Net current assets:			
- trade receivables	14,399	12,505	1,894
- inventories	3,091	2,803	288
- net receivables due from Electricity Equalization Fund and similar bodies	(1,686)	(1,889)	203
- other net current assets/(liabilities)	(5,351)	(3,830)	(1,521)
- trade payables	(10,904)	(12,373)	1,469
Total	(451)	(2,784)	2,333
Gross capital employed	115,863	115,074	789
Provisions:			
- post-employment and other employee benefits	(3,061)	(3,069)	8
- provisions for risks and charges and net deferred taxes	(13,725)	(14,156)	431
Total	(16,786)	(17,225)	439
Net assets held for sale	659	620	39
Net capital employed	99,736	98,469	1,267
Total shareholders' equity	54,173	53,545	628
Net financial debt	**45,563**	**44,924**	**639**

Net capital employed at March 31, 2011 amounted to €99,736 million and is funded by equity attributable to the shareholders of the Parent Company and non-controlling interests in the amount of €54,173 million and net financial debt of €45,563 million. The debt-to-equity ratio at March 31, 2011 came to 0.84 (0.84 at December 31, 2010).

Net financial debt

Millions of euro

	at Mar. 31, 2011	at Dec. 31, 2010	Change
Long-term debt:			
- bank loans	12,441	15,584	(3,143)
- bonds and preference shares	34,640	35,875	(1,235)
- other loans	1,041	981	60
Long-term debt	*48,122*	*52,440*	*(4,318)*
Long-term financial receivables and securities	(2,566)	(2,567)	1
Net long-term debt	**45,556**	**49,873**	**(4,317)**
Short-term debt:			
Bank loans:			
- short-term portion of long-term debt	1,895	949	946
- drawings on revolving credit facilities	31	50	(19)
- other short-term bank debt	623	231	392
Short-term bank debt	*2,549*	*1,230*	*1,319*
Bonds (short-term portion)	2,755	1,854	901
Other loans (short-term portion)	206	196	10
Commercial paper	7,211	7,405	(194)
Other short-term financial payables	423	523	(100)
Other short-term debt	*10,595*	*9,978*	*617*
Long-term financial receivables (short-term portion)	(6,322)	(9,290)	2,968
Factoring receivables	(267)	(319)	52
Financial receivables – cash collateral	(801)	(718)	(83)
Other short-term financial receivables	(512)	(571)	59
Cash, cash equivalents and short-term securities	(5,235)	(5,259)	24
Cash and cash equivalents and short-term financial receivables	*(13,137)*	*(16,157)*	*3,020*
Net short-term financial debt	**7**	**(4,949)**	**4,956**
NET FINANCIAL DEBT	**45,563**	**44,924**	**639**
Financial debt of "Assets held for sale"	***660***	***636***	***24***

Net financial debt was equal to €45,563 million at March 31, 2011, up €639 million on December 31, 2010.

Net long-term debt decreased by €4,317 million as the net result of the decrease in gross long-term debt in the amount of €4,318 million and the increase in long-term financial receivables of €1 million.

More specifically, bank loans totaled €12,441 million, a reduction of €3,143 million, due mainly to voluntary repayments of the 2007 and 2009 Credit Facilities, 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 €10 billion five-year revolving credit line obtained in April 2010 by Enel SpA and Enel Finance International was entirely undrawn at March 31, 2011. In addition, at the same date the committed credit lines obtained by Enel SpA during last year were drawn in the amount of €1,500 million.

Bonds amounted to €33,163 million, a decrease of €1,238 million compared with the end of 2010, due to the reclassification to short term of two bonds placed with retail investors by Enel SpA in 2005 maturing in March 2011.

Net short-term financial debt came to €7 million at March 31, 2011, a change of €4,956 million from the net creditor position posted at the end of 2010. This was the net result of an increase of €1,319 million in short-term bank debt, an increase of €617 million in other short-term debt and a decrease of €3,020 million in cash and cash equivalents and short-term financial receivables.

