



2000 Annual Report



2000

Annual Report





Enelpower • Dubai (United Arab Emirates), construction at the Jabel Ali combined-cycle power plant



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Financial highlights

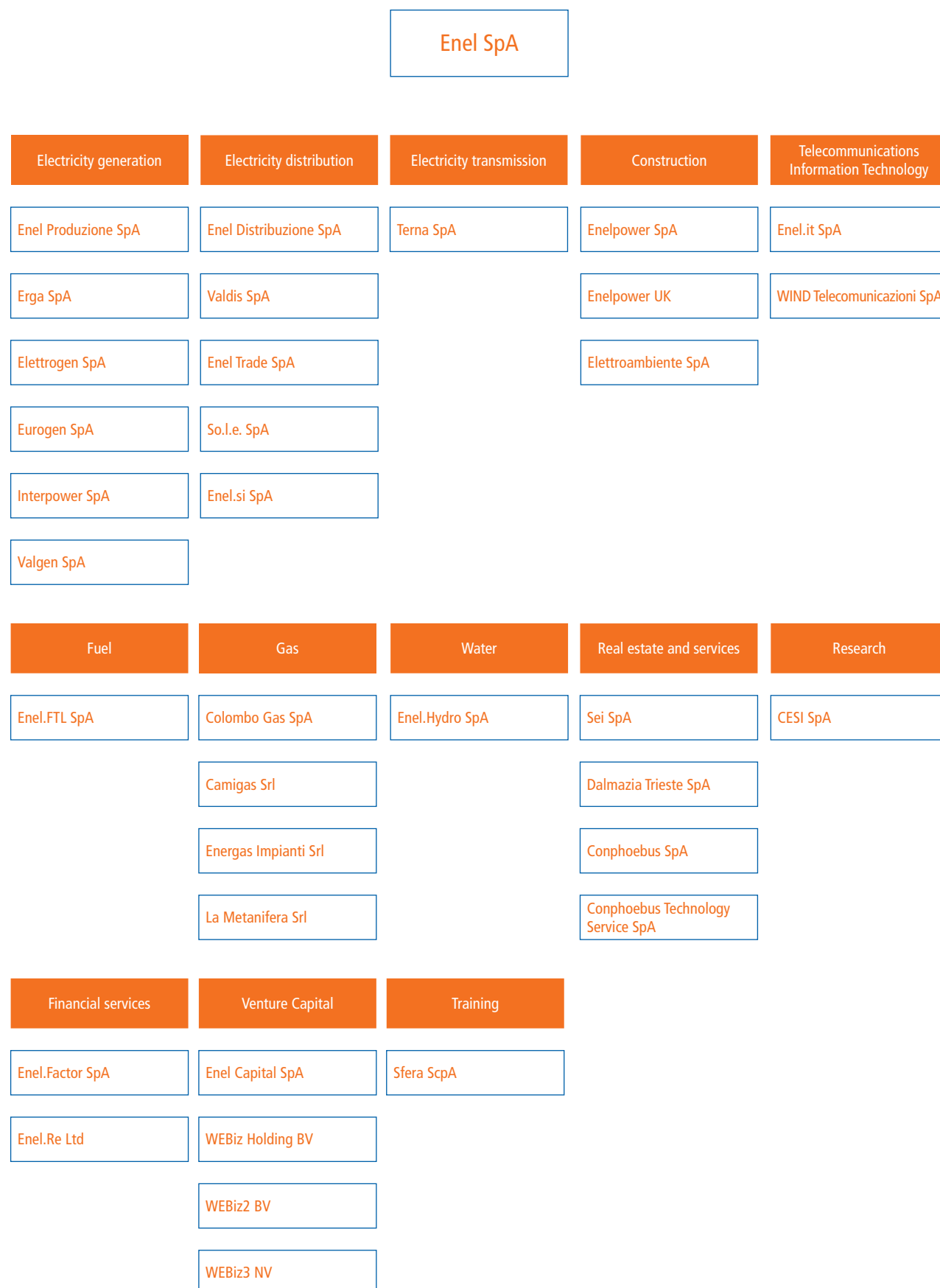
2000		2000	1999	1998	1997	1996
(Million euro)	Income data (in billions of lire)					
25,109	Revenues	48,618	40,584	39,788	39,617	38,664
8,746	Gross operating margin	16,935	17,379	16,455	14,712	14,573
4,753	Operating income	9,204	10,426	9,604	8,689	8,235
3,647	Net income before extraordinary items and taxes	7,061	8,856	8,124	6,316	5,720
2,188	Net income	4,236	4,541	4,286	3,327	2,226
(Million euro)	Financial data (in billions of lire)					
37,972	Gross capital employed	73,524	70,629	75,205	80,788	80,621
31,712	Net capital employed	61,403	57,467	60,440	65,715	64,927
13,383	Total financial debt	25,914	23,418	24,547	33,175	34,919
18,312	Shareholders' Equity	35,457	34,034	35,880	32,515	30,388
2,417	Capital expenditure	4,679	5,653	5,871	6,466	7,372
4,898	Cash flow from operations	9,484	13,512	15,248	7,993	8,022
	Other information					
	Energy sold (TWh)	222.9	230.6	226.2	219.3	213.8
	Net electricity generated (TWh)	182.5	178.8	179.5	177.2	179.9
	Employees at year-end	72,647	78,511	84,938	88,957	95,464
	Non-eligible customers at year-end (thousands)	29,958	29,674	29,343	29,032	28,727
	Customers served per employee ⁽¹⁾	462	384	349	332	306
	Main ratios					
	ROI (%) ⁽²⁾	12.8	14.3	12.3	10.8	10.2
	ROE (%) ⁽³⁾	12.2	13.0	12.5	10.6	7.5
	Debt to equity ratio	0.7	0.7	0.7	1.0	1.1
	Operating income/net financial expense	7.3	9.2	6.5	4.0	3.3
(euro)	Share data (lire)					
0.180	Net income per share	349	374	353	274	184
0.404	Cash flow from operations per share	782	1,114	1,257	659	662
0.130	Dividend per share	252	232	162	76	99

⁽¹⁾ Calculated on the number of employees of the electricity sector only

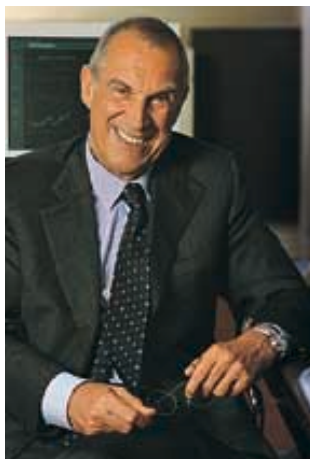
⁽²⁾ Operating income on average gross capital employed

⁽³⁾ Net income on average Shareholders' Equity

The Enel Group



Letter to Shareholders



To our Shareholders:

the year 2000 was for Enel a year of competitive challenge, following the gradual liberalization of the electricity market, but also a year in which Enel demonstrated its ability to achieve strong results, developing at the same time a growth strategy concentrated in innovative businesses and market segments complementary to the electricity sector, that will give a strong contribution to the growth in the value of the Group in the next years.

The organizational model adopted by the Group, structured around a network of companies, strengthened its innovation capabilities and the profitability of individual businesses, leaving behind managerial models of a monopolistic company.

The application of the Bersani Decree in 2000 was characterized by regulatory uncertainties and the late introduction of norms preventing the new system from delivering in full the expected benefits for the national energy sector.

In accordance with the Bersani Decree, Enel began to comply with new requirements and in particular the sale of Elettrogen, a company that, together with Eurogen and Interpower, received part of Enel's generation capacity to be sold.

The sale of metropolitan distribution networks to local utility companies began and in some instances was concluded. The process is expected to be completed, either through direct negotiations or arbitration, within the current year.

The activity carried out by Enel Trade allowed to face with success the opening up of the market to eligible customers, allowing the company to become the largest operator in the sector, with a market share of about 50%.

Net income recorded in 2000, in a context characterized by lower electricity sales resulting from the opening up of the market, competition and a strong reduction in tariffs resolved by the Authority for Electricity and Gas, is the result of management's action to reduce operating costs of individual companies and to increase their operating efficiency. A strong effort has been made to diversify into high-growth and unregulated markets.

Such action allowed to increase sales and margins, representing an essential factor for the growth in value of Your company.

Significant examples of the Group's diversification effort are:

- the development and success of WIND in the telecommunications sector, achieving in 2000 a market share in new mobile phone subscribers of 30%, bringing its overall market share to 12%, bringing the total number of customers to 5,000,000 in only one and a half year of activity. WIND and Infostrada were also major players in the conventional telephone sector. WIND's converging offer represents a decisive factor in its growth strategy, spurred further by its integration with newly acquired Infostrada. The combined company will represent a real competitor to the present incumbent operator in the domestic telecommunications sector;
- the entry into the natural gas distribution and sale sector through the acquisition of Colombo Gas and other distributors;
- the continued enhancement of know-how and assets in the Engineering, Information Technology, Real Estate and Company Services sectors.

In 2000 Your company has therefore operated as an integrated Group, launching a number of initiatives aimed at exploiting in full its market position, know-how and size, represented by 30 million customers in the domestic market.

In electricity generation, Enel Produzione, Eurogen, Elettrogen, Interpower and Erga reported a record production of 183 TWh (up 2% on 1999), allowing the Group to cope with lower energy imports due to the assignment of part of the international transport capacity to other operators.

Following the acquisition of CHI Energy in December, Erga became the world's largest producer of electricity from renewable sources, signaling Enel's interest in environmental issues.

In Transmission, Terna provided a superior technical management of the national network, while developing opportunities in the provision of services to other companies.

In Distribution and Sale, Enel Distribuzione ensured and developed service to non-eligible customers, improving quality further, while Enel Trade conquered a strong position in the free market by offering services at competitive prices and quality.

Enel.si, a new company for downstream services and services to the wide public, began operating in a market showing a good growth potential, due also to the introduction of digital meters.

So.l.e., active in the public and art lighting sector, intensified its presence on the national territory, developing new products such as the "Communication Lantern" and the "Web Tower".

Enel.Hydro reorganized its presence in the water distribution and treatment sector while waiting to acquire, at the end of long and complex negotiations, Acquedotto Pugliese, the largest domestic distributor of water.

A consolidated experience in the engineering field allowed Enelpower to develop a strong presence in the energy Engineering and Contracting sector, registering a significant growth at the international level, particularly in South America and the Middle East.

The Real Estate and Services sector managed by Sei, saw the conclusion of a development operation carried out through the transfer of a considerable amount of property to Immobiliare Foro Bonaparte, a company owned jointly with primary operators in the sector. Important agreements relating to other real estate development operations have also been concluded, while in the field of integrated building management services and services to companies a joint venture was set up with Mitsubishi. The effect of such operations will be felt already from the current year.

In the field of Information Technology, Enel.it is implementing one of the largest SAP projects in Europe and continued to assist the reorganization of processes within the Group. Enel.it is moreover developing services to be offered on the highly competitive information technology market.

In 2000 the Enel Group decided to concentrate its efforts on e-procurement as a tool for carrying out purchases, selecting suppliers and awarding contracts.

In the near future, a market place accessible to outside users will be launched. Through the development of electronic commerce in the business-to-business and business-to-consumer sectors it will be possible to develop new opportunities based on the Internet, introducing new value added services and reducing the cost of corporate processes.

Enel.FTL, responsible for fuel trading and logistics, ensured Group's generation companies the supply of fuels at the best market conditions, beginning at the same time a fuel trading activity expected to grow strongly in the future.

Through Enel.Factor the Group entered the financial services to suppliers segment.

Though registering a slight decline in economic performance on the previous year, 2000 witnessed a strong performance in the context of the opening up of the market and the reduction of tariffs, marking a starting point for the development of new businesses in the future. Revenues reached lire 48,618 billion (euro 25,109 million), registering a sharp increase on 1999 due to the component of revenues correlated to the price of fuels.

Gross operating margin amounted to lire 16,935 billion (euro 8,746 million), declining by only 2.5% despite lower electricity sales (down 3.4%) and tariff cuts amounting, for non-eligible customers, to about 11%.

Operating income declined to about lire 9,204 billion (euro 4,753 million), due also to non recurrent accruals relating to the lack of regulation on a number of issues.

Group net income amounts to lire 4,236 million (euro 2,188 million), declining by 6.7%. Shareholders' Equity increases by 4.2% to lire 35,457 billion (euro 18,312 million), maintaining the financial strength of the Group basically unaltered.

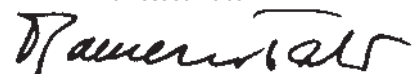
The dividend proposed amounts to lire 252 per share (0.13 euro), for a total amount of lire 3,055.8 billion (euro 1,578 million). It represents a 3.5% yield on the current market price of the stock.

The performance of the stock has been affected by the negative trend registered by major financial markets, and is the source of justified apprehension on the part of the wide number of shareholders who underwrote Enel stock at the time of its privatization. It must however be noted that the price of the stock during the year followed closely the performance of European electricity sector stockmarket indicators, discounting moreover a number of regulatory uncertainties that have not been resolved to the present date.

The Group's ability to generate value remains however intact, as shown in the year just ended. The Enel Group will continue to generate value in the future through the consolidation of its large integrated industrial group structure, and through the expansion into sectors that are structurally connected to its core business, with particular attention to the development of infocom technologies.

In 2001 the Group will continue to strive for efficiency and cost reduction, allowing it to maintain a high level of return on capital employed, overcoming with success the competitive challenge posed by the liberalization process underway, while maintaining its role as a protagonist in the economic life of the country.

The Managing Director
Francesco Tatò



Board of Directors and Board of Statutory Auditors

Board of Directors

chairman
Chicco Testa

managing director
and general manager
Francesco Tatò

directors
Carlo Angelici
Giuseppe Morchio
Franco Morganti
Carlo Tamburi
Francesco Taranto

Board of Statutory Auditors

chairman
Bruno De Leo

auditors
Gustavo Minervini
Oreste Piemontese

substitute auditors
Umberto Aprea
Francesco Bilotti

secretary
Claudio Sartorelli

independent auditors
Arthur Andersen SpA

Powers entrusted to corporate bodies

Board of Directors

The by-laws entrust the Board of Directors with the broadest powers required to oversee the Company's ordinary and extraordinary management, with particular reference to any actions deemed appropriate in the pursuit and for the attainment of corporate objectives, excluding only those actions reserved by law and by corporate by-laws to the Shareholders' Meeting.

Chairman of the Board of Directors

The by-laws entrust the Chairman with the function of legal representation of the Company and corporate signing powers, entitling him to preside over the Shareholders' Meeting, convene and chair Board of Directors' meetings and verify execution of Board resolutions.

Managing Director

The by-laws entrust the Managing Director with the legal representation of the Company and corporate signing powers. Additionally, pursuant to a Board resolution passed on May 27, 1999, the Managing Director exercises all powers related to the Company's administration, with the exception of those otherwise assigned in accordance with the Law and corporate by-laws, and those reserved to the Board of Directors in accordance with the above ruling.

Enel and the financial markets

Enel shares are listed since November 2, 1999 on the Italian Stock Exchange and, through American Depositary Receipts (ADR) on the New York Stock Exchange (NYSE). They are included in the MIB30 stock market index with a weight of 8.6%, updated on March 19, 2000. Based on the stock market capitalization indicated in the index, Enel represents the fifth largest traded stock, after ENI, Telecom Italia, TIM and Generali, ranking first among European utilities. The Enel stock is also included in the MSCI, EURO STOXX and FT-SE European stock market indexes.

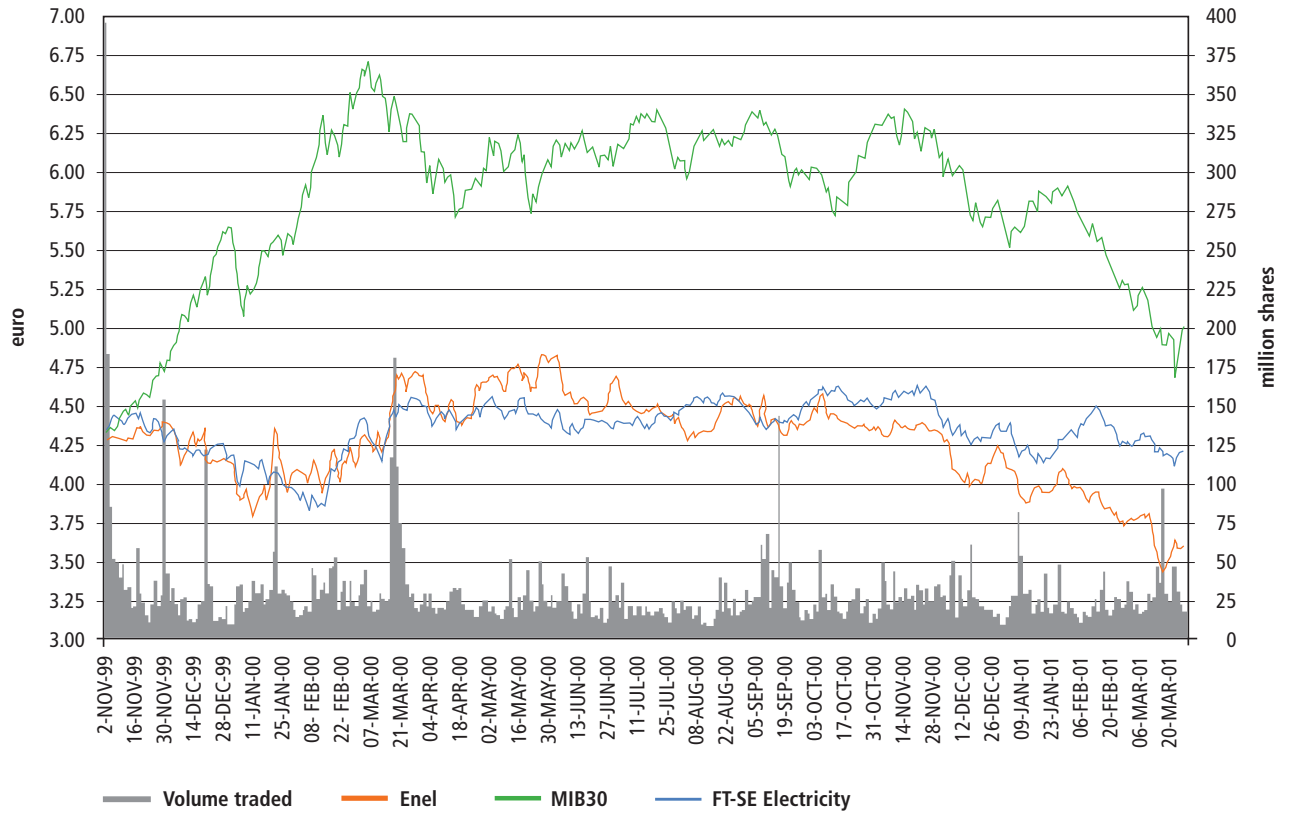
Effective November 5, 2000, underwriters of Enel shares who held them continuously for 12 months after the payment date at one of the Appointed Institutions or any other institution member of the Monte Titoli clearing house, were entitled to receive 10 free ordinary shares for every 200 shares held, or 11 shares in case of Enel Group employees. At the end of March 2001, 83 million shares out of a total of 122.1 million shares available, equal to 0.68% of the entire capital stock of Enel, were distributed to shareholders.

In 2000, the Enel stock registered an average daily trading volume of 27 million shares, for a total value of over 100 million euro (close to 200 billion lire).

The performance of the stock market in 2000 was characterized, particularly in the second half of the year, by profit taking in a number of sectors that had previously registered a strong performance. High technology (telecommunications and Internet), publishing and media sectors were among those mostly affected. In such context, Enel confirmed its vocation as a defensive stock, registering in 2000 a performance in line with the average of other European utilities (FT-SE Electricity Stock Index).

At the end of March, the Enel stock traded at about 3.6 euro, declining by about 16% on the price at which it was originally offered on the market. Considering the dividend paid in 2000 (euro 0.12) and the bonus share assigned to eligible shareholders, the above decline is reduced to 9%.

Enel stock performance (official listed quotes/daily traded volume) - MIB30 and FT-SE Electricity Indexes

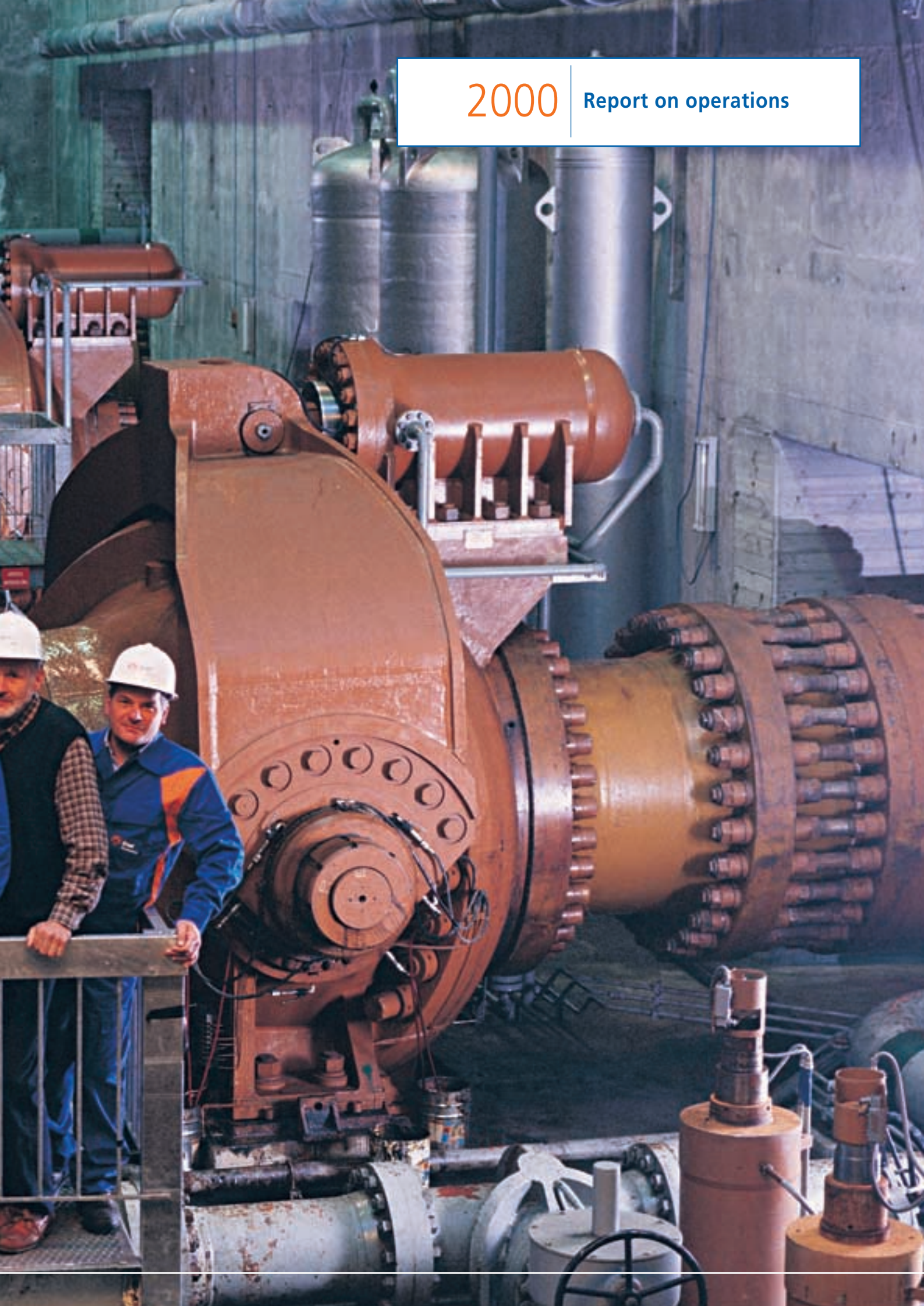




Enel Produzione • Entracque (Cuneo), "Luigi Einaudi" power plant

2000

Report on operations



Overview and summary of results

In 2000 the Enel Group operated in an economic context characterized by the continuation of the recovery started in the last part of 1999. GNP grew by 2.9% in 2000, as compared to a growth of 1.4% registered in the previous year. Economic growth was spurred by the good performance of exports and the increase in investment in fixed assets, while other components of domestic demand, and in particular consumption, recorded a moderate growth despite good employment figures. Industrial production recovery, begun in the second half of 1999, continued in 2000 posting, in the first eleven months of the year, a 3.7% increase over the same period in 1999.

Inflationary pressures emerged in 1999 continued in 2000 due mainly to the increase in the price of oil on international markets, whose effect was made stronger by the decline of the euro against other major currencies. Consumer prices increased on the average by 2.5% in 2000, as compared to a 1.7% increase registered in 1999. The growth in inflation declined towards the end of the year due to the lower oil prices and the recovery in the value of the euro. In the euro area, average inflation rate amounted to 2.6%, increasing from 1.7% in 1999. In response to such trend, the European Central Bank repeatedly increased euro interest rate from 2.5% at the beginning of the year to the current 4.75%.

Oil prices in 2000 were affected mainly by the unbalance between global demand and supply, registering a strong increase in the first ten months of the year, subsequently registering a sharp decline in the last period of the year. Considering the whole of 2000, the average international spot price of Brent oil increased by about 60% over 1999, growing from \$17.97 per barrel in 1999 to \$28.5 per barrel in 2000. The speed and intensity of the growth was due in part to renewed agreement among OPEC countries, allowing to drive prices upwards, in addition to heavy trading in the futures market on which the larger part of oil is traded.

Due to the strong correlation with the price of crude oil, the price of fuel oils used by the Enel Group increased in 2000 by about 60% over the previous year.

The average price of oil (Oil Platt's Mediterranean index) in 2000 was equal respectively to 140.51 \$/t for High Sulfur content oil (up 52%) and 164.25 \$/t for Low Sulfur content oil (up 63%), representing much higher levels than those registered in 1999 (\$92.39 for High Sulfur content oil and \$100.65 for Low Sulfur content oil).

In line with oil prices, natural gas prices registered in 2000 an increase of about 70% over the previous year.

The year 2000 marked the recovery of the international coal market, after almost four years of decline. The comparison of average prices between 1999 and 2000 (Coal Week International Index considered by the Authority for Electricity and Gas) shows an average increase of \$1 per ton, with a strong growth in the last Quarter of 2000, up 11% on the same quarter in 1999, a trend that continued into 2001.

The good performance of the economy had a positive effect on the domestic demand for electricity that reached 297.7 billion kWh, up 4.2% on 1999.

Main electric energy flows in Italy registered in 2000 are shown in the table that follows:

Billions of kWh

	2000	1999	2000-1999	
Gross electricity generation:				
Thermal	217.7	207.2	10.5	5.1%
Hydroelectric	50.9	51.8	(0.9)	-1.7%
Geothermal	4.7	4.4	0.3	6.8%
Other sources	2.6	2.2	0.4	18.2%
Total gross electricity generation	275.9	265.6	10.3	3.9%
Own consumption	(13.4)	(12.9)	(0.5)	3.9%
Net electricity generation	262.5	252.7	9.8	3.9%
Net imports	44.3	42.0	2.3	5.5%
Electricity delivered to Enel's network	306.8	294.7	12.1	4.1%
Consumption for pumping	(9.1)	(8.9)	(0.2)	2.2%
Electricity absorbed by network	297.7	285.8	11.9	4.2%

Demand for electricity grew nationwide (up 3.8% in the North, 4.5% in the Center and 4.0% in the South), with a peak of 5.4% in the Sardinia and Sicily regions. The increase was sharper in the first six months, with an increase in demand equal to 5.9% over the same period in 1999, while in the second half of the year demand grew by 2.4%.

Higher demand was met through an increase in net production (up 3.9%), and higher imports, up 5.5%.

The table below provides data on electric energy flows on the Enel network for 2000:

Millions of kWh

	2000	1999	2000-1999	
Net electricity generation:				
Thermal	141,391	136,946	4,445	3.2%
Hydroelectric	36,692	37,707	(1,015)	-2.7%
Geothermal	4,415	4,128	287	7.0%
Other sources	29	32	(3)	-9.4%
Total net electricity generation	182,527	178,813	3,714	2.1%
Electricity purchases:				
From domestic producers	40,956	35,978	4,978	13.8%
From foreign producers	25,121	41,630	(16,509)	-39.7%
Total electricity purchases	66,077	77,608	(11,531)	-14.9%
Electricity sales:				
Sales on regulated market				
High-voltage	27,206	49,812	(22,606)	-45.4%
Medium-voltage	70,612	79,080	(8,468)	-10.7%
Low-voltage	103,249	100,633	2,616	2.6%
Total	201,067	229,525	(28,458)	-12.4%
Sales on the free market				
High-voltage	16,952	869	16,083	-
Medium-voltage	4,860	113	4,747	-
Total	21,812	982	20,830	-
Total electricity sales	222,879	230,507	(7,628)	-3.3%

The year 2000 saw the start of the liberalization of the domestic electricity market in accordance with Law Decree no. 79/99 (Bersani Decree), according to which "eligible customers" consuming more than 20 million kWh per year, either directly or in a consortium with other customers, are allowed to choose their supplier of electricity.

Following the opening up of the market, overall sales of the Enel Group declined by 3.3% over the previous year. In absolute terms, the 28,458 million kWh reduction on the regulated market, concentrated in the high- and medium-voltage segments, has been partly compensated by higher volumes sold on the free market, equal to 20,830 million kWh, due to the activity carried out by Enel Trade. Demand for low voltage electricity was brisk, registering an increase of 2.6% for the year due mainly to small and medium size companies.

Purchases from other producers of electricity decline by 14.9% (down 11,531 million kWh) over 1999. Domestic purchases increase by 13.8% (up 4,978 million kWh) due to the start of production of generation plants producing electricity from renewable sources (CIP no. 6/92 Regulation). Imports drop by 39.7% (down 16,509 million kWh) due primarily to the assignment of a share in the total international transport capacity to other operators in the context of the liberalization of the market.

As expected, the introduction of the new tariff system and the opening up of the market significantly influenced the economic performance of the Group for the year. The management of operations and the continuing effort to reduce costs allowed to limit the impact of such changes, allowing the Group to achieve good results both in terms of margins and profits.

The 2000 financial year was moreover negatively affected by the application of provisions of Law no. 488, dated December 23, 1999 (the 2000 Budget Law), providing for the elimination of the Electricity Sector Employee Retirement Fund and the payment on the part of electricity sector companies of an extraordinary contribution. The first payment amounting to lire 1,314 billion was made in November 2000. The total amount of the contribution payable by Enel amounts to lire 3,942 billion, amortized on a straight line over 20 years.

Revenues for the year amounted to lire 48,618 billion (euro 25,109 million), against lire 40,584 billion in 1999 (euro 20,960 million), representing an increase of about 20%.

The growth in revenues is due mainly to higher contributions recognized against higher fuel prices, offset in part by lower revenues from the sale of electricity due to an 11% reduction in tariffs set by the Authority for Electricity and Gas effective January 1, 2000. The gross operating margin amounted to lire 16,935 billion (euro 8,746 million), against lire 17,379 billion (euro 8,976 million) in 1999, representing a decline of 2.6%. The reduction in costs has therefore been sufficient to reduce the effect of lower sales and tariffs.

Net income amounted to lire 4,236 billion (euro 2,188 million), declining by 6.7% from lire 4,541 billion (euro 2,345 million) in 1999.

The financial position at December 31, 2000 shows total net capital employed amounting to lire 61,403 billion (euro 31,712 million), representing an increase of lire 3,936 billion (euro 2,033 million) over December 31, 1999. Total Shareholders' Equity (Group and minority interests) amounted at the end of the year to lire 35,489 billion (euro 18,329 million), increasing by lire 1,440 billion (euro 744 million) over December 31, 1999. Total financial debt increases from lire 23,418 billion (euro 12,094 million) at the end of 1999, to lire 25,914 billion (euro 13,383 million). The debt to equity ratio amounts at the end of the year to 0.73, as compared to 0.69 at the end of 1999.

The table that follows shows Group main financial data:

In billions of lire

	2000	1999
Net income	4,236	4,541
Gross operating margin	16,935	17,379
Operating income	9,204	10,426
Cash flow from operations	9,484	13,512
Ordinary and extraordinary dividend distribution	2,813	6,386
Total financial debt	25,914	23,418
Group Shareholders' Equity	35,457	34,034
Debt to equity ratio	0.7	0.7

Investments in plant and equipment amounted to lire 4,679 billion and are made up as follows:

In billions of lire

	2000	1999
Generation plants	1,104	1,578
Power lines and transformation stations	367	436
Distribution networks	2,630	3,246
Land, buildings and other fixed assets	578	393
TOTAL	4,679	5,653

The decline of lire 974 billion from the amount of investments made in 1999 is due to the completion of environmental compliance work carried out on generation plants, in addition to the considerable savings achieved through the simplification of technical specifications, the widening of the supplier base and technological innovation.

The expense for Research and Development activities carried out by the Enel Group, both for the system and applied research, amounted to lire 240 billion (lire 280 billion in 1999).

At December 31, 2000 the Group (excluding WIND) employed a total of 72,647 persons (78,511 at December 31, 1999), representing a 7.5% reduction resulting from early retirement incentives offered.

The liberalization of the electricity market

The liberalization of the electricity market introduced by the Bersani Decree started in 2000. In this context, policies adopted by institutions participating in the process influenced the economic performance of the Group and its organization, determining effects that have not yet shown their full impact. The Authority for Electricity and Gas issued a number of regulations that were not always in line with those that could be expected in accordance with existing norms, sometimes applied retroactively as in the case of regulation dated December 29, 2000 relating to the so-called "hydroelectric revenue". The Authority has therefore not issued norms regarding stranded costs, nor has it been possible for the ISO to make the Electricity Exchange operational by January 1, 2001 as provided by law.

Sale of 15,000 MW of generation capacity

In the context of the restructuring of the electricity sector and in compliance with the mandatory sale of generation capacity of at least 15,000 MW imposed on the Enel Group by the Bersani Decree, generation companies Elettrogen, Eurogen and Interpower, to which Enel transferred generation plants to be sold and personnel for their operation, were offered for sale. In October 2000 the process for the sale of Elettrogen started with the appointment of Credit Suisse First Boston, Lehman Brothers and Merrill Lynch as advisors for the operation. The sale will be carried out pursuant to requirements and guidelines provided by a decree of the Prime Minister dated November 8, 2000. The decree rules that public sector companies and entities may not hold, at the time of acquisition, either individually and collectively, more than 30% of the capital stock of the company making the acquisition, and that such limit may not be exceeded for a period of five years from the date of the sale.

A total of 27 potential domestic and international buyers responded to the invitation to manifest interest in the acquisition of the entire capital stock of Elettrogen, published in October.

Selected parties, who have previously underwritten a Disclaimer Statement, received in the second half of December documents relating to the bidding, requiring a non-binding offer to be made by the first half of February 2001.

The sale procedure provides in fact a first phase in which potential buyers must submit a non-binding offer based on data contained in the auction information, and a second phase in which the parties admitted to the bidding will carry out due diligence activities following which they will be invited to make a binding offer and to submit a detailed business plan. The sale of the company is expected to be concluded by the first half of 2001, after which the other two generation companies will be sold.

The breakdown by technical characteristics, the mix of fuels used, and the geographic distribution of generation plants belonging to the three companies to be sold is in line with that of Enel Produzione's plants.

Sale of generation plants located in the Valle d'Aosta Region

In addition to the generation plants included in the above described divestment plan and independently from Law requirements, in April 2000 the Enel Group signed an agreement with the Valle d'Aosta Region for the sale of all hydroelectric plants located in the territory of the Region, having a gross efficient generation capacity of 781 MW, for lire 1,500 billion.

Enel proceeded to the spin-off of electricity generation activities in the Valle d'Aosta Region into a new company, Valgen, which is presently wholly-owned by Enel. Subsequent steps, to be completed by the first half of 2001, will consist in the transfer of the mentioned business to company Geval, whose shares will be subsequently transferred to the Valle d'Aosta Region.

Streamlining of metropolitan distribution networks

With the aim of streamlining electricity distribution activities, the Bersani Decree provides for the issue of a single distribution concession for each metropolitan area.

In the context of initiatives undertaken in compliance with regulations, in March 2000, Enel Distribuzione sold for lire 22 billion the distribution network serving 819 customers in the city of Trieste to ACEGAS, the local utility company.

In December, Enel Distribuzione sold to A.M.P.S., the utility company operating in the city of Parma, the local electricity distribution network, serving about 40,000 customers, for lire 110 billion.

Negotiations for the sale by Enel Distribuzione of metropolitan distribution networks to major utility companies (AEM Turin, AEM Milan, ACEA Rome and AGSM Verona) who manifested the intention of acquiring them, started in 2000, as provided by the Bersani Decree. At September 30, 2000, the term set by law for the conclusion of negotiations between the parties, AEM Turin, AEM Milan, ACEA Rome and AGSM Verona requested arbitration procedures for the sale of the respective distribution network, as provided by the Decree.

On March 29, 2001 an agreement for the sale of the distribution networks of Rome and Formello (a bordering municipality) to ACEA was concluded. Arbitration panels were appointed for the sale of networks to AEM Milan and AEM Turin, and work for the terms of the sale and the determination of the sale price have officially started.

AEM Milan, ACEA Rome, ACEGAS Trieste, META Modena and ASM Brescia have moreover filed by March 31, 2000, a request to the Ministry of Industry to extend the procedure also to a number of bordering municipalities, based on their interpretation of comma 5, article 9 of the said Decree, interpretation which Enel does not share.

Negotiations with all utility companies affected by the streamlining of the distribution network pursuant to the Bersani Decree started. These have resulted in sale and purchase agreements, while other agreements are currently being negotiated.

With regards to the Valle d'Aosta Region and the Trento and Bolzano Provinces, the Decree subordinated the implementation of streamlining activities to specific norms coordinating the respective statutes of the entities involved.

For the Trento and Bolzano Provinces these norms were issued in November 1999 and Enel Distribuzione has already concluded formal contracts with the two Provinces for the sale of distribution networks located on their territory.

Pursuant to the agreement stipulated with the Valle d'Aosta Region and the Valle d'Aosta Regional Budget Law on December 1, 2000, Enel proceeded to the spin-off of the business relating to the distribution and sale of electricity in the Valle d'Aosta Region into newly incorporated company Valdis, currently wholly-owned by Enel.

The objective of the above mentioned agreement is the undertaking of initiatives in the sector of distribution and sale of electricity in the Valle d'Aosta region through a company owned jointly by Enel and the Valle d'Aosta Region named Deval, to which all assets and liabilities currently belonging to Valdis will be transferred.

Stranded costs

Stranded costs result from contractual agreements and investment decisions that electricity companies took following Government policy positions held when the electricity market was not liberalized, which could have been retrieved when the electricity sector was a monopoly, but are no longer retrievable in a free market situation.

A Decree issued on January 26, 2000 by the Ministry of Industry in agreement with the Italian Treasury, upon a proposal made by the Authority for Electricity and Gas defines stranded costs, criteria for their admission and terms for their retrieval.

According to the Decree, stranded costs are recognized as investments made prior to February 19, 1997 relating to generation plants currently in service, with the exclusion of those that benefit from the provisions of CIP Regulation no. 6/92. Stranded costs are recovered over seven years, from 2000 to 2006, according to revenues recognized by the Authority for each plant. In determining stranded costs, the Authority compares revenues recognized for each plant with the portion of the wholesale price of electricity relating to the coverage of fixed costs. The difference (calculated for the whole of the generating plants of each electricity generation company) is retrieved as a stranded cost in case it is positive, and compensated over the term set for the retrieval of stranded costs in case it is negative.

Among stranded costs are also recognized costs relating to the relocation abroad of unloading and regasification of natural gas imported from Nigeria, retrieved over a period of ten years starting in 2000.

The Decree sets a maximum stranded cost amount equal to lire 15,000 billion. To ensure the application of the Directive and of rules on State subsidies in the domestic markets for electricity within the Union, the Italian Government submitted for approval to the European Commission a plan for the recovery of stranded costs.

On August 3, 2000, the Authority published a note on general electricity system costs containing "information" on the criteria that the Authority intends to follow in determining parameters for the calculation of stranded costs.

With reference to the mentioned Decree dated January 26, 2000, it is to be noted that the Authority has not set the final parameters for the determination of stranded costs. Recognized revenues for each plant and the gross price of electricity sold on the domestic market have not yet been determined.

Costs connected with contractual commitments for the import of natural gas from Nigeria have moreover not been defined, and Enel has consequently been unable to record in its Income Statement any amount against higher costs incurred in 2000.

Hydroelectric extra-revenue

The Authority established that producers of electricity generated from hydroelectric and geothermal sources are required to pay a fee to the ISO for the transmission of energy produced. The fee is motivated from the advantage that the application of wholesale electricity tariffs, that include the component relating to variable costs, would give to geothermal and hydroelectric power in accordance with the decree issued by the Ministry of Industry dated January 26, 2000.

The additional fee paid for the access to and use of the national transmission network for electricity generated by hydroelectric and geothermal plants was set by Resolutions no. 231/00 and 232/00, issued by the Authority on December 20, 2000.

For 2000, such fee has been set in accordance with the variable unit price recognized for thermal energy produced, as provided by the decree dated January 26, 2000.

In 2001 and 2002 the surcharge amounts to 75% of the difference between the wholesale price of electricity sold in the domestic market (that will in the future be set in the Electricity Exchange), and the component of the wholesale price aimed at covering fixed costs, set by the Authority through Resolution no. 238/00 dated December 28, 2000. Such percentage will decline to 50% in years 2003 and 2004, and to 25% in years 2005 and 2006. Beyond such year, the surcharge will be eliminated.

The cost incurred by the Enel Group for the year was equal to about lire 260 billion.

Increase and regulation of demand, and offer on the free market

As provided by the Bersani Decree on the issue of the liberalization of the demand side of the electricity market, from January 1, 2000, customers with a consumption of over 20 million kWh per year (9 million kWh per year from 2002) will qualify as eligible customers. In January 2001 the Italian Parliament approved a draft law submitted by the Government, delivered to the Senate for ratification, providing for the reduction of the consumption threshold for eligible customers to 0.1 million kWh starting from ninety days from the complete divestment on the part of Enel of the planned 15,000 MW of production capacity.

Regulations on the import of electricity issued by the Authority in 1999 became effective in 2000. With regards to the free market, a limit to the import of electricity has been set for each operator at 20% of total international transport capacity (excluding capacity covered by long-term contracts in force at February 19, 1997, reserved to the regulated market), or a limit of 15% in case the demand for import from any individual country exceeds transport capacity with the same country.

In 2000 the Authority (with resolution 140/00 dated August 3, 2000) set new limits for the use of Italian network on the part of electricity importers in 2001, establishing that the assignment of maximum energy quantities allowed must take place through electricity auctions. The Lombardy Regional Court suspended the application of such regulation and, as a result, auction procedures have been suspended. Against such decision, the ISO appealed to the State Council. On December 1, 2000, the State Council rejected the appeal, confirming the suspension of the Authority's resolution.

With resolution no. 219/00 dated December 6, 2000 the latter set new rules that reduce further import quotas of individual importers, defining also an assignment mechanism based on importers' applications, assigning quotas proportionally up to available capacity.

On the offer side, as provided by the Bersani Decree, in November 2000 the Ministry of Industry established that, starting in January 2001, all electricity purchase contracts pursuant to CIP no. 6/92 Regulation, reserved until 2000 to non-eligible customers, are transferred to the ISO that will make such energy available also to eligible customers through competitive bidding.

In the manner indicated by Authority resolution no. 223/00 dated December 13, 2000, the ISO held auctions for the assignment of energy amounting to a total of 3,600 MW on an annual basis.

The Independent System Operator (ISO)

In 1999 Enel incorporated Gestore della Rete di Trasmissione Nazionale (the ISO), transferring to it activities relating to the management of the network. From April 1, 2000, following the issue of Ministry of Industry decree dated January 21, 2000, the company began operating as the Independent System Operator, and its shares were transferred free of charge to the Italian Treasury.

With resolution no. 52/00 dated March 9, 2000, the Authority issued technical specifications for the design and operation of generation plants, distribution networks, connected equipment, connection circuits and direct lines. Through resolution no. 138/99 the Authority has moreover specified technical rules to be followed by the ISO for the measuring of electricity and continuity of service.

The transport of electricity on the national transmission network is regulated according to the "general contract" approved by the Authority with resolution no. 119/00 dated July 12, 2000. Fees payable for the access and use of the national transmission network have been updated effective July 1, 2000 through resolution no. 108/00 dated June 15, 2000 and updated for 2001 through resolution no. 239/00 dated December 28, 2000. A share of such tariffs is recognized to the ISO for the financing of its activities. Between April 1 and December 31, 2000, such share is equal to lire 0.50 for each kWh transported, increasing to lire 0.60 per kWh transported in 2001.

Expected developments in 2001

The Bersani Decree provided for the coming into operation at the beginning of 2001 of two important operators in the new structure of the electricity market, the Single Buyer and the Market Operator, which are however not yet operational.

In November 1999, the ISO incorporated a joint-stock company denominated "Single Buyer". The new company's objective is that of ensuring the supply of electricity to regulated market customers. The Single Buyer will be in charge of stipulating and managing supply contracts with generating companies and sale contracts with distributors, ensuring non-eligible customers the availability of production capacity and the supply of electricity on the basis of a continuous, safe, economic and efficient service, in addition to equal economic treatment, including tariffs applied, in accordance with guidelines issued by the Ministry of Industry. The date at which the Single Buyer will become operational will be established by decree of the Ministry of Industry. Until such date, Enel will continue to supply distributors pursuant to contracts in force and current terms.

The Ministry of Industry, in agreement with the Authority, may authorize the ISO to sell shares of the Single Buyer to entities who, either independently or in association with others, represent a significant part of electricity distribution activities. Such entities may not own, either directly or indirectly shares greater than 10% in the capital stock of the Single Buyer, and the ISO shall retain the majority of its capital.

Pursuant to the Bersani Decree, in 2000 the ISO incorporated a joint-stock company denominated "Market Operator" to which it has entrusted the financial management of the electricity market. The Market Operator shall organize the electricity market in accordance with neutral, transparent, objective and competitive criteria, ensuring an adequate availability of reserve energy in terms of availability of generation plants able to cover demand for substitute or additional power supply. With such end, the Market Operator prepared Rules for the electricity market, submitting them on November 21, 2000 to the Ministry of Industry for the related approval, having consulted the Authority for Electricity and Gas.

The Market Operator is in charge of managing offers for the purchase and sale of electricity and of all connected services (Electricity Exchange). The order in which electricity generation facilities come into production, in addition to the determination of reserve plants and of all auxiliary services, will be determined according to a bids and offers system.

The Market Operator believes that the new system may become operational within six to eight months of the issue on the part of the Ministry of Industry of the decree approving the Rules for the electricity market. Upon request of interested Eligible Customers and subject to the approval of the ISO, the Authority may authorize the conclusion of bilateral contracts between eligible customers and generation companies, in derogation to the bids and offers system.

Regulations and tariffs for the electricity sector

On January 1, 2000, the new tariff system for the supply of electricity to non-eligible customers defined by the Authority at the end of 1999 became effective. According to the new tariff system, tariffs applied must ensure the coverage of costs recognized for the supply of electricity, in addition to the coverage of system charges and costs incurred in the general interest.

Tariffs for households are established directly by the Authority, while those for other regulated market categories are defined by distributors, in line with constraints set and prior authorization from the Authority. The Authority has also set “tariff limits” on total revenues for each category of customers. The ruling provides for the comparison between total revenues for the year for each category (actual revenues) and maximum revenues “allowed”, set according to parameters (lire/customer and lire/kWh) defined by the Authority.

In case the “allowed revenues” limit is exceeded by up to 5%, the distributor will be required to apply a proportional reduction in tariffs in the following year. In case the limit is exceeded by more than 5%, each individual consumer will be entitled to a refund equal to excess revenues paid to the distributor (in addition to a bonus). Within such limitations, each distributor is free to set its own tariffs in accordance with the “commercial conduct code” and transparency criteria.

The application of the new tariff system has been preceded by a transitional period (from January 1 to June 30, 2000) in which the Authority maintained the application of tariffs for the regulated market applicable at the end of 1999, and provided for the application of percentage discounts varying according to voltage supplied.

Base tariff plans offered by electricity companies became effective July 1, 2000. Enel Distribuzione applied in the second half of 2000 tariffs for public lighting in line with those requested by the Authority. For other types of customers, Enel Distribuzione continued to apply tariffs in force at June 30, 2000, with the exception of low voltage tariffs for “other uses”. For these, the company applied an 8% reduction on tariffs applicable at June 30, 2000 to comply with the “V1” limit (tariff revenue ceiling).

The impact of the new tariff system expected by the Authority for 2000 was equivalent to an average 10.7% reduction of the tariff relating to fixed costs (excluding the cost of fuel). Such reduction in revenues was offset in part by the transitory contribution of lire 6 per kWh on energy destined to the regulated market.

The unit variable cost of electricity produced by thermal plants that use fossil fuels for 2000, set every two months, increased from lire 58.102 per kWh for the period November-December 1999, to lire 92.069 per kWh for the months of November-December 2000, registering an average increase over the end of 1999 of lire 34 per kWh (up 58.5%).

The introduction of the new tariff system was jeopardized by legal action initiated by a number of local electricity companies against the Authority’s ruling. In November 2000, the Lombardy Regional Court annulled the ruling through which the Authority introduced the new tariff system, effective January 1, 2000. The Authority appealed the Lombardy Regional Court’s decision before the State Council. The latter court accepted the Authority’s request for a suspension of the Lombardy Regional Court’s ruling limited to the part relating to the introduction of new tariffs, which has therefore become effective pending a final decision on the matter.

With reference to tariffs for the year 2001, in September 2000 Enel Distribuzione submitted to the Authority a proposal in line with constraints set and received the related approval. The new energy price structure introduces new tariff schedules that reduce costs according to consumption volumes, adding flexibility for customers whose consumption patterns vary widely during the year. In addition to base tariff plans, Enel Distribuzione offered its customers special tariff plans, reserved to non-household customers as an alternative to base tariffs, and further options for households as an alternative to tariffs set by the Authority.

With regards to electricity transport, Authority's ruling no. 108/99 dated June 15, 2000, adjusted transport tariffs, bringing them in line with those applicable for the regulated market. Authority's ruling no. 119/00 dated July 12, 2000 defined the standard transport contract, in addition to establishing a startup period of one year during which amounts transported over those set in ruling no. 13/99 benefit from a reduction in fees. Ruling 119/00 established moreover the elimination of the fee due by entities requesting the transfer of electricity to distributors in case there lacks an appropriate meter at the point at which the electricity is delivered. Ruling no. 239/00 dated December 28, 2000, finally, set transport fees applicable for 2001.

Group strategies

The Enel Group will continue to reposition its business to contrast effectively the expected increase in competition, turning into an opportunity the new regulated market context, weighed by uncertainties regarding regulations, timing and phases of the liberalization process, in addition to the risk of a further tightening of antitrust regulation.

The [Group's organizational model](#), based on a network of companies, will strengthen its innovative capabilities vis-à-vis the market and the profitability of individual businesses. The Group will adjust in a few years to the international best practice, through actions aimed at:

- streamlining of operating costs and improving efficiency, favoring technological development;
- developing know-how and activities in tune with market developments;
- maximizing returns of investments and maintenance;
- developing initiatives aimed at building customer loyalty.

Particular attention will be paid to [regulated businesses](#) in an effort to reduce costs and improve quality, with the objective of achieving better results than those required by the regulating Authority. Such care will be accompanied, in unregulated businesses, to a strategy aimed at the development of infrastructures and at diversifying businesses in the context of a multiutility/multiservice Group, expanding internationally. Foreign market penetration represents in particular an opportunity for all Group companies to fully exploit their assets and know-how. The position achieved by Enelpower at the international level in the difficult and highly competitive Engineering and Contracting market is a first tangible proof.

In the [generation area](#), investment plans are concentrated on the objective of shifting thermal generation towards the use of more efficient plants having a lower environmental impact, based primarily on the new natural gas combined-cycle technology, allowing to achieve thermal yields about 50% higher than current plants. A program for the conversion to combined-cycle technology of numerous conventional generation plants that will remain within the Enel Group has been launched. Gross efficient generation of these plants amounts to about 4,600 MW, while investments in their conversion will total about lire 2,500 billion in the next five years.

In the field of [distribution and sale of electricity](#), service quality to non-eligible customers represents an important component of the Group's commercial strategy. To implement such strategy, two major projects have been launched:

- the "Contact Center";
- the "Electronic Meter".

Enel Distribuzione is currently restructuring its customer telephone assistance system by concentrating the current 74 call centers into a unified system (Contact Center) that may be reached through a single national telephone number, through which a wide range of services may be offered. The commercial offer will be completed by a self-service area on an Internet portal available at about 700 "Enel in WIND" sales outlets (using the WIND distribution and sales network), and about 150 sales points managed directly by Enel Distribuzione.

The new electronic meter system will allow to perform a number of operations such as connections, deactivations and changes in the amount of energy supplied directly from Enel Distribuzione's offices, without the need to access the customers' premises, resulting in further streamlining and improvements in the quality of services offered.

Following a [diversification strategy](#) in the context of [multiutility/multiservice](#) activities, in 2001 the Group expects to record significant growth in revenues, market share and margins.

In [telecommunications](#), the acquisition of Infostrada in March 2001, represents a unique opportunity for creating, together with WIND, the only true competitor of the dominant operator in fixed and mobile telephony and Internet access, becoming one of the first operators at the European level. The integration between WIND and Infostrada allows moreover to create the second largest national telecommunications network.

The short-term objective is to reach a complete integration of operations between WIND and Infostrada, complementary in several areas, achieving important investment, network and commercial synergies in the field of integrated fixed and mobile telecommunications, in addition to the ability to supply data transmission and Internet connection services.

Pursuant to agreements concluded with France Télécom (holding a share in WIND and representing Enel's strategic partner in telecommunications) shares in the new company formed by WIND and Infostrada ("New WIND") will be listed on the stock market, possibly through a capital increase, as soon as market conditions allow. Through the placement of a share in "New WIND" on the market, the Enel Group will be able to reduce outstanding debt resulting from the acquisition of Infostrada.

In the [distribution and sale of natural gas](#), after the acquisition of Colombo Gas and Camigas, the Group continues to look for possible acquisitions in the gas distribution field. Such activity led in the months of November 2000 to January 2001 to the signing of agreements for the acquisition of new distributors covering the whole national territory, allowing the Enel Group to become one of the major operators in this sector. Once these new acquisitions are concluded, the Group will distribute gas to about 400,000 customers in 310 municipalities, with total sales of about 800 million cubic meters. Enel aims to reach by 2005 a volume of sales of about 3.5 billion cubic meters of gas and about 2 million residential and industrial customers. Rapid growth is expected for the years 2001-2002 through the acquisition of further local distributors mainly in areas where the Group is already present in the sector of electricity distribution. The supply of gas associated with that of electricity allows the achievement of significant cost synergies, both in terms of the joint and coordinated management of infrastructures, and the integrated management of the front-end and of customer care. Enel Trade will moreover develop its offer of gas supplies and other services to industrial customers.

In the [construction and management of water distribution systems](#), Enel.Hydro will increase its presence in the field of water collection, transport and distribution through the acquisition of companies operating in the sector, among which Acquedotto Pugliese, and the creation of ad hoc companies, with the aim of becoming already in 2001 one of the major operators in this sector.

Strong attention will be moreover paid to innovative projects and the development of new businesses such as:

- the creation of "[Enel in Wind](#)" and "[Wind in Enel](#)" sales points, the installation on the electricity network of [BTS antennas](#) and [fiber optic lines](#), the development of [Power Line Communication \(PLC\)](#) and the installation of [So.l.e.'s webtowers](#). Such projects will allow to develop and integrate the product range, client base and infrastructures;

- the development of plant management, maintenance design and construction through company Enel.si, with the objective of becoming already in 2001 a major operator controlling a direct sales network, while developing a franchising one;
- the development of electricity generation plant engineering and contracting activities abroad through Enelpower, looking to become also operator in markets showing good consumption growth prospects;
- the development of electronic commerce in the business-to-business and business-to-consumer segments. It will thus be possible to develop new web-based business opportunities introducing new value added services and reducing the cost of operating processes;
- the use of e-procurement for the purchase of supplies through the development of a market place opened to outside users.

In 2000, Enel set up a structure that will serve as a vehicle to make venture capital investments in the innovative Utility (power technology, remote customer management, stabilizing devices, energy management, etc.) and Infocom sectors (applications, platforms, infrastructure, access technologies and new media), expected to generate significant growth and profits.

To carry out such investments, Enel incorporated two companies, WEBiz Holding BV and WEBiz 3 NV, the latter a wholly-owned subsidiary of the first.

Financial resources dedicated to such investment activities will amount to about lire 1,000 billion, of which lire 71 billion had already been invested at December 31, 2000.

Euro Project

Preparations for the conversion of accounts to the euro, to be carried out in mid-2001, continued during the year.

A team coordinating and monitoring the Group's activities relating to the euro was set up. Within such team, specific responsibilities relating to communications (internal and external) and training, have been assigned. The implementation of programs will follow in 2001.

Entities outside the Group in charge of managing relationships with the Enel Group in general (the Authority for Electricity and Gas) or the euro in particular (Euro Committee of the Italian Treasury) have been contacted, and Enel's approach to the change, relating in particular to the new billing format, has been presented. On this last aspect, the most representative trade associations have been consulted.

The need to achieve an integration with the outside world required the Group to solicit contacts, in addition to major suppliers, also with the Post Office and Banks, to define some of the aspects of the transition.

The above described activities required the employment of internal and external resources, in particular to adapt information systems, resulting in total costs for the year amounting to lire 5 billion, as compared to a total cost for the euro project of lire 20 billion.

Keeping into consideration flexibility allowed for the transition period (from January 1, 1999 to December 31, 2001) and current information available, the Group does not expect to face particular operating problems, and has decided to prepare its accounts in euro starting with financial year 2001, one year in advance of law requirements.

With regards to the conversion of the capital stock into euro, the main Group companies have already resolved the denomination of their capital stock in euro, at the related extraordinary meetings held on the occasion of the approval of the Financial Statements at December 31, 2000. Enel will submit a proposal for the conversion in euro of its capital stock to the Shareholders' Meeting convened to approve the Financial Statements at December 31, 2000.

The so-called "ordinary" procedure (pursuant to article 17, comma 6 of Legislative Decree no. 213 dated June 24, 1998, as amended by Legislative Decree no. 201 dated June 15, 1999), will be adopted. The value of the shares will be restated at 0.50 euro (by rounding off to the lowest integer), while differences arising from the rounding off will be accrued to the legal reserve.

An Extraordinary Meeting convened for the purpose will resolve a reverse stock split grouping two shares into one to reach a par value of 1 euro, thus halving the number of shares in circulation.



2000

Operating review



Financial data by segment

Financial data reported below has been obtained by reclassifying the financial statements of individual Group companies, eliminating tax related entries (represented mainly by additional depreciation charges) while making them consistent with accounting principles adopted homogeneously by the Group.

The grouping of "Other activities" has been described in detail in the related chapter that follows.

Income data by segment							
In billions of lire	Generation	Transmission	Distribution and Sale	Other activities	Parent Company	Adjustments	Total Group
Revenues	22,325	1,492	26,920	6,368	18,975	(27,462)	48,618
Operating costs	14,636	579	20,534	5,457	17,825	(27,348)	31,683
Gross operating margin	7,689	913	6,386	911	1,150	(114)	16,935
Depreciation and accruals	3,131	454	3,505	429	206	6	7,731
Operating income	4,558	459	2,881	482	944	(120)	9,204

Balance Sheet data by segment							
In billions of lire	Generation	Transmission	Distribution and Sale	Other activities	Parent Company	Adjustments	Total Group
Net fixed assets	36,848	7,549	24,175	6,124	36,866	(35,018)	76,544
Net current assets	1,243	(488)	(5,194)	344	909	166	(3,020)
Gross capital employed	38,091	7,061	18,981	6,468	37,775	(34,852)	73,524
Provisions	5,835	841	4,332	569	347	197	12,121
Net capital employed	32,256	6,220	14,649	5,899	37,428	(35,049)	61,403

Following the spin-offs carried out from October 1, 1999, to comply with regulations on the reorganization of the electricity sector, electricity generation activities are presently carried out by the following Group companies:

- Enel Produzione (thermal and hydroelectric generation), Erga and CHI Energy (renewable sources) expected to remain part of the Enel Group;
- Eurogen, Elettrogen, Interpower and Valgen, to be divested.

The definition of the respective areas of activity has been completed in the first six months of 2000, with the contribution by Enel to Enel Produzione of the "Research – Generation Sector" business, active in research aimed at increasing the efficiency and competitiveness of fuel oil generation plants. On June 1, 2000, Enel Produzione transferred to Enel.FTL activities carried out by its "Fuel Unit", consisting in the acquisition and sale of energy products, raw materials and logistic services.

CHI Energy Inc., leader in the United States in the generation of electricity from renewable sources, was acquired by Erga in December 2000 with an investment of lire 385 billion. The company has a generation capacity of 261 MW, while another 53 MW of generation capacity are currently under completion. The company closed the 2000 financial year reporting revenues of \$54 million and a net income of \$5 million. Its Shareholders' Equity amounted at the end of the year to \$108 million.

As already mentioned, on December 1, 2000, Enel Produzione carried out the spin-off of its generation activities in the Valle d'Aosta Region, transferring them to Valgen, a company currently owned by Enel destined to be sold to the Valle d'Aosta Region pursuant to an agreement stipulated on April 19, 2000. The sale of hydroelectric plants in the Trento and Bolzano provinces to local Authorities is currently being evaluated in the context of agreements with local governments.

In the area of electricity generation, the Enel Group intends to face the challenge posed by stronger competition and the reduction in the Group's market share by continuing to pursue a cost reduction policy and increasing the efficiency of generation plants through:

- the improvement in the mix of fuels used in generation plants, with the aim of increasing the use of less expensive fuels such as coal, high sulfur content fuel oil and orimulsion;
- fuel trading aimed at optimizing costs vis-à-vis market benchmarks;
- the continuation of labor cost reduction policies through reduction in personnel and streamlining of employment at generation plants;
- continued implementation of generation plant renovation schemes implying the conversion to combined-cycle turbogas plants according to a long-term plan;
- the reduction of costs relating to the investment program, through the improvement in supply conditions thanks to the introduction of new e-procurement procedures providing for a bidding system that takes advantage of economies of scale, reducing unit costs considerably.

The tables that follow show main financial data for individual electricity generation companies for the 2000 financial year:

Income data							
In billions of lire	Enel Produzione and Valgen	Eurogen	Elettrogen	Interpower	Erga	Adjustments	Total Electricity Generation Segment
Revenues	14,953	2,905	2,451	991	1,088	(63)	22,325
Operating costs	9,755	2,162	1,723	662	397	(63)	14,636
Gross operating margin	5,198	743	728	329	691	-	7,689
Depreciation and accruals	2,001	410	328	96	296	-	3,131
Operating income	3,197	333	400	233	395	-	4,558

Balance Sheet data								
In billions of lire	Enel Produzione and Valgen	Eurogen	Elettrogen	Interpower	Erga	CHI Energy	Adjustments	Total Electricity Generation Segment
Net fixed assets	25,176	3,032	3,581	1,131	3,343	493	92	36,848
Net current assets	827	120	162	93	101	(57)	(3)	1,243
Gross capital employed	26,003	3,152	3,743	1,224	3,444	436	89	38,091
Provisions	3,875	560	607	205	537	51	-	5,835
Net capital employed	22,128	2,592	3,136	1,019	2,907	385	89	32,256

CHI Energy has been consolidated exclusively in the Balance Sheet, as it was acquired only in December 2000.

In 2000 the generation segment accounted for about 45% of gross operating margin and 49% of the Group's operating income.

Revenues were made up by:

- electricity sales totaling lire 10,006 billion (of which lire 9,917 billion to other Group companies and lire 89 billion to other operators);
- contributions from the Electricity Equalization Fund amounting to lire 12,089 billion (of which lire 875 billion relating to the lire 6 per kWh granted in 2000 and 2001 to mitigate the effect of lower tariff revenues);
- other revenues amounting to lire 230 billion (of which lire 105 billion due to transactions concluded with other Group companies and lire 125 billion to revenues from services rendered and other revenues from third parties).

Operating costs include:

- thermal fuel consumption amounting to lire 10,998 billion (covered by the related contributions received from the Electricity Equalization Fund);
- labor costs totaling lire 1,760 billion;
- services, leases and rentals amounting to lire 1,460 billion, of which lire 256 billion relating to transmission network fees payable by hydroelectric generation plants ("Hydroelectric income");

- raw material consumption amounting to lire 145 billion and other charges totaling lire 325 billion.

Capitalized costs arising from construction work carried out internally amounting to lire 52 billion.

The depreciation expense for the year amounted to lire 2,729 billion, while accruals totaled lire 402 billion, of which lire 227 against stranded costs (lire 196 billion referred to Eurogen and lire 31 billion to Enel Produzione). Despite the fact that the criteria for determining the amount of stranded costs have not been set by competent authorities, generation companies have in any case made an estimate of net adjustments to be made for the year 2000. In the two instances in which the estimate was negative (considering also the amount of the reimbursement of higher costs relating to the purchase of Nigerian gas), an accrual was made, while where the estimate was positive, no income has been recorded in line with prudent criteria.

The financial position at December 31, 2000 shows total equity amounting to lire 23,416 billion and net financial debt of lire 8,840 billion, resulting in a debt to equity ratio of 0.38. Net capital employed amounted to lire 32,256 billion, of which 73% was represented by net equity and 27% by net financial debt.

Energy generation and fuel consumption

Net electricity generation in 2000 was equal to 182,527 million kWh, increasing by 2.1% over the previous year.

Millions of kWh

	2000		1999		2000-1999	
Thermal	141,391	77.5%	136,946	76.6%	4,445	3.2%
Hydroelectric	36,692	20.1%	37,707	21.1%	(1,015)	-2.7%
Geothermal	4,415	2.4%	4,128	2.3%	287	7.0%
Other sources	29	-	32	-	(3)	-9.4%
TOTAL						
NET GENERATION	182,527	100.0%	178,813	100.0%	3,714	2.1%

Higher energy generation allowed the Group to compensate for lower imports of electricity following the assignment of part of international transport capacity to other operators. With regards to electricity generation sources, the decline in hydroelectric generation was due to lower water supply as compared to 1999.

The table that follows shows gross thermal generation by type of fuel employed:

Millions of kWh

	2000		1999		2000-1999	
High sulfur fuel oil (S>0.5%)	45,507	30.1%	51,027	34.9%	(5,520)	-10.8%
Low sulfur fuel oil (S<0.5%)	17,125	11.3%	19,892	13.6%	(2,767)	-13.9%
Total fuel oil	62,632	41.5%	70,919	48.5%	(8,287)	-11.7%
Natural gas	54,955	36.4%	46,390	31.7%	8,565	18.5%
Coal	25,672	17.0%	23,365	16.0%	2,307	9.9%
Orimulsion and other fuels	7,829	5.2%	5,619	3.8%	2,210	39.3%
TOTAL GROSS GENERATION	151,088	100%	146,293	100%	4,795	3.3%

The breakdown of fuel consumption changed according to a program for the rebalancing of fuel sources by:

- employing a higher proportion of natural gas, a large part of which to be used in generation plants converted to combined-cycle technology, allowing the achievement of higher yields and lower environmental impact. Natural gas purchases increased by 16.8%, from 11.3 billion cu. m. in 1999 to 13.2 billion cu. m. in 2000;
- use of lower cost fuels, such as coal and orimulsion, in generation plants equipped with pollutant emission abatement systems.

According to plans developed, by 2005 61% of electricity will be generated from natural gas, about 12% from fuel oil and the remaining 27% from coal and orimulsion.

Generation plants

In 2000 capital expenditure in generation plants amounted to lire 1,104 billion, as compared with lire 1,578 billion in 1999, as shown in the table below:

In billions of lire

	2000	1999	2000-1999	
Thermal plants	733	1,179	(446)	-37.8%
Hydroelectric plants	245	254	(9)	-3.5%
Geothermal plants	113	138	(25)	-18.1%
Other	13	7	6	85.7%
TOTAL	1,104	1,578	(474)	-30.0%

Lower expenditure made in the year is mainly due to the gradual completion of environmental upgrade work of thermal generation plants in addition to the benefits resulting from streamlining action carried out pursuant to the "MOVE 2000" project launched in previous years and terminating in 2000.

Major work carried out includes the environmental upgrade of the La Spezia, Sulcis, Rossano Calabro and Turbigo (Enel Produzione), San Filippo del Mela (Eurogen), Fiume Santo (Elettrogen) and Vado Ligure (Interpower) generation plants, in addition to the progress made towards the conversion to combined-cycle technology of the Pietrafitta, La Spezia, La Casella and Porto Corsini (Enel Produzione) generation plants.

Net efficient generation capacity of Enel Group plants at December 31, 2000 was equal to 56,609 MW, as shown in the table that follows:

MW

	2000	1999	2000-1999
Thermal	38,838	38,648	190
Hydroelectric	17,145	16,581	564
Geothermal	595	584	11
Wind and photovoltaic	31	28	3
TOTAL	56,609	55,841	768

Higher thermal capacity is due mainly to the conversion to combined-cycle technology of groups 1 and 2 of the La Spezia generation plant. The increase in hydroelectric capacity is due to the acquisition of CHI Energy, accounting for 261 MW, and the start of operation of the Palazzo II plant.

The table that follows shows net efficient generation capacity of the Enel Group at December 31, 2000 by generation company:

MW	Enel Produzione	Valgen	Eurogen	Elettrogen	Interpower	Erga	CHI Energy	at Dec. 31, 2000
Thermal	25,624	-	6,242	4,424	2,548	-	-	38,838
Hydroelectric	13,293	780	766	1,014	63	973	256	17,145
Geothermal	-	-	-	-	-	595	-	595
Wind and photovoltaic	-	-	-	-	-	26	5	31
TOTAL	38,917	780	7,008	5,438	2,611	1,594	261	56,609

Personnel and organization

The number of employees in the generation segment at December 31, 2000 was equal to 17,930, as compared with 18,710 employees at the end of 1999, declining by 4.2%. Changes include the increase of 213 employees due to the transfer of the Research unit described above and the 196 employees relating to newly acquired company CHI Energy. The decline of 1,189 employees is due mainly to early retirement incentives.

Enel Produzione restructured itself around the following four operating areas:

- “Plant Management”, overseeing the production process, its operating costs and technical and economic performance;
- “Plant Development”, in charge of the management of investments and improvements on generation plants;
- “Energy Management”, representing the interface of the Company with the energy market, planning the use of plants according to expected demand and supply available. The Energy Management segment is moreover responsible for the pre-dispatching of energy generated by the plants and monitors in real time their use and status;
- “Integrated Generation Services”, offering services on the market.

Management expectations of operations in 2001

The Energy Exchange should become operational in 2001. The Single Buyer should also start its activity as guarantor of the rights of non-eligible customers.

Facing an increasingly competitive scenario, the Group will continue its effort to improve the operating efficiency of plants, the optimization of the fuel mix used and the development of skills necessary for the implementation of programming, bidding and commercial activities to maximize revenues from the sale of electricity.

The plan for the conversion to combined-cycle technology of a number of generation plants currently using fuel oil will continue, in addition to the upgrade of plants from an environmental and operating efficiency point of view.

Transmission

Terna is the owner of the national distribution network and is responsible within the Group for the management, maintenance and development of the network, based on the guidelines provided by the ISO. The ISO is an entity controlled by the Italian Treasury and is responsible for the transmission and dispatching of electricity, in addition to the unified management of the national transmission network. Activities carried out by the ISO and Terna will be regulated by an agreement to be concluded between the parties by 2001, based on the General Convention provided for by a Decree issued by the Ministry of Industry on December 22, 2000. Negotiations with the ISO for the underwriting of such convention are still underway.

The ISO remunerate Terna according to compensation established by the Authority in line with the coverage of operating and maintenance costs, in addition to the remuneration of investments.

The 2000 financial year was characterized by the strengthening of maintenance activities and the construction of high-voltage lines. New opportunities in unregulated markets were developed by exploiting the technological know-how acquired in the field of plant design and construction, operation and maintenance of equipment.

Among initiatives aimed at improving internal processes, e-procurement activities were started with the objective of reducing the time needed for bidding procedures and the price of products and services acquired. Results achieved are an average reduction in purchase prices of 25%, and the contraction of average bidding time to one day, as compared to seven days in the past.

Terna main financial data for the year are shown in the tables that follow:

Income data

In billions of lire

Revenues	1,492
Operating costs	579
Gross operating margin	913
Depreciation and accruals	454
Operating income	459

Balance Sheet data

In billions of lire

Net fixed assets	7,549
Net current assets	(488)
Gross capital employed	7,061
Provisions	841
Net capital employed	6,220

Revenues are represented by lire 1,372 billion of fees recognized for the use of the national transmission network. The residual amount refers mainly to services rendered to Group companies amounting to lire 35 billion, connection and power supply increase fees amounting to lire 20 billion, services rendered to third parties for a total of lire 26 billion and changes in contract work in progress amounting to lire 29 billion.

Operating costs are made up mainly by lire 298 billion relating to the cost of labor and services received, and lire 249 billion of leases, rent and other operating costs. Depreciation for the year amounted to lire 444 billion, while accruals and write downs totaled lire 10 billion.

The financial position at December 31, 2000 shows net equity amounting to lire 5,060 billion and net financial debt totaling lire 1,160 billion, representing a debt to equity ratio of 0.23. Net capital employed amounted to lire 6,220 billion, of which 81% was represented by net equity and 19% by net financial debt.

Capital expenditure and equipment

Capital expenditure for the year amounted to lire 424 billion, in line with 1999 in which it amounted to lire 436 billion.

The most important initiative relates to the construction of a direct power line between Italy and Greece. The project will result in a connection between the European and the Greek network, allowing for more efficient operation of the electrical systems of the two countries while favoring the interconnection of the whole Mediterranean Basin. Its completion represents a strong priority for the European Union that is financing 40% of the total cost of the work, amounting to euro 339 million. The project is expected to be completed in 2001.

At December 31, 2000, about 97% of the Italian portion of the work had been completed.

The construction of a fiber optic telecommunications network alongside existing high-voltage power lines, the E-Net Project, was completed in the year, covering the whole national territory. The fiber optic network is owned by Enel.it, while Terna's role in the project involved the laying of fiber optic cables and their maintenance.

At December 31, 2000, the fiber optic network installed on high-voltage power lines owned by Terna extended for 8,650 kilometers.

The table that follows shows Terna's equipment at December 31, 2000:

	no.	km	no.	km
	at Dec. 31, 2000		at Dec. 31, 1999	
Stations	261	-	248	-
Transformers	548	-	541	-
Bays	3,588	-	3,582	-
Lines	-	33,626	-	33,466
Three-phase lines	1,755	37,216	1,739	37,103

The increase in the number of stations is due to the higher number of delivery points to customers and connection points at which electricity is delivered by other producers, while the increase in three-phase lines is due primarily to the reactivation of lines previously used as reserve equipment.

Personnel and organization

At December 31, 2000 the company employed 3,001 persons (net of the 107 persons terminating their employment on December 31), as compared with 3,250 employees at December 31, 1999. The decline is due mainly to early retirement incentives offered.

An intensive training program connected with the introduction in July of the SAP information system, was held in the year. The program involved about 1,000 users of the

information system, allowing them to approach new operating procedures of the SAP system. Training continued after the introduction of the new system, involving an additional 470 employees.

A new direct and flexible organizational structure based on processes was designed. The new structure grants operating autonomy while defining individual responsibilities, creating the conditions for stronger integration and a streamlining of communication processes.

The new remote control system for the operation of plant and equipment (SCTI) was introduced.

Management expectations of operations in 2001

Management expectations of operations for the 2001 financial year are for a continuing effort to maximize revenues, reducing costs through productivity increases and improving the quality of service.

The company will continue to pursue its market development policy, contacting new potential customers to expand activities in non-regulated areas. Terna will also increase its marketing effort in the offer of engineering and remote network management services both domestically and internationally.

The above action should allow the company to record profits in line with those registered in 2000, thus offsetting a 4% reduction in real terms following the application of a price cap on the part of the Authority.

Distribution and sale of electricity

The distribution and sale of electricity in the regulated market is carried out by Enel Distribuzione and Valdis, while electricity sales on the free market are managed by Enel Trade.

Main financial data for the segment relating to the 2000 financial year are shown in the tables that follow.

Income data				
In billions of lire	Enel Distribuzione and Valdis	Enel Trade	Adjustments	Total Distribution Segment
Revenues	24,494	2,430	(4)	26,920
Operating costs	18,235	2,303	(4)	20,534
Gross operating margin	6,259	127	-	6,386
Depreciation and accruals	3,502	3	-	3,505
Operating income	2,757	124	-	2,881

Balance Sheet data			
In billions of lire	Enel Distribuzione and Valdis	Enel Trade	Total Distribution Segment
Net fixed assets	24,170	5	24,175
Net current assets	(5,501)	307	(5,194)
Gross capital employed	18,669	312	18,981
Provisions	4,329	3	4,332
Net capital employed	14,340	309	14,649

Regulated market

In 2000, the new tariff system was introduced with the opening of the market to eligible customers. The newly introduced tariff system resulted in an average reduction of 10.7% of the tariff component relating to distribution and sales activities, while the opening of the market to eligible customers caused a 12.4% reduction in sales volumes over 1999, offset in part by Enel Trade's activity on the free market.

In order to counter the impact of such changes, Enel Distribuzione devoted strong efforts to the reduction of costs through the streamlining of services received, increasing construction efficiency, and reducing significantly the cost per kilowatt of installed energy supply. Cost reduction efforts included labor costs, with a reduction in personnel.

A strong reduction in costs came from purchases, in line with the previous year, with a decline in the cost of materials ordered during the year of about 20%.

In 2000 the company continued to be active in the restructuring of its operations. The new Contact Center structure was introduced in the sales area, while new tariff plans to be introduced in 2001 have been defined. These are aimed at stimulating a more rational utilization of energy in the field of air conditioning for households and industrial uses, of domotics and the use of electricity in industrial processes. Strong attention continues to be paid to customers and service quality standards, adopted in advance of the dates set by the Authority for Electricity and Gas. Customer satisfaction is monitored constantly.

Purchases have been restructured around e-procurement and their management has been concentrated at the Group's main offices. Bidding procedures have been opened up to include bidders outside the European Union. An important factor in the further

reduction of acquisition prices and in increasing efficiency in the management of supplies was represented by the process of simplification of component specifications and the standardization of materials.

E-procurement activities introduced towards the end of the year will have an impact in the immediate future. Such activities consist in the use of the Internet in managing relationships with suppliers that include screening, data and documentation exchange, catalog purchases and the carrying out of bidding procedures. The most significant results are expected to be achieved by on-line bidding for supplies and the awarding of work contracts. The new procedure become operational at the end of 2000 with the aim to carry out in the future at least 70% of all bidding for supplies and work to be awarded. The Digital Meter project has finally entered into its operating phase with the development of software and hardware of the single components of the system and the fine tuning of data transmission and management software.

Strong attention has been paid to the training of personnel, witnessing a cultural change that places employees and management as the originating force behind change.

Total revenues recorded in 2000 by Enel Distribuzione and Valdis (incorporated in December 2000 following the spin-off of Enel Distribuzione's business in the Valle d'Aosta Region) amounted to lire 24,494 billion, of which lire 22,280 billion represented by tariff revenues (including lire 36 billion from Enel Group companies), and are made up as follows:

	Billions of lire	Millions of kWh	lire/kWh	Billions of lire	Millions of kWh	lire/kWh	Millions of kWh
	2000			1999			2000-1999
High-voltage	1,027	27,206	37.7	2,011	49,812	40.4	-45.4%
Medium-voltage	5,525	70,612	78.2	7,286	79,080	92.1	-10.7%
Low-voltage	15,728	103,249	152.3	17,019	100,633	169.1	2.6%
TOTAL	22,280	201,067	110.8	26,316	229,525	114.7	-12.4%

Total revenues shown above include electricity sales to customers amounting to lire 22,548 billion, net of the surplus over the revenues limit set by the Authority for some classes of customers, equal to lire 389 billion, and gross of lire 121 billion received from the Electricity Equalization Fund against special tariffs enjoyed by a number of customers such as the State Railways and others.

Quantities sold on the regulated market declined by 28,458 million kWh (down 12.4%), while revenues declined by lire 4,036 billion (down 15.3%) following also a 3.4% reduction in the average unit price.

The last figure was affected by the different breakdown of sales, shifting towards low-voltage, a segment generating higher unit revenues.

The breakdown of sales by voltage shows a sharp decline in high-voltage electricity sales (down 45.4%), and a lower decline for medium-voltage sales (down 10.7%) due to the opening up of the market. Enel Trade's sales volumes allowed the Group to retain a 71.1% share of high-voltage electricity sold on the free market, while that for medium-voltage sales was 56.1%. Low-voltage sales registered a brisk performance, increasing by 2.6% over 1999, due primarily to small and medium size companies, the information technology revolution and the increase in the number of appliances such as air conditioning equipment for household and industrial use.

The decline in revenues for the year affected all segments to different extents:

- high-voltage electricity revenues, that include lire 103 billion of tariff compensation pursuant to Authority ruling no. 204/99 for special tariffs applied, decline by 48.9% over 1999 due to the mentioned reduction in volumes sold and the 6.7% reduction in average unit price;
- revenues from medium-voltage electricity sales decline by 24.2%, due to the reduction in sales volumes (down 10.7%), and the average unit price (down 15.1%);
- revenues from low-voltage electricity sales decline by 7.6% despite the 2.6% increase in volumes sold, due to the reduction in the average unit price (down 9.9%).

The breakdown of sales by type of customer shows the effect of liberalization of the electricity market on the industrial sector for which Enel Distribuzione registered a 28.3% decline in sales over the previous year.

Millions of kWh

	2000	1999	2000-1999	
Industry	77,032	107,478	(30,446)	-28.3%
Services	55,508	54,129	1,379	2.5%
Agriculture	4,652	4,474	178	4.0%
Household and general services	55,198	54,974	224	0.4%
Total direct customers	192,390	221,055	(28,665)	-13.0%
Resellers and exports	8,677	8,470	207	2.4%
TOTAL	201,067	229,525	(28,458)	-12.4%

Other revenues are made up by connection fees amounting to lire 1,219 billion, electricity transport amounting to lire 384 billion, services rendered to other Group companies amounting to lire 134 billion and retrieval of costs, plant and equipment contributions and other revenues totaling lire 477 billion.

Operating costs include electricity purchases from Enel Group companies and Parent Company Enel (purchases from other domestic and foreign parties) totaling lire 10,843 billion, labor costs amounting to lire 3,932 billion, services, leases and rentals totaling lire 3,490 billion, raw material consumption amounting to lire 1,000 billion and other charges totaling lire 283 billion. Capitalized costs amounted to lire 1,313 billion, of which lire 474 billion referring to labor costs and lire 839 billion to the use of materials.

The financial position of Enel Distribuzione and Valdis at December 31, 2000 shows a net equity of lire 15,984 billion and net financial assets of lire 1,608 billion. Net capital employed amounted to lire 14,340 billion and is therefore lower than net equity.

Free market

In 2000, the number of customers – particularly consortia of industrial customers – with access to the free market for electricity has been growing, in accordance with the norms for the liberalization of the market. At December 31, 2000, the number of “eligible” sites registered with the Authority for Electricity and Gas were 7,032, of which 5,775 represented by consortia, for a potential market amounting to 92.3 billion kWh. Actual sales on the free market for the year amounted to 42 billion kWh.

Enel Trade maintained its market leadership with a sales volume close to 21 billion kWh, representing about 50% of the total, serving 1,513 sites, of which 1,131 belonging to consortia. Total sales of the Enel Group on the free market amounted in 2000 to 21.8 billion kWh, including amounts sold directly by Enel Produzione to resellers.

The breakdown of sales on the free market made by Enel Trade and Enel Produzione in the year is shown in the table below:

	In billions of lire	Millions of kWh	lire/kWh
High-voltage	1,794	16,952	105.8
Medium-voltage	719	4,860	147.9
TOTAL	2,513	21,812	115.3

As opposed to the regulated market, prices for the free market include also a share relating to the cost of fuels which, in the case of the free market, is not reimbursed by the Electricity Equalization Fund.

Enel Trade's total revenues amounted in 2000 to lire 2,430 billion, of which lire 2,424 relating to the sale of electricity.

Costs include electricity purchases amounting to lire 1,869 billion (of which lire 1,562 billion from Enel Produzione, lire 61 billion from Erga, lire 177 billion from foreign suppliers and the remainder from domestic suppliers). They moreover include lire 386 billion of electricity transport costs, lire 16 billion of labor costs and lire 32 billion relating to other operating costs.

Service quality

At the end of 1999, the Authority issued Resolution 201/99 setting service quality standards for the distribution and sale of electricity. Service quality has been divided into general and specific service standards, setting the maximum time for the supply of specific services, under penalty of the payment of an indemnity to the customer in case these are exceeded.

The Resolution provided also for the gradual introduction of new electricity service standards. Specific service standards became effective on July 1, 2000, while general standards were scheduled to become effective from January 1, 2001. Enel Distribuzione decided to apply from July 1 service standards relating to low-voltage customers, communicating such decision and service standards applied by delivering a pamphlet (“Customer Covenant”) to customers. For the year just ended, specific and general quality standard indicators show that standards have been respected and record a positive trend with respect to the past years.

To improve the accuracy of the monitoring of electricity services, an Integrated Customer Monitoring System has been used during the year. The system is an instrument used to monitor Enel Distribuzione's customers' satisfaction. A survey carried out in 2000 with Enel Distribuzione's customers reported a positive opinion, in line with the previous year. During the year Enel Distribuzione new sales network organization was introduced, allowing a considerable improvement in the level of service and a more personalized relationship with the customer.

The new sales organization includes:

- a single, virtual and national [Contact Center](#), operating 24 hours a day, 7 days per week, allowing customers to request changes to their contracts, deactivate the service, communicate meter readings, get information on tariffs and report disruption of service;
- a network of [Enel sales outlets](#), located in province capitals and a number of locations of strategic interest to the Company, at which all operations requiring the physical presence of the customer may be carried out;
- a network of [Account Managers](#), in charge of business customers (small- and medium-size companies), establishing personalized relationships of an advisory kind, tailoring services offered to specific needs;
- a network of [Enel sales points in WIND outlets](#), making available to Enel Distribuzione's customers WIND sales officers. In 2001 and until the end of 2004, the network will be developed also through Enel.si sales outlets that the company plans to open.

The program provides for the gradual development of the network up to its completion expected in February 2002.

Enel Distribuzione intends to take advantage of the most advanced technologies in the management of customer relationships. To such end it created an Internet Portal to provide on-line access to services offered: credit card payments, signing of contracts, meter reading and verification of payments made, etc. Such channel will be strengthened by progressively widening the offer to new products and services currently under study.

Digital meter project

As already announced in more than one occasion, Enel Distribuzione intends to replace meters currently in use (about 30 million) with new digital meters allowing for a number of additional services to be offered. The project, making Enel Distribuzione one of the most advanced companies at the international level, will be implemented starting in 2001 and is expected to be concluded by 2004. The commitment will result in the development of a "Telemanager", an integrated measuring, communications and management system made up by meters and other interconnected digital equipment that use low-voltage electricity lines to transmit data. Through such system it will be possible to offer a standard meter reading service in addition to advanced meter readings, allowing to tailor supply to customer needs (multi-band tariffs, etc.).

All this will result in considerable advantages for the customer. The meter becomes easily readable, providing the customer with information on consumption in a clear and directly verifiable manner. The contract is personalized, tailored in accordance with customer needs, without requiring the access of operators to the premises. The system is integrated with the Contact Center, simplifying company/customer relationships and reducing waiting time.

The "Telemanager" will require an investment of about lire 3,600 billion, and will result in a significant reduction in operating costs, since meter reading and a number of other operations relating to the meter which currently require the access of an operator will be carried out from a remote location. The system will moreover allow to detect more easily irregular consumption and frauds in those areas where such phenomena are more frequent. Enel Distribuzione will be active in the design of the equipment, while coordinating the activities of other Group companies participating in the project.

Capital expenditure and distribution network

Distribution lines at December 31, 2000 are shown in the table below:

	km	no.	km	no.	km	no.
	at Dec. 31, 2000		at Dec. 31, 1999		2000-1999	
High-voltage:						
Lines	20,403	-	20,188	-	215	-
Cabins	-	1,924	-	1,864	-	60
Medium-voltage:						
Lines	331,793	-	328,188	-	3,605	-
Secondary cabins	-	407,798	-	403,507	-	4,291
Low-voltage:						
Lines	710,683	-	702,699	-	7,984	-

Capital expenditure on distribution networks amounted in the year to lire 2,630 billion and breaks down as follows:

In billions of lire

	2000	1999	2000-1999	
High-voltage	407	485	-78	-16.1%
Medium-voltage	1,249	1,441	-192	-13.3%
Low-voltage	974	1,282	-308	-24.0%
TOTAL DISTRIBUTION NETWORKS	2,630	3,208	-578	-18.0%

The reduction of capital expenditure on the distribution network over 1999 is due to the increase in the operating efficiency of investments and to a considerable reduction in raw material costs obtained through the simplification of technical specifications, the widening of the supplier base and technological innovation in components employed. Activity programs have been reviewed during the year to increase investment in the improvement of operating conditions of the medium-voltage network, crucial for the standard of service to customers.

With specific reference to the high-voltage network, in 2000 implementation plans registered a slowdown due to difficulties encountered in the granting of authorizations, resulting in a consequent deferral of activities and expenditure.

Personnel and organization

At December 31, 2000, Enel Distribuzione and other companies active in the electricity distribution and sale sector employed a total of 44,205 persons (of which 44,072 employed by Enel Distribuzione and Valdis, and 133 by Enel Trade), compared with 47,932 at the end of 1999 (down 7.8%).

The reduction is due mainly to incentives for early retirement offered in previous years.

In 2000, human resources management policies included a contraction of the labor force and the focusing of the same on core distribution activities. In line with such policy, evaluation, training, development, search on the labor market and intra-Group mobility have been carried out.

The new commercial network was launched following a change management program according to which roles and related tasks have been redefined, while evaluation and training programs for specific positions were introduced.

Operations will be affected also in 2001 by the transition of the Italian electricity system to the new structure devised by the Bersani Decree. Such transition will involve the redesign of the operating perimeter, following the sale of local distribution networks, and the application of a number of resolutions of the Authority for Electricity and Gas necessary for the introduction of the Electricity Exchange.

The free market is expected to increase by about 30 billion kWh over 2000, reaching a total size of about 75 billion kWh.

The Authority set regulated market tariffs for 2001, imposing a reduction in total revenues of 1.9% using a price-cap mechanism, thereby reducing by the same amount unit margins applied to customers. Such effect will be offset only in part by the increase in the overall amount of electricity distributed.

The above mentioned effect contributes to put pressure on margins, to which the Group must respond by continuing its effort to improve operating efficiency. Such effort will be accompanied in the medium term by a review of operating processes which, with the introduction of new technologies such as for example the restructuring of the sales network and the electronic meter, will allow to increase efficiency further.

With regards to Enel Trade, in 2001 its Trading Room in which the negotiation of electricity purchases will be concentrated from the start of the Electricity Exchange will acquire a central role. Starting from the last quarter of 2000, Enel Trade widened its product range to the offer of natural gas, thus becoming a multiutility company. Enel Trade's sales force underwent training aimed at forming Account Managers to sell integrated supplies to the final customer. The beginning, in January 2001, of the sale of natural gas led to the offer to customers of a product tailored to specific company needs. In the future, a range of new value added services will continue to be offered. In addition to relevant services already offered, such as billing to consortia, data management, energy management and post electricity sales services, new services such as advisory on electricity transport will be added.

In 2000 WIND continued to grow at a fast pace, remaining one of the fastest growing telecommunications companies in Europe.

Market performance

In 2000 the Italian telecommunications market registered a strong development, with a marked growth in customer base in all sectors, with particular reference to mobile telephones and Internet access services.

At December 31, 2000 domestic mobile telephone services reached 73% of the population, with about 42 million customers, registering a growth of 40% over the end of 1999 when total customers were about 30 million. In the second quarter, Blu, the fourth operator, started to offer mobile telephone services, widening further the range of services offered to consumers and marking an increase in competition and dynamism of the market.

In such context, WIND had a market share of 30% of new subscriptions, net of deactivations, reaching at the end of the year about 5 million customers, representing a market share of 12%, compared with 4% at December 31, 1999.

The development of fixed telephone lines continued, with WIND and Infostrada as protagonists. The introduction of new operators in the sector of local telephone services determined a further erosion of the dominant operator's market share, allowing companies operating in this sector to become an alternative to Telecom Italia for the supply of traditional telecommunication services. At December 31, 2000, over 150 licenses for fixed telephone line service had been issued, and at the same date the number of customers managed by new operators amounted to 8 million, of which over 4 million acquired during the year, up 118% on 1999.

With regards to Internet access, the growth trend started in 1999 with the launch of free access services by a number of operators, providers and portals, continued. At December 31, 2000 market penetration of the service reached 27%, with about 15 million registered customers, compared with 4 million at the end of 1999.

WIND's activity

In January 2000 WIND launched, first among operators alternative to Telecom Italia, its local telephone service, which is presently available in all Italian telephone districts. Beginning in October 2000, such service allows to make calls directly, without dialing an access code, placing in fact WIND services on the same stand as those of the dominant operator from a usage standpoint. In December 2000, experiments started on the unbundling of the local loop, allowing WIND customers to access a wide range of services (also wide band), without having to maintain a relationship with Telecom Italia.

Among innovative offers introduced by WIND are: WIND Light tariff plan, providing for volume discounts; prepaid fixed-line telephone and Internet connection services, allowing the customer to monitor the cost of calls and the possibility to recharge, as for mobile prepaid telephone cards; Noi WIND options, the first converging fixed-mobile telephone service with particularly advantageous rates for calls between a fixed telephone line and one or two mobile phones; Credito Unico, representing the first example of convergence for prepaid services, offering a single credit that may be used indifferently on fixed-line and mobile phone; REWIND Convergente, the card that allows to recharge both a prepaid fixed-line and mobile telephone, according to the number called for the recharge.

New Internet offers made by WIND are mobile phone access using the WAP (Wireless Application Protocol) and Internet connection services according to the Free Internet plan, under which Internet customers pay only for telephone traffic, or jointly with voice services, under subscription or prepaid.

The auction for the awarding of five licenses for third-generation mobile telephones (UMTS) took place in 2000. WIND was awarded one of the licenses (amounting to lire 4,700 billion), together with Telecom Italia Mobile, Omnitel, Andala (now H3G) and Ipse. At the end of November, WIND won also an auction for the awarding of a contract by CONSIP for the supply of over 30,000 cellular phones to the Public Administration, according to which WIND has become the sole supplier for the years 2001-2002.

At December 31, 2000, WIND activated (net of deactivation) about 1.4 million new fixed telephone lines, representing an increase of 132% over the previous year. In the same period, WIND activated 3.6 million mobile telephone lines (up 166% over the ten months of activity in the previous year), corresponding to a market share of about 30% of total net activations. At the end of the year, moreover, WIND had more than 630,000 new Internet registered users, bringing the total to about 690,000. The page views of the "InWind.it" portal increased from 2 million per month in January-February 2000, to almost 40 million in November-December of the same year.

Development of infrastructure

The development of infrastructure and of WIND's network continued during the year. At the end of 2000 WIND provided direct coverage for 82% of the population and 52% of the national territory. A total of 35 mobile telephone exchanges and 15 fixed telephone exchanges, representing the core of WIND's voice telecommunication services, were installed. At the same date, 3,296 base telecommunications stations (BTS), providing almost 127,000 digital channels, were operational.

The interconnection project of all Italian telephone districts (231) was completed, making the fixed telephone service in carrier selection available to 100% of the population also for local calls. WIND's network is connected with major international operators.

The development of fiber optic infrastructure continued at a fast pace. At December 31, 2000, the E-net national fiber optic network covered about 11,230 kilometers, allowing a connection with 103 province capitals and a large part of other Italian cities.

The construction of metropolitan fiber optic networks (Metropolitan Area Network, MAN) for the cities of Rome, Milan, Genoa, Bologna, Florence, Naples and Palermo continued. Infrastructure (ducts and fiber) for a total of 503 kilometers have been completed. In addition, fiber optic access networks have been completed in 24 cities (bringing the total to 32), while about 1,500 radio links were built (as an example, over 70% of BTSs are interconnected through radio links).

Corporate development

In March, WIND concluded with electronics store chain Eldo a joint venture agreement leading to the creation and startup of Megamind. The new company's mission is that of developing a chain of specialized sales points distributing telecommunications equipment and services, able to count on privileged access to the market thanks to the consolidated experience of its partner.

In July, WIND concluded with utility companies of Trieste, Udine and Gorizia an agreement for the development of Estel. The company, that became operational in the Friuli Venezia Giulia Region in December, will be active in the development of a fiber optic network allowing to offer companies and households in the area, in addition to fixed telephony and data transmission services, also wide band data transmission such as high-speed Internet access, videoconferencing and other services.

Results of operations

In billions of lire

	2000	1999
Revenues	2,742	798
Operating income	(1,487)	(1,107)
Net income	(1,438)	(814)
Net capital employed	6,036	1,276
Net debt (financial assets)	5,274	388
Shareholders' Equity	762	888

Results for the year confirm the Company's growth trend: revenues amounted to lire 2,742 billion, as compared to lire 798 billion in 1999. Operating costs increased from lire 1,905 billion in 1999 to lire 4,229 billion in 2000, determining an operating loss of lire 1,487 billion (compared to a loss of lire 1,107 billion in 1999). Financial and extraordinary items resulted in a net expense of lire 40 billion, determining a pre-tax loss of lire 1,527 billion. Prepaid deferred taxes, calculated according to the estimated portion of the loss for the year expected to be retrieved, amount to lire 90 billion. The net loss amounts therefore to lire 1,438 billion (lire 814 billion in 1999).

The loss reported for the year was expected as the company is in its initial phase in which it establishes itself in the market and develops its infrastructure.

The consolidated financial position shows net capital employed amounting to lire 6,036 billion, compared to lire 1,277 billion at the end of 1999, reflecting strong investments made during the year, in addition to the recapitalization carried out by shareholders. The Shareholders' Equity amounts to lire 762 billion and net financial debt to lire 5,274 billion. At December 31, 2000, the WIND Group employed 4,922 employees, as compared to 3,739 at the end of the previous year.

Investments for the year amounted to a total of lire 5,855 billion, as compared to lire 1,692 billion in 1999. The increase is due primarily to the payment of lire 4,000 billion towards the total cost for the awarding of the UMTS license (the residual lire 700 billion will be paid in equal installments over ten years). A 60% share of such investment (lire 2,400 billion) has been financed through a long-term credit line underwritten by a pool of Italian and foreign banks. The remaining 40% (lire 1,600 billion) was provided through long-term financing extended by the company's shareholders.

In July, WIND concluded a syndicated loan amounting to euro 2.4 billion. The operation was well received by the market and closed with requests for over twice the amount offered for underwriting. A total of 58 Italian and foreign banks participated in the operation.

Changes in the ownership structure

In July 2000, Enel and France Télécom reached an agreement to acquire the 24.5% share in WIND held by Deutsche Telekom.

The agreement, authorized by the Authority for Competition, allowed Enel to increase its share in WIND from 51% to 56.63%, and to obtain the control and management of the company, strengthening the alliance with France Télécom that increases its share to 43.37%.

France Télécom will act as WIND's technology partner and will contribute to the development of the company's strategies.

The transaction was carried out on the basis of a market value of WIND equal to euro 11 billion, and a resulting investment for Enel equal to about 600 million euro for a 5.63% share in the company.

Infostrada

On October 11, 2000, Enel concluded with Mannesmann Investment BV, a subsidiary of Mannesmann AG, part of the Vodafone Group, a contract for the acquisition of 100% of the capital stock of Infostrada, the second fixed telephone operator in Italy, controlling Italia On Line, a company managing the portal bearing the same name.

On March 16, 2001 the agreement was modified by updating contractual terms and on March 29, 2001 the shares were transferred to Enel Investment Holding BV, a wholly-owned Enel subsidiary incorporated for the purpose.

The price paid for the acquisition of 100% of Infostrada's capital stock was euro 7.25 billion, and is not subject to change. Infostrada's debt at the time of the acquisition amounted to about euro 1.3 billion, of which about 950 million euro of financing extended by Mannesmann Investment BV, reimbursed by Enel together with the payment of the acquisition price.

Through an agreement stipulated on October 11, 2000, Enel and France Télécom agreed on the integration between WIND and Infostrada to take place as soon as possible, and in any case within 12 months of the transfer of the shares. Such integration is currently scheduled for June 30, 2001. Plans for the integration of the two companies are currently under study, and will be defined by the said date.

Management expectations of operations in 2001

In the first months of 2001, WIND confirmed the growth rate in the number of new customers already registered in 2000. At the end of January, the company had over 5 million mobile telephone lines and 2.4 million fixed telephone ones. Such number of lines corresponds to about 4.7 million customers (of which 4.6 million private and 98,000 business customers), with about 30% of voice service customers subscribing to more than one WIND service. This confirms the success of the company's converging strategy. On February 15, WIND activated, first among domestic operators, household and business customer connections through the unbundling of the local loop and number portability, allowing customers to abandon completely Telecom Italia.

In 2001, WIND will intensify its mobile telephone service, creating platforms for data transmission and the use of Internet, providing access to the net (last mile).

WIND's objective in 2001 is that of strengthening growth in all its business lines, becoming the most important alternative to the Telecom Italia Group, thanks also to the integration of Infostrada.

WIND expects to maintain and consolidate its market share in each of the fixed, mobile and Internet segments, having rapidly reached visibility in its first year of operation and being in a unique position to offer a wide range of telephone and Internet services. In 2001 the company aims also to become a primary operator in the provision of telecommunications services to businesses.

WIND will continue to develop its organization, investing an adequate amount of resources to ensure assistance to its customers and the functioning and maintenance of its still developing network.

From a financial point of view, 2001 will see a further increase in revenues, though still affected by high domestic roaming costs and costs relating to the acquisition of a high number of new customers.

WIND expects however to reach in the year a breakeven in terms of gross operating margin. Operating income will remain negative, as is typical of startup and development phases in the telecommunications sector.

WIND intends to continue to implement its investment program to complete its mobile telephone network, preparing the launch of UMTS services in 2002 and meeting the expected increase in fixed telephony and Internet traffic.

Other activities

The tables that follow show income and financial data for the main entities grouped under “Other activities”.

Income data							
In billions of lire	Real Estate and Services	Engineering and Contracting	Information Systems	Fuel	Other	Adjustments	Total
Revenues	1,201	1,046	587	2,816	834	(116)	6,368
Operating costs	818	966	331	2,764	682	(104)	5,457
Gross operating margin	383	80	256	52	152	(12)	911
Depreciation and accruals	203	10	142	2	69	3	429
Operating income	180	70	114	50	83	(15)	482

Financial data							
In billions of lire	Real Estate and Services	Engineering and Contracting	Information Systems	Fuel	Other	Adjustments	Total
Net fixed assets	4,768	62	659	4	633	(2)	6,124
Net current assets	532	(211)	(272)	507	(210)	(2)	344
Gross capital employed	5,300	(149)	387	511	423	(4)	6,468
Other provisions	226	74	107	4	159	(1)	569
Net capital employed	5,074	(223)	280	507	264	(3)	5,899

Real Estate and Services

In its present configuration the “Real Estate and Services” sector includes Sei, Dalmazia Trieste and Conphoebus.

Sei was attributed on November 1, 1999 the main part of the office building properties used by the Group, while residential buildings were conferred at the end of the same year to Dalmazia Trieste.

In addition to Real Estate management activities aimed at the development of the assets owned by the company, Sei is active in the facility management sector (supply of building maintenance, cleaning, restoration services, etc.), vehicle leasing and materials logistics.

Sei intends to exploit the strong development opportunities that are opening up in the above mentioned sectors, linked to Real Estate divestment policies adopted by large private and public organizations in line with streamlining efforts. Experience accumulated through activities carried out within the Enel Group, innovative management criteria developed in the past years and alliances with major operators in the field will allow Sei to take advantage of opportunities offered by the market.

Strategic partnerships

To implement the above described strategy, a number of joint ventures were set up in 2000 in partnership with primary international operators:

- Immobiliare Foro Bonaparte, in partnership with American Continental Properties (ACP);
- Immobiliare Rio Nuovo, in partnership with Deutsche Bank;
- Conphoebus Technology Service, in partnership with Mitsubishi Electric Europe.

[Immobiliare Foro Bonaparte](#) is a joint venture created in December 2000 through the transfer on the part of Sei of a business unit made up essentially by office buildings, for a total value of lire 928 billion (further buildings whose value amounts to lire 110 billion will be transferred in 2001). Subsequently, 51% of the company was acquired by American Continental Properties Institutional Investors (ACPII), an affiliated company of the ACP Group, and other institutional investors. The operation allowed Sei to generate a cash flow amounting to lire 798 billion, though maintaining a 49% share in the new company.

[Immobiliare Rio Nuovo](#) will receive from Sei a business unit made up by buildings for a total value of lire 750 billion. A 51% share in the company will subsequently be sold to the Deutsche Bank Group. The transaction will be completed by the first half of 2001. Deutsche Bank and Sei will use Immobiliare Rio Nuovo as a preferred channel for building, through new acquisitions, a Real Estate portfolio having a total value of lire 2,500 billion.

[Conphoebus Technology Service \(CTS\)](#), currently a wholly-owned subsidiary of Sei, will be controlled by Mitsubishi Electric Europe and Sei in equal shares, and will carry out “global service” (maintenance and cleaning) activities in buildings renovated as open spaces used as offices by the Enel Group (about 350,000 square meters, 3.5 million square feet). It will receive from Mitsubishi the exclusive for the design, certification and startup of all air conditioning equipment installed at all Mitsubishi Electric large customers in Italy, in addition to the supervision of their installation. The company's objective is that of assuming the leadership in the facility management and air conditioning equipment design sectors, supplying services to large industrial groups, banks, insurance companies and public offices. Conphoebus will also be active in the renovation and conversion to production of solar panels, under Erga's operating supervision.

Results for the year and management expectations of operations in 2001

Revenues for the sector in 2000 amounted to lire 1,201 billion, of which lire 426 billion for leasing payments relating to buildings rented to Enel Group companies and lire 736 billion for other activities (leasing of motor vehicles, building services, restoration and materials logistics) carried out in favor of Group companies.

Operating costs, net of depreciation and accruals, amounted to lire 818 billion, of which lire 572 billion relating to services and costs, lire 148 billion due to labor costs and lire 98 billion to other materials and operating costs.

Gross operating margin amounted to lire 383 billion, while the operating income reached lire 180 billion, after accruals amounting to lire 203 billion.

The company's financial position at December 31, 2000 shows equity amounting to lire 3,310 billion and net financial debt of lire 1,764 billion, representing a debt to equity ratio of 0.53. Net capital employed amounted to lire 5,074 billion, of which 65% was covered by equity and 35% by net financial debt.

At December 31, 2000, Sei's employees were 1,334, while other Group companies in the sector employed 67 persons.

The year 2001 will represent for Sei a key year for the numerous initiatives undertaken. The company's primary objective will be to consolidate the current position and to contribute to the start of operations of the joint ventures created, examining growth opportunities offered in the different markets in which it is present, paying particular attention to the possibility of creating new joint ventures with other large operators.

Engineering and Contracting

On January 1, 2000, Enel's Engineering and Contracting business unit was transferred to subsidiary Enelpower, currently operating also through subsidiary Enelpower UK. On the same date, Enelpower received from Enel.Hydro its Hydroelectric Engineering and Contracting business unit.

Enelpower's corporate objective is to be active worldwide in the study, design and construction of public and private sector engineering projects, particularly energy generation plants. Enelpower aims therefore at developing projects:

- as a worldwide "Developer", organizing the financing, construction and management of large complex energy systems, ensuring their economic and financial feasibility, in which Enelpower is directly involved as an investor, producer and distributor of electricity or as EPC General Contractor. Such projects are usually undertaken through the creation of strategic alliances with partners holding a consolidated position in the market and the acquisition of equity in companies created for the purpose;
- as EPC General Contractor for the construction of turn-key large complex energy systems, both on behalf of Enel on the regulated electricity distribution market, and in projects in Italy and abroad as IPP Developer, progressively shifting the bulk of its activities outside the Enel Group.

A number of areas of interest have been defined in Europe: the United Kingdom, where Enelpower UK is currently completing two contracts for the construction of two combined-cycle generation plants (in Castleford, acquired in 1999, and in Ballylumford, acquired during the year, for a total capacity of 600 MW and a total amount of lire 155 million dollars); the Balkans, Russia and other states in the Russian federation.

Enelpower is present in numerous South American countries such as Argentina, Brazil, Paraguay and Bolivia. In August 2000, the company won an international bidding process for the construction and management under a 30-year concession of a 1,100 kilometer electricity transport line.

With reference to the Middle East, Enelpower operates in Saudi Arabia, the United Arab Emirates and Oman. In 2000, Enelpower won a contract for the construction of the Jebel Ali, Dubai, generation plant with a capacity of 850 MW, for a total amount of \$350 million. Construction at the Yambu 4 generation plant in Saudi Arabia, whose contract was acquired in 1999, continued. Enelpower is moreover present in Egypt, Libya, Nigeria, Algeria and Tunisia.

Among the main events in the first months of 2001 are the acquisition, jointly with Japanese company Hitachi Zosen, of a contract for the construction of a thermal combined-cycle generation plant at Barka, Oman, on behalf of AES (437 MW for a total amount of \$180 million).

Results for the year and management expectations of operations in 2001

The order backlog of Enelpower for the year is shown in the table below:

In billions of lire	Group companies	Others	Total
Backlog at January 1, 2000	1,663	172	1,835
2000 orders	820	876	1,696
2000 revenues	867	96	963
Backlog at December 31, 2000	1,616	952	2,568

In 2000, Enelpower and Enelpower UK generated a turnover (including revenues and changes in work in progress) amounting to lire 1,046 billion, of which lire 861 billion with other companies of the Enel Group, recording a gross operating margin equal to lire 80 billion and an operating income of lire 70 billion.

At December 31, 2000 equity amounted to lire 274 billion, while companies in the sector had net financial assets amounting to lire 497 billion. At the same date, employees in the sector were 961.

The share of revenues generated outside the Enel Group is destined to grow considerably in 2001, as shown in the portfolio breakdown reported above. Management policies will continue to follow the guidelines described above, focusing on operating efficiency and order management improvements, with the aim of meeting customers timing and quality needs.

Information systems and e-business

Enel.it was created with the aim of supporting the evolution of the Group in the use of Information and Communications Technology. Effective January 1, 2000 the company received from Enel its business unit dedicated to Information Systems.

Enel.it is in charge of managing and developing all information technology activities of the Enel Group while seeking opportunities on the market, supplying innovative solutions and strategic information technology services. At December 31, 2000, Enel.it employed 1,401 persons.

Main activities in 2000 were the following:

- the “transition to the year 2000”, which Enel.it managed with success for the whole Group, both in terms of information systems and supervision and control of the process;
- the implementation of the SAP project, aimed at the introduction of the SAP R/3 information system in the Enel Group, resulting in the coming into service of a number of projects, specific to individual companies. The new information system is used by the companies to support the management of “horizontal” processes (administration, finance, planning and control, purchases, human resource management) and “vertical” ones (work planning, maintenance, materials logistics);
- the start of Enel Distribuzione’s Contact Center, a project aimed at serving over 29 million Group customers, becoming one of the largest Call Centers in Europe. Such project is an advanced on-line customer management system, integrated with the company’s information systems and based on a multi-channel Call Center (telephone, e-mail, fax, internet, mail), equipped with all instruments necessary to carry out front and back office operations, fully integrated with sales and operating units on the national territory;
- numerous activities relating to internet/intranet/extranet activities, involving a strengthening of the company’s capabilities in Web related fields, leading to the implementation and management of sites for the entire Group;
- activities aimed at the creation of e-commerce and e-procurement platforms. The acquisition of supplies and services on the Internet for the Group’s main companies are now supported;
- the E-Net Project for the development of a fiber optic network, providing for the construction of a backbone national network laid alongside 380/220 kV power lines owned prevalently by Terna, and a series of connection rings laid alongside 132/150 kV power lines owned by Enel Distribuzione. The infrastructure is leased to WIND Telecomunicazioni and is used for the Group’s telecommunications needs;
- the project for the Telemangement of electronic meters, providing for the supply to Enel Distribuzione of a system for the remote management of meters allowing for the automatic reading of electricity consumption, possible customized billing procedures (daily, by time periods), and the automatic execution of work orders, reducing strongly the use of personnel;
- the creation of infrastructure supporting the supply of long-distance value-added training, Web-TV and medical-aid services. In the context of the last project, Enel.it acquired a 24% share in the capital stock of Q-Channel, a company active in the supply of information services to pharmaceutical companies, general practitioners and their patients.

Results for the year and management expectations of operations in 2001

Revenues for the year amounted to lire 587 billion and related primarily to other Enel Group companies. Operating costs amounted to lire 331 billion, of which lire 179 billion due to services, leases and rentals, and lire 146 billion due to labor costs. Gross operating margin amounted to lire 256 billion, while operating income was equal to lire 114 billion.

The company's financial position at December 31, 2000 shows equity amounting to lire 239 billion and net financial debt of lire 41 billion, representing a debt to equity ratio of 0.17. Net capital employed amounted to lire 280 billion, of which 85% was covered by equity and 15% by net financial debt.

The 2001 financial year will be characterized by activities relating to the strong development of Information and Communication Technology, both within and without the Group. Projects relating to Group companies launched in 2000 will continue to be developed. The development of the IT market will be centered around the Web-based model that is revolutionizing the market scenario, offering to Enel.it strong opportunities in the segment of suppliers of hardware and software, in addition to related professional services.

Enel.FTL was incorporated on December 30, 1999 with the aim of concentrating the management of all Enel Group fuel purchases, exploiting the resulting economies of scale. The company is moreover active in the trading of energy products on the domestic and international market, offering shipping and logistic services. The company also manages risks deriving from fluctuations in energy products to which the Enel Group is exposed, operating actively in the derivatives market.

The company became operational on June 1, 2000 following the contribution from Enel Produzione of its "Fuel Business Unit".

In 2000 Enel.FTL was active in:

- supplying fuel for Enel Group generation companies at the best possible market price;
- supplying gas to other Group companies distributing natural gas;
- development of trading in oil products, coal and connected logistical services, both domestically and internationally (also through agreements with other operators);
- management of risk connected with fluctuations in the price of energy commodities used by the Group, through adequate derivative instruments;
- the optimization of logistics within the Enel Group, exploiting unused capacity to supply integrated logistic services to third parties.

Trading activities generated revenues amounting to about lire 120 billion, with a gross margin of lire 8 billion, on a total volume traded equal to about 471,000 tons of fuel oil, 727,000 tons of coal and 348,000 tons transported.

Derivative contracts concluded in hedging transactions indicated above, relate to benchmark indexes (e.g. IPE Brent crudes, NYMEX WTI, etc.), hedging in full the risk of any fluctuation in the value of the actual energy product portfolio. Any such fluctuation is in fact matched by an equivalent change of the opposite sign in the value of the derivatives contract portfolio. In 2000, the company concluded commodity swap, commodity collar and stock index future contracts. The underlying volume of derivatives contracts concluded amounted to about 2,100,000 tons of oil equivalent, corresponding to about \$350 million, generating a net positive difference of lire 45 billion.

In addition to these, Enel.FTL manages, also through derivative contracts, risks deriving from its own trading activities, independently from hedging activities carried out on behalf of other Group companies.

Results for the year and management expectations of operations in 2001

Enel.FTL closed the year reporting revenues of lire 2,816 billion (of which lire 2,641 billion referring to other Enel Group companies) and fuel acquisition costs amounting to lire 2,699 billion. Gross operating margin amounted to lire 52 billion, while operating income reached lire 50 billion.

The financial position at December 31, 2000 showed equity amounting to lire 69 billion and net financial debt of lire 438 billion.

The outlook for 2001 points to a rapid development of trading activities outside the Group. A revision of the philosophy behind hedging policies adopted and of commodity risk hedging instruments is expected to take place in view of new criteria adopted in determining the selling price of energy (and therefore the retrieval of fuel costs incurred in thermal generation) following the expected launch of the "Energy Exchange" and the introduction of the Single Buyer.

Other

Other activities carried out by the Enel Group are listed in the table that follows.

In billions of lire	Income data			Financial data		
	Revenues	Gross operating margin	Operating income	Net capital employed	Net financial debt	Shareholders' Equity
Public lighting	187	65	48	43	6	37
Research and tests on materials	252	42	28	77	36	41
Hydroelectric engineering	237	13	6	(20)	(33)	13
Gas distribution	129	19	6	142	114	28
Other, minor	29	13	(5)	22	(48)	70
TOTAL	834	152	83	264	75	189

Public and art lighting

The Enel Group entrusted So.l.e. with the design, construction and integrated management of public and art lighting for the Enel Group, transferring its business unit formerly in charge of such activities in August 1999. In 2000 the company, now operating also through subsidiary So.l.e. Milano H, acquired the management of 105,000 new public lights, and was awarded a contract for the installation of public lighting equipment in the city of Milan, for a total amount of lire 20 billion. Public lights managed at the end of the year were 1,500,000, representing a market share of about 18%. The company developed and patented in the year a number of new products such as the "Communications lantern" and the "Webtower" (a lighthouse tower equipped with a radio mobile telephone station).

At December 31, 2000 the company employed 294 persons, 71 more than at December 31, 1999.

Research and tests on materials

CESI is active in research, specialized studies, testing, certification and consulting in the electric energy sector on behalf of all operators in Italy and abroad. On January 1, 2000, the company received the "System Research" business unit from Enel, and has since focused its activity on the diagnostics of electricity equipment and its components, the certification of quality, environmental research on pollution produced by industrial plants and studies relating to innovative technologies for the generation of electricity.

The company carries out research also pursuant to law decrees providing for the financing of research activities on system costs. The decree regulating research costs for the second half of 2000 has not been fully formalized.

At December 31, 2000, the company employed a total of 968 persons.

Hydroelectric engineering

The Group company operating in the sector of hydroelectric engineering is Enel.Hydro, active in 2000 primarily in the construction of hydroelectric plants.

In order to focus its activities on the new mission of becoming a primary operator in the water treatment and distribution sector and in the provision of environmental and structural engineering services, the company's hydroelectric engineering business has been transferred to Enelpower, effective January 1, 2001.

A deep restructuring of the organization was carried out in 2000, creating a sales structure dedicated to the development of engineering service activities sales to customers outside the Group. In the water sector, the company has been actively seeking the awarding of contracts for the management of services in the drinking water sector and related businesses by participating in bidding and concluding agreements

with local authorities and utility companies. At December 31, 2000, the company employed 492 persons.

Acquedotto Pugliese

Negotiations for the acquisition of Acquedotto Pugliese, involving interested Regional Authorities and the Italian Treasury continued. The regulatory framework for the provision of water distribution services in affected areas is presently being drafted on the basis of the ascertained ownership of Regions of water transport and distribution infrastructure. Expert surveys on the value of the business to be acquired are currently being prepared, allowing to expect the conclusion of negotiations in the year.

Gas distribution

In 2000 the Enel Group diversified its activities by acquiring a number of companies operating in the gas distribution sector. The Group acquired Colombo Gas, a company distributing natural gas directly and through its three subsidiaries that make up the Camigas Group (Camigas, La Metanifera and Energas Impianti) in a number of areas of the Lombardy, Piedmont and Emilia Romagna Regions, serving a total of 75 municipalities. A total of 271 million cubic meters of gas were distributed in 2000 to a total of 96,805 customers, of which 96,736 in the regulated market and 69 in the eligible market. Personnel at December 31, 2000 was equal to 96 employees.

Factoring

Activities in the factoring sector began in 2000 with the creation on May 31, 2000 of Enel.Factor that became operational in October.

Enel.Factor offers factoring services to Group suppliers, looking to exploit a potential market of over lire 20,000 billion of receivables per year.

At December 31, 2000 the company had a capital stock of lire 10 billion, divided between Enel (80%) and Meliorbanca (20%).

In the first three months of activity, total guarantees approved amounted to lire 277 billion, with a turnover (represented by total receivables factored) of lire 121 billion. The economic effect of such transactions, concluded prevalently in the month of December, will be recorded almost entirely in 2001.

The company closes the 2000 financial year reporting an operating loss of lire 277 million. The net loss after accruals made to the provision for doubtful accounts, made exclusively for tax purposes, amounts to lire 985 million.

Reinsurance

In July 2000, reinsurance company Enel.Re operating in the Group's captive market environment, started operations.

Enel.Re operates in connection with insurance companies that write policies in favor of Group Companies, manage claims and transfer into reinsurance risks and related premiums to Enel.Re. The latter subsequently transfers some of the risks to the domestic and international insurance markets.

The major advantages achieved through the Group's captive insurance company are technical (direct access to domestic and international markets, stronger contractual power, elasticity in assuming risk), financial and tax related (reduction of insurance costs, flexibility in financial policy), managerial and organizational (stimulus towards risk control, incentives towards the development of a risk management culture).

Enel.Re's start of operations coincided with the renewal of the main insurance contracts stipulated by the Group, expiring on June 30, 2000. On such date, fire and damage property coverage, in addition to liability insurance coverage contracts have been restructured, shifting risk coverage towards the high-end of the market, while assuming as reinsurance lower risks.

Enel.Re currently operates on Property and Liability intermediate risks, in view of a progressive increase in the risk assumption capacity and in the optimization of insurance risks. The change made allowed to increase considerably the scope of insurance coverage and to reduce costs by decreasing significantly the volume of premiums paid by the Group to the market.

The capital stock of the company is equal to euro 3,000,000 and is owned entirely by Luxembourg company Enel Holding Lux. SA. Enel.Re is a company incorporated under the laws of Ireland and is based in Dublin.

Total premiums paid by other insurance companies in the first six months of activity amounted to euro 15.1 million, while premiums paid amounted to euro 6.0 million. Accruals to risk and damage reserves amounted to euro 9.0 million, determining a breakeven.

Income from financial assets amounted to euro 0.4 million, allowing to cover general operating costs. The company thus closes the year reporting a breakeven.

The financial position at December 31, 2000 shows financial assets amounting to euro 14.7 million as compared with risk and damage reserves amounting to euro 13.3 million. Shareholders' Equity amounts to euro 3 million and net assets to euro 1.6 million.

Parent Company

Results of operations of Parent Company Enel for the year and the comparison with the previous year have been strongly affected by the conferral of a number of businesses in 1999, effective primarily October 1 of such year, and at the beginning of 2000.

Operations reflected in the 2000 Income Statement are not homogeneous with 1999, in the first nine months of which Enel operated as an integrated company active in the generation, transmission, distribution and sale of electricity.

In 2000 Enel operated as an industrial holding company, defining strategic objectives for the Group and coordinating activities of Group companies. In addition, Enel managed treasury operations for all Group companies (with the exclusion of WIND), concentrating all financial flows, managing insurance risk coverage, personnel (through CESAP), providing assistance and guidelines on organizational, industrial relations, accounting, administrative and tax issues.

Enel, moreover, managed transitionally the purchase of fuel for thermal generation, transferred at cost to generating companies, in addition to electricity purchases from domestic and foreign suppliers. Such energy was sold to Enel Distribuzione at the price set by the Authority for Electricity and Gas.

Contracts for the purchase of electricity from domestic producers was transferred to the System Operator effective January 1, 2001, pursuant to a specific decree issued by the Ministry of Industry.

In the second half of 2000, the majority of fuel purchase contracts was transferred to Enel.FTL, a company incorporated with the purpose of concentrating the management of all Group fuel purchases and carrying out trading activities on the domestic and international markets.

In 2000 Enel reported revenues amounting to lire 18,975 billion primarily related to intra-Group sales of fuel and electricity and to contributions received from the Electricity Equalization Fund.

Sales to Group companies, amounting to lire 11,329 billion, refer to the above described sale of fuel to generation companies, and the sale to Enel Distribuzione of electricity acquired from domestic and foreign producers at the applicable price.

Contributions from the Electricity Equalization Fund, equal to lire 6,795 billion, are calculated in accordance to currently applicable regulations and relate to the acquisition of electricity from domestic and foreign producers.

Revenues also include lire 602 billion relating to services and advice provided to subsidiaries.

Operating costs amount in 2000 to lire 17,825 billion, mainly represented by purchases of fuel and electricity.

The cost of electricity purchased reflects prices set in long-term contracts with foreign suppliers and amounts recognized to domestic producers pursuant to agreements in force. Electricity purchases are made up as follows:

	Quantity (millions of kWh)	Total cost (billions of lire)	Average unit cost (lire/kWh)	Quantity (millions of kWh)	Total cost (billions of lire)	Average unit cost (lire/kWh)
	2000			1999		
Domestic suppliers	40,955	6,549.1	159.91	35,978	4,038.9	112.26
Foreign suppliers	20,871	1,650.5	79.08	41,630	2,707.2	65.03
- long-term contracts	20,834	1,636.7	78.56	29,493	2,289.0	77.61
- annual contracts	37	13.8	37.3	9,465	342.8	36.21
- spot contracts	-	-	-	2,672	75.4	28.22
Total energy purchases for the regulated market	61,826	8,199.6	132.62	77,608	6,746.1	86.93
Purchases from Group companies	-	124.9	-	-	-	-
Exchanges	-	17.8	-	-	85.0	-
TOTAL	-	8,342.3	-	-	6,831.1	-

Electricity acquired in 2000 from domestic suppliers not belonging to the Group amounts to 40,955 million kWh, at an average acquisition price of 159.91 lire/kWh (against 112.26 lire/kWh in 1999). The 4,977 million kWh increase (up 13.8%) of quantities acquired can be attributed to the coming into operation of new generation plants falling under the incentives of CIP Regulation 6/92.

The change in the average unit cost is due primarily to the strong increase in the price component relating to the "avoided cost of fuel", increasing from 46.98 lire/kWh to 87.81 lire/kWh as a result of the increase in the price of fuels on which it is based.

Purchases abroad amounted to 20,871 million kWh, declining by 49.9% over the 41,630 million kWh recorded in 1999, due to the fact that, following the liberalization of the market, Enel now holds only long-term supply contracts, some of which expired at the end of 1999. Energy acquired through long-term contracts declines by 29.4% (from 29,493 million kWh to 20,834 million kWh).

The average price of electricity acquired abroad increases in 2000 due to discontinued purchases through spot and annual contracts characterized by lower unit prices.



Enel Trade • Caivano (Naples), sale of electricity to a "large customer"



Research and Development

The Enel Group conducts a Research and Development program aimed at increasing the efficiency and performance of activities in the electricity sector, increasing the offer of services in this area and reducing the environmental impact of activities carried out. Through R&D activities, the Group generates technological innovation for its businesses. The Enel Group develops internally new products and processes, and acquires technology on the market to adapt it to internal needs. R&D programs employ about 1,500 persons, and in 2000 the Group invested about lire 240 billion in R&D activities carried out by CESI, Enel.Hydro, and Enel Produzione.

Effective January 1, 2000, Enel transferred its "System Research" unit to CESI. The activity of the unit is financed by a specific tariff component, paid by regulated and eligible customers into the "Research Fund" accrued at the Electricity Equalization Fund pursuant to Ministry of Industry Decree dated January 26, 2000. Funds accrued to the said fund for the first half of 2000 have been assigned to CESI. A decree assigning funds to the company for the period July 1, 2000 - June 30, 2001 is pending. While awaiting the introduction of clearer norms, about 48 projects were started relating to long-term methodological, technical and technological aspects regarding in particular: the vulnerability of the Italian electricity/energy system vis-à-vis the diversification of supplies, the capacity to exploit renewable sources, the integration of the system with the environment and the territory, the transformation of electric infrastructure currently underway, and the safety and reliability of the network. The majority of such projects have been carried out by CESI and in part contracted to other Group companies.

Specific Enel Produzione's research activities are carried out by the unit transferred to the company by Enel, effective January 1, 2000, and refer in particular to research on the improvement of generation plant performance, the use of low-cost fuels as an alternative or supplement to traditional ones, in addition to studies on possible solutions to environmental impact problems.

A number of applied research international projects financed by the European Community and other public institutions were undertaken by Enel.Hydro. The projects regarded anti-seismic protection for structures and plant, the arts and culture sector, the structure and materials testing sector, the environment and innovative materials for aeronautical uses.

Human Resources

Policies for the development of human resources

In line with the system for the management and development of human resources based on qualifications, in 2000 the survey of professional profiles that characterize the different professions present in the Enel Group was completed. Such survey, integrated by results of an analysis of capabilities (organizational behavior) allowed the development of a qualifications profile for each position. This represents the basis to carry out an assessment in 2001 of actual qualifications possessed by personnel, allowing the implementation of development or training initiatives in those instances where they are required.

Compensation and incentive systems

A project for the "Evaluation of Managerial Positions" aimed at creating a compensation system in line with each position was started in the year. The object of the project is to increase the variable component of total compensation, enhancing correlation with company performance.

In such context the MBO system was developed both in terms of the number of employees involved and amount available per employee. A first stock option plan was introduced, involving 144 managers chosen according to an assessment of the impact of their activities on the performance of the stock.

Stock option plan

In December 1999, Enel's Extraordinary Shareholders' Meeting resolved the introduction of a stock option plan, giving the Board of Directors mandate to carry out a capital increase – in one or more installments for a maximum term of five years, pursuant to article 2443 of the Italian Civil Code (ICC) – up to an amount of lire 121,261,500,000 (representing a share of slightly less than 1% of the total capital stock), through the issue of a maximum of 121,261,500 ordinary shares of par value lire 1,000 each, with regular rights, to be offered for underwriting to managers – selected by the Board of Directors among managers whose activities are relevant to the achievement of the Group's strategic goals – of Enel and/or companies under its control pursuant to article 2359 of the ICC, with the exclusion of option rights pursuant to article 2441, last comma on the ICC, and to article 134, second and third comma, of Legislative Decree no. 58 dated February 24, 1998.

Such initiative was undertaken to provide the Enel Group with a valid instrument to offer incentives to Group managers and to strengthen their loyalty, so as to develop in key managers a sense of belonging to the Group and an incentive to strive for the creation of value over time, in line with stock option plans widely adopted internationally and by major Italian listed companies.

In execution of the mandate provided by the Shareholders' Meeting, in March 2000 Enel's Board of Directors resolved the first tranche of the stock option plan for 2000, together with the rules for its implementation (the "Rules").

The Rules provide for the assignment to managers selected by the Board of Directors personal not-transferable rights ("options") for the underwriting of a number of newly issued Enel shares.

The first issue in 2000 resulted in the assignment of 19,690,000 options in favor of 144 Group managers. Recipients are divided in different groups. Options have been assigned according to a multiplier applied to the ratio between gross compensation for the group to which the manager belongs and the value of the three-year option, calculated according to market value indications supplied by primary financial institutions.

Among recipients of the first options issued pursuant to the stock option plan is Enel's Managing Director, in his capacity as General Manager.

Pursuant to the Rules, the options become exercisable in the following manner (i) a 20% share of the options may be exercised from the year following that in which they were assigned ("one-year options"), until the fourth year following the one in which they were assigned; (ii) the remaining 80% of the options may be exercised starting from the

third year following the one in which they were assigned ("three-year options") and until the fourth year.

Options may in any case be exercised each year only during the fifteen stock market opening days following the approval of the financial statements on the part of the Shareholders' Meeting.

With regards to the terms for the exercise of the options, the Rules establish that assigned options may be exercised only if the arithmetic mean of the Enel stock price listed on the screen-based trading circuit of the Italian Stock Exchange in the last three months of the year in which they were assigned is higher than the strike price set by the Board of Directors based on analyst consensus. In case the stock trades at a price below the strike price, all one-year options and 30% of three-year options are automatically canceled.

The strike price for options assigned in 2000 has been set at 4.7 euro. Since the average stock market price of the stock for the period October 1 – December 31, 2000 was equal to 4.29 euro, all one-year options (totaling 3,938,000 options) and 30% of three-year options (equal to 4,725,600 options) have therefore been automatically canceled. The Rules, however, provide for the possibility to exercise the remaining 70% of three-year options (representing 56% of total options assigned) in case (i) the percentage change in the price of the Enel stock listed on the Italian Stock Exchange in the year in which the options were assigned is higher – according to the criteria set in the Rules – than that registered by a specific benchmark set by the Board of Directors, and (ii) the parameter representing the actual growth in value of the company (AGV) in the same year in which the options were assigned is higher than that set by the Board of Directors. With regards to options assigned in 2000, (i) the change in the Enel stock price listed on the Stock Exchange since the date of their assignment, was higher than that registered by the benchmark – set at the weighted average of the performance of the MIBTEL index (weight 50%) and the FTSE Eurotop 300 Electricity index (weight: 50%) – and (ii) the AGV registered in 2000 was higher than the benchmark set. As a result, 70% of three-year options (equal to 11,026,400 options) have become exercisable in the periods provided for by the Rules.

In case conditions indicated above (concerning the stock market price of the Enel stock and the overcoming of the AGV in the year in which the options are assigned) are not met, 70% of the options would have become in any case exercisable, pursuant to the Rules, in case the arithmetic mean of the Enel stock price listed on the screen-based trading circuit of the Italian Stock Exchange in the last three months of the year subsequent to the year in which the options were assigned, was higher than the strike price for the year in which the options were assigned, adjusted to take into account the expected increase in the value of the Enel stock for the first and second year subsequent to the one in which the options were assigned (increases set by the Board of Directors based on analyst consensus).

According to the Rules, moreover, the underwriting price of the shares (strike price) is set by the Board of Directors to be equal or higher than the arithmetic mean of the Enel stock price listed on the screen-based trading circuit of the Italian Stock Exchange in the period included between the date of assignment of the options and the same day of the preceding month. The strike price relating to options assigned in 2000 was set keeping into account indications given at the mentioned Enel Extraordinary Shareholders' Meeting held in December 1999, at euro 4.3 (amount corresponding to the price set for the IPO of Enel shares in October 1999). Shares are underwritten at the strike price, as no payment facilitation is provided under the stock option plan.

The Enel Group expects to further implement the stock option plan in 2001, extending it to about 400 managers, applying new parameters as compared to the part implemented in 2000.

Organization

After the division of the Group into operating companies, corporate governance rules regarding organizational, planning and development policies have been defined. The reengineering of processes continued in 2000, based on the implementation of the SAP information system, and will continue into 2001 to include infrastructural processes (administration, control, financial management) and core business processes (programming, construction, maintenance, logistics).

In the context of policies aimed at achieving innovation and efficiency, a department in charge of e-business development has been created within the Parent Company to direct and coordinate the numerous initiatives connected with the "new economy".

Effective January 1, 2001, in line with the separation of activities into companies, company APE Gruppo Enel was created to manage all activities connected with the management of Group personnel.

Personnel

At December 31, 2000, the Enel Group had 72,647 employees. The figure does not include WIND Telecomunicazioni's personnel as at such date the company was not included in the consolidation area.

Changes in personnel from December 31, 1999 are shown in the table that follows:

Balance at Dec. 31, 1999	78,511
Hirings	531
Changes in consolidation area	321
Termination of employment	(6,544)
Net transfers, spin-offs, sale of businesses	(172)
Balance at Dec. 31, 2000	72,647

The reduction of 5,864 employees (equal to 7.5% of total employees at the end of 1999) is the net result of 531 hirings, 321 employees of companies acquired and consolidated in the year, 129 employees transferred to companies not included in the consolidation area (WIND, So.g.i.n., Gestore della Rete and Immobiliare Foro Bonaparte), 43 employees of a business unit sold to AMPS Parma, and 6,544 employees leaving the Group primarily due to early retirement incentives offered.

The table that follows shows the breakdown of employees by category at December 31, 2000 and 1999:

No. of employees	at Dec. 31, 2000	at Dec. 31, 1999	2000-1999
Managers	689	743	(54)
Officers	4,640	4,917	(277)
Employees	40,050	43,082	(3,032)
Workers	27,268	29,769	(2,501)
TOTAL	72,647	78,511	(5,864)

The table that follows shows the breakdown of employees by Group company included in the consolidation at December 31, 2000:

	no. of employees	%	no. of employees	%
	at Dec. 31, 2000		at Dec. 31, 1999	
Enel SpA:				
Corporate	520	0.7	575	0.7
Personnel management	1,155	1.6	1,242	1.6
Real Estate and General Services	-	-	1,128	1.4
Information Systems	-	-	1,469	1.9
Engineering and Contracting	-	-	1,585	2.0
Research and Development	-	-	1,151	1.5
Other activities	-	-	59	0.1
Total	1,675	2.3	7,209	9.2
Subsidiaries:				
Enel Distribuzione SpA and Valdis SpA	44,072	60.7	47,841	60.9
Enel Trade SpA	133	0.2	91	0.1
Total distribution and sale area	44,205	60.8	47,932	61.1
Enel Produzione SpA and Valgen SpA	10,884	15.0	11,333	14.4
Erga SpA	2,165	3.0	2,254	2.9
Eurogen SpA	2,013	2.8	2,200	2.8
Elettrogen SpA	1,633	2.2	1,801	2.3
Interpower SpA	1,039	1.4	1,122	1.4
CHI Energy Inc.	196	0.3	-	-
Total generation area	17,930	24.7	18,710	23.8
Terna SpA	3,001	4.1	3,250	4.1
Sei SpA	1,334	1.8	416	0.5
Enelpower SpA	961	1.3	-	-
Enel.it SpA	1,401	1.9	-	-
Enel.Hydro SpA	492	0.7	343	0.4
CESI SpA	968	1.3	350	0.5
Other companies	680	0.9	301	0.4
Total	5,836	8.0	1,410	1.8
TOTAL GROUP	72,647	100.0	78,511	100.0

Industrial relations

In the year, Industrial relations activities were focused on the dialogue with the Unions regarding the new organizational structure of a number of Group companies (Terna, Enelpower, Enel.Hydro, Erga, Enel Produzione, Sei, Enel.it), considering at the same time the complex issue of training programs aimed at the employment of personnel involved in job migration processes within the Group, with the object of enhancing their qualifications and developing their professional skills.

In the same period Enel had a series of meetings with electricity sector unions (Assoelettrica and Federelettrica), coordinated by Confindustria (the association of Italian industry) and other unions, aiming at the signing of a new collective labor contract for electricity sector employees. Negotiations are still underway.

Enel Group Employees Pension Fund (FOPEN)

FOPEN is a pension fund for Enel Group employees (excluding managers for whom FONDENEL is operational) created on February 16, 1999, currently counting 54,000 members. Following the initial subscription phase, on June 8, 2000 the Fund's Board of Directors and Board of Auditors were appointed by Representatives of members.

With a ruling dated September 14, 2000, the Pension Fund Board authorized FOPEN to operate. The Fund was moreover recognized as a legal entity by the Ministry of Labor and Social Security with a decree dated October 18, 2000.

As the Fund is authorized to become fully operational, beginning in October 2000, contributions from participating members began to be withheld from their salaries, back-dating all contributions to the Fund to January 1, 2000.

Corporate governance

Foreword

The Company's and Group's corporate governance system is in line with the principles contained in the Self-discipline Code of listed companies, with the recommendations expressed by CONSOB on this issue, and, in general, with international best practice. This corporate governance system's aim is essentially the creation of shareholders' value, taking into account the social importance of the Group's activities and the need to adequately consider all interests involved in the carrying out of these activities.

Ownership structure

The capital stock of the Company is made up exclusively of ordinary shares fully paid up and entitled to full voting rights, both in Ordinary and Extraordinary Shareholders' Meetings.

Based on entries made in the stock register and the information available, no shareholder – with the exception of the Italian Treasury, controlling about 68% of the capital stock – owns a shareholding in the Company larger than 2% of the capital stock. According to the information available, there exists no agreement among shareholders relating to Enel shares.

Organizational structure

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

- a Board of Directors that oversees the management of the Company;
- a Board of Statutory Auditors in charge of (i) monitoring compliance with the law and the Company's by-laws, in addition to the application of correct management principles in the carrying out of business, and (ii) checking the adequacy of the organizational structure, internal audit system and the Company's administration;
- Shareholders' Meetings, called to resolve – either in an Ordinary or an Extraordinary session – among other things on (i) the appointment and removal of members of the Board of Directors and of the Board of Statutory Auditors and their compensation and responsibilities, (ii) the approval of the financial statements and the allocation of net income, (iii) the acquisition and sale of own shares, (iv) amendments to the Company's by-laws, and (v) the issue of bonds.

The auditing of the Company's accounts is entrusted to an independent auditing firm, appointed by a Shareholders' Meeting.

Board of Directors

Role and powers

The Board of Directors plays a central role within the Company's organization and is entrusted with the powers regarding, and the responsibility for, strategic and organizational policies, as well as with verifying the existence of the controls necessary for monitoring the performance of the Company and the Group.

In such context, the Board of Directors:

- delegates and revokes the powers of the Managing Director, defining their limits and the procedures for exercising them;
- receives periodically, together with the Board of Statutory Auditors, an exhaustive informative report from the Managing Director regarding the activities carried out in the exercise of his powers, with particular reference to atypical or unusual transactions or transactions with related parties, whose approval is not reserved to the Board of Directors;
- determines, on the basis of the proposals formulated by the related Committee and having been advised by the Board of Statutory Auditors, the compensation of the Managing Director and of other Directors holding specific offices;
- defines the general organizational structure of the Company and that of the Group, verifying their adequacy;

- reviews and approves strategic, business and financial plans. In this context, the current division of powers within the Company provides for the Board of Directors to resolve on the approval of:
 - the annual budget and the long-term plan (which include the aggregates of the annual budgets and long-term plans of Group companies);
 - strategic agreements, determining moreover – while respecting the autonomy of individual subsidiaries and upon proposal by the Managing Director – directives and strategic guidelines for Group companies;
- examines and approves transactions having a significant impact on the Balance Sheet, Income Statement or cash-flow statement, particularly in cases where they are carried out with related parties or characterized by a potential conflict of interest. In particular, all financial transactions of a significant size (having a value of lire 50 billion or more) are approved – if they refer to the Company – or in any case are subjected to prior evaluation – if they refer to Group companies – by the Board of Directors. The Board of Directors also resolves on the acquisition and disposal of equity investments, examining the proposed sale of assets deemed significant (having a value of lire 10 billion or more) that Group companies intend to carry out;
- provides for the exercise of voting rights at Group companies' Shareholders' Meetings, with particular reference to the approval of financial statements, the appointment of Directors and Statutory Auditors, amendments to the by-laws, and extraordinary changes in the corporate structure of such companies;
- monitors the general management of the Company, with particular reference to conflicts of interest, using information received from the Managing Director and the Internal Audit Committee, and verifies periodically the achievement of the objectives set;
- reports to the Shareholders at their Meetings.

Appointment, composition and term

Pursuant to the provisions of the Company's by-laws, the Board of Directors consists of from three to nine members, appointed for a term not exceeding three years, who may be reappointed at the expiration of their term.

In compliance with legislation regulating privatizations, the by-laws provide for the appointment of the entire Board of Directors (and of the Board of Statutory Auditors) to take place according to the "slate vote" mechanism, aimed at ensuring the presence on the Board of Directors of members appointed by minority shareholders.

Such electoral system, which will be concretely applied on the occasion of the next election of the Company's Boards, provides for the slates of candidates for the offices of Director (and Auditor) to be filed at the Company's registered office and published in national newspapers well in advance of the date of the Shareholders' Meeting, thus ensuring a transparent process for the appointment of the Boards.

The Board of Directors may take into consideration, at a date close to the expiration of its term, the advisability of creating within itself a special Committee for making nominations. In accordance with resolutions adopted at the ordinary Shareholders' Meetings held on May 15 and December 18, 1999, the incumbent Board of Directors is made up of seven members, and the new Directors will be elected on the occasion of the approval of the financial statements for financial year 2001.

As a result of the appointments made in the aforesaid Meetings and following subsequent co-opting of members carried out by the Board of Directors, the latter is currently made up by the following members, whose professional profiles are summarized below:

- **Chicco Testa**, 49, Chairman.
National secretary and subsequently president of the environmental association Legambiente from 1980 to 1987, he was a member of the Italian Parliament from 1987 to 1994. From the latter year until 1996 he was chairman of ACEA (the utility

company of the Municipality of Rome) and of CISPEL (Italian federation of local public-sector utility companies), as well as a member of CNEL (National Council for the Economy and Labor). Since 1996 he has been the Chairman of Enel, as well as chairman or director of a number of Enel Group companies.

- **Francesco Tatò**, 69, Managing Director.

He gained professional experience for many years in the Olivetti Group, holding numerous positions on the boards of directors of a number of important Italian and foreign companies. Managing Director of Arnoldo Mondadori Editore SpA from 1984 to 1986 and from 1991 to 1994, from October 1993 to February 1995 he was managing director of Fininvest SpA. Since 1996 he has been Enel's Managing Director, as well as chairman or director of a number of Enel Group companies.

- **Carlo Angelici**, 56, Director.

He has taught since 1974 at various Italian universities, becoming a tenured professor of commercial law in 1983. Since 1989 he has been a professor of commercial law and since 1995 Dean of the Faculty of Jurisprudence at Rome's "La Sapienza" University. Since 1983 he has been a member of the commission created by the Ministry of Justice for the implementation of EU directives on company law, and from 1984 to 1987 represented the Italian Government at several sessions of the United Nations Commission on International Trade Law. He has been a member of Enel's Board of Directors since October 1999.

- **Giuseppe Morchio**, 53, Director.

He began his career with the Manuli Group, moving in 1980 to the Pirelli Group, where he held a number of positions, including those of chairman and managing director of Pirelli Neumaticos in Spain (1989-1991) and Pirelli Tires North America (1991-1993), and that of managing director of the "cables and systems" division of the Parent Company Pirelli SpA (1993 - January 2001). He has been a member of Enel's Board of Directors since February 2001.

- **Franco Morganti**, 70, Director.

He began his career at Olivetti SpA and SGS SpA, and subsequently started his own business. Since 1974 he has offered strategic consulting services in the field of telecommunications, for both the public and private sectors. He was a member of the board of directors of STET SpA from 1981 to 1984, and from 1991 to 1997 a member of the advisory committee on technology and market strategies of STET SpA, and has been vice-chairman of the Databank Group since 1989. He has been a member of Enel's Board of Directors since December 1999.

- **Carlo Tamburi**, 42, Director.

He held a number of executive positions from 1985 to 1990 at Citibank's Milan branch. From 1990 to 1993 he was joint general manager for marketing and credit activities at Cofiri SpA and from 1994 to 2000 worked in IRI SpA's Finance Department, becoming joint general manager in charge of privatizations. Since 2000 he has been Director for the Finance and Privatizations Department of the Italian Treasury. He has been a member of Enel's Board of Directors since January 2001.

- **Francesco Taranto**, 61, Director.

He began his activity with a broker in Milan, subsequently working (from 1965 to 1982) at Banco di Napoli SpA. He then held numerous managerial positions in companies operating in the mutual-fund sector, becoming head of security management at Eurogest SpA (from 1982 to 1984) and subsequently general manager of Interbancaria Gestioni

SpA (from 1984 to 1987). Having moved to the Prime Group (from 1987 to 2000), he was for a long time the managing director of the Parent Company. He has been a member of Enel's Board of Directors since October 2000.

All Directors dedicate the time necessary to perform their tasks productively, and are well aware of the responsibilities connected with their position. They are kept constantly informed of all legislative and regulatory changes relating to the Company and the discharge of their duties.

Directors carry out their tasks with full knowledge of the facts and in complete autonomy, pursuing the objective of creating value for shareholders.

Meetings

In 2000 the Board of Directors held 17 meetings, which lasted an average of 4 hours. Director participation was regular (with a very limited number of absences, moreover accounted for) and the meetings were also attended by the Board of Statutory Auditors and the magistrate representing the Court of Accounts.

The activities of the Board of Directors are coordinated by the Chairman, who calls its meetings, and presides over them, ensuring that – except in cases of urgency and necessity – the necessary documents and information are provided to the Board's members in time for the Board to express its informed opinion on the matters under examination.

Non-executive members

The Board of Directors is made up mainly by non-executive members (not holding operating and/or managerial positions within the Company), so as to ensure, through their number and authority, that their opinions carry significant weight in the Board's decision-making process.

Non-executive Directors contribute their specific expertise to Board discussions, thus facilitating the examination of the issues discussed from different points of view and the consequent adoption of resolutions that are fully informed, carefully considered and in line with the interests of the Company.

With the exception of the Managing Director – and of the Chairman, with regard to the duties carried out in his office – the other five members of the Board of Directors (Carlo Angelici, Giuseppe Morchio, Franco Morganti, Carlo Tamburi, Francesco Taranto) are all to be considered non-executive.

Independent Directors

A large majority of the non-executive members of the Board of Directors are also Independent Directors.

These are Directors who (i) do not have economic relationships with the Company, its subsidiaries, its executive Directors or the controlling shareholder that could influence their autonomy of judgement, and who (ii) do not hold, either directly or indirectly, an amount of shares in the Company that would allow them to exercise control over it, even through shareholders' agreements.

Even though independent judgement characterizes the activity of all the Directors, whether they be executive or not, the presence of Directors who qualify as "independent" according to the above definition – whose role within both the Board of Directors and its Committees is significant – is deemed a suitable means of ensuring an adequate balance of the interests of all the shareholders.

Among the non-executive Directors, Carlo Angelici, Giuseppe Morchio, Franco Morganti and Francesco Taranto qualify as independent.

Committees

Compensation Committee

In January 2000 a special Compensation Committee was formed within the Board of Directors, with the task of making proposals to the Board concerning (i) the compensation of the Managing Director and the other Directors holding specific offices, as well as (ii) the determination of the compensation criteria for top Company and Group managers, as indicated by the Managing Director.

The Committee is currently made up by Francesco Taranto (acting as coordinator), Carlo Angelici and Carlo Tamburi.

In 2000 the Committee held 7 meetings, averaging 75 minutes each, and did not utilize external advisors.

As part of its duties, the Compensation Committee plays a central role in the implementation of a stock-option plan addressed to top management and conceived as an instrument of providing incentives to Group managers and strengthening their loyalty, as well as attracting and motivating human resources with adequate ability and experience and further developing their sense of belonging to the Group and ensuring their constant, enduring effort to create value. Among the assignees of stock options in 2000 was Enel's Managing Director in his capacity as General Manager.

Internal Audit Committee

In January 2000 a special Internal Audit Committee was also formed within the Board of Directors to advise and make proposals and, in particular, with the task of (i) evaluating the adequacy of the internal audit system, (ii) evaluating the audit program prepared by the internal auditors and receiving their periodic reports, (iii) evaluating the proposals made by external auditors applying for appointment, as well as the audit program prepared for the external audit and the results contained in the external auditors' letter and report, (iv) reporting periodically to the Board of Directors on the work performed and the adequacy of internal auditing, and (v) performing any other task delegated by the Board of Directors, in particular concerning relations with the external auditors.

The Internal Audit Committee is currently made up by Chicco Testa (acting as coordinator), Giuseppe Morchio and Franco Morganti.

In 2000 the Committee held 7 meetings, averaging 2 hours each, in which the Chairman of the Board of Statutory Auditors participated in consideration of the specific duties regarding the monitoring of the internal audit system entrusted to the Board of Statutory Auditors by the current legislation on listed companies.

Internal Audit System

With regard to internal auditing, several years ago the Group adopted a special system aimed at (i) monitoring the adequacy of corporate procedures with regard to effectiveness, efficiency and costs, (ii) ensuring the reliability and correctness of accounting records, as well as the safeguard of Company and Group assets, and (iii) ensuring that operations comply with internal and external regulations, as well as with corporate directives and guidelines for sound and efficient management.

The internal audit system of the Group is divided into two distinct areas of activity:

- "line auditing", made up by the whole of auditing activities that individual operating units or Group companies carry out on their own processes. Such auditing activities are primarily the responsibility of operating managers and are considered an integral part of every corporate process;
- "internal auditing", entrusted to the Company's related unit, is aimed essentially at the identification and containment of corporate risk of any nature. Such objective is pursued through the monitoring of line auditing, both in terms of the adequacy of the audits themselves and of the results actually achieved by their application. This audit activity is therefore applied to all corporate processes of the Company and of Group companies. The personnel in charge of said processes is responsible for indicating both

the corrective actions deemed necessary and to carrying out follow-up actions aimed at checking the results of the measures suggested.

The Managing Director ensures the functionality and adequacy of the internal audit system, establishing its procedures, appointing a person to be in charge of it, and ensuring the suitability of the means available to the system to carry out the activities concerned. The person responsible for internal auditing does not report to any of the operating division heads, but reports regularly on his actions to the Managing Director, the Internal Audit Committee and the Board of Statutory Auditors.

Code of conduct

The Board of Directors has launched a project for the drafting of a corporate code of conduct for the entire Group. The preparatory work is currently in progress with the aim of submitting a definitive text of said code and a plan for its implementation to the Board of Directors for its approval by the end of 2001.

Handling of confidential information

In February 2000 the Board of Directors approved special rules for the management and handling of confidential information, which also contain the procedures to be applied for the external circulation of documents and information concerning the Company and the Group, with particular reference to price-sensitive information.

Such rules are aimed at keeping confidential information secret, while ensuring at the same time that the information made available to the market regarding Company and Group data is correct, complete, adequate, timely and non-selective.

The rules assign to Enel's Managing Director and the managing directors of the Group companies the responsibility of managing the confidential information concerning their respective spheres of competence, establishing that the divulging of confidential information regarding individual subsidiaries must in any case be agreed upon with the Parent Company's Managing Director.

The rules also establish specific procedures to be followed in circulating outside the Group documents and information regarding the Company and the Group – dwelling in particular upon divulging price-sensitive information – and carefully regulate the ways in which Company and Group managers enter into contact with the press and other mass media (or financial analysts and institutional investors).

Relations with institutional investors and shareholders in general

Ever since the listing of its shares on the Stock Market, the Company has deemed it appropriate for its own specific interest – as well as its duty with respect to the market – to establish an ongoing dialogue, based on mutual understanding of their respective roles, with its shareholders in general as well as with institutional investors. Such dialogue in any case was to take place in accordance with the procedure for circulating externally documents and information regarding the Company and the Group.

In this regard, in consideration of the size of the Group, among other things, it was deemed that such dialogue could be facilitated by the creation of dedicated corporate units.

The Company therefore created (i) an investor-relations unit within its "Press Relations and Communication" Department, in close cooperation with the Finance Department, and (ii) a unit within its "Corporate Affairs" Department in charge of communicating with shareholders in general.

It was decided to further facilitate communication with shareholders through the creation of a special section of the Company's website (www.enel.it), providing both financial information (financial statements, half-year and quarterly reports, presentations to the financial community, information on trading of the securities issued by the Company), and data and documents of interest to shareholders (the members of Enel's Boards, the

Company's by-laws and shareholders'-meeting regulations, information on corporate governance and a general chart of the organization of the Group indicating the specific mission of the main subsidiaries).

Shareholders' Meetings

The suggestion contained in the Self-discipline Code to consider shareholders' meetings privileged moments for the establishment of a profitable dialogue between a company's shareholders and its board of directors (even considering the availability of a number of different communication channels between listed companies and shareholders, institutional investors and the market) was carefully evaluated and fully accepted by the Company, which – in addition to ensuring the regular participation of its Directors in Shareholders Meetings – deemed it advisable to adopt specific measures to adequately enhance the latter.

In effect, in line with the recommendations of the special legislation regarding listed companies, a specific provision was inserted in Enel's by-laws aimed at facilitating the collection of vote proxies from shareholders who are Group employees, thus favoring their involvement in the decision-making processes of Shareholders Meetings.

Furthermore, in September 1999, and thus with the listing of its shares imminent, the Company adopted special regulations to ensure the orderly and efficient conduct of Shareholders' Meetings, through the detailed regulation of their different phases, while respecting the fundamental right of each shareholder to request clarification of the different matters under discussion, to express his or her opinion, and to make proposals. A proposal to update these regulations will be submitted to the next Shareholders' Meeting in order to bring them into line with the more advanced models recently prepared for listed companies.

Environmental policy

The management of Enel Group companies pursuant to the environmental policy adopted by the Group in 1996 allowed to achieve a progressive reduction in the environmental impact of the Group's activities.

The major objectives of such policy are part of the Corporate Protection plan, driving efforts towards a sustainable operation, development and diversification of the Group's activities.

Many Group companies are involved in environmental issues, among which:

- Erga, with the development of renewable sources;
- Enel.Hydro, with the rational management of water resources;
- Elettroambiente, producing energy from waste;
- Colombo Gas, contributing to make natural gas available on the market;
- Enel.si, streamlining equipment downstream of the meter and spreading efficient technologies;
- So.I.e., optimizing public lighting systems;
- Sei and Conphoebus, improving efficiency in building general services;
- WIND and Enel.it, thanks to the contribution offered by information technology and telecommunications services to reduce the need for people mobility;
- CESI, through research on the development of environmentally advanced technologies for the electricity system;
- Sfera, training personnel on environmental issues.

From an organizational point of view, almost all Group companies are present in the structures dedicated to the environment, whose specific tasks have been assigned by the Managing Director.

The attention paid to environmental issues is not based solely on ethical principles, but also on the acknowledgement that in the last years the environment has become a strategic competitive factor in the context of the global market liberalization.

Operating and environmental data of individual companies, compared with previous years, and main initiatives in the sector are reported yearly in the Environmental Report published by Enel since 1996.

With regards to results for 2000, a further reduction of polluting emissions in the atmosphere, the Group's largest environmental impact, was achieved. Sulfur oxides, Nitrogen oxides and dust emissions all registered a decline of about 12% on 1999, despite a 3% increase in thermal energy generated.

The same year was characterized by a large number of environmental initiatives.

With the signing of an agreement with the Ministries of the Environment and Industry, Enel committed itself to reducing Carbon dioxide equivalent emissions by 15 million tons in 2002 and 22 million tons in 2006, in both cases measured on 1990 emissions. The increase in the efficiency of thermal plants (through their conversion to combined cycle technology) and of final energy uses, accompanied by an increase in generation from renewable sources, are the key instruments of the agreement.

Six additional sites (5 thermal plants and a hydroelectric one) qualified for the ISO 14001 environmental standard. Three of these qualified also for EMAS, bringing the total of sites completing procedures to comply with EC Regulation no. 1836/93 to five.

Erga acquired 100% of CHI Energy, the largest independent electricity generation company in the US producing electricity from renewable sources. The acquisition makes Erga the largest producer of electricity from renewable sources in the world, with a total capacity of over 2,000 MW.

In the context of the streamlining of the electricity network, the Tor Vergata (Rome) network was completed. The project, in addition to streamlining the high-voltage network and improving service quality to 500,000 citizens, allowed the removal of about 50 kilo-

meters of suspended power lines. The network was inaugurated on May 1, 2000 as part of Jubilee celebrations.

A clause has been included in liquid fuel purchase contracts barring tanker transit through the straight between Corsica and Sardinia, an area subject to high accident risk. An identical initiative has been adopted by the Italian Oil Companies Association.

Following the closing of the financial year, an agreement protocol was signed between Enel, Legambiente (an environmental league), Federparchi (the association of Italian natural parks) and the Ministry of the Environment, with the underwriting of the Union of Italian Provinces, the Association of Minor Island Municipalities, and the Union of Mountain Communities and Agencies. The objective of the agreement is to transform protected areas into laboratories for the development of the use of renewable energy, reclaiming land and reducing environmental impact, particularly on waterways.

Subsequent events and management expectations of operations in 2001

In January 2001, the Itaipower consortium, ACEA, AEM Milan, AEM Turin and ASGM Brescia brought against the Lazio Regional Court an appeal against the Decree of the Prime Minister dated November 8, 2000 amending the procedure for the sale of equity shares held by Enel in Eurogen, Elettrogen and Interpower, setting a limit to the share held by public sector institutions in the capital stock of the company acquiring Enel's generation companies. In addition to requesting the annulment of the said decree, pending a decision, the plaintiffs requested a cautionary suspension of procedures for the sale of Elettrogen. Enel opposed the request for a suspension of the sale that was rejected by the Lazio Regional Court in its hearing on January 24, 2001. The divestment procedure therefore continues according to the timetable set by the Group.

In January 2001, Enel, together with ten other leading utility companies, signed an agreement for the creation of a common independent platform for the management of industrial supplies on the Internet.

The new business, called Eutilia, is based in Holland and will allow the on-line purchase of goods and services.

The total annual expense for supplies of the eleven partners amounts to over 30 billion euro (excluding fuel costs).

Eutilia will be a neutral market place, aimed initially at European companies operating in the electricity sector, and will offer value added services to suppliers and customers, allowing them to reach a wider market, reducing transaction costs and achieving strong efficiency improvements in the management of supplies.

In February 2001, Enelpower in agreement with Inepar Construcoes, currently holding a majority share in project development company Inepar Energia, decided not to proceed to the acquisition of a direct investment in the latter and to develop joint projects underway through specific agreements.

Projects for the construction of a 1,100 kilometer 500 kV power line stretching from Serra de Mesa and Governador Mangabeira, Brazil, a 1,320 MW coal power plant in Sepetiba and the 240 MW power plant in Tucuman, in Argentina, will be developed.

The parties will also examine and develop jointly other projects which may from time to time be identified and shared.

On March 29, 2001, Enel and ACEA reached an agreement for the sale of the electricity distribution network of the municipalities of Rome and Formello, serving 709,000 customers, for lire 1,100 billion. The operation will be carried out through the spin-off of the related businesses into a newly incorporated company controlled by Enel, and the subsequent sale of the same to ACEA.

On March 12, 2001, Enelpower, Sonatrach (the Algerian national oil and gas company, Italy's largest gas supplier), and Sonelgaz (Algeria's national electricity company) signed a letter of intent for cooperation in:

- production, transmission and distribution of electricity;
- transport and distribution of gas;
- construction of power plants and electrical infrastructure in Algeria and abroad.

The three companies signing the agreement aim at developing large energy projects involving the construction of infrastructure, already identified in Algeria, through the creation of ad hoc joint ventures, pursuing opportunities in the international market and exploiting the full potential of their experience in developing the electricity sector in the Mediterranean Basin.

In March 2001, Enel, EDF, Electrabel, Endesa, E.ON Energy and RWE signed a solidarity and cooperation agreement for the rapid resumption of energy supplies to customers in case of interruptions caused by exceptional events (calamities, emergencies, insufficient supply). The agreement sets the basis for cooperation at the European level, in line with the common interest for the cohesion of the European electricity sector.

On October 11, 2000, Enel had signed with Mannesmann Investment BV, a company controlled by Mannesman AG, part of the Vodafone Group, a contract for the acquisition of the entire capital stock of Infostrada, the second fixed telephone operator in Italy, controlling Italia On Line, manager of the portal bearing the same name.

On March 16, 2001 the agreement was modified by updating contractual terms and on March 29, 2001 the shares were transferred to Enel Investment Holding BV, a wholly-owned Enel subsidiary incorporated for the purpose.

The price paid for the acquisition of 100% of Infostrada's capital stock was euro 7.25 billion, and is not subject to change. Infostrada's debt at the time of the acquisition amounted to about euro 1.3 billion, of which about euro 950 million of financing extended by Mannesmann Investment BV, reimbursed by Enel together with the payment of the acquisition price.

On January 19, 2001, the acquisition was authorized by the European Commission with reference to the telecommunications sector. With regards to the impact of the acquisition on the electricity sector, the Authority for Competition and the Market expressed a favorable opinion with ruling dated February 28, 2001, subjecting it, however, to a number of requirements to be met in the electricity generation sector that can be summarized as follows:

- mandatory sale of 5,500 MW in generation capacity, through the creation of a fourth "GenCo";
- sale of the new "GenCo" within 90 days of the sale of the third "GenCo".

Enel is evaluating the impact of the conditions contained in the Authority's ruling, both from an economic and operating point of view, and from a legal stand, to undertake possible legal action aimed at protecting its interests.

These initiatives will not in any case have an effect on the acquisition of Infostrada.

In the first Quarter of 2001, Enel completed the acquisition of a number of companies active in the distribution of natural gas, in particular:

- on January 18, 2001, it acquired the Brianza Gas Group, representing a turnover of about lire 35 billion;
- on January 19, 2001, it acquired the Erogasud Group, representing a turnover of about lire 24 billion;
- on February 12, 2001, it acquired the Sogegas Group, representing a turnover of about lire 142 billion;
- on March 6, 2001, it acquired the Sicim Edilgeo Group, representing a turnover of about lire 4.5 billion;
- on March 16, 2001, it acquired company Metanifera Verbanese-Comedigas, representing a turnover of about lire 10.5 billion.

The companies acquired distribute a total of about 440 million cubic meters of gas, serving a total of about 230,000 customers.

On March 9, 2001, Enel signed a contract for the acquisition of Agas, a company operating independently and through its subsidiaries, in 53 municipalities of the Piedmont, Lombardy, Abruzzo and Friuli Regions. In 2000, Agas and its subsidiaries distributed a total of 218 million cubic meters of gas, serving a total of about 102,000 customers.

The process of liberalization and opening up of the electricity market will reach in 2001 some crucial points such as the sale of part of Enel's generation capacity (GenCo and Val D'Aosta), the sale of metropolitan distribution networks to local municipal utility companies, the start of operation of the Single Buyer and the Electricity Exchange (end of 2001/beginning of 2002). More in detail:

- the 4% price cap (in real terms) on recognized costs for the transport and sale of electricity will come into effect on January 1, 2001, affecting regulated market tariffs and free market transport tariffs;
- the wholesale price of electricity for non-eligible customers will include, effective January 1, 2001, pursuant to Authority resolution no. 238/00, a component to cover fixed costs, reduced by an average of lire 10 per kWh over 2000, and a component to cover variable costs. Pursuant to the introductory section of the mentioned resolution, a large part of the reduction in the component covering fixed costs will be offset by stranded costs recognized to the Enel Group following the expected issue of a related resolution on the part of the Authority;
- with regards to the sale of metropolitan distribution networks, in compliance with the Bersani Decree, the Enel Group sold the distribution networks serving the municipalities of Trieste and Parma. In April 2000, the Group moreover concluded an agreement with the Valle d'Aosta Region for the sale of 49% of the distribution network serving the Region. At the present date, arbitration proceedings for the sale of the respective networks to the municipalities of Milan, Turin and Verona are currently underway, while an agreement has been reached with ACEA, Rome's municipal utility;
- with regards to the sale of part of its generation capacity, the process for the sale of the generation companies to be divested by Enel began with the appointment of the advisors for the operation and the start of the procedure for the sale of the first company, Elettrogen. The sale of the first generation company provides for a first phase in which perspective buyers submitted a non-binding offer, and a second phase in which parties admitted to bid will carry out a due diligence examination. This phase started on March 12, 2001, and is expected to be completed in four weeks from such date. At the end of this phase, a selection will be made based on binding offers made by perspective buyers and received by the first half of May. The conclusion of the sale process and the subsequent awarding of the equity share in Elettrogen is expected to take place by the end of May or the beginning of June 2001. The sale of the other two generation companies will take place presumably by the end of 2001.

The liberalization of the electricity market, and in particular the plan for the sale of generation capacity and metropolitan distribution networks will have an adverse effect on market shares held by the Enel Group in its core businesses. The impact on the gross operating margin for 2001 is expected to be partly compensated by a reduction in operating costs, the increase in consumption and the development of new businesses.

The sale of assets will have a positive effect in terms of cash flow and capital gains generated, compensating for the effect of the liberalization of the electricity market, while increasing Return on Equity.

Other information

Relationships with unconsolidated subsidiaries

WIND Telecomunicazioni

In 2000, relationships held by Group companies included in the area of consolidation, and those not included in the area of consolidation, directly or indirectly controlled by Enel, refer almost entirely to WIND Telecomunicazioni. A list of these transactions is shown in the table that follows:

In billions of lire	Balance Sheet		Income Statement	
	Receivables	Payables	Receivables	Payables
	at Dec. 31, 2000		2000	
	1,155	588	588	282

Effective July 1, 1999, the contract according to which WIND has become the supplier of telecommunications services to the Enel Group became operational. For the first two years, the contract provides for the payment of an amount equal to the cost incurred by the telecommunications company in providing the service, while in subsequent years the amount will be brought into line with market prices. Payables and receivables of Group companies relate to the provision of these services.

On January 1, 1999, a fifteen-year lease contract concluded by WIND for the lease of Enel's fiber optic network installed on its power lines became effective. The leasing payment was determined according to a fair remuneration of the investment made. Receivables and payables refer also to the supply of electricity, the rental of buildings and maintenance services.

With regards to financing of the payment of the concession to operate UMTS mobile telephone services, in the last Quarter of 2000 WIND was granted by Enel a loan amounting to lire 906 billion, expiring on 2010, at a rate equal to the three-month Euribor rate plus 50 basis points. The early repayment of the loan extended by Enel is subject to the repayment in full of the additional loan extended by a pool of banks. The amount is included under receivables in the table above.

Enel Investment Holding BV

At December 31, 2000, Enel recorded in its financial statements payables amounting to lire 97 billion in favor of subsidiary Enel Investment Holding BV, a company not consolidated as not operational at such date. The balance is due to hedging transactions concluded against the signing on October 11, 2000, of the preliminary contract for the purchase of Infostrada on the part of Enel. The contract provided for part of the price of the sale equal to euro 3 billion, to vary up to euro 0.6 billion either upwards or downwards, according to the performance of the yield of a basket of stocks for the period included between October 2000 and June 2001. Against such indexing mechanism, in the months of November and December 2000, Enel concluded a number of financial transactions aimed at hedging in full the effect of an adjustment in the purchase price on a total amount of euro 1.5 billion. Such transactions resulted in a gain for Enel of about euro 49.9 million (about lire 97 billion), to be transferred to Enel Investment Holding BV together with the hedging contracts.



2000

Financial review

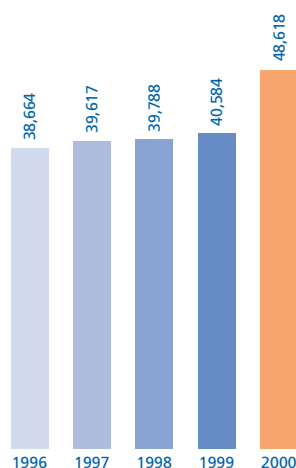


A **Reclassified Income Statement** for 2000 is shown in the table that follows. Financial data is reported in accordance with international accounting practices and current applicable regulations.

In millions of euro	In billions of lire	%	In billions of lire	%	In billions of lire	%
2000	2000		1999		2000-1999	
Revenues:						
12,786 - Energy sales	24,757	51.0	26,419	65.1	(1,662)	(6.3)
9,778 - Electricity Equalization Fund contributions	18,932	38.9	11,772	29.0	7,160	60.8
2,545 - Other revenues	4,929	10.1	2,393	5.9	2,536	106.0
25,109 Total revenues	48,618	100.0	40,584	100.0	8,034	19.8
Operating costs:						
3,531 - Personnel	6,837	14.1	7,402	18.2	(565)	(7.6)
5,644 - Fuel consumption	10,929	22.4	6,308	15.5	4,621	73.3
4,373 - Electricity purchased	8,467	17.4	6,831	16.8	1,636	23.9
2,453 - Services, leases and rentals	4,749	9.8	2,518	6.2	2,231	88.6
122 - Fuel and gas for distribution	237	0.5	-	-	237	-
726 - Materials	1,406	2.9	1,526	3.8	(120)	(7.9)
392 - Other costs	759	1.6	550	1.4	209	38.0
(878) - Capitalized expenses	(1,701)	(3.5)	(1,930)	(4.8)	229	11.9
16,363 Total operating costs	31,683	65.2	23,205	57.2	8,478	36.5
8,746 GROSS OPERATING MARGIN	16,935	34.8	17,379	42.8	(444)	(2.6)
Depreciation and accruals:						
3,459 - Depreciation	6,697	13.8	6,201	15.3	496	8.0
534 - Accruals and write-downs	1,034	2.1	752	1.9	282	37.5
3,993 Total depreciation and accruals	7,731	15.9	6,953	17.2	778	11.2
4,753 OPERATING INCOME	9,204	18.9	10,426	25.6	(1,222)	(11.7)
(648) - Net financial income (expense)	(1,256)	(2.6)	(1,131)	(2.8)	(125)	(11.1)
(37) - Write-down of investments	(72)	(0.1)	-	-	(72)	-
(421) - Equity investments	(815)	(1.7)	(439)	(1.1)	(376)	(85.6)
INCOME BEFORE EXTRAORDINARY						
3,647 ITEMS AND TAXES	7,061	14.5	8,856	21.7	(1,795)	(20.3)
19 - Net extraordinary income (expense)	371	0.8	(497)	(1.2)	868	-
INCOME BEFORE TAXES AND						
3,839 MINORITY INTERESTS	7,432	15.3	8,359	20.5	(927)	(11.1)
1,649 - Income taxes	3,193	6.6	3,820	9.4	(627)	16.4
2,190 INCOME BEFORE MINORITY INTERESTS	4,239	8.7	4,539	11.1	(300)	(6.6)
(2) - Minority interests	(3)	-	2	-	(5)	-
2,188 NET INCOME	4,236	8.7	4,541	11.1	(305)	(6.7)

Revenues

In billions of lire



Revenues

Revenues increase by lire 8,034 billion (up 19.8% over 1999), due to the following:

- energy sales decline by lire 1,662 billion (down 6.3%) due to a reduction in volumes following the opening up of the market and tariff reductions effective January 1, 2000. Quantities sold decreased by 3.3% on 1999, as a result of a decline in high- and medium-voltage sales, and an increase in low-voltage sales. In comparing revenues for the two years, one must consider that sale prices applied in 2000 in the free market include fuel costs;
- Electricity Equalization Fund contributions increase by lire 7,160 billion (up 60.8%), mainly due to the increase in the average price of fuel to which thermal generation and energy purchases contributions are indexed. These were affected also by higher quantities (up 13.8%) acquired by domestic producers of subsidized electricity pursuant to CIP regulation 6/92. Contributions for the year include lire 875 billion relating to the 6 lire contribution per kWh produced and sold on the regulated market, applied in 2000 and 2001 and aiming at covering costs incurred in the reorganization of the electricity sector;
- other revenues increase by lire 2,536 billion (up 106.0%), due to a number of factors. Among these are transport fees (up lire 1,732 billion) received by Terna from the ISO for the use of the national transmission network and those payable to Enel Distribuzione for energy transported on its networks. The ISO acts in turn as a counterpart for electricity distribution companies (among which Enel Distribuzione) and operators on the free market (among which Enel Trade), charging for the use of the national distribution network and the related accessory costs. Such mechanism was not operational in years prior to 2000.

Other increases are due mainly to the development of new activities such as fuel sales made by Enel.FTL (up lire 154 billion), revenues from the distribution of gas of newly acquired companies (up lire 124 billion), system research contributions (up lire 128 billion), engineering and contracting (up lire 172 billion). In the electricity sector, connection fees grew by lire 99 billion due to the increase in the number of new connections and changes in the amount of power supplied. Higher revenues resulting from new activities in the year amounted to about lire 600 billion.

Operating costs

Operating costs, net of capitalized expenses, increase by lire 8,478 billion (up 36.5%). The increase is due to a number of factors described below:

- personnel costs decline by lire 565 billion (down 7.6%) following a reduction in the average number of employees (down 5.4%), and the decline in the average unit cost (down 2.3%), following a reduction in social charges effective January 1, 2000 pursuant to the 2000 Budget Law, in line with the reorganization of social charges rates applicable to the electricity sector;
- fuel consumption grew in the year by lire 4,621 billion (up 73.3%) due to higher thermal generation (up 3.2%) and the strong increase in the average price of energy products. Higher fuel costs relating to energy generated for the regulated market were compensated by the increase in contributions from the Electricity Equalization Fund for fuel costs;
- energy purchases increase by lire 1,636 billion (up 23.9%) despite the decrease in quantities acquired (down 11,531 million kWh), due to lower energy purchases from abroad (characterized by lower average unit price) resulting from the larger proportion of domestic purchases of subsidized energy pursuant to CIP regulation no. 6/92 due to the assignment of international transport quotas to other operators;
- the cost of services received, leases and rentals increases in the year by lire 2,231 billion (up 88.6%) mainly due to fees paid to the ISO by Enel Distribuzione and Enel Trade

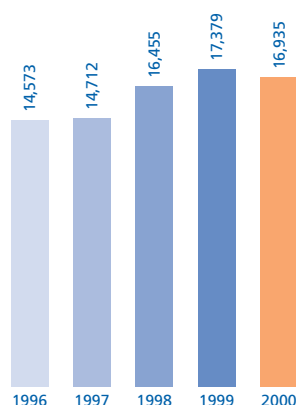
for the transport of electricity (up lire 1,731 billion), in accordance with the new tariff system. Charges paid by production companies to the ISO for the transport of energy generated from renewable sources destined to be sold on the free market, pursuant to resolution no. 201/00 of the Authority for Electricity and Gas, amounted to lire 256 billion. Such charge is due to the higher share of hydro and thermal energy sold on the free market as compared with that sold on the regulated market (the so called "hydroelectric extra-revenue").

Beginning July 1, 1999, WIND provides telecommunication services to Group companies. Such services resulted in a lire 303 billion increase in the cost of services received (net of concession fees currently paid directly by the telecommunications company). The cost of services supplied by WIND is partly compensated by a reduction in other cost items, as in 1999 such services were produced internally;

- cost of fuel for trading purposes and gas acquired for distribution amounted to lire 237 billion and were incurred by new companies operating in the two sectors, in particular Enel.FTL for fuel trading and Colombo Gas for gas distribution;
- the cost of materials declines by lire 120 billion over the previous year due mainly to the lower number of plants built in the year;
- other costs increase by lire 209 billion (up 38.0%) due to higher local taxes (up lire 50 billion), charges connected with the contract for the import of Nigerian gas (up lire 33 billion) and extraordinary losses amounting to lire 99 billion. These refer to revisions in the cost of energy generated from renewable sources resolved by the Authority for Electricity and Gas resolution no. 56/2000, effective retroactively from November 1997.

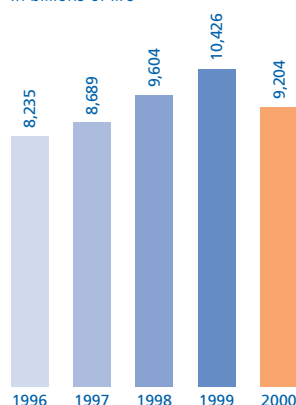
Gross operating margin

In billions of lire



Operating income

In billions of lire



Gross operating margin

The **gross operating margin** declines by lire 444 billion (down 2.6%) due to the following factors:

In billions of lire

Decrease in energy sales	(1,662)
Fees for the access to the national transmission network for hydroelectric and geothermal energy (hydroelectric extra-revenue)	(256)
Contribution on energy generated destined to the regulated market (lire 6 per kWh)	875
<i>Effect of the new tariff system</i>	<i>(1,043)</i>
Decrease in labor costs	565
New activities and cost reductions	34
TOTAL	(444)

Operating income

Operating income decreases by lire 1,222 billion over 1999 (down 11.7%). The difference registered with the decrease in gross operating margin is due to lire 496 billion in higher depreciation, and lire 282 billion in higher accruals and writedowns. Higher depreciation is mainly due to the charge recorded for the year relating to the elimination of the Electricity Sector Employee Retirement Fund (lire 197 billion), to higher depreciation on intangible assets (up lire 43 billion), higher depreciation rates applied to hardware and high technology assets (resulting in an increase in depreciation charges of lire 40 billion), and to plant and equipment coming into operation in the year. The increase in accruals is due to lire 227 billion in accruals made during the year against adjustments to stranded cost estimates.

Net financial expense

Net financial expense increases by lire 125 billion (up 11.1%) due mainly to higher net financial debt, increasing from lire 21,370 billion in 1999 to lire 24,138 billion in 2000, and to the increase in interest rates (6-month average Euribor increasing from 3.05% in 1999 to 4.55% in 2000). The increase would have been higher had the Group not restructured its debt portfolio. In such context, financial charges include lire 30 billion relating to the premium paid on the early repayment of the Enel 1993-2003 9.60% fixed-rate bond issue amounting to lire 1,000 billion, carried out on November 20, 2000. The ratio of total financial expense on revenues declines from 2.8% in 1999 to 2.6% in 2000.

Write-down of equity investments

The amount of lire 72 billion refers mainly to the write-down of lire 68 billion in the value of shares held in Echelon Corporation, carried out following the negative performance of the stock in the market.

Equity investments

The amount of lire 815 billion refers almost in full to the Group's share in the loss for the year reported by WIND and includes the amortization over a period of 15 years of the goodwill paid to Deutsche Telekom for the acquisition of a 5.63% share in the capital stock of the company.

Extraordinary items

Extraordinary items amount to lire 371 billion, as compared with negative lire 497 billion in 1999.

Extraordinary gains include basically a gain of lire 309 billion resulting from the court settlement on nuclear related charges, a gain of lire 117 billion resulting from the settlement of litigation relating to the Vajont disaster and the disposal of assets, relating primarily to the sale of two electricity distribution businesses to local utility companies for lire 136 billion. Among extraordinary charges are those incurred for incentives to early retirement amounting to lire 197 billion (lire 792 billion in 1999).

Income before taxes

Income before taxes declines over the previous year by lire 927 billion (down 11.1%), due to the following factors:

In billions of lire

Decrease in operating income	(1,222)
Increase in net financial expense	(125)
Write-down of investments	(448)
Extraordinary items	868
TOTAL	(927)

Income taxes

Income taxes increase by lire 627 billion (down 16.4%), determining an effective tax rate equal to 43.0%, as compared to 45.7% in 1999, due to the following:

- 1999 pre-tax income included extraordinary gains resulting from previous years' tax credits, bringing the adjusted tax rate to about 49%;
- the amount of taxes payable in 2000 benefited from the recalculation of deferred taxes according to lower IRPEG tax rates applicable from 2001. Deferred taxes for the 2000 financial year have also been adjusted to take into account new tax rates. The impact of such adjustments on the effective tax rate results in a benefit of about 5%, due to which the adjusted tax rate comparable with that for 1999 is equal to about 48%.

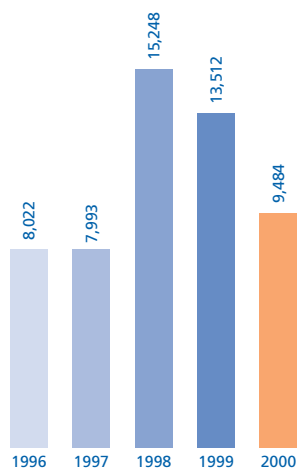
Financial flows for the year are shown in the statement of cash flows below:

In billions of lire

	2000	1999	2000-1999
CASH FLOW FROM OPERATIONS			
Net income	4,236	4,541	(305)
Depreciation	6,697	6,201	496
Write-down of fixed assets	887	804	83
Net change in provisions	225	279	(54)
Net change in employee termination indemnity provision	(43)	99	(142)
Capital gains/losses	(136)	94	(230)
Interest income	(289)	(356)	67
Interest charges	1,545	1,487	58
Income taxes	3,193	3,258	(65)
<i>Cash generated by operations before changes in working capital</i>	<i>16,315</i>	<i>16,407</i>	<i>(92)</i>
(Increase)/Decrease:			
Inventories	(1,078)	(217)	(861)
Receivables	(1,867)	(1,349)	(518)
Accrued income and prepaid expenses	(60)	39	(99)
Net current receivables from Electricity Equalization Fund	(3,244)	765	(4,009)
Payables	2,395	1,877	518
Accrued liabilities and deferred income	279	84	195
<i>Cash generated by operations</i>	<i>12,740</i>	<i>17,606</i>	<i>(4,866)</i>
Interest received	289	356	(67)
Interest paid	(1,600)	(1,842)	242
Income taxes paid	(1,945)	(2,608)	663
Cash generated by current operating activities	9,484	13,512	(4,028)
CASH FLOW FROM INVESTMENTS			
Investments in intangible assets	(314)	(97)	(217)
Investments in fixed assets	(4,679)	(5,653)	974
Investments in unconsolidated Group companies	(2,264)	(97)	(2,167)
Disposal of fixed assets	350	44	306
Other changes	268	1,250	(982)
Cash employed in investing activities	(6,639)	(4,553)	(2,086)
CASH FLOW FROM FINANCING ACTIVITIES			
Change in medium- and long-term debt	(2,143)	(5,958)	3,815
Change in short-term debt	4,563	3,002	1,561
Dividends paid and reserves distributed	(2,813)	(6,387)	3,574
Advances paid on employee retirement benefits	(2,543)	-	(2,543)
Other changes	15	2	13
Advances paid on employee termination indemnity for the purchase of Enel shares	-	(1,445)	1,445
Cash employed in financing activities	(2,921)	(10,786)	7,865
CASH FLOW GENERATED (EMPLOYED)	(76)	(1,827)	1,751
BEGINNING CASH BALANCE	1,027	2,854	(1,827)
ENDING CASH BALANCE	951	1,027	(76)

Cash flow from operations

In billions of lire



Cash flow from operations

In 2000, operations generated a **cash flow** amounting to lire 9,484 billion, as compared with lire 13,512 billion in the previous year. The decline of lire 4,028 billion is due almost in full to current account flows relating to the Electricity Equalization Fund. In 1999, in fact, the retrieval of the amount receivable from the Fund for thermal charges, originating flows amounting to lire 765 billion, was completed. Net receivables from the Fund increased in 2000 due to higher thermal contributions amounting to a total of lire 3,244 billion.

Cash flow from operations before changes in net assets remained constant at lire 16,315 billion, as compared with lire 16,407 billion in 1999.

Flows resulting from changes in net current assets other than those relating to Electricity Equalization Fund contributions had a minor net effect. Higher cash absorbed by inventories due to the increase in the price of fuels purchased and to trade receivables, was compensated by the increase in trade payables and lower income taxes payable.

Cash flow from investments

Higher investments, up lire 2,086 billion, mainly in equity investments in unconsolidated companies, resulted in higher cash requirements. The acquisition of a 5.63% share in WIND Telecomunicazioni, following the divestment on the part of Deutsche Telekom, and the payment of the share in the capital increase of the company, resulted in an expense of lire 1,869 billion. Moreover, the acquisition of a 7.92% share in the capital of Echelon Corporation, in the context of the "electronic meter project", resulted in an investment of lire 293 billion. Cash generated from the conferral and subsequent sale of a 51% share in Immobiliare Foro Bonaparte, amounting to lire 798 billion, offset the expense (represented by the payment of the purchase price and debt of acquired companies) incurred in the acquisition of the entire capital stock of the CHI Energy and Colombo Gas groups, amounting to a total of lire 850 billion. Such amounts are recorded under "other changes in fixed assets", among which are included also lire 297 billion resulting from the reduction in long-term receivables. The previous financial year benefited from the recording of lire 1,250 billion received as reimbursement of nuclear related charges.

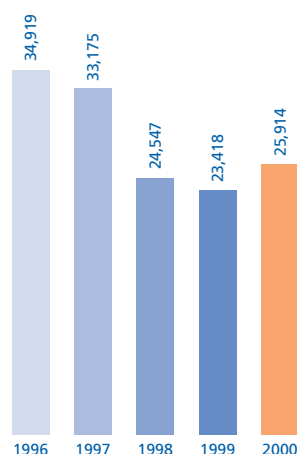
Cash flow from financing activities

Medium- and long-term debt declined in the year by lire 2,143 billion. Debt repayment, both at expiration and early repayments, amounts to lire 4,832 billion. New issues and debt amounted to lire 3,707 billion. In the last part of the year a subordinated loan amounting to lire 906 billion was extended to WIND Telecomunicazioni. Early repayments, aimed at improving the risk/cost profile of outstanding debt, included the full repayment of a lire 1,000 billion 1993-2003 9.60% fixed-rate bond issue. On the issue side, in 2000 Enel launched a Medium-Term Notes Program for a total amount of euro 3 billion. As part of such program, on November 28, 2000 a 5-year, 5.875% annual fixed-rate bond issue amounting to euro 750 million (lire 1,452 billion) was placed on the market.

The increase in short-term debt (net of factoring receivables) amounts to lire 4,563 billion, and results from the higher use of short-term credit lines, allowing for a higher flexibility in the management of debt, benefiting from the decline in interest rates. Among main short-term operations concluded in the year, is the underwriting by a pool of banks of an euro 10 billion revolving credit line used, among other things, to ensure financial coverage for the acquisition of Infostrada.

A financial expense of lire 2,543 billion was moreover recorded in 2000 following the payment of the first installment of the extraordinary contribution for the elimination of the Electricity Industry Employee Pension Fund and the early payment of retirement benefits to individuals who participated in the offer.

Total financial debt
In billions of lire



Cash flow generated in the year and cash balance

The above described flows determined a reduction of lire 76 billion in the beginning cash balance, declining from lire 1,027 billion at the end of 1999 to lire 951 billion at December 31, 2000.

Total financial debt at December 31, 2000 and changes over December 31, 1999 are shown in the table that follows:

In billions of lire

	at Dec. 31, 2000	at Dec. 31, 1999	2000-1999
Medium- and long-term debt:			
- Mortgages	7,444	6,890	554
- Bonds	12,924	14,598	(1,674)
- Own bonds and other items	(1,110)	(789)	(321)
	19,258	20,699	(1,441)
- Payables to other financing entities	204	-	204
Total medium- and long-term debt	19,462	20,699	(1,237)
Loan extended to WIND Telecomunicazioni	(906)	-	(906)
Medium- and long-term net financial position	18,556	20,699	(2,143)
Short-term debt:			
- 18-month loans	1,983	-	1,983
- Use of revolving credit lines	3,226	-	3,226
- Other short-term bank debt	2,592	3,003	(411)
	7,801	3,003	4,798
Other short-term financial debt	614	743	(129)
Total short-term debt	8,415	3,746	4,669
Factoring receivables	(106)	-	(106)
Cash at banks and marketable securities	(951)	(1,027)	76
	(1,057)	(1,027)	(30)
Net short-term financial position	7,358	2,719	4,639
TOTAL FINANCIAL DEBT	25,914	23,418	2,496

The [Balance Sheet](#) at December 31, 2000 and 1999, reclassified in accordance with international accounting practices and current regulations, is reported in the table that follows:

In millions of euro		In billions of lire		
at Dec. 31, 2000		at Dec. 31, 2000	at Dec. 31, 1999	2000-1999
	Net fixed assets:			
38,066	- Tangible and intangible	73,706	73,534	172
1,466	- Financial	2,838	1,442	1,396
39,532	Total	76,544	74,976	1,568
	Net current assets:			
3,709	- Trade receivables	7,181	5,687	1,494
1,652	- Inventories	3,198	1,944	1,254
2,723	- Other assets and net receivables from Electricity Equalization Fund	5,272	1,773	3,499
(4,538)	- Trade payables	(8,786)	(6,258)	(2,528)
(239)	- Net taxes payable	(463)	(1,745)	1,282
(4,867)	- Other liabilities	(9,422)	(5,748)	(3,674)
(1,560)	Total	(3,020)	(4,347)	1,327
37,972	Gross capital employed	73,524	70,629	2,895
	Provisions:			
(1,525)	- Employee termination indemnity	(2,953)	(2,996)	43
(413)	- Retirement benefits	(799)	(2,041)	1,242
(3,152)	- Net deferred taxes	(6,103)	(4,974)	(1,129)
(1,170)	- Other provisions	(2,266)	(3,151)	885
(6,260)	Total	(12,121)	(13,162)	1,041
31,712	Net capital employed	61,403	57,467	3,936
18,312	Shareholders' Equity	35,457	34,034	1,423
17	Minority interests	32	15	17
13,383	Total financial debt	25,914	23,418	2,496
31,712	TOTAL	61,403	57,467	3,936

Tangible and intangible [assets](#) increase by lire 172 billion, as a result of higher intangible assets, up 4,374 billion, and a decline in tangible assets of lire 4,202 billion. The former include the recording of the charge relating to the suppression of the Electricity Industry Employee Pension Fund for a total amount, net of amortization for the year, of lire 3,745 billion. It includes moreover changes in the consolidation area amounting to lire 141 billion, in addition to increases of lire 508 billion.

The reduction in tangible assets is due mainly to lire 1,965 billion of disposals following the abandonment of suspended investment projects, the transfer of a real-estate business unit worth lire 950 billion to Immobiliare Foro Bonaparte, lire 1,726 billion of excess depreciation over investments for the year, and lire 421 billion of changes in the consolidation area.

Financial assets increase by lire 1,396 billion due to a lire 1,693 billion increase in unconsolidated equity investments and a lire 297 billion reduction in receivables. The increase in equity investments refers mainly to the following transactions:

- a net increase of lire 1,056 billion in the value of equity held in WIND following the acquisition of a 5.63% share of the company's capital stock from Deutsche Telekom, its capital increase and the share in the loss reported by WIND for the year, in addition to the amortization of goodwill;
- acquisition of a 7.92% share in the capital stock of Echelon Corporation for lire 293 billion, and the lire 68 billion write-down in the value of the same;
- value of the shares in Immobiliare Foro Bonaparte received in exchange for the transfer of a business unit to the same, after the sale of a 51% share in the company to third parties for lire 259 billion;
- equity acquired in the context of venture capital operations amounting to lire 71 billion;
- equity investments held by newly acquired CHI Energy, amounting to lire 61 billion.

Net current assets, having a negative value of lire 4,347 billion at the end of 1999, had a negative value of lire 3,020 billion at December 31, 2000. The change of lire 1,327 billion represents the difference between the estimated amount payable to INPS for the said extraordinary contribution relating to the Electricity Industry Employee Pension Fund amounting to lire 2,628 billion (representing the residual amount payable in two installments in 2001 and 2002 respectively), and the lire 3,955 billion increase relating to other components.

The increase in the price of fuel recorded in the year had a significant influence on the main components of net current assets, contributing to their growth. In particular:

- amounts receivable from customers, increasing by lire 1,494 billion, were affected by higher amounts payable for thermal fuel costs;
- inventories increased by lire 1,254 billion while trade payables increased by lire 2,528 billion, both affected by higher average fuel costs;
- net receivables from the Electricity Equalization Fund, increasing by lire 3,244 billion, reflect higher contributions received for thermal generation and the acquisition of electricity from third parties, growing due to the component relating to the price of fuel.

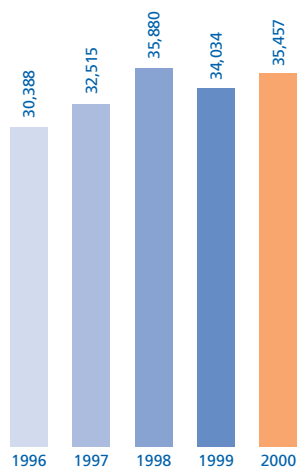
Among remaining items are net taxes payable, declining by lire 1,282 billion, due to lower taxable income and the recording of deductions relating to components on which taxed accruals had been made in previous years.

Other liabilities reflect, in addition, to the liability relating to the suppression of the Electricity Industry Employee Pension Fund, the recording of higher payables to personnel and labor associations amounting to lire 483 billion, and payables to customers arising from excess revenues with respect to limits set by the Authority amounting to lire 389 billion. The former originate mainly from the following:

- the provisional payment of contributions to employee associations (Arca, Fisde), recorded also under assets as "receivable from others", made while the final amount due is negotiated with unions upon the renewal of the national labor contract for the sector;
- the recording of the estimated cost relating to early retirement incentives for the year.

Group Shareholders' Equity

In billions of lire



With regards to [other provisions](#), the provision for retirement benefits declines by lire 1,242 billion due to the participation in the offer for the early payment of benefits made in the year, while other provisions decline by lire 885 billion due to uses of amounts accrued in previous years in view of losses relating to suspended investment projects.

The [Group Shareholders' Equity](#) increases by lire 1,423 billion, representing the balance between net income of lire 4,236 billion and lire 2,813 billion in dividends distributed. Minority interests increase by lire 17 billion mainly due to the share in the capital of CHI Energy held by shareholders outside the Enel Group.

[Total financial debt](#) amounted at the end of the year to lire 25,914 billion, representing 0.73 of Shareholders' Equity, as compared with 0.69 at the end of 1999.

[Net capital employed](#) at December 31, 2000 amounted to lire 61,403 billion, increasing by lire 3,936 billion, 58% of which represented by Shareholders' Equity, as compared to 59% at the end of 1999.



2000

Consolidated
Financial Statements



Consolidated Balance Sheet

In billions of lire	Sub-total	Total	Sub-total	Total
ASSETS	at December 31, 2000		at December 31, 1999	
A) SHARE CAPITAL NOT PAID-IN	-		-	
B) FIXED ASSETS				
I. Intangible assets				
- Incorporation costs	4		4	
- Industrial patents and intellectual property rights	25		30	
- Trademarks, concessions and licenses	17		-	
- Goodwill	42		-	
- Work in progress and advances	182		40	
- Other	3,950		49	
- Consolidation differences	277		-	
		4,497		123
II. Tangible assets				
- Land and buildings	12,426		13,353	
- Plant and machinery	52,256		52,664	
- Industrial and commercial equipment	249		258	
- Other assets	356		380	
- Work in progress and advances	3,922		6,756	
		69,209		73,411
III. Financial assets				
- Equity investments in:				
. unconsolidated subsidiaries	1,511		458	
. affiliated companies	349		2	
. other companies	300		7	
	2,160		467	
Due within 12 months			Due within 12 months	
- Receivables:				
. unconsolidated subsidiaries	906		-	
. affiliated companies	7		-	
. others	254	670	293	878
. Electricity Equalization Fund as reimbursement for nuclear related charges	-	-	96	96
	1,583		974	
- Other securities	1		1	
		3,744		1,442
Total fixed assets		77,450		74,976
Due beyond 12 months			Due beyond 12 months	
C) CURRENT ASSETS				
I. Inventories				
- Raw materials	2,144		1,256	
- Buildings to be sold	626		622	
- Contract work in progress	254		66	
- Advances	174		-	
		3,198		1,944
II. Receivables				
- Trade	198	6,938	183	5,687
- Unconsolidated subsidiaries		246		194
- Affiliated companies		14		2
- Others	400	3,441	403	2,880
- Electricity Equalization Fund, current		6,626		2,828
		17,265		11,591
III. Short-term investments				
- Marketable securities	1,200		774	
- Financial receivables	157		-	
		1,357		774
IV. Cash and cash equivalents				
- Bank and Post Office deposits	752		977	
- Cash	3		2	
		755		979
Total current assets		22,575		15,288
D) ACCRUED INCOME AND PREPAID EXPENSES				
- Accrued income		29		21
- Prepaid expenses:				
. issue discounts	10		8	
. other	268		225	
		278		233
Total accrued income and prepaid expenses		307		254
TOTAL ASSETS		100,332		90,518

In billions of lire	Sub-total	Total	Sub-total	Total
LIABILITIES AND SHAREHOLDERS' EQUITY	at December 31, 2000		at December 31, 1999	
A) SHAREHOLDERS' EQUITY				
I. Capital stock		12,126		12,126
IV. Legal reserve		2,425		2,425
VII. Other reserves:				
- Restatement reserve (Law 292/1993)	6,036		6,036	
- Other reserves	39		39	
- Consolidation reserve	17		17	
		6,092		6,092
VIII. Retained earnings		10,578		8,850
IX. Net income		4,236		4,541
Shareholders' Equity		35,457		34,034
Minority interests		32		15
Total		35,489		34,049
B) PROVISIONS FOR RISKS AND CHARGES				
- Retirement benefits	799		2,041	
- Income taxes	7,336		6,206	
- Other	2,266		3,151	
Total		10,401		11,398
C) EMPLOYEE TERMINATION INDEMNITY		2,953		2,996
Due beyond 12 months			Due beyond 12 months	
D) ACCOUNTS PAYABLE				
- Bonds	10,076	12,924	12,340	14,598
- Banks:				
. medium- and long-term loans	6,302	7,444	5,410	6,890
. short-term loans		7,801		3,003
- Payables to other financing entities:				
. medium- and long-term loans	191	204	-	-
. short-term loans		600		-
- Advances	28	601	268	1,972
- Trade	67	8,488	169	6,258
- Subsidiaries and affiliated companies		739		1,076
- Taxes	41	1,176	-	2,272
- Social Security	1,341	3,230	122	771
- Other payables	77	3,896	298	1,712
- Electricity Equalization Fund		3,118		2,564
Total		50,221		41,116
E) ACCRUED LIABILITIES AND DEFERRED INCOME				
- Accrued liabilities		312		240
- Deferred income:				
. premium on bond issues		16		18
. other		940		701
		956		719
Total		1,268		959
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		100,332		90,518
COMMITMENTS				
- Guarantees given		175		40
- Other commitments		92,295		168,861
Total commitments		92,470		168,901

Consolidated Income Statement

In billions of lire	Sub-total	Total	Sub-total	Total
	2000		1999	
A) REVENUES				
- Revenues from sales and services:				
. energy sales	24,757		26,419	
. Electricity Equalization Fund contributions	18,932		11,772	
. connection fees	1,223		1,124	
. other sales and services	2,701		530	
		47,613		39,845
- Changes in contract work in progress		188		53
- Capitalized expenses		1,701		1,930
- Other revenues:				
. contributions received	8		17	
. other	972		669	
		980		686
Total revenues		50,482		42,514
B) OPERATING COSTS				
- Raw materials		21,805		14,877
- Services		4,444		2,006
- Leases and rentals		449		512
- Personnel:				
. wages and salaries	4,776		5,076	
. social security	1,337		1,552	
. employee termination indemnity	421		462	
. retirement benefits	42		55	
. other costs	261		257	
		6,837		7,402
- Depreciation and write-downs:				
. intangible asset amortization	292		52	
. tangible asset depreciation	6,405		6,149	
. other write-downs of investments	4		70	
. write-down of receivables included under current assets	142		113	
		6,843		6,384
- Change in inventories		-713		-212
- Accrual to provisions for risks and charges		430		387
- Other accruals		458		182
- Other operating costs		725		550
Total operating costs		41,278		32,088
Operating income (A-B)		9,204		10,426
C) FINANCIAL INCOME AND EXPENSE				
- Other financial income:				
. from long-term receivables:				
. other	57		114	
. from marketable securities	36		6	
. other income:				
. other	196		236	
		289		356
- Interest and other financial expense:				
. from subsidiaries	-		5	
. other	1,545		1,482	
		1,545		1,487
Total financial income (expense)		-1,256		-1,131

In billions of lire	Sub-total	Total	Sub-total	Total
	2000		1999	
D) ADJUSTMENTS TO THE VALUE OF INVESTMENTS				
- Write-downs:				
. of investments	887	887	439	439
Total adjustments to the value of investments		-887		-439
E) EXTRAORDINARY ITEMS				
- Income:				
. capital gains on disposal of assets	136		49	
. other	667	803	1,017	1,066
- Expense:				
. capital losses on disposal of assets	1		240	
. previous years' taxes	-		1	
. other	431	432	1,322	1,563
Total extraordinary items		371		-497
Income before taxes and minority interests (A-B+C+D+E)		7,432		8,359
- Income taxes		3,193		3,820
NET INCOME BEFORE MINORITY INTERESTS		4,239		4,539
- Minority interests		-3		2
NET INCOME		4,236		4,541

Notes to the Financial Statements

Form and content of the Consolidated Financial Statements

The area of consolidation includes the Group's Parent Company, Enel, and the companies on which it exercises, either directly or indirectly, control by holding the majority of the voting rights, pursuant to article 2359 of the Italian Civil Code.

As shown in the attached list of investments, a number of companies and consortia have been excluded from the consolidation area since not relevant and the fact that some were not operational in the year due to their recent creation. With reference to WIND Telecomunicazioni, at the end of July 2000, following the divestment made by Deutsche Telekom, the share held by Enel increased from 51.00% to 56.63% while agreements for the control and management of the company have been reviewed with partner France Télécom. The investment in WIND was consolidated on equity as the period during which restrictions applied to Enel's control was prevalent in the year. Starting in 2001, the company will be consolidated using the line-by-line method. The valuation of the equity investment includes the premium of lire 1,115 billion paid for its acquisition. The share in the income of the company, recorded in the Income Statement under "Equity investments", includes the amortization expense on such amount for the year, calculated over a period of 15 years. Complete financial and operating information regarding the company is included in the related section of the Report on operations.

A list of companies included in the consolidation area using the line-by-line method and for which the financial year coincides with the calendar year, is enclosed and represents an integral part of the present notes.

No relevant change in the consolidation area occurred from 1999. Newly acquired companies CHI Energy (only as far as financial position is concerned, as the acquisition took place in December 2000), and Colombo Gas have been included for the first time. Companies Enel.FTL, Enel.it, Enelpower and Enel.Factor became operational in the year and have thus also been included in the consolidation. The magnitude of the above changes does not however affect the comparability of amounts reported for the 2000 and 1999 financial years. The amounts resulting from such changes are reported in the notes under the respective items affected.

The financial statements of consolidated companies have been prepared in accordance with criteria established by Italian Law, interpreted and integrated by accounting principles generally accepted in Italy, consistent throughout the Group, eliminating where necessary entries made solely for tax purposes and bringing them into line with accounting principles adopted in the preparation of the financial statements of the Group's Parent Company.

Prepaid income taxes were recorded among other receivables and not as a reduction of the provision for deferred taxes as for the financial statements at December 31, 1999. The Consolidated Balance Sheet at December 31, 1999 has therefore been reclassified in line with the above described change. Amounts reported in the financial statements and the related notes are stated in billions of Italian lire.

Consolidation principles

Main consolidation techniques adopted in line with the previous year are described below.

- The difference between the acquisition cost of equity investments and the related share in the Shareholders' Equity acquired is recorded as an adjustment to specific asset or liability items, based on the valuation made at the time at which the share was purchased or at which control was acquired, in case the latter is due to subsequent equity acquisitions. Positive differences are recorded under intangible assets as "Consolidation differences"; negative amounts are recorded under "Consolidation Reserve" in the consolidated Shareholders' Equity.
- Minority interests in the income and Shareholders' Equity of consolidated companies are recorded in the Income Statement and under Shareholders' Equity in the Balance Sheet.

- Relevant unrealized gains and losses from transactions between Group companies as well as debit and credit items, costs and revenues generated between consolidated companies are eliminated.
- Dividends distributed between Group companies are eliminated from the consolidated Income Statement.
- Adjustments made to the financial statements of individual companies to eliminate tax related entries with the aim of bringing them into line with accounting principles consistently applied within the Group, and all other consolidation adjustments, keep into account, when applicable, prepaid and deferred taxes, recorded in the tax provision.
- Balance Sheet items of companies operating in countries that are not part of the euro area are translated into Italian lire at the exchange rate in force at the closing of the financial statements (lire 2,081 per US dollar; lire 3,102 per British Pound). Income Statement items are translated into Italian lire at the average exchange rate for the period (lire 3,177 per British Pound). Differences arising from the translation into Italian lire of the accounts are recorded in the Shareholders' Equity under the "reserve for foreign exchange translation differences".

Accounting principles

The valuation criteria used in the preparation of the Financial Statements at December 31, 2000 are consistent with those applied in the Financial Statements at December 31, 1999. These criteria are in line with those provided for in article 2426 of the Italian Civil Code, integrated by the accounting principles adopted by the Italian accounting profession. The most significant criteria are illustrated below.

Intangible assets

Intangible assets are recorded following the same criteria adopted for tangible assets. They include the non-amortized balance of investments whose economic life spans over several years. For assets acquired for a consideration, depreciation is recorded in the Balance Sheet and calculated on a straight line over five years or a different period deemed to be more representative of the expected useful life of the assets. Such criteria are adopted also for consolidation differences. The extraordinary contribution due upon the suppression of the Electricity Sector Employee Pension Fund, pursuant to Law 488, December 23, 1999 (2000 Budget Law), has also been recorded under intangible assets. The amount is amortized over a period of 20 years, as also provided by Law.

Tangible assets

Tangible assets are recorded at purchase or production cost, inclusive of any additional expense incurred, net of revaluations made pursuant to applicable regulations. The value of primary electric equipment includes interest on investment in new equipment up to December 31, 1988. In case of permanent impairment in value, costs recorded are written down accordingly (net of accumulated depreciation).

Ordinary maintenance costs are charged to the Income Statement for the year in which they have been incurred.

Tangible assets are depreciated on a straight line at rates reflecting their expected residual useful life, determined according to specific surveys, keeping into account, in the case of distribution networks, contributions received from customers. Assets in concession are amortized over the life of the concession, where this is shorter than the expected useful life.

With reference to the electricity sector, main depreciation rates applied are shown in the table that follows:

	Depreciation rate
Buildings	2.5%
Hydroelectric power plants ^(*)	2.5%
Thermal power plants	5.0%
Geothermal power plants	8.0%
Power plants using other sources	4.7%
Power lines	2.85%
Transformer stations	5.0%
Medium- and low-voltage distribution lines	5.0-5.5%

^(*) Excluding assets in concession

The above rates are reduced by half for assets acquired during the year. Depreciation charges in excess of the above rates, recorded by individual companies exclusively for tax purposes, have been netted out, taking into account the related tax effect.

Financial assets

Equity investments in unconsolidated subsidiaries and in other companies have been valued at the acquisition or underwriting cost, adjusted where necessary for permanent impairment in value. Investments in consolidated companies are valued at equity. The investment in WIND Telecomunicazioni has been valued at equity due to the reasons described above.

“Other securities” include Enel bonds recorded at nominal value and other bonds recorded at the acquisition cost, adjusted downwards in case of permanent loss in value.

Inventories

Raw material, auxiliary and consumption goods inventories are valued at the weighted average acquisition cost.

Obsolete and slow moving stocks are written down according to their expected use or realizable value.

Contract work in progress is valued at the amounts set in order contracts accrued with reasonable certainty, according to stages of completion.

Receivables and financial assets

Receivables are recorded at their expected realizable value and classified among “Financial assets” and “Current assets”, according to their nature and use. Non-interest bearing long-term receivables are recorded at their current value determined according to the interest rate applicable at the time of their recording.

“Marketable securities” included in current assets are represented by Enel bonds valued at their nominal value and by other bonds and Government securities recorded at the lower between acquisition cost and market value, equal in the case of listed securities to the average Stock Market price for the month of December.

Accruals and deferrals

Accruals and deferrals are recorded as accrued. Issue discounts and other costs relating to financing are recorded in the Income Statement over the life of the loan or issue to which they refer.

Provisions for risks and charges

Provisions for retirement benefits

Provisions for retirement benefits are accrued mainly pursuant to union agreements relating to supplementary pension benefits for management. Beginning with April 1, 1998, a new pension fund named FONDENEL for currently employed managers has been established, and the provision therefore refers only to already retired managers. The provision, moreover, includes compensation paid in lieu of notice to existing personnel who has accrued such right pursuant to applicable collective labor contracts and union agreements.

Income taxes

Provisions for income taxes include provisions for deferred taxes on income. Accordingly they include deferred tax liabilities, excluding those relating to reserves for which the application of the tax is suspended, which are recorded when due and according to the amount of taxes payable.

Income taxes payable for the year are recorded among tax liabilities according to expected income taxes payable by the Group pursuant to current tax regulations, keeping into account, where applicable, tax exemptions and tax credits.

Tax prepayments are recorded under assets among other receivables, limited to the amount reasonably expected to be recovered in the future.

Other provisions for risks and charges

Other provisions for risks and charges are accrued against known or probable losses and charges whose amount and timing is undetermined at the closing date of the financial statements. Accruals are made on the basis of the best estimate made according to information available.

Provisions for employee termination indemnity

The provisions cover amounts owed to employees pursuant to the Italian Law and labor contracts in force at the date of the financial statements, net of advances made and Pension Fund contributions withheld.

Accounts payable

Accounts payable are recorded at face value.

Capital grants

Grants received for the execution of specific work, the value of which is included under tangible assets, are recorded as accrued income at the time at which legal title to the grant is recognized and the amount may be determined with reasonable certainty. They are deferred and recorded in the Income Statement over the depreciated life of the assets to which they refer.

Other grants

Other grants are recorded in the Income Statement at the time at which legal title to the grant is recognized and the amount may be determined with reasonable certainty.

Revenues

Revenues from the sale of electricity are calculated on the basis of criteria consistent over time according to consumption measured by meter readings carried out at set intervals, including amounts not yet billed at December 31. Calculations are based on tariffs established by the Authority for Electricity and Gas, applicable for the year. Revenues from other services and the sale of goods are recorded at the time at which the service is supplied or at the transfer of ownership of the goods.

Translation of amounts denominated in foreign currencies

Receivables and payables denominated in foreign currencies are translated into Italian lire at the exchange rate in force at the time of the transaction.

At the closing date of the financial statements, amounts denominated in foreign currencies are translated into Italian lire at current exchange rates, and differences are recorded in the Income Statement among financial income and expenses.

Interest rate and currency hedging instruments

In order to hedge against the risk of fluctuations in interest and exchange rates, the Group enters into derivative contracts to hedge specific amounts or total exposure positions.

Interest rate differentials accrued on interest rate derivatives are recorded as accrued in the Income Statement among financial income and expenses, in line with changes in the value of the underlying assets.

Foreign currency hedging instruments are valued at exchange rates in force at the closing date of the financial statements. Related gains and losses are recorded in the Income Statement as exchange rate differences. The price paid or received on such instruments is deferred and recorded in the Income Statement over the life of the instrument purchased or sold.

Derivative contracts originally concluded as hedging contracts for which the underlying asset or liability is extinguished prior to expiration or is not specifically identifiable, are valued at the closing date of the financial statements at the lower of cost or market value. The effect of the valuation is recorded among financial charges.

The economic effect of currency or energy commodity contracts aimed at hedging the risk of fluctuations in exchange rates and the price of fuels implicit in the current tariff system, are charged or credited directly to the cost of fuels used in thermal production.

Environmental costs

Environmental costs refer to the avoidance, reduction and monitoring of the environmental impact of production activities.

Recurrent environmental costs are recorded in the Income Statement in the year in which they are incurred, while costs relating to the extension of the useful life, increase in capacity and improvement in the safety of tangible assets to which they refer are recorded under the specific asset.

Provisions for risks and charges are accrued when it is probable or certain that the cost will be incurred and its amount can be reasonably estimated.

Balance Sheet - Assets

Fixed assets

Intangible assets - lire 4,497 billion

Changes for the year and the breakdown of intangible assets are shown in the table that follows:

In billions of lire		Increases	Changes in consolidation area	Depreciation	Other changes	
	at Dec. 31, 1999					at Dec. 31, 2000
Incorporation costs	4	1	-	(1)	-	4
Industrial patents and intellectual property rights	30	17	-	(23)	1	25
Trademarks, concessions and licenses	-	2	15	-	-	17
Goodwill	-	-	46	(4)	-	42
Consolidation differences	-	289	-	(12)	-	277
Work in progress and advances	40	177	-	-	(35)	182
Other:						
- extraordinary contribution for Electricity Industry Pension Fund	-	3,942	-	(197)	-	3,745
- software development	39	88	-	(41)	14	100
- other	10	29	80	(14)	-	105
Total	49	4,059	80	(252)	14	3,950
TOTAL	123	4,545	141	(292)	(20)	4,497

At December 31, 2000, intangible assets include mainly the extraordinary contribution relating to the elimination of the Pension Fund for the employees of Enel and other private electricity companies, due pursuant to Law no. 488, December 23, 1999 (2000 Budget Law). Based on the amount of the first installment, Enel's total contribution is quantified at lire 3,942 billion, expensed on a straight line over a period of 20 years, as allowed also by the above mentioned Budget Law.

Social security payables include lire 2,628 billion representing the above amount, net of the first installment payment made to INPS in November 2000. The two residual installments will be paid out in November 2001 and 2002 respectively.

"Incorporation costs" refer to the expense relating to the incorporation of companies, amendments to by-laws and capital stock increases.

"Industrial patents and intellectual property rights" are made up primarily by costs incurred in the acquisition of user licenses for software application packages. They are amortized over a period of three years.

The increase in "Trademarks, concessions and licenses" refers mainly to the acquisition of US company CHI Energy.

"Goodwill" refers to amounts already recorded under assets for Colombo Gas (lire 35 billion) and CHI Energy (lire 7 billion). The amount relating to Colombo Gas refers to the concessions for the distribution of gas held by the subsidiary, and is amortized over a period of 10 years, in line with the average residual life of the concessions.

“Consolidation differences” represent the difference between the acquisition price and the Shareholders’ Equity acquired at the time of the acquisition of CHI Energy (lire 174 billion), Colombo Gas (lire 78 billion), and Camigas (lire 37 billion).

Amounts relating to Colombo Gas and Camigas are treated in the same manner as goodwill and are amortized over a period of 10 years. The consolidation difference relating to CHI Energy has not been amortized due to the fact that the acquisition took place in December 2000. Only year-end balances have thus been recorded. The appropriate term for the amortization is currently being determined.

“Work in progress and advances” include costs incurred in the development of a number of important projects among which the introduction of the SAP information system, a system for the remote control and management of services (“electronic meter”), the creation of a chart management system for the electricity distribution network (Sigraf), and the implementation of an innovative long-distance training program.

“Software development” costs refer to application packages currently in use, developed for internal use and expected to be utilized for several years. They are amortized over a period of three years.

Other intangible assets include capitalized costs recorded in the financial statements of newly acquired CHI Energy, amortized over their expected residual useful life.

Tangible assets - lire 69,209 billion

The table that follows shows a breakdown of tangible assets and changes occurred in the year:

In billions of lire		Investments	Coming into service	Divestments	Depreciation	Other changes	Changes in consolidation area	Conferrals to Immobiliare Foro Bonaparte	
	at Dec. 31, 1999								at Dec. 31, 2000
Land and buildings	13,353	133	457	(2)	(611)	(1)	22	(925)	12,426
Plant and machinery	52,664	3,295	1,805	(149)	(5,618)	(3)	262	-	52,256
Industrial and commercial equipment	258	42	1	(7)	(60)	15	-	-	249
Other assets	380	55	21	(4)	(116)	19	4	(3)	356
Total assets	66,655	3,525	2,284	(162)	(6,405)	30	288	(928)	65,287
Work in progress and advances	6,756	1,154	(2,284)	(70)	-	(1,745)	133	(22)	3,922
TOTAL	73,411	4,679	-	(232)	(6,405)	(1,715)	421	(950)	69,209

Revaluations made pursuant to the Law and to adjustments introduced by Law 292/1993 to the gross value of assets at December 31, 2000 are as follows:

In billions of lire

Land and buildings	5,735
Plant and machinery	20,174
Plant and equipment under construction	29
TOTAL	25,938

The table that follows shows gross tangible fixed assets at December 31, 2000, accumulated depreciation and the resulting net value. The table shows also percentage accumulated depreciation on gross asset values at December 31, 2000 and 1999.

In billions of lire	Gross book value	Accumulated depreciation	Net book value	% accumulated depreciation on total gross asset value	
				at Dec. 31, 2000	at Dec. 31, 1999
Land and buildings	19,020	6,594	12,426	34.7%	31.7%
Plant and machinery	131,105	78,849	52,256	60.1%	58.2%
Industrial and commercial equipment	1,039	790	249	76.0%	75.9%
Other assets	1,799	1,443	356	80.2%	80.2%
TOTAL FIXED ASSETS	152,963	87,676	65,287	57.3%	55.2%

The breakdown of tangible assets by category of use at December 31, 2000 is shown in the table below:

In billions of lire	Fixed assets, gross	Accumulated depreciation	Fixed assets, net
Generating plants ⁽¹⁾ :			
- thermal	43,690	23,659	20,031
- hydroelectric	17,839	6,941	10,898
- geothermal	3,023	1,521	1,502
- alternative sources	131	25	106
Total generating plants	64,683	32,146	32,537
Power lines and transformer stations	11,757	5,477	6,280
Electricity and gas distribution networks	64,479	45,226	19,253
Other plant, machinery and equipment	5,029	3,038	1,991
Non industrial buildings ⁽²⁾	6,775	1,738	5,037
Civil buildings	198	51	147
Land	42	-	42
Total fixed assets	152,963	87,676	65,287
Contract work in progress and advances	3,922	-	3,922
TOTAL	156,885	87,676	69,209

⁽¹⁾ Amounts include the value of industrial property

⁽²⁾ Offices, warehouses, etc.

Generating plants include assets in concession, mainly relating to hydroelectric generation, for a total book value of about lire 6,000 billion. Legislative decree no. 79/99 (implementing EU directive 96/92 on domestic electricity markets) set the expiration date for concession for the exploitation of large water bodies held by Enel at year 2029. Law no. 340 dated November 24, 2000 extended to 2020 concessions regarding State property used for thermal generation activities. Barring the renewal of the concessions, at such date, all water collection and regulation works, in addition to high pressure and drainage pipes, shall be returned free of charge to the State in good working order. The same decree no. 79/99 allows the Valle d'Aosta Region and the Autonomous Provinces of Trento and Bolzano to set a date different from 2029 for the expiration of such concessions. The term has not yet been set by the Valle d'Aosta Region, while the Trento and Bolzano Provinces set the expiration of water concessions at 2010. Depreciation of assets in concession is therefore calculated on the shorter between the remaining term of the concession and the residual useful life of the asset.

As in previous years, depreciation for the year has been calculated by applying rates deemed representative of the residual useful life of the assets. Following an internal study, starting January 1, 2000, the depreciation rate used for central and peripheral information systems and geographical information networks has been increased from 20% to 34% due to technological development. Such change resulted in the recording of higher depreciation charges amounting to about lire 40 billion.

Capital expenditure for 2000 and 1999 is shown in the table below:

In billions of lire

	2000	1999
Generating plants:		
- hydroelectric	245	254
- thermal	733	1,179
- geothermal	113	138
- alternative sources	13	7
Total generating plants	1,104	1,578
Power lines and transformer stations	367	436
Distribution networks	2,630	3,246
Land and buildings	207	184
Other assets and equipment	371	209
TOTAL CAPITAL EXPENDITURE	4,679	5,653

The decline of lire 974 billion from 1999 is due to the gradual completion of environmental work on thermal plants, in addition to strong cost reductions achieved through the simplification of technical specifications of components, the widening of the supplier base and technological innovation.

Other changes refer almost entirely to the abandonment of already suspended project in the electricity generation area. The related expense was covered in full by amounts accrued in the past to the provision for risks and charges.

Increases due to changes in the area of consolidation refer to assets belonging to CHI Energy, amounting to lire 329 billion, and to Colombo Gas Group companies, amounting to lire 92 billion.

The conferral of a business to newly incorporated subsidiary Immobiliare Foro Bonaparte was carried out by Sei in the second half of 2000. Against such transfer, Sei received shares representing the entire capital stock of Immobiliare Foro Bonaparte, of which 51% were subsequently sold to third parties, as described in the Report on operations.

Financial assets - lire 3,744 billion

The breakdown of financial assets and changes occurred in the year and in 1999 are shown in the table that follows:

In billions of lire

	at Dec. 31, 2000	at Dec. 31, 1999	2000-1999
Investments:			
- in unconsolidated subsidiaries	1,511	458	1,053
- in affiliated companies	349	2	347
- in other companies	300	7	293
Total	2,160	467	1,693
Receivable from unconsolidated subsidiaries	906	-	906
Receivable from affiliated companies	7	-	7
Receivable from others:			
- receivable from Social Security Institutions as contributions relief (Law 151/93)	189	362	(173)
- withholding taxes on employee termination indemnity (Law 662/96)	315	345	(30)
- other	166	171	(5)
Total	670	878	(208)
Receivables from the Electricity Equalization Fund for nuclear related charges, net of lire 390 billion accrued to the provision for doubtful accounts	-	96	(96)
Other securities	1	1	0
TOTAL	3,744	1,442	2,302

Investments in unconsolidated subsidiaries at December 31, 2000 refer almost entirely to WIND Telecomunicazioni, valued at equity. Changes in the related amount are described in the table below:

In billions of lire	Shareholders' Equity owned	Premium paid	Total
Balance at Dec. 31, 1999	454	-	454
Share in the capital increase and covering of losses	670	-	670
Acquisition of a 5.63% share following divestment from Deutsche Telekom	84	1,115	1,199
Share in the loss reported for 2000	(776)	-	(776)
Amortization of premium paid	-	(37)	(37)
Amount recorded in the Income Statement	(776)	(37)	(813)
BALANCE AT DEC. 31, 2000	432	1,078	1,510

The premium paid, representing the difference between the acquisition price and the Shareholders' Equity acquired at the time of the purchase of the 5.63% share, is amortized over a period of fifteen years.

Investments in affiliated companies are made up as follows:

	In billions of lire	Ownership share	In billions of lire
	at Dec. 31, 2000		at Dec. 31, 1999
Affiliated companies:			
- Immobiliare Foro Bonaparte	259	49.00	-
- Euromedia Luxembourg One	32	28.57	-
- Star Lake Hydro Partnership	20	49.00	-
- EPV Holding	11	37.14	-
- KH (Multimedia Education)	9	49.00	-
- Q-Channel	7	24.00	-
- Lario Distribuzione	6	50.00	-
- Black River Hydro Associates	2	25.00	-
- Other	3	-	2
TOTAL	349	-	2

The investment in Immobiliare Foro Bonaparte was made following the conferral of the mentioned real estate property. Euromedia Luxembourg One carries out venture capital activities, particularly in the media-telecommunications business. Star Lake Hydro Partnership, EPV Holdings and Black River Hydro Associates are US companies generating electricity from renewable sources in which CHI Energy holds equity shares.

Investments in other companies at December 31, 2000 include:

	In billions of lire	Ownership share	In billions of lire	Ownership share
	at Dec. 31, 2000		at Dec. 31, 1999	
- Echelon Corporation	225	7.92	-	-
- ETF Group	26	1.53	-	-
- Sheldon Springs Hydro Associates	20	1.00	-	-
- Internet Partnership Group	11	4.95	-	-
- Lower Saranac Hydro Partners	8	1.00	-	-
- ELCOGAS	2	4.00	3	4.00
- e-Dreams	2	1.61	-	-
- Other companies	6	-	4	-
TOTAL	300	-	7	-

In September the Group acquired for lire 293 billion a 7.92% share of Echelon Corporation, leader in the network connection of common use appliances.

The acquisition of such share aims at the application of Echelon's Lonworks system in the long distance metering project developed by Enel Distribuzione denominated "Electronic meter". The purchase price, equal to \$43.6 per share, is based on the listed price of Echelon shares on the NASDAQ in the period preceding the acquisition.

At December 31, 2000, in view of the listed price of the stock (influenced by the negative performance of the market, particularly with regards to technology stocks), it has been deemed prudential to write down the value of the investment, bringing it into line with the average listed price for the last six months of 2000 (\$33 per share), resulting in a downwards adjustment of lire 68 billion.

ETF Group, Internet Partnership Group and e-Dreams have been acquired in the context of venture capital activities described in the Report on operations. Sheldon Springs Hydro Associates and Lower Saranac Hydro Partners operate in the United States in the hydroelectric sector and are owned by CHI Energy.

"Receivables from unconsolidated subsidiaries" are represented by a loan amounting to lire 906 billion extended to WIND Telecomunicazioni, at a rate of interest equal to the three-month Euribor rate plus 50 basis points. Such amount represents a share of a loan amounting to about lire 4,000 billion underwritten by WIND Telecomunicazioni with Enel and a pool of banks for the acquisition of a UMTS mobile phone license. Any early repayment of the share of the loan extended by Enel is subordinated to the repayment in full of the share extended by banks.

"Social security receivables" amounting to lire 189 billion refer to the present value, discounted at an annual rate of 9.60% in force at the time of its recording, of tax credits relating to personnel operating in Southern Italy (Mezzogiorno), following ruling no. 261 of the Constitutional Court dated June 12, 1991, refundable to the Group's Parent Company in annual installments until 2001, free of interest and revaluations.

"Withholding taxes on employee termination indemnity" refers to amounts paid according to current regulations. Interest accrues on the balance at the same rate applied for amounts accrued to the provision. The decrease registered is due to the reduction in the number of employees.

"Other items" refer mainly to loans made to employees at current rates of interest for the acquisition of their first home and to face exceptional hardships.

"Receivables from the Electricity Equalization Fund for nuclear related charges" at December 31, 2000 show a balance equal to zero. In February 2001, in fact, litigation with the Authority for Electricity and Gas for the annulment of resolution no. 58, dated June 12, 1998, through which the Authority questioned criteria for the reimbursement of nuclear charges amounting to lire 390 billion was concluded. Pending such conclusion, Enel had accrued an equivalent amount to the provision for doubtful accounts in the Financial Statements at December 31, 1997. The Authority's resolution was appealed by Enel to the Lombardy Regional Court, whose ruling no. 612 dated February 18, 1999 accepted a considerable part of the Company's claims, recognizing Enel's right to receive an amount equal to lire 279 billion (excluding interest), leaving the remaining lire 111 billion to be borne by Enel.

The above ruling of the Lombardy Regional Court has however been upheld by Enel to the State Council, with a request for the recognition of the full amount.

In view of the uncertainty regarding the outcome of the legal proceedings, Enel has deemed it prudent not to alter accruals previously recorded in the Financial Statements at December 31, 1999 until the final settlement of the issue.

With a ruling dated February 12, 2001, the State Council rejected Enel's appeal, confirming the ruling of the Lombardy Regional Court.

In the Financial Statements at December 31, 2000, the amount not recognized as receivable has been canceled, together with the related accrual to the provision for doubtful accounts. The amount of lire 309 billion, inclusive of interest accrued, has been recorded among extraordinary income and paid to Enel by the Electricity Equalization Fund in 2000.

Current assets

Inventories - lire 3,198 billion

Inventories are detailed below:

In billions of lire

	at Dec. 31, 2000	at Dec. 31, 1999	2000-1999
Materials and fuels:			
- fuel for thermal generation	1,477	876	601
- materials, equipment and other stocks	667	380	287
Total	2,144	1,256	888
Civil buildings to be sold	626	622	4
Contract work in progress	254	66	188
Advances	174	-	174
TOTAL	3,198	1,944	1,254

The increase in the value of inventories of fuel used in thermal generation is due to higher international oil prices and to the recording, starting in 2000, of inventories purchased and not delivered at the end of the year.

Such inventories are carried at the average weighted cost, resulting in a value in line with market value at the end of the year.

Materials and equipment inventories increase mainly due to the allocation of parts of plants relating to abandoned investment projects described in the note on tangible assets.

Civil buildings held for sale refer to Dalmazia Trieste; their recorded value at December 31, 2000 is based on an independent expert survey.

The growth in contract work in progress and of advances is due to the increase of contract work carried out for third parties referring in particular to Enelpower new initiatives on international markets.

Receivables - lire 17,265 billion

The balance is made up as follows:

In billions of lire

	at Dec. 31, 2000	at Dec. 31, 1999	2000-1999
Trade receivables	6,938	5,687	1,251
Unconsolidated subsidiaries and affiliated companies	260	196	64
Electricity Equalization Fund	6,626	2,828	3,798
Other:			
- tax receivables	713	527	186
- prepaid taxes	1,234	1,232	2
- other receivables	1,494	1,121	373
Total	3,441	2,880	561
TOTAL	17,265	11,591	5,674

The increase in trade receivables is due to a number of factors, among which the most important are represented by receivables relating to electricity transported on the distribution and the transmission national networks, following the restructuring of the electricity market, higher amounts invoiced to customers due to the increase in the fuel cost tariff component, and the offer of new goods and services.

The detail and changes for the year are shown in the table below:

In billions of lire

	at Dec. 31, 2000	at Dec. 31, 1999	2000-1999
Trade receivables, net	7,361	6,097	1,264
Provision for doubtful accounts:			
- ordinary accruals	(327)	(302)	(25)
- accrual against interest receivable	(96)	(108)	12
Total	(423)	(410)	(13)
TOTAL NET RECEIVABLES	6,938	5,687	1,251

Receivables from unconsolidated subsidiaries and affiliated companies refer primarily to WIND Telecomunicazioni (lire 246 billion) and Immobiliare Foro Bonaparte (lire 14 billion). The increase is due mainly to higher receivables from WIND Telecomunicazioni for the lease of the fiber optics network.

Receivables from the Electricity Equalization Fund include amounts due to the Group as contributions for the acquisition and generation of energy. They compare with payables to the same amounting to lire 3,118 billion. The net amount receivable is therefore equal to lire 3,508 billion, against lire 264 billion at December 31, 1999. The increase is due mainly to the growth in fuel cost contributions, in addition to the lire 6 per kWh contribution for electricity sold on the regulated market recognized from January 1, 2000 to producers in the transition period to the establishment of a free market.

Tax receivable, amounting to lire 713 billion increase mainly due to advances paid on electricity surtax (lire 195 billion).

Tax prepayments refer mainly to timing differences relating to taxed accruals to the provisions for risks and charges.

The increase in other receivables is due mainly to the payment of lire 273 billion of margin deposits against derivative contract carried out by Enel.FTL.

Short-term investments - lire 1,357 billion

The balance is made up as follows:

In billions of lire

	at Dec. 31, 2000	at Dec. 31, 1999	2000-1999
Enel bonds held	1,055	726	329
Other fixed income securities	145	48	97
Total	1,200	774	426
Financial receivables	157	-	157
TOTAL	1,357	774	583

Enel bonds held represent a "Special series reserved to Enel employees". The increase is due to higher purchases of bonds from employees.

Fixed income securities are made up prevalently by Government bonds, of which lire 97 billion are deposited as collateral for fuels trading hedging transactions carried out by Enel.FTL.

Financial receivables at December 31, 2000 are represented by lire 106 billion of advances paid on factoring transactions following the beginning of operations of Enel. Factor, and lire 51 billion relating to financial assets held by CHI Energy.

Cash and cash equivalents - lire 755 billion

The balance at December 31, 2000 is made up as follows:

In billions of lire

	at Dec. 31, 2000	at Dec. 31, 1999	2000-1999
Bank deposits	698	908	(210)
Post office deposits	54	69	(15)
Cash on hand	3	2	1
TOTAL	755	979	(224)

Bank deposits include cash used in ordinary operations. The balance at the end of the year is made up primarily by funds in transit used, among other things, to make tax payments falling due in the first days of 2001.

Cash and cash equivalents are available on demand, with the exception of lire 5 billion pledged as collateral for transactions undertaken by CHI Energy.

Accrued income and prepaid expenses

Accrued income and prepaid expenses - lire 307 billion

The item breaks down as follows:

In billions of lire

	at Dec. 31, 2000	at Dec. 31, 1999	2000-1999
Accrued income:			
- financial receivables	14	3	11
- operating receivables	15	18	(3)
Total	29	21	8
Prepaid expenses:			
- financial expenses	108	120	(12)
- operating expenses	170	113	57
Total	278	233	45
TOTAL	307	254	53

The item is basically unchanged from the previous year.

The table that follows shows the breakdown of receivables by maturity:

In billions of lire	Maturing within one year	Falling due between 2 to 5 years	Over 5 years	Total
FINANCIAL RECEIVABLES	254	180	1,149	1,583
CURRENT RECEIVABLES:				
Trade receivables	6,740	191	7	6,938
Receivable from unconsolidated subsidiaries	246	-	-	246
Receivable from affiliated companies	14	-	-	14
Receivable from others	3,041	398	2	3,441
Receivable from Electricity Equalization Fund	6,626	-	-	6,626
Total current receivables	16,667	589	9	17,265
Accrued income	29	-	-	29
TOTAL	16,950	769	1,158	18,877

Balance Sheet - Liabilities and Shareholders' Equity

Shareholders' Equity

Changes for the last three years are shown below:

In billions of lire	Capital stock	Legal reserve	Other reserves	Retained earnings	Net income	Total
Balance at Dec. 31, 1997	12,126	202	12,585	4,275	3,327	32,515
Appropriation of 1997 earnings:						
- dividends	-	-	-	-	(922)	(922)
- accrued to reserves	-	48	-	2,357	(2,405)	-
Other changes	-	1	-	-	-	1
1998 net income	-	-	-	-	4,286	4,286
Balance at Dec. 31, 1998	12,126	251	12,585	6,632	4,286	35,880
Appropriation of 1998 earnings:						
- dividends	-	-	-	-	(1,965)	(1,965)
- accrued to reserves	-	103	-	2,218	(2,321)	-
Shareholders' Meeting resolution dated Sept. 3, 1999:						
- reserve distribution	-	-	(4,422)	-	-	(4,422)
- transfer of reserves	-	2,071	(2,071)	-	-	-
1999 net income	-	-	-	-	4,541	4,541
Balance at Dec. 31, 1999	12,126	2,425	6,092	8,850	4,541	34,034
Appropriation of 1999 earnings:						
- dividends	-	-	-	-	(2,813)	(2,813)
- accrued to reserves	-	-	-	1,728	(1,728)	-
2000 net income	-	-	-	-	4,236	4,236
BALANCE AT DEC. 31, 2000	12,126	2,425	6,092	10,578	4,236	35,457

Capital stock - lire 12,126 billion

The Group's holding company's capital stock is unchanged from December 31, 1999 and is represented by 12,126,150,379 ordinary shares of par value lire 1,000 each.

At December 31, 2000, according to the Shareholders' Register and information available, there do not appear to be shareholders with a share higher than 2% of the capital stock of the Company other than the Italian Treasury (with about 68% of the capital stock).

Legal reserve - lire 2,425 billion

The legal reserve, amounting to lire 2,425 billion, represents 20% of the Group's Parent Company capital stock.

Other reserves - lire 6,092 billion

Other reserves, amounting to lire 6,092 billion, are made up as follows:

Restatement reserve (law no. 292/1993) - lire 6,036 billion

It includes the residual amount of value adjustments made upon the transformation of Enel from Public Entity to joint-stock company.

In case of distribution of dividends from the reserve, no tax credit is recognized.

Other reserves - lire 56 billion

These include the consolidation reserve arising from the first-time preparation of the Consolidated Financial Statements.

The reconciliation between the Shareholders' Equity and net income of the Group Parent Company and those recorded in the consolidated statements is presented in the table below:

In billions of lire	Net income	Shareholders' Equity	Net income	Shareholders' Equity
	2000	at Dec. 31, 2000	1999	at Dec. 31, 1999
Balance from the Parent Company's financial statements	437	21,976	3,052	24,352
Prepaid taxes recorded in the 1998 Consolidated Financial Statements and in 1999 Parent Company's statutory accounts	-	-	(829)	-
Tax entries of the Group Parent Company	955	1,224	1,177	318
Effect of the consolidation of subsidiaries' financial statements	2,925	12,380	1,141	9,406
Elimination of intra-group gains	(75)	(117)	-	(42)
Other consolidation adjustments	(6)	(6)	-	-
BALANCE FROM THE CONSOLIDATED FINANCIAL STATEMENTS	4,236	35,457	4,541	34,034

Provisions for risks and charges

Changes in the provisions for the year are shown in the table that follows:

In billions of lire	Accruals	Uses	Changes in consolidation area	Other changes	
at Dec. 31, 1999					at Dec. 31, 2000
Provision for retirement benefits	2,041	173	(1,415)	-	799
Tax provision	6,206	1,145	(68)	53	7,336
Other:					
- Legal disputes and other contingencies:					
. legal proceedings	668	91	(49)	-	727
. suspended investment projects	1,388	9	(1,557)	-	194
. other	352	450	(108)	14	759
	2,408	550	(1,714)	14	1,680
- Stranded costs	-	227	-	-	227
- Restructuring of financial instruments	180	-	(156)	-	24
- Early retirement incentives	563	108	(334)	(2)	335
Total	3,151	885	(2,204)	14	2,266
TOTAL PROVISIONS FOR RISKS AND CHARGES	11,398	2,203	(3,687)	67	10,401

Provision for retirement benefits - lire 799 billion

The provision includes mainly the current value of expected future retirement contributions for managers amounting to lire 760 billion. Accruals to the employee retirement benefits provision are made up by lire 129 billion of adjustments to the current value of future pension benefits of retired managers, and by the indemnity due in lieu of notice accrued during the year by personnel currently employed, of which lire 44 billion accrued in the year.

Withdrawals refer to ordinary and extraordinary payments made during the year, calculated as described above.

Extraordinary payments were made in the year following the reaching of an agreement with parties involved for the early payment of the provision.

Tax provision - lire 7,336 billion

In addition to deferred taxes recorded in the statutory accounts of consolidated companies, the tax provision includes deferred taxes on consolidation adjustments. The ending balance and accruals made in the year refer mainly to accelerated depreciation recorded by subsidiaries upon determining taxable income and the elimination, upon consolidation, of accruals made in excess of ordinary depreciation rates.

Other provisions - lire 2,266 billion***Provision for legal disputes and other contingencies - lire 1,680 billion***

The balance refers to the following components:

Legal proceedings - lire 727 billion

The provision covers potential liabilities arising from current legal proceedings and other disputes during the year, in addition to the update of estimates on proceedings from previous years, based on the advice provided by internal and external legal advisors, without taking into consideration the effect of proceedings for which a favorable outcome is expected or those for which an adverse outcome may not be quantified. For these we refer to the note on "Off Balance Sheet Items".

Suspended investment projects - lire 194 billion

The provision is accrued against potential charges and losses connected with the abandonment or change of plans relating to currently suspended investment projects.

Uses refer to the coverage in full of costs relating to the abandonment in 2000 of a number of relevant projects in the generation sector that had been previously suspended. Other changes refer mainly to tax credits already considered upon accrual of the provision.

Other - lire 759 billion

Other amounts accrued refer to risks and charges of various nature, connected mainly to the operation of plant, costs resulting from the application of resolutions issued by the Authority for Electricity and Gas regarding electricity transport and service fees, and the conclusion of a collective national labor contract for electricity sector employees.

Stranded costs provision - lire 227 billion

The provision includes amounts estimated, for each individual company, of stranded costs for the 2000 financial year, calculated according to elements contained in Ministerial Decree dated January 26, 2000 and in the "Note" issued by the Authority on August 3, 2000, given that the Authority has not yet issued final reference parameters.

In recording stranded costs, individual companies adopted prudent criteria in view of the undetermined amount, recording the phenomenon in the accounts only when the estimate was negative.

The amount accrued refers to Eurogen (lire 196 billion) and Enel Produzione (lire 31 billion) and considers the difference between estimated recognized revenues for each plant involved and an estimate of revenues calculated according to both actual energy generated for the period and the average wholesale price of electricity. Calculations included moreover the estimate of the amount reimbursed against the extra costs involved in the import of natural liquefied gas from Nigeria.

Provision for the restructuring of financial instruments - lire 24 billion

The provision includes charges deriving from the restructuring of derivative contracts (swaps and swap options) concluded in previous years to hedge against the risk of fluctuations in interest rates with reference to medium- and long-term debt repaid before expiration.

Costs accrued in the provision cover the potential cost of interest rate hedging instruments which have been reassigned to other debt not hedged for such risk. The provision has been withdrawn to meet charges deriving from contracts that had not expired at December 31, 2000 and those resulting from the unwinding and natural expiration of contracts in the year.

Provision for early retirement incentives - lire 335 billion

The provision for early retirement incentives consists of accruals relating to the cost of the temporary offer made to employees as an incentive to early retirement as part of the Company's reorganization.

The use of the provision refers to employees who took advantage of the early retirement plan in the year.

Employee termination indemnity

Changes in the year are shown in the table below:

In billions of lire

Balance at Dec. 31, 1999	2,996
Accruals	426
Ordinary distribution	(503)
Other changes	34
BALANCE AT DEC. 31, 2000	2,953

The provision includes all amounts accrued by personnel upon retirement in accordance with applicable legislation, net of advances paid to employees for "medical expenses", the "first-time purchase of a home" and the "acquisition of Enel shares", in addition to payments accrued to the Enel Manager Pension Fund (FONDENEL) and the Enel Employee Pension Fund (FOPEN).

Accounts payable

Bonds - lire 12,924 billion

Long-term bank debt - lire 7,444 billion

The items include debt relating to bond issues and other financing denominated in Italian lire and other currencies. The decline of lire 1,120 billion from the previous year results from the balance of repayments amounting to lire 4,832 billion, new issues totaling lire 3,707 billion and foreign exchange differences of lire 5 billion.

Medium- and long-term debt includes bond issues guaranteed by the State amounting to lire 3,275 billion (lire 5,402 billion at the end of 1999) and mortgages guaranteed by the Italian State amounting to lire 1,278 billion (as compared to lire 1,693 billion at the end of 1999).

The table below shows the breakdown of medium- and long-term debt at December 31, 2000 by type of instrument (bond issues and mortgages), interest rate (fixed and floating rate) and maturity:

In billions of lire	Maturity Range	Balance at Dec. 31, 1999	Balance at Dec. 31, 2000	Current Maturity 2001	2002	2003	Long-term Maturity 2004	2005	subsequent years
Bonds:									
- listed-fixed rate	2004-2008	4,872	5,325	-	-	-	1,937	1,452	1,936
- listed-floating rate	2001	4,785	2,703	2,703	-	-	-	-	-
- unlisted-fixed rate	2005	148	148	-	-	-	-	148	-
- unlisted-floating rate	2001-2021	3,956	4,085	32	43	35	40	41	3,894
- fixed rate-EU agencies	2001-2010	781	615	104	104	104	73	75	155
- floating rate-EU agencies	2003-2009	56	48	9	8	8	6	6	11
Total		14,598	12,924	2,848	155	147	2,056	1,722	5,996
Bank loans:									
- fixed rate	2001-2008	150	163	109	10	12	11	9	12
- floating rate	2001-2009	4,164	4,400	403	463	1,703	1,192	535	104
- fixed rate-EU agencies	2001-2009	1,933	1,365	535	354	153	88	71	164
- floating rate-EU agencies	2004-2015	643	1,516	95	95	95	108	112	1,011
Total		6,890	7,444	1,142	922	1,963	1,399	727	1,291
TOTAL		21,488	20,368	3,990	1,077	2,110	3,455	2,449	7,287

Unlisted floating rate bonds include lire 1,055 billion relating to "1994-2019 Special series reserved to personnel" repurchased by Enel and recorded under "Other securities" among marketable securities in the Balance Sheet.

Changes in long-term borrowing for the year are shown in the table below:

In billions of lire	Balance at Dec. 31, 1999	Repayments	New issues	Exchange rate differences	Balance at Dec. 31, 2000
Fixed rate bonds	5,801	(1,168)	1,453	2	6,088
Floating rate bonds	8,797	(2,090)	129	-	6,836
Fixed rate bank mortgages	2,082	(577)	20	3	1,528
Floating rate bank mortgages	4,808	(997)	2,105	-	5,916
TOTAL	21,488	(4,832)	3,707	5	20,368

Repayments refer to debt expiring in the year and early repayments made to improve the risk/cost profile of debt. A number of bank loans have been renegotiated to bring them into line with current market conditions. In November 2000 lire 1,000 billion of Enel 1993-2003, 9.60% bonds were repaid.

In 2000, Enel launched a Medium-Term Notes Program for a total of euro 3 billion. As part of such program, on November 28, 2000, Enel issued euro 750 million (lire 1,452 billion) of five-year bonds at the terms described below:

Terms

Amount	euro 750 million
Repayment	in one installment at December 12, 2005
Coupon	5.875% fixed
Coupon payment	Annual in arrears
Issue price	99.726
Early repayment	Not allowed
Listed at	Luxembourg

In 2000, Enel stipulated a euro 500 million, 15-year loan with the European Investment Bank. A second loan for an additional euro 500 million was stipulated in the first months of 2001. The loans will contribute to finance the development of the distribution network in Central and Southern Italy.

At December 31, 2000, floating rate debt accounted for about 63% of total medium- and long-term debt outstanding. At the same date, interest rate hedging transactions amounted to a total nominal value of lire 8,317 billion, of which lire 6,917 billion in the form of interest rate swaps, and lire 1,400 billion of interest rate collars. Keeping into account such hedging positions, the total exposure to interest rate fluctuations, weighting interest rate collars nominal values, can be estimated at about 31% of outstanding debt.

The fair value at December 31, 2000 of interest rate hedging instruments was negative and amounts to lire 84 billion. Such value does not include lire 6 billion of accrued income and lire 24 billion accrued to the provision for the restructuring of financial instruments. At December 31, 2000, the fair-value of the total debt amounted to lire 20,361 billion.

The table that follows shows a breakdown of debt by currency:

In billions of lire	Maturity range		
		at Dec. 31, 1999	at Dec. 31, 2000
Italian lire	2001-2021	13,124	10,062
Euro	2001-2015	7,147	9,417
Deutsche marks	2001-2010	163	96
French francs	2002-2005	154	151
Belgian francs	2001-2008	148	105
Dutch guilders	2001-2010	187	127
Total euro currencies		20,923	19,958
US dollars	2001-2008	79	42
British pounds	2002-2007	60	40
Swiss francs	2001-2009	179	149
Danish kroner	2002	9	6
Yen	2001-2010	238	173
Total non-euro currencies		565	410
TOTAL		21,488	20,368

Short-term debt - lire 7,801 billion

Short-term bank debt includes 18-month loans amounting to lire 1,983 billion and the use of revolving credit lines amounting to lire 3,226 billion.

The increase of lire 4,798 billion is due to higher uses of short-term credit lines that allow more flexibility in the management of debt, taking advantage at the same time of lower interest rates.

Among the most significant short-term transactions carried out in the year is the conclusion with a pool of banks of an euro 10 billion revolving credit line, ensuring also the financial coverage for the acquisition of Infostrada.

Payables to other financing entities - lire 804 billion

Other loans include the residual amount payable to So.g.i.n., lire 600 billion, and amounts payable to non banking institutions by subsidiary CHI Energy, for a total of lire 204 billion. The liability towards So.g.i.n. was accrued in 1999 upon the transfer of the "Nuclear Division" to the company, and refers to liquidity necessary to cover liabilities transferred. The full amount must be repaid by June 28, 2001. Loans extended to CHI Energy are currently being restructured to bring them into line with terms granted by the market to Enel Group companies.

Advances - lire 601 billion

The marked reduction in advances (down lire 1,371 billion) is due to the conversion, provided for by Authority for Electricity and Gas Regulation no. 200/99, into deposits of advances paid on the supply of electricity received from customers who do not have their bill debited directly to their bank accounts. Amounts converted into deposits are recorded among "Other payables".

At December 31, 2000 the item therefore includes advances received from customers against equipment or other goods and services.

Trade payables - lire 8,488 billion

Trade payables include payables for the supply of electricity, fuel and equipment, in addition to those relating to contract work and other services carried out in the year.

The lire 2,230 billion increase over December 31, 1999 is due to a number of factors, among which the fuel price increases and higher purchases from domestic energy producers.

Payables to subsidiaries and affiliated companies - lire 739 billion

These refer mainly to payables to WIND Telecomunicazioni (lire 482 billion) for the supply of services and Group VAT settlement, payables to Immobiliare Foro Bonaparte (lire 123 billion, of which lire 110 billion referring to the completion of the conferral operation), payables to Enel Investment Holding (lire 97 billion) relating to the acquisition of Infostrada, and payables to Euromedia Luxembourg One for the share of capital increase to be paid in (lire 22 billion).

Tax payables - lire 1,176 billion

Tax payables are made up as follows:

In billions of lire

	at Dec. 31, 2000	at Dec. 31, 1999	2000-1999
VAT payable	-	880	(880)
Withholding taxes	232	191	41
Revenue tax and electricity surtax	117	191	(74)
Income taxes	761	1,001	(240)
Other	66	9	57
TOTAL	1,176	2,272	(1,096)

The change in VAT receivables reflects the balance of Group VAT accounting procedures. The decline of income taxes payable is due to lower current taxes payable in the year, as described in the related Income Statement note.

With regards to the tax position of the Parent Company, income tax liabilities have been defined up to fiscal year 1994, while VAT liabilities have been settled up to fiscal year 1995.

Social Security payables - lire 3,230 billion

The increase of lire 2,459 billion is due mainly to the assessment of the residual amount payable to INPS as extraordinary contribution following the suppression of the Electricity Industry Employee Pension Fund (lire 2,628 billion), determined in accordance with the payment of the first installment in November 2000.

The item includes lire 602 billion of payables to social security and insurance institutions relating to contributions paid by Group companies on salaries and compensation on accrued leave, suppressed holidays, overtime and other indemnities for the month of December paid in January, in addition to payables relating to taxes withheld from employees' salaries.

The item includes moreover the residual contribution payable to FONDENEL amounting to lire 203 billion, to be paid in two semiannual installments of which the second is due on July 1, 2001.

Other payables - lire 3,896 billion

Other payables are made up as follows:

In billions of lire

	at Dec. 31, 2000	at Dec. 31, 1999	2000-1999
Due to bondholders as interest, other payments and redemption of securities	16	108	(92)
Due for water rates, contribution for urban infrastructure work, etc.	265	402	(137)
Due to customers as reimbursements and other items	792	429	363
Due to employees and employee associations	1,046	563	483
Customer guarantee deposits	1,494	-	1,494
Other items	283	210	73
TOTAL	3,896	1,712	2,184

Payables to bondholders decline due to the repayment of debt carried out during the year. Amounts due to customers as reimbursements and other items increase as a result of the recording of lire 389 billion in reimbursements relating to revenues in excess of limits set by the Authority for specific classes of customers.

The increase in payables to personnel and employee associations is due primarily to two phenomena. The first consists in the payment of lire 147 billion as contributions to employee leisure and health associations (Arca, Fisde) for the year 2000, recorded also under assets as Receivable from others. The balance will be determined in agreement with trade unions upon renewal of the national labor contract for the category. The second factor is represented by the recording of lire 151 billion following an estimate of the cost of incentives offered to employees for the year.

The recording of guarantee deposits derives from the conversion of advances paid by customers on the consumption of electricity, as shown in the note on "Advances" included under liabilities.

Payable to Electricity Equalization Fund - lire 3,118 billion

Such liability refers to the thermal surcharge billed to customers and to charges borne by the Group pursuant to CIP Resolution 24/1983, to be offset in subsequent two-month periods with receivables from the Equalization Fund, recorded in the corresponding asset item in the Balance Sheet.

Accrued liabilities and deferred income

Accrued liabilities and deferred income - lire 1,268 billion

The table that follows shows a breakdown and changes occurred during the year:

In billions of lire

	at Dec. 31, 2000	at Dec. 31, 1999	2000-1999
Accrued liabilities:			
- accrued interest	267	237	30
- operating payables	45	3	42
Total	312	240	72
Deferred income:			
- deferred interest	20	19	1
- deferred operating income	936	700	236
Total	956	719	237
TOTAL	1,268	959	309

The increase in accrued interest payable relates to the increase in financial debt. Higher operating payables and deferred income are due to contributions received from third parties for activities carried out in the year, mainly by Enel Distribuzione, Terna and So.I.e.

The table that follows shows the breakdown of accrued liabilities and deferred income by maturity.

In billions of lire	Maturing within one year	Falling due between 2 to 5 years	Over 5 years	Total
LOANS				
Bonds	2,848	4,080	5,996	12,924
Long-term bank loans	1,142	5,011	1,291	7,444
Short-term bank loans	7,801	-	-	7,801
Other loans	613	94	97	804
Total loans	12,404	9,185	7,384	28,973
OTHER ACCOUNTS PAYABLE				
Advances received	573	28	-	601
Trade payables	8,421	17	50	8,488
Payable to subsidiaries and affiliated companies	739	-	-	739
Taxes payable	1,135	41	-	1,176
Social security payables	1,889	1,341	-	3,230
Other payables	3,819	71	6	3,896
Payables to Electricity Equalization Fund	3,118	-	-	3,118
Total other accounts payable	19,694	1,498	56	21,248
Accrued liabilities	312	-	-	312
TOTAL	32,410	10,683	7,440	50,533

Commitments

Commitments - lire 92,470 billion

Commitments include amounts relating to deposits, guarantees, risks and other commitments assumed by the Group, as shown below:

In billions of lire

	at Dec. 31, 2000	at Dec. 31, 1999	2000-1999
GUARANTEES GIVEN			
Guarantees against loans extended to:			
- ELCOGAS SA	40	40	-
Guarantees given on behalf of third parties (So.g.i.n.)	135	-	135
Total	175	40	135
OTHER COMMITMENTS			
Commitments to suppliers of:			
- Electricity	11,026	112,115	(101,089)
- Fuel	68,770	47,996	20,774
- Sundry supplies	4,303	5,318	(1,015)
- Contract work	2,048	2,634	(586)
Forward currency purchases	3,501	240	3,261
Forward currency sales	1,278	265	1,013
Fuel forward contracts	1,226	-	1,226
Sundry guarantees to lending institutions	102	100	2
Third party securities received as surety	-	155	(155)
Third party securities held in safe custody	7	38	(31)
Leasing payments	34	-	34
Total	92,295	168,861	(76,566)
TOTAL	92,470	168,901	(76,431)

Following the transfer of nuclear activities to So.g.i.n., a guarantee was issued for lire 135 billion in favor of Banca Commerciale Italiana against guarantees issued in the past. After the transfer of So.g.i.n. to the Italian Treasury (as provided by Legislative decree 79/99), the two companies began procedures to cancel the said guarantees.

Commitments to purchase electricity are made up as follows:

In billions of lire

Year:	
2001-2005	6,788
2006-2010	3,708
2011-2015	530
2016 and over	-
TOTAL	11,026

The above commitments refer to imports only, as all domestic energy purchase contracts have been transferred to the ISO effective January 1, 2001, pursuant to a specific decree issued by the Ministry of Industry.

Commitments for the purchase of fuel are made up as follows:

In billions of lire	Natural gas	Fuel oil	Coal	Logistic services	Orimulsion	Total
Year:						
2001-2005	20,558	1,663	103	356	636	23,316
2006-2010	16,225	331	-	-	-	16,556
2011-2015	16,225	-	-	-	-	16,225
2016 and over	12,673	-	-	-	-	12,673
TOTAL	65,681	1,994	103	356	636	68,770

The price of such supplies is variable and for the most part denominated in foreign currency. Amounts have been calculated according to parameters and exchange rates in force at the closing of the year, determining the growth from 1999.

At December 31, 2000, the Group, through subsidiary Enel.FTL, was engaged in a number of hedging operations aimed at managing the exposure to the risk of fluctuations in electricity generation variable costs currently deriving from timing differences in the mechanism established by the Authority used to determine applicable tariffs. Transactions consist of Commodity swaps and Futures. Swap transactions consist of underlying assets of about 310,000 tons equivalent of oil, corresponding to about \$39 million. Futures transactions amount to 21,827 contracts, for a total of about \$548 million.

Off Balance Sheet Items

Litigation

Rulings on tariffs

A number of industrial customers who consume large amounts of electricity have questioned the legitimacy of the method with which CIP and subsequently the Authority for Electricity and Gas determined electricity tariffs in the past.

At the present time, all decisions taken, including recent ones, have confirmed the legitimacy of measures appealed. In case of a repeal of measures taken on tariff setting, which could give rise to claims for the reimbursement of amounts paid to Enel for the supply of electricity, the latter's economic position would be unchanged, since any repeal of tariffs would have to be followed by the issue by the Authority of new tariff regulations that compensate Enel for the amounts lost.

ATEL arbitration

In October 2000, Enel and Aaere et Tessin Société Anonyme d'Electricité ("ATEL") concluded arbitration procedures against the Geneva Arbitration Court solicited in 1997 by Enel and aimed at obtaining a balancing of economic terms on long-term electricity supply contracts concluded between the two companies since 1986. The parties agreed to confirm the original contracts, introducing a mutually satisfactory mechanism that balances the risk of market fluctuations.

Issues relating to electric and magnetic fields: regulatory aspects

The law on electro-magnetic emissions approved by the Italian Parliament on February 14, 2001, regulates the field and sets the fundamental principles to be followed by Regional regulating bodies.

During the discussion of the mentioned law, the Constitutional Court ruled as legitimate a regional law passed by the Veneto Region in July 1997 setting stricter limits than those contained in current applicable national regulations. The regional law in fact imposes the respect of minimum distances between new residential areas, schools and hospitals, and suspended power lines in the application of zoning regulations, extending such limits to the distance between projected new power lines and existing buildings. On January 1, 2000, Veneto Region regional law no. 27/93, setting a 0.2 microtesla limit of exposure to magnetic fields (against 100 microtesla according national legislation) for suspended power lines carrying voltages of 132 kV and over, came into effect.

Analogous laws setting the same 0.2 microtesla limit for new installations have been approved by the Abruzzo, Liguria and Emilia Romagna Regions, while in other Regions similar laws have been proposed.

The new national law approved will regulate the matter on the whole national territory, providing for the issue on the part of the State, within 60 days of its coming into effect, of Government decrees setting exposure limits, attention thresholds and quality objectives.

With regards to the reduction of current emissions, the new national law provides for the possibility to retrieve costs (either in part or in full, strictly correlated with the work to be carried out on existing installations), according to criteria to be set by the Authority for Electricity and Gas, pursuant to law 481/95, as they represent costs incurred in the general interest.

Litigation relating to electric and magnetic fields, urban planning and the environment

With regards to controversies relating to the effect of electric and magnetic fields generated by equipment, Enel Distribuzione and Terna, that replaced Enel in the related relationships following the transfer of the respective businesses, took part in a number of civil and administrative suits relating to requests for the transfer or modification of power lines on the basis of their alleged harmfulness, despite the fact that, in the great majority of cases, these have been installed in application of current norms.

Only in a limited number of cases have claims for health related damages caused by electromagnetic fields been filed.

With regards to decisions taken on the matter, only sporadically have there been pronouncements unfavorable to the Group. All of these have been appealed so that at the present date there have not been final pronouncements against the Group, while no damages for health reasons have ever been granted.

Given the increased sensitivity of public opinion on the subject, however, recourse to legal action requesting the suspension or modification of plant operation by residents who lament health problems allegedly caused by power lines is increasing.

There have been verifications on the part of competent authorities and legal proceedings relating to complaints on the part of private individuals concerning magnetic fields generated by medium- and low-voltage power cabins located inside buildings, which are however always built in accordance with induction limits set by current legislation.

A number of urban planning and environmental cases involving Terna for the construction and operation of a number of power lines are pending. Analogously, generation companies convened in a number of court cases relating to environmental issues raised by the construction and operation of generation plants. Such proceedings could generate negative effects, which may however not be predicted at the present stage and are therefore not included in the "Provision for risks and charges".

Legal proceedings concerning urban planning, landscape and environmental issues relating to the construction and operation of power plants, transmission and distribution lines are also pending.

An evaluation of such proceedings based on indications given by legal advisors, makes the Group deem as remote the possibility of negative outcomes, though for a limited number of cases this cannot be ruled out completely. In case of negative pronouncements, consequences could consist in the possible payment of damages, costs related to work required on electrical equipment and the temporary unavailability of the same. At present such charges may not be quantified and are therefore not included in the "Provision for legal disputes and other contingencies".

Foreign currency options

The Enel Group acquires electricity from abroad and fuel on the international oil and natural gas market. It is consequently exposed to the risk of fluctuations in exchange rates and in the price of energy products.

The current tariff system reduces considerably the exposure of the Enel Group to currency and commodity price risk deriving from the purchase of fuel and from electricity imports. The tariff system provides in fact for the reimbursement of fuel and electricity import costs, indexed, among other parameters, to a basket of fossil fuel prices quoted on international markets. Based on such indexing mechanism, changes in the price of fuel and foreign exchange fluctuations are reflected in the amounts reimbursed, and therefore on tariffs. As a result, the exposure of the Enel Group to currency and commodity price fluctuations relates primarily to the timing difference incurring between the time at which fuel is purchased and the period considered for the reimbursement of costs.

Up until 1999, the Group chose not to hedge systematically such risks through the use of financial instruments, as these were limited to the transfer of income from one accounting period to the next.

In the second half of 2000, following the strong increase in volatility registered in currency and commodity markets and in view of the start of operations of the Electricity Exchange, interrupting the current reimbursement mechanism set through Authority ruling no. 70/1997, the Group began to hedge systematically the currency and commodity price risk deriving from the timing difference built into the current reimbursement mechanism. Currency risk is currently managed by Enel, while commodity risk is managed by Enel.FTL.

At December 31, 2000 Enel had entered into US\$ forward hedging transactions on behalf of the Group's generating companies for a total nominal amount of lire 4,620 billion.

Income Statement

Revenues

Total revenues increase by lire 7,968 billion over the previous year and are made up as follows:

In billions of lire

	2000	1999	2000-1999
Revenues from sales and services:			
- energy sold on the regulated market	22,244	26,317	(4,073)
- energy sold on the free market	2,513	102	2,411
- Electricity Equalization Fund contributions	18,932	11,772	7,160
- connection fees	1,223	1,124	99
- energy transport fees	1,897	33	1,864
- other sales and services	804	497	307
Total	47,613	39,845	7,768
Change in contract work in progress	188	53	135
Capitalized expenses	1,701	1,930	(229)
Other revenues	980	686	294
TOTAL REVENUES	50,482	42,514	7,968

In 2000, sales in countries other than Italy amounted to lire 187 billion, of which lire 110 billion referring to EU countries and lire 68 billion in the Middle East.

Revenues from sales and services - lire 47,613 billion

Revenues for energy sold on the regulated market amounted to lire 22,244 billion, net of lire 389 billion representing the reduction resulting from revenues in excess of the limit set by the Authority for Electricity and Gas, and gross of lire 121 billion of contributions received from the Electricity Equalization Fund as compensation for special tariff plans enjoyed by State Railways and other customers. Total revenues decline by lire 4,073 billion (down 15.5%) due to lower quantities sold (down 12.4%) following the opening up of the market, and the reduction of tariffs from January 1, 2000. The decline in revenues was partly offset by the shift in sales towards low-voltage, characterized by higher margins.

Revenues from electricity sales in the free market amounted to lire 2,513 billion, of which lire 2,424 billion relating to Enel Trade and lire 89 billion to Enel Produzione. Enel Trade became market leader with sales of 21 billion kWh, equal to about 50% of the total.

Electricity Equalization Fund contributions are made up as follows:

In billions of lire

	2000	1999	2000-1999
Contributions for thermal generation of electricity for the regulated market	10,392	6,324	4,068
Contributions for net imports	1,599	1,897	(298)
Contributions for energy purchases from domestic producers and incentives to generation from renewable sources	6,066	3,551	2,515
Contributions for generation of electricity for the regulated market (resolution no. 205/99)	875	-	875
TOTAL	18,932	11,772	7,160

The comparison with the previous year shows an overall increase of lire 7,160 billion (up 60.8%) due mainly to contributions for thermal electricity generation, growing by lire 4,068 billion (up 64.3%) due to higher fuel prices.

Contributions for the purchase of electricity from domestic producers and incentives to generation from renewable sources increase by 70.8%, due to higher amounts of electricity acquired and an increase in contributions for fuel prices.

As provided by Authority Regulation 205/99, for years 2000 and 2001, a contribution of lire 6 per kWh of electricity destined to the regulated market is recognized against transition costs for the reorganization of the electricity sector. In 2000 such contributions amounted to lire 875 billion.

Connection fees increase by lire 99 billion due to higher customers' request for new connections and increases in power supplied.

Energy transport fees include lire 1,372 billion relating to the use of the National Transmission Network invoiced by Terna to the ISO, and lire 509 billion invoiced by Enel Distribuzione for the use of its distribution network. Such revenues did not exist in 1999 as they relate to the new structure of the electricity market.

Other sales and services amount to lire 804 billion, as compared with lire 497 billion in 1999. The lire 307 billion increase is due primarily to new activities resulting from diversification. Fuel sales relating to trading activities amount to lire 154 billion, while revenues from the distribution of natural gas amount to lire 124 billion.

Change in contract work in progress - lire 188 billion

Contract work in progress increases by lire 135 billion on the previous year, reflecting the growth in contract work carried out in particular by Enelpower.

Other revenues - lire 980 billion

Other revenues increase by lire 294 billion on the previous year due to generalized growth in all its components among which contributions for research activities financed by the Electricity Equalization Fund (lire 128 billion), damage payments received (up lire 112 billion) and extraordinary income (up lire 28 billion).

Operating costs

Operating costs are shown in the table below:

In billions of lire

	2000	1999	2000-1999
Raw materials and fuels:			
- fuel for thermal generation	11,672	6,533	5,139
- electricity	8,467	6,831	1,636
- materials	1,666	1,513	153
Total	21,805	14,877	6,928
Services	4,444	2,006	2,438
Leases and rentals	449	512	(63)
Personnel	6,837	7,402	(565)
Depreciation and write-downs	6,843	6,384	459
Change in inventories	(713)	(212)	(501)
Accruals to provision for risks and charges	430	387	43
Other accruals	458	182	276
Other operating costs	725	550	175
TOTAL OPERATING COSTS	41,278	32,088	9,190

The increase in the cost of [acquisition of thermal fuel](#) (up 78.7%), reflects higher fuel prices and thermal production.

[Energy purchases](#) increase by 23.9% despite the decrease in quantities purchased (down 11.531 million kWh) due to the lower proportion of imports, characterized by lower unit prices, resulting from the assignment of import quotas to other operators, and to higher purchases from subsidized domestic producers (CIP regulation 6/92).

The increase in the cost of [services received](#) amounts to lire 2,438 billion and relates essentially to the restructuring of the electricity sector and the spin-off of telecommunications activities into WIND Telecomunicazioni, effected in July 1999. Electricity transport fees, not present in 1999, amounted to lire 1,731 billion in 2000, while fees for the access and use of the transmission network borne by generation companies amounted to lire 256 billion. The first were paid by Enel Distribuzione and Enel Trade to the ISO, that in turn remunerated Terna for the respective part, as shown in the note on revenues. The second type of charge represents the surcharge due to the ISO for the transport of energy generated from renewable sources to be sold on the free market, pursuant to regulation 201/00 of the Authority. Such surcharge is motivated by the higher proportion of hydroelectric and geothermal energy destined to the free market as compared to the regulated market.

The cost of services supplied by WIND Telecomunicazioni amounted to lire 572 billion (lire 202 billion in 1999), and is offset by the reduction in other cost items, as until June 30, 1999, telecommunications services were provided internally.

Expenses for [leases and rentals](#) decrease by lire 63 billion, due to the transfer of licenses for radio transmitters included in such item in 1999 to WIND Telecomunicazioni. They are included in the amount paid for the supply of telecommunications services provided by WIND.

The **cost of personnel** decreases by lire 565 billion (down 7.6%), following a decline in the average number of employees (down 5.4%) and the reduction in the average unit cost, reflecting the reduction in social contributions, effective January 1, 2000, pursuant to the 2000 Budget Law.

The table that follows shows the average number of employees by category as compared with the previous year, and the total number of employees at December 31, 2000.

	Average number of employees			Employees
	2000	1999	2000-1999	at Dec. 31, 2000
Managers	749	821	(72)	689
Officers	4,809	5,140	(331)	4,640
Employees	41,775	43,841	(2,066)	40,050
Workers	28,554	30,451	(1,897)	27,268
TOTAL	75,887	80,253	(4,366)	72,647

Depreciation and write-downs increase by lire 459 billion. Intangible asset depreciation increases by lire 240 billion, due primarily to the extraordinary contribution due upon the suppression of the Electricity Industry Employee Pension Fund (lire 197 billion). Tangible asset depreciation increases by lire 256 billion due mainly to the coming into service of a high number of plant in 1999 and 2000.

The **change in inventories** reflects the increase in value of inventories described in the notes to the Balance Sheet.

Accruals to provision for risks and charges amount to lire 430 billion and refer to the accrual to the provision, as described in the related note to the Balance Sheet.

Other accruals amount to lire 458 billion, increasing by lire 276 billion on 1999 due primarily to charges relating to net stranded cost adjustments made in 2000 (lire 227 billion).

The increase in **other operating costs**, up lire 175 billion, is due mainly to higher local taxes (up lire 50 billion) and extraordinary losses of various nature amounting to lire 99 billion. "Extraordinary losses" refer mainly to the revision of the cost for the purchase of energy generated from renewable sources, introduced by Authority regulation no. 56/2000, effective retroactively from November 1997.

Parent Company's Directors and Statutory Auditors compensation for their service in the Group's Parent Company and in subsidiaries for the year amount respectively to lire 2,772 million and lire 898 million.

Financial income (expense)

Financial income (expense) is made up as follows:

In billions of lire

	at Dec. 31, 2000	at Dec. 31, 1999	2000-1999
Financial income:			
- From long-term receivables			
. interest on receivables for the reimbursement of nuclear related charges	-	58	(58)
. interest relating to the discounting of Social Security receivables as contributions relief	34	49	(15)
. other	23	7	16
Total	57	114	(57)
- Other income different from the above	232	242	(10)
Total income	289	356	(67)
Financial expense:			
- On bonds issued	745	725	20
- On bank loans	579	456	123
- Other	221	306	(85)
Total expense	1,545	1,487	58
TOTAL	(1,256)	(1,131)	(125)

Net financial expense increases by lire 125 billion due mainly to the growth in average financial debt, growing from lire 21,370 billion in 1999 to lire 24,138 billion in 2000, and to higher interest rates (the average 6-month Euribor rate increased from 3.05% in 1999 to 4.55% in 2000). The impact of such factors was reduced by the restructuring of the debt portfolio in the year.

Financial charges on bonds issued include lire 30 billion relating to the premium paid for the early repayment of lire 1,000 billion of Enel 1993-2003 9.60% bonds made on November 20, 2000.

Net financial expense on revenues declines from 2.8% in 1999 to 2.6% in 2000.

Adjustments to the value of financial assets

Adjustments to the value of financial assets - lire -887 billion

The amount includes lire 814 billion representing the Group's share in the loss for the year reported by WIND Telecomunicazioni, valued on equity, including the goodwill amortization for the year.

The main write-down of investments carried out in the year refers to Echelon Corporation (lire 68 billion) as indicated in the notes to the Balance Sheet.

Extraordinary items

Extraordinary items - lire 371 billion

Extraordinary income amounts to lire 803 billion and includes prevalently sundry gains (lire 494 billion), capital gains on the disposal of assets (lire 136 billion), and the retrieval of previous years' taxes (lire 110 billion). Gains are made up primarily by the payment of lire 309 billion following the settlement of litigation on the reimbursement of nuclear charges already described in the note on "Receivables from the Electricity Equalization Fund", and the recording of lire 117 billion relating to the settlement of the Vajont disaster litigation. After long negotiations, a final agreement was in fact underwritten in July 2000, according to which the Italian State, Enel and Montedison, responsible for damages caused by the Vajont dam catastrophe, settled their claims.

Extraordinary expense, amounting to lire 432 billion, refers mainly to charges relating to early retirement incentives offered to personnel (lire 197 billion), and the accrued cost of the incentive program (lire 151 billion) recorded, starting in 2000, in the Income Statement of the year to which the incentive refers.

Income taxes - lire 3,193 billion

Income taxes are made up as follows:

In billions of lire

	at Dec. 31, 2000	at Dec. 31, 1999	2000-1999
Current taxes	1,688	2,834	(1,146)
Deferred and prepaid taxes	1,791	986	805
Adjustments made to deferred and prepaid taxes in accordance with new corporate tax rates applicable	(286)	-	(286)
TOTAL	3,193	3,820	(627)

The average tax rate in 2000 is equal to 43.0%, against 45.7% in 1999. The following must however be considered:

- the 1999 pre-tax income included extraordinary income relating to prepaid taxes, so that the adjusted average tax rate is about 49%;
- the amount of taxes payable for 2000 benefited from the adjustment of deferred taxes to bring them into line with lower corporate tax rates applicable from 2001. New tax rates have been applied in calculating deferred taxes for the year. The gain in terms of effective tax rate is equal to about 5%, and the adjusted tax rate to be compared with that for the previous year is equal to about 48%.

The different weight of current taxes over deferred and prepaid taxes for the two years is due mainly to the deductions of taxed accruals made in the past.

Related parties

The main relationships with related parties are described in the Report on operations, as requested by CONSOB.



2000

Consolidated Balance Sheet
and Income Statement in euro



Consolidated Balance Sheet in euro

In millions of euro	Sub-total	Total	Sub-total	Total
ASSETS	at December 31, 2000		at December 31, 1999	
A) SHARE CAPITAL NOT PAID-IN	-		-	
B) FIXED ASSETS				
I. Intangible assets				
- Incorporation costs	2		2	
- Industrial patents and intellectual property rights	13		15	
- Trademarks, concessions and licenses	9		-	
- Goodwill	22		-	
- Work in progress and advances	94		21	
- Other	2,040		25	
- Consolidation differences	143		-	
		2,323		63
II. Tangible assets				
- Land and buildings	6,417		6,896	
- Plant and machinery	26,988		27,199	
- Industrial and commercial equipment	129		133	
- Other assets	184		196	
- Work in progress and advances	2,026		3,489	
		35,744		37,913
III. Financial assets				
- Equity investments in:				
. unconsolidated subsidiaries	780		236	
. affiliated companies	180		1	
. other companies	156		4	
	1,116		241	
Due within 12 months			Due within 12 months	
- Receivables:				
. unconsolidated subsidiaries	468		-	
. affiliated companies	4		-	
. others	131		151	
. Electricity Equalization Fund as reimbursement for nuclear related charges	-		50	
	818		503	
- Other securities	1		1	
		1,935		745
Total fixed assets		40,002		38,721
Due beyond 12 months			Due beyond 12 months	
C) CURRENT ASSETS				
I. Inventories				
- Raw materials	1,107		649	
- Buildings to be sold	323		321	
- Contract work in progress	131		34	
- Advances	90		-	
		1,651		1,004
II. Receivables				
- Trade	102		95	
- Unconsolidated subsidiaries	3,583		2,937	
- Affiliated companies	127		100	
- Others	7		1	
- Electricity Equalization Fund, current	207		1,487	
	3,422		1,461	
		8,916		5,986
III. Short-term investments				
- Marketable securities	620		400	
- Financial receivables	81		-	
		701		400
IV. Cash and cash equivalents				
- Bank and Post Office deposits	388		505	
- Cash	2		1	
		390		506
Total current assets		11,658		7,896
D) ACCRUED INCOME AND PREPAID EXPENSES				
- Accrued income		15		11
- Prepaid expenses:				
. issue discounts	6		4	
. other	138		116	
		144		120
Total accrued income and prepaid expenses		159		131
TOTAL ASSETS		51,819		46,748

In millions of euro	Sub-total	Total	Sub-total	Total
LIABILITIES AND SHAREHOLDERS' EQUITY	at December 31, 2000		at December 31, 1999	
A) SHAREHOLDERS' EQUITY				
I. Capital stock		6,263		6,263
IV. Legal reserve		1,253		1,253
VII. Other reserves:				
- Restatement reserve (Law 292/1993)	3,117		3,117	
- Other reserves	20		20	
- Consolidation reserve	9		9	
		3,146		3,146
VIII. Retained earnings		5,462		4,570
IX. Net income		2,188		2,345
Shareholders' Equity		18,312		17,577
Minority interests		17		9
Total		18,329		17,586
B) PROVISIONS FOR RISKS AND CHARGES				
- Retirement benefits	413		1,054	
- Income taxes	3,789		3,205	
- Other	1,170		1,627	
Total		5,372		5,886
C) EMPLOYEE TERMINATION INDEMNITY		1,525		1,547
	Due beyond 12 months		Due beyond 12 months	
D) ACCOUNTS PAYABLE				
- Bonds	5,204	6,675	6,373	7,539
- Banks:				
. medium- and long-term loans	3,255	3,845	2,794	3,558
. short-term loans		4,029		1,551
- Payables to other financing entities:				
. medium- and long-term loans	99	105	-	-
. short-term loans		310		-
- Advances	14	310	138	1,018
- Trade	35	4,385	87	3,233
- Subsidiaries and affiliated companies		382		556
- Taxes	21	607	-	1,173
- Social Security	693	1,668	63	398
- Other payables	40	2,012	154	884
- Electricity Equalization Fund		1,610		1,324
Total		25,938		21,234
E) ACCRUED LIABILITIES AND DEFERRED INCOME				
- Accrued liabilities		161		124
- Deferred income:				
. premium on bond issues	9		9	
. other	485		362	
		494		371
Total		655		495
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		51,819		46,748
COMMITMENTS				
- Guarantees given	90		21	
- Other commitments	47,666		87,209	
Total commitments		47,756		87,230

Consolidated Income Statement in euro

In millions of euro	Sub-total	Total	Sub-total	Total
	2000		1999	
A) REVENUES				
- Revenues from sales and services:				
. energy sales	12,786		13,644	
. Electricity Equalization Fund contributions	9,778		6,080	
. connection fees	632		580	
. other sales and services	1,395		274	
		24,591		20,578
- Changes in contract work in progress		97		27
- Capitalized expenses		878		997
- Other revenues:				
. contributions received	4		9	
. other	502		346	
		506		355
Total revenues		26,072		21,957
B) OPERATING COSTS				
- Raw materials		11,262		7,683
- Services		2,295		1,036
- Leases and rentals		232		264
- Personnel:				
. wages and salaries	2,467		2,622	
. social security	691		802	
. employee termination indemnity	217		239	
. retirement benefits	21		28	
. other costs	135		133	
		3,531		3,824
- Depreciation and write-downs:				
. intangible asset amortization	151		27	
. tangible asset depreciation	3,308		3,176	
. other write-downs of investments	2		36	
. write-down of receivables included under current assets	73		58	
		3,534		3,297
- Change in inventories		-368		-110
- Accrual to provisions for risks and charges		222		200
- Other accruals		237		94
- Other operating costs		374		284
Total operating costs		21,319		16,572
Operating income (A-B)		4,753		5,385
C) FINANCIAL INCOME AND EXPENSE				
- Other financial income:				
. from long-term receivables:				
. other	29		59	
. from marketable securities	19		3	
. other income:				
. other	102		122	
		150		184
- Interest and other financial expense				
. from subsidiaries	-		3	
. other	798		765	
		798		768
Total financial income (expense)		-648		-584

In millions of euro	Sub-total	Total	Sub-total	Total
	2000		1999	
D) ADJUSTMENTS TO THE VALUE OF INVESTMENTS				
- Write-downs:				
. of investments	458	458	227	227
Total adjustments to the value of investments		-458		-227
E) EXTRAORDINARY ITEMS				
- Income:				
. capital gains on disposal of assets	70		25	
. other	345	415	525	550
- Expense:				
. capital losses on disposal of assets	1		124	
. previous years' taxes	-		1	
. other	222	223	683	808
Total extraordinary items		192		-258
Income before taxes and minority interests (A-B+C+D+E)		3,839		4,316
- Income taxes		1,649		1,973
NET INCOME BEFORE MINORITY INTERESTS		2,190		2,343
- Minority interests		-2		2
NET INCOME		2,188		2,345



2000

Attachments



Companies included in the consolidation using the line-by-line method at December 31, 2000⁽¹⁾

Company name	Registered office	Activity	Capital stock at Dec. 31, 2000	Currency	% ownership	Held by	%
Parent Company: Enel SpA	ROME	Holding	12,126,150,379,000	lire	-		
Subsidiaries:							
Biz@Capital SpA (now Enel Capital SpA)	MILAN	Venture capital	3,500,000	euro	100.00	Enel SpA CISE Tecnologie Innovative Srl	99.00 1.00
Camigas Srl	MILAN	Gas distribution	20,000,000	lire	100.00	Colombo Gas SpA	100.00
CESI - Centro Elettrotecnico Sperimentale Italiano Giacinto Motta SpA	MILAN	Research and testing	17,100,000,000	lire	57.92	Enel SpA	57.92
CHI Energy Inc. ⁽¹⁾⁽²⁾	USA	Electricity generation from renewable sources	10	USD	100.00	Enel Green Power Holding SA	100.00
CISE Tecnologie Innovative Srl	SEGRATE (Milan)	R&D	1,200,000,000	lire	100.00	Enel SpA	100.00
Colombo Gas SpA	LECCO	Gas distribution	26,500,000,000	lire	100.00	Enel SpA Enel Holding Lux. SA Enel Finance Int. SA Enel SpA	26.03 40.11 33.86 100.00
Conphoebus SpA	CATANIA	Research and engineering services	1,506,000,000	lire	100.00	Enel SpA	100.00
Conphoebus Technology Service SpA	CATANIA	Facility management services	200,000,000	lire	100.00	Sei SpA	100.00
Ctida Srl ⁽²⁾	MILAN	Engineering, water systems	100,000,000	lire	75.00	Enel.Hydro SpA	75.00
Dalmazia Trieste SpA	ROME	Real estate management	7,809,520,000	lire	100.00	Enel SpA Sei SpA	98.76 1.24
Elettroambiente SpA	ROME	Electricity generation from waste	500,000,000	lire	100.00	Enel SpA	100.00
Elettrogen SpA	ROME	Electricity generation	278,900,000,000	lire	100.00	Enel SpA	100.00
Enel Distribuzione SpA	ROME	Electricity distribution	12,238,400,000,000	lire	100.00	Enel SpA	100.00
Enel.Factor SpA	ROME	Factoring	10,000,000,000	lire	80.00	Enel SpA	80.00
Enel Finance International SA (ex IPEF II Holdings n. 2 SA)	LUXEMBOURG	Finance	214,975,000	LUF	99.99	Enel SpA	99.99
Enel.FTL SpA	ROME	Fuel trading and logistics	50,000,000,000	lire	100.00	Enel SpA Enel Produzione SpA CISE Tecnologie Innovative Srl	99.19 0.80 0.01
Enel Green Power Holding SA	LUXEMBOURG	Holding of foreign companies operating in the electricity generation from renewable sources	40,000,000	euro	99.99	Erga SpA	99.99
Enel Holding Luxembourg SA (ex Triple I Two SA)	LUXEMBOURG	Finance	6,237,390	euro	99.99	Enel SpA	99.99
Enel.Hydro SpA	SERiate (Bergamo)	Engineering, water systems	18,780,000,000	lire	100.00	Enel SpA	100.00
Enel.it SpA	ROME	Information technology	140,400,000,000	lire	100.00	Enel SpA CISE Tecnologie Innovative Srl	99.99 0.01
Enelpower SpA	MILAN	Engineering and contracting	255,200,000,000	lire	100.00	Enel SpA CISE Tecnologie Innovative Srl	99.99 0.01

Company name	Registered office	Activity	Capital stock	Currency	% ownership	Held by	%
			at Dec. 31, 2000				
Enelpower UK Ltd	UNITED KINGDOM	Engineering and contracting	1,000	GBP	100.00	Enelpower SpA	100.00
Enel Produzione SpA	ROME	Electricity generation	12,932,200,000,000	lire	100.00	Enel SpA	100.00
Enel.Re Ltd	IRELAND	Reinsurance	3,000,000	euro	99.99	Enel Holding Lux. SA	99.99
Enel Service UK Ltd	UNITED KINGDOM	Services	100	GBP	100.00	Enel.FTL SpA	100.00
Enel.si - Servizi integrati SpA	ROME	Engineering and energy related services	10,000,000,000	lire	100.00	Enel SpA	99.00
						CISE Tecnologie Innovative Srl	1.00
Enel Trade SpA	MILAN	Sale of electricity	5,000,000,000	lire	100.00	Enel SpA	100.00
Energas Impianti Srl	MILAN	Gas distribution	20,000,000	lire	100.00	Camigas Srl	100.00
Erga - Energie Rinnovabili	PISA	Electricity generation from renewable sources	1,221,216,000,000	lire	100.00	Enel SpA	100.00
Geotermiche ed Alternative SpA							
Eurogen SpA	ROME	Electricity generation	205,480,978,000	lire	100.00	Enel SpA	100.00
Interpower SpA	ROME	Electricity generation	189,177,516,000	lire	100.00	Enel SpA	100.00
La Metanifera Srl	MILAN	Gas distribution	30,000,000	lire	100.00	Energas Impianti Srl	100.00
Sei SpA	ROME	Real estate management and general services	2,446,854,729,000	lire	100.00	Enel SpA	99.99
						Enel.Hydro SpA	0.01
Sfera - Società consortile per la formazione e le risorse aziendali ScpA	ROME	Human resources	11,650,000,000	lire	100.00	Enel SpA	45.00
						Enel Produzione SpA	10.00
						Terna SpA	10.00
						Enel Distribuzione SpA	10.00
						Enelpower SpA	10.00
						Erga SpA	5.00
						Sei SpA	5.00
						Enel.Hydro SpA	5.00
So.I.e. - Società luce elettrica SpA Gruppo Enel	ROME	Public lighting systems	9,200,000,000	lire	100.00	Enel SpA	99.98
						CISE Tecnologie Innovative Srl	0.02
So.I.e. Milano H Srl	ROME	Construction of public lighting systems	20,000,000	lire	70.00	So.I.e. SpA	70.00
Terna - Trasmissione Elettricità Rete Nazionale SpA	ROME	Ownership and maintenance of the electricity transmission network	4,072,100,000,000	lire	100.00	Enel SpA	100.00
Valdis SpA	AOSTA	Electricity distribution in Valle D'Aosta	61,100,000,000	lire	100.00	Enel SpA	100.00
Valgen SpA	CHÂTILLON (Aosta)	Electricity generation in Valle D'Aosta	533,400,000,000	lire	100.00	Enel SpA	100.00
WEBiz 2 BV	HOLLAND	Venture capital	18,000	euro	100.00	Enel SpA	100.00
WEBiz 3 NV	BELGIUM	Venture capital	12,500,000	euro	100.00	WEBiz Holding BV	99.99
						WEBiz 2 BV	0.01
WEBiz Holding BV	HOLLAND	Venture capital	20,000	euro	100.00	Enel SpA	80.00
						WEBiz 2 BV	20.00

⁽¹⁾ CHI Energy Inc. subsidiaries are shown in a separate table

⁽²⁾ Acquired at year end; balance sheet consolidation only

Companies owned by CHI Energy Inc. included in the consolidation using the line-by-line method at December 31, 2000

Company name	Registered office	Activity	Capital stock ⁽¹⁾ at Dec. 31, 2000	Currency	% ownership	Held by	%
Parent Company: CHI Energy Inc.	CONNECTICUT - USA	Electricity generation from renewable sources	10	USD	100.00	Enel Green Power Holding SA	100.00
Subsidiaries:							
Agassiz Beach LLC	MINNESOTA - USA	Electricity generation from renewable sources	-	-	49.00	CHI Minnesota Wind LLC	49.00
Aquenergy Systems Inc.	SOUTH CAROLINA - USA	Electricity generation from renewable sources	10,500	USD	100.00	Consolidated Hydro Southeast Inc.	100.00
Asotin Hydro Company Inc.	DELAWARE - USA	Electricity generation from renewable sources	100	USD	100.00	CHI Energy Inc.	100.00
Autumn Hills LLC	MINNESOTA - USA	Electricity generation from renewable sources	-	-	49.00	CHI Minnesota Wind LLC	49.00
Aziscohos Hydro Company Inc.	DELAWARE - USA	Electricity generation from renewable sources	100	USD	100.00	CHI Energy Inc.	100.00
Beaver Falls Water Power Company	PENNSYLVANIA - USA	Electricity generation from renewable sources	-	-	67.50	Beaver Valley Holdings Ltd.	67.50
Beaver Valley Holdings Ltd.	PENNSYLVANIA - USA	Electricity generation from renewable sources	2	USD	100.00	Hydro Development Group Inc.	100.00
Beaver Valley Power Company	PENNSYLVANIA - USA	Electricity generation from renewable sources	30	USD	100.00	Hydro Development Group Inc.	100.00
Bedard Electrics Inc.	NEW YORK - USA	Electricity generation from renewable sources	150,200	USD	100.00	Hydro Development Group Inc.	100.00
Boott Hydropower Inc.	MASSACHUSETTS - USA	Electricity generation from renewable sources	-	-	100.00	CHI Energy Inc.	100.00
BP Hydro Associates	IDAHO - USA	Electricity generation from renewable sources	-	-	100.00	CHI Idaho Inc. CHI Magic Valley Inc.	68.00 32.00
BP Hydro Finance Partnership	UTAH - USA	Electricity generation from renewable sources	-	-	100.00	BP Hydro Associates Fulcrum Inc.	75.90 24.10
(Cataldo) Hydro Power Associates	NEW YORK - USA	Electricity generation from renewable sources	-	-	100.00	Hydro Development Group Inc. CHI Black River Inc.	50.00 50.00
CHI Acquisitions Inc.	DELAWARE - USA	Electricity generation from renewable sources	100	USD	100.00	CHI Energy Inc.	100.00
CHI Acquisitions II Inc.	DELAWARE - USA	Electricity generation from renewable sources	100	USD	100.00	CHI Finance Inc.	100.00
CHI Argentina USA Inc.	DELAWARE - USA	Electricity generation from renewable sources	100	USD	100.00	CHI Energy Inc.	100.00
CHI Black River Inc.	DELAWARE - USA	Electricity generation from renewable sources	100	USD	100.00	CHI Finance Inc.	100.00
CHI Canada Inc.	QUÉBEC - CANADA	Electricity generation from renewable sources	800	USD	100.00	CHI Finance Inc.	100.00

Company name	Registered office	Activity	Capital stock ⁽¹⁾	Currency	% ownership	Held by	%
			at Dec. 31, 2000				
CHI Dexter Inc.	DELAWARE - USA	Electricity generation from renewable sources	100	USD	100.00	CHI Finance Inc.	100.00
CHI Finance Inc.	DELAWARE - USA	Electricity generation from renewable sources	100	USD	100.00	CHI Energy Inc.	100.00
CHI Hydroelectric Company Inc.	NEWFOUNDLAND - CANADA	Electricity generation from renewable sources	-	-	100.00	CHI Canada Inc.	100.00
CHI Highfalls Inc.	DELAWARE - USA	Electricity generation from renewable sources	-	-	100.00	CHI Finance Inc.	100.00
CHI Idaho Inc.	DELAWARE - USA	Electricity generation from renewable sources	100	USD	100.00	CHI Acquisitions Inc.	100.00
CHI Magic Valley Inc.	DELAWARE - USA	Electricity generation from renewable sources	100	USD	100.00	CHI Acquisitions Inc.	100.00
CHI Minnesota Wind LLC	DELAWARE - USA	Electricity generation from renewable sources	-	-	100.00	CHI Finance Inc.	100.00
CHI Mountain States Operations Inc.	DELAWARE - USA	Electricity generation from renewable sources	100	USD	100.00	CHI Acquisitions Inc.	100.00
CHI Operations Inc.	DELAWARE - USA	Electricity generation from renewable sources	100	USD	100.00	CHI Energy Inc.	100.00
CHI Patagonia Inc.	DELAWARE - USA	Electricity generation from renewable sources	100	USD	100.00	CHI Finance Inc.	100.00
CHI Philippines Inc.	DELAWARE - USA	Electricity generation from renewable sources	100	USD	100.00	CHI Finance Inc.	100.00
CHI Power Inc.	DELAWARE - USA	Electricity generation from renewable sources	100	USD	100.00	CHI Energy Inc.	100.00
CHI Power Marketing Inc.	DELAWARE - USA	Electricity generation from renewable sources	100	USD	100.00	CHI Energy Inc.	100.00
CHI S.F. LP	QUÉBEC - CANADA	Electricity generation from renewable sources	-	-	100.00	CHI Hydroelectric Co. Inc. CHI Canada Inc.	1.00 99.00
CHI Universal Inc.	DELAWARE - USA	Electricity generation from renewable sources	100	USD	100.00	CHI Energy Inc.	100.00
CHI West Inc.	DELAWARE - USA	Electricity generation from renewable sources	100	USD	100.00	CHI Acquisitions Inc.	100.00
CHI Western Operations Inc.	DELAWARE - USA	Electricity generation from renewable sources	100	USD	100.00	CHI Acquisitions Inc.	100.00
Coneross Power Corporation Inc.	SOUTH CAROLINA - USA	Electricity generation from renewable sources	110,000	USD	100.00	Aquenergy Systems Inc.	100.00
Consolidated Hydro Mountain States Inc.	DELAWARE - USA	Electricity generation from renewable sources	100	USD	100.00	CHI Acquisitions Inc.	100.00
Consolidated Hydro New Hampshire Inc.	DELAWARE - USA	Electricity generation from renewable sources	130	USD	100.00	CHI Universal Inc.	100.00
Consolidated Hydro New York Inc.	DELAWARE - USA	Electricity generation from renewable sources	200	USD	100.00	CHI Energy Inc.	100.00

Company name	Registered office	Activity	Capital stock ⁽¹⁾	Currency	% ownership	Held by	%
			at Dec. 31, 2000				
Consolidated Hydro Southeast Inc.	DELAWARE - USA	Electricity generation from renewable sources	100	USD	100.00	CHI Acquisitions II Inc.	100.00
Consolidated Hydro Vermont Inc.	DELAWARE - USA	Electricity generation from renewable sources	100	USD	100.00	CHI Energy Inc.	100.00
Consolidated Pumped Storage Inc.	DELAWARE - USA	Electricity generation from renewable sources	80	USD	100.00	CHI Energy Inc.	100.00
Consolidated Pumped Storage Arkansas Inc.	DELAWARE - USA	Electricity generation from renewable sources	90	USD	100.00	Consolidated Pumped Storage Inc.	100.00
Coosa Pines Energy LLC	DELAWARE - USA	Electricity generation from renewable sources	-	-	100.00	CHI Finance Inc.	100.00
Coosa Pines Energy Holdings LLC	DELAWARE - USA	Electricity generation from renewable sources	-	-	100.00	CHI Finance Inc.	100.00
Copenhagen Associates	NEW YORK - USA	Electricity generation from renewable sources	-	-	100.00	Hydro Development Group Inc. CHI Dexter Inc.	50.00 50.00
Crosby Drive Investments Inc.	MASSACHUSETTS - USA	Electricity generation from renewable sources	-	-	100.00	Asotin Hydro Company Inc.	100.00
Eagle & Phenix Hydro Company Inc.	DELAWARE - USA	Electricity generation from renewable sources	100	USD	100.00	CHI Acquisitions Inc.	100.00
Echo Summit Hydro Company Inc.	DELAWARE - USA	Electricity generation from renewable sources	100	USD	100.00	CHI Finance Inc.	100.00
Essex Company	MASSACHUSETTS - USA	Electricity generation from renewable sources	-	-	100.00	CHI Energy Inc.	100.00
Florence Hills LLC	MINNESOTA - USA	Electricity generation from renewable sources	-	-	49.00	CHI Minnesota Wind LLC	49.00
Fulcrum Inc.	IDAHO - USA	Electricity generation from renewable sources	992.5	USD	100.00	Consolidated Hydro Mountain States Inc.	100.00
Hadley Ridge LLC	MINNESOTA - USA	Electricity generation from renewable sources	-	-	49.00	CHI Minnesota Wind LLC	49.00
Highfalls Hydro Company Inc.	DELAWARE - USA	Electricity generation from renewable sources	-	-	100.00	CHI Finance Inc.	100.00
Hope Creek LLC	MINNESOTA - USA	Electricity generation from renewable sources	-	-	49.00	CHI Minnesota Wind LLC	49.00
Hosiery Mill Hydro Company Inc.	DELAWARE - USA	Electricity generation from renewable sources	100	USD	100.00	CHI Acquisitions Inc.	100.00
Hydrodev Inc.	QUÉBEC - CANADA	Electricity generation from renewable sources	-	-	100.00	CHI Canada Inc.	100.00
Hydrodev Limited Partnership	QUÉBEC - CANADA	Electricity generation from renewable sources	-	-	49.00	CHI Canada Inc. Hydrodev Inc.	48.00 1.00
Hydro Development Group Inc.	NEW YORK - USA	Electricity generation from renewable sources	12.25	USD	100.00	CHI Acquisitions II Inc.	100.00
Hydro Energies Corporation	VERMONT - USA	Electricity generation from renewable sources	5,000	USD	100.00	CHI Finance Inc.	100.00

Company name	Registered office	Activity	Capital stock ⁽¹⁾	Currency	% ownership	Held by	%
			at Dec. 31, 2000				
Iroquois Ltd.	NEW YORK - USA	Electricity generation from renewable sources	-	-	100.00	Hydro Development Group Inc.	100.00
Iroquois Acquisitions Inc.	NEW YORK - USA	Electricity generation from renewable sources	-	-	100.00	Hydro Development Group Inc.	100.00
Jack River LLC	MINNESOTA - USA	Electricity generation from renewable sources	-	-	49.00	CHI Minnesota Wind LLC	49.00
Jessica Mills LLC	MINNESOTA - USA	Electricity generation from renewable sources	-	-	49.00	CHI Minnesota Wind LLC	49.00
Joseph Hydro Company Inc.	DELAWARE - USA	Electricity generation from renewable sources	100	USD	100.00	CHI Acquisitions II Inc.	100.00
Julia Hills LLC	MINNESOTA - USA	Electricity generation from renewable sources	-	-	49.00	CHI Minnesota Wind LLC	49.00
Kings River Hydro Company Inc.	DELAWARE - USA	Electricity generation from renewable sources	100	USD	100.00	CHI Finance Inc.	100.00
Kinneytown Hydro Company Inc.	DELAWARE - USA	Electricity generation from renewable sources	100	USD	100.00	CHI Energy Inc.	100.00
LaChute Hydro Company Inc.	DELAWARE - USA	Electricity generation from renewable sources	100	USD	100.00	CHI Energy Inc.	100.00
Lawrence Hydroelectric Associates LP	MASSACHUSETTS - USA	Electricity generation from renewable sources	-	-	100.00	Essex Company Crosby Drive Investments Inc.	92.50 7.50
Les Développements Hydroélectriques CHI Inc.	QUÉBEC - CANADA	Electricity generation from renewable sources	100	USD	100.00	CHI Acquisitions Inc.	100.00
Littlefield Hydro Company	MAINE - USA	Electricity generation from renewable sources	-	-	100.00	Littlefield Hydro Company Inc. CHI Universal Inc.	10.00 90.00
Littlefield Hydro Company Inc.	DELAWARE - USA	Electricity generation from renewable sources	100	USD	100.00	CHI Energy Inc.	100.00
Littleville Power Company Inc.	MASSACHUSETTS - USA	Electricity generation from renewable sources	-	-	100.00	Hydro Development Group Inc.	100.00
Lower Saranac Corporation	NEW YORK - USA	Electricity generation from renewable sources	2	USD	100.00	CHI Acquisitions Inc.	100.00
Metro Wind LLC	MINNESOTA - USA	Electricity generation from renewable sources	-	-	49.00	CHI Minnesota Wind LLC	49.00
Mill Shoals Hydro Company Inc.	DELAWARE - USA	Electricity generation from renewable sources	100	USD	100.00	CHI Finance Inc.	100.00
Minnewawa Hydro Company Inc.	DELAWARE - USA	Electricity generation from renewable sources	100	USD	100.00	CHI Energy Inc.	100.00
North Canal Waterworks	MASSACHUSETTS - USA	Electricity generation from renewable sources	-	-	100.00	Essex Company	100.00
Notch Butte Hydro Company Inc.	DELAWARE - USA	Electricity generation from renewable sources	100	USD	100.00	CHI Finance Inc.	100.00

Company name	Registered office	Activity	Capital stock ⁽¹⁾	Currency	% ownership	Held by	%
			at Dec. 31, 2000				
Optigaz Inc.	QUÉBEC - CANADA	Electricity generation from renewable sources	-	-	60.00	CHI Canada Inc.	60.00
Ottawaquechee Hydro Company Inc.	DELAWARE - USA	Electricity generation from renewable sources	100	USD	100.00	CHI Finance Inc.	100.00
Patagonia Investments LP	DELAWARE - USA	Electricity generation from renewable sources	-	-	99.00	CHI Patagonia Inc.	99.00
Pelzer Hydro Company Inc.	DELAWARE - USA	Electricity generation from renewable sources	100	USD	100.00	Consolidated Hydro Southeast Inc.	100.00
Phoenix Hydro Company Inc.	DELAWARE - USA	Electricity generation from renewable sources	100	USD	100.00	CHI Acquisitions Inc.	100.00
Pioneer Hydro Company Inc.	DELAWARE - USA	Electricity generation from renewable sources	100	USD	100.00	CHI Finance Inc.	100.00
Pyrites Associates	NEW YORK - USA	Electricity generation from renewable sources	-	-	100.00	Hydro Development Group Inc. CHI Dexter Inc.	50.00 50.00
Ruthton Ridge LLC	MINNESOTA - USA	Electricity generation from renewable sources	-	-	49.00	CHI Minnesota Wind LLC	49.00
Schoolfield Hydro Company Inc.	DELAWARE - USA	Electricity generation from renewable sources	100	USD	100.00	CHI Acquisitions Inc.	100.00
Sheldon Vermont Hydro Company Inc.	DELAWARE - USA	Electricity generation from renewable sources	-	-	100.00	CHI Acquisitions Inc.	100.00
Slate Creek Hydro Associates LP	CALIFORNIA - USA	Electricity generation from renewable sources	-	-	95.00	Slate Creek Hydro Company Inc.	95.00
Slate Creek Hydro Company Inc.	DELAWARE - USA	Electricity generation from renewable sources	100	USD	100.00	CHI Acquisitions II Inc.	100.00
Soliloquoy Ridge LLC	MINNESOTA - USA	Electricity generation from renewable sources	-	-	49.00	CHI Minnesota Wind LLC	49.00
Somersworth Hydro Company Inc.	DELAWARE - USA	Electricity generation from renewable sources	100	USD	100.00	CHI Universal Inc.	100.00
Southwest Transmission LLC	MINNESOTA - USA	Electricity generation from renewable sources	-	-	49.00	CHI Minnesota Wind LLC	49.00
Spartan Hills LLC	MINNESOTA - USA	Electricity generation from renewable sources	-	-	49.00	CHI Minnesota Wind LLC	49.00
St. - Felicien Cogeneration Limited Partnership	QUÉBEC - CANADA	Electricity generation from renewable sources	-	-	59.90	Hydrodev Inc. CHI S.F. LP	2.40 57.50
Summit Energy Limited Partnership	DELAWARE - USA	Electricity generation from renewable sources	-	-	100.00	CHI Energy Inc. Summit Energy Storage Inc.	1.00 99.00
Summit Energy Storage Inc.	DELAWARE - USA	Electricity generation from renewable sources	8,200	USD	69.31	CHI Energy Inc.	69.31
Summit Finance Inc.	DELAWARE - USA	Electricity generation from renewable sources	100	USD	100.00	Summit Energy Storage Inc.	100.00

Company name	Registered office	Activity	Capital stock ⁽¹⁾	Currency	% ownership	Held by	%
			at Dec. 31, 2000				
Sun River LLC	MINNESOTA - USA	Electricity generation from renewable sources	-	-	49.00	CHI Minnesota Wind LLC	49.00
The Great Dam Corporation	MASSACHUSETTS - USA	Electricity generation from renewable sources	100	USD	100.00	Lawrence Hydroelectric Associates LP	100.00
TKO Power Company	CALIFORNIA - USA	Electricity generation from renewable sources	-	-	100.00	CHI West Inc.	100.00
Triton Power Company	NEW YORK - USA	Electricity generation from renewable sources	-	-	100.00	CHI Highfalls Inc. Highfalls Hydro Company Inc.	50.00 50.00
Tsar Nicholas LLC	MINNESOTA - USA	Electricity generation from renewable sources	-	-	49.00	CHI Minnesota Wind LLC	49.00
Twin Falls Hydro Company Inc.	DELAWARE - USA	Electricity generation from renewable sources	10	USD	100.00	CHI Acquisitions Inc.	100.00
Twin Lake Hills LLC	MINNESOTA - USA	Electricity generation from renewable sources	-	-	49.00	CHI Minnesota Wind LLC	49.00
Ware Hydro Company Inc.	DELAWARE - USA	Electricity generation from renewable sources	100	USD	100.00	CHI Finance Inc.	100.00
Willimantic Hydro Company Inc.	DELAWARE - USA	Electricity generation from renewable sources	100	USD	100.00	CHI Acquisitions Inc.	100.00
Willimantic Power Corporation	CONNECTICUT - USA	Electricity generation from renewable sources	-	-	100.00	Willimantic Hydro Company Inc.	100.00
Winter's Spawn LLC	MINNESOTA - USA	Electricity generation from renewable sources	-	-	49.00	CHI Minnesota Wind LLC	49.00

⁽¹⁾ LLC and some other kind of incorporation do not require a capital stock

Subsidiaries consolidated on equity at December 31, 2000

Company name	Registered office	Activity	Capital stock	Currency	% ownership	Held by	%
			at Dec. 31, 2000				
WIND Telecomunicazioni SpA	ROME	Telecommunications	2,189,964,813,000	lire	56.63	Enel SpA	56.63

Affiliated companies consolidated on equity at December 31, 2000

Company name	Registered office	Activity	Capital stock	Currency	% ownership	Held by	%
			at Dec. 31, 2000				
Euromedia Luxembourg One SA	LUXEMBOURG	Venture capital	52,500,000	USD	28.57	Enel SpA	28.57
Immobiliare Foro Bonaparte SpA	ROME	Real estate	55,000,000	euro	49.00	Sei SpA	49.00
KH (Multimedia Education) SpA	TURIN	Personnel training	9,804,000,000	lire	49.00	Sfera ScpA	49.00
Lario Distribuzione Gas SpA	LECCO	Gas distribution	2,000,000,000	lire	50.00	Colombo Gas SpA	50.00
Q-Channel SpA	ROME	Health care services	3,214,286,000	lire	24.00	Enel.it SpA	24.00
EPV Holdings LLC	DELAWARE - USA	Electricity