Other short-term debt, totaling €10,595 million, includes

the issues of commercial paper by Enel Finance International, International Endesa, Endesa Capital and Termica Portuguesa in the amount of €7,211 million, as well as bonds maturing within 12 months in the amount of €2,755 million, of which the main positions regard bonds issued by the Endesa Group and Enel SpA.
Short-term financial receivables came to €7,902 million, a decrease of €2,996 million compared with the end of 2010, due mainly to the securitization plan launched in the 1st Quarter of 2011 by the Spanish government to reimburse the rate deficit, which produced a decline of about €3 billion in the current portion of long-term financial receivables held by Endesa.

Cash flows

Cash flows from operating activities in the first three months of 2011 amounted to €7 million, down €400 million on the year-earlier period, as a result of the increased use of cash connected with the change in net current assets between the two periods and the change in the gross operating margin.

Cash flows from investing/disinvesting activities in the first three months of 2011 absorbed funds in the amount of €1,082 million, while in the corresponding period of 2010 they had absorbed liquidity totaling €917 million.
In particular, investments in property, plant and equipment and in intangible assets totaling €1,136 million did not change significantly compared with the corresponding period of the previous year. Cash generated by disposals of entities or business units, totaling €65 million, mainly regarded funds received from the sales of CAM and Synapsis (€52 million).

Cash flows from financing activities generated liquidity in the amount of €1,107 million. In the 1st Quarter of 2010 liquidity generated came to €2,181 million. The cash flows produced by the collection of part of the Spanish rate deficit and the use of a number of short-term credit lines were partially offset by the repayments made on the 2007 and 2009 Credit Facilities noted early, as well as the payment of dividends and part of the incidental expenses associated with the sale (without loss of control) of 30.8% of Enel Green Power at the end of 2010.

In the first three months of 2011, the cash flows generated by financing activities in the amount of €1,107 million and by operating activities in the amount of €7 million covered the cash requirements associated with investing activities of €1,082 million. The difference is reflected in the decrease in cash and cash equivalents, which at March 31, 2011 amounted to €5,295 million compared with €5,342 million at the end of 2010. The decrease also reflects the negative effect of exchange rate fluctuations totaling €79 million.

Other information

Related parties

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

In November 2010, the Board of Directors of Enel SpA approved a procedure governing the approval and execution of transactions with related parties undertaken by Enel SpA either directly or indirectly through its subsidiaries. The procedure sets out rules designed to ensure the transparency and procedural and substantive propriety of transactions with related parties. It was adopted in implementation of the provisions of Article 2391-*bis* of the Italian Civil Code and the implementing rules established by CONSOB. It replaced, with effect from January 1, 2011, the rules governing transactions with related parties approved by the Board of Directors of Enel SpA on December 19, 2006 in implementation of the recommendations of the Corporate Governance Code for Listed Companies, the provisions of which were in effect until December 31, 2010.

The following table summarizes the relationships:

	Balance sheet		Income statement	
Millions of euro	Receivables	Payables	Revenues	Costs
	at Mar. 31, 2011		**1st Quarter of 2011**	
Single Buyer	65	1,039	305	1,632
Energy Markets Operator	415	388	816	583
Terna	181	470	150	554
Eni	5	141	39	191
Energy Services Operator	23	431	24	2
Italian Post Office	2	47	-	36
Other	5	11	1	15
Total	**696**	**2,527**	**1,335**	**3,013**

The following table shows transactions with associated companies outstanding at March 31, 2011 and carried out during the first three months of the year, respectively.

Millions of euro	Balance sheet		Income statement	
	Receivables	Payables	Revenues	Costs
	at Mar. 31, 2011		**1st Quarter of 2011**	
Enel Rete Gas	37	106	15	79
SeverEnergia	71	-	-	-
Elica 2	-	2	-	-
CESI	1	14	-	6
LaGeo	7	-	-	-
Other companies	23	8	-	-
Total	**139**	**130**	**15**	**85**

Contractual commitments and guarantees

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

Millions of euro	
	at Mar. 31, 2011
Guarantees given:	
- sureties and other guarantees granted to third parties	6,088
Commitments to suppliers for:	
- electricity purchases	56,280
- fuel purchases	61,238
- various supplies	3,544
- tenders	1,587
- other	2,237
Total	**124,886**
TOTAL	**130,974**

Guarantees granted to third parties amounted to €6,088 million and include €531 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 €56,280 million at March 31, 2011, of which €18,291 million refer to the period April 1, 2011-2015, €9,424 million to the period 2016-2020, €8,467 million to the period 2021-2025 and the remaining €20,098 million beyond 2025.

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 March 31, 2011, was €61,238 million, of which €33,308 million refer to the period April 1, 2011-2015, €20,468 million to the period 2016-2020, €5,581 million to the period 2021-2025 and the remaining €1,881 million beyond 2025.

Various supply commitments include €274 million in respect of those under the cooperation agreement with EDF of November 30, 2007 for the construction of the Flamanville nuclear plant. The amount represents Enel's share of 12.5% of the cost of construction of the plant, which is scheduled to begin in 2012.

Contingent assets and liabilities

Compared with the consolidated financial statements at December 31, 2010, which the reader is invited to consult, the following main changes have occurred in contingent assets and liabilities.

Finmek/Enel.Factor litigation

On April 29, 2009 Enel.Factor was issued a summons by Finmek SpA, a company under special administration. The dispute concerns a factoring relationship involving the assignment from Finmek to Enel.Factor of receivables in respect of a contract between Finmek and Enel Distribuzione SpA for the supply of remote-readable digital meters. The assignments began in 2001 and continued until April 2004, when Finmek SpA entered special administration. With the summons, Finmek asked the court to ascertain the unenforceability of assignments carried out between May 7, 2003 and March 23, 2004 and to revoke or declare inoperative the assignments carried out in that period. Finmek's overall claim amounts to about $50 million. At the hearing before the Court of Padua of March 29, 2011, the judge ordered a technical appraisal and scheduled the related sworn testimony for May 31, 2011.

BEG litigation

With its ruling of October 20, 2010, the Italian Court of Cassation upheld the decision of the Rome Court of Appeal of April 7, 2009, which denied BEG's appeal of the unfavorable arbitration ruling. The ruling of the Court of Cassation regarded the complaint filed by BEG SpA before the Rome Arbitration Chamber in November 2000 against Enelpower with regard to alleged breach of a collaboration agreement governed by Italian law concerning the construction of a hydroelectric power station in Albania. BEG asked for damages from Enelpower of about €120 million.

In a ruling of March 7, 2011, that has yet to be notified, the Albanian Court of Cassation denied the appeal submitted by Enelpower and Enel SpA against the ruling of the Albanian Court of Appeal, which on April 28, 2010 had upheld the decision of the Court of Tirana awarding Albania BEG Ambient tortious damages of about €25 million for 2004 as well as an unspecified amount of other tortious damages for subsequent years.

In a letter of April 26, 2011, Albania BEG Ambient, referring to the above ruling of the Albanian court, requested payment of more than €430 million.

Enelpower and Enel SpA replied to the request, on April 28 and 29 respectively, strongly challenging legitimacy of both the foundation of the claim and the amount.

In addition, proceedings continued in the suit lodged by Enelpower and Enel SpA against BEG SpA with the Court of Rome asking the Court to ascertain the tortious liability of BEG and order the latter to pay damages to Enelpower (contractual and tortious) and to Enel (tortious) in the amount that one or the other could be required to pay to Albania BEG Ambient in the event of the enforcement of the sentence issued by the Albanian courts. The next hearing is scheduled for October 25, 2011.

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

The manager responsible for the preparation of the company's financial reports, Luigi Ferraris, declares, pursuant to Article 154-*bis*, paragraph 2, of the Consolidated Law on Financial Intermediation, that the accounting information contained in the Interim Financial Report at March 31, 2011 corresponds with that contained in the accounting documentation, books and records.

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(*) The information provided refers to all the financial publications of Enel SpA 2010-2011 in the versions before and after the Shareholders' Meeting, Environmental Report and Sustainability Report.

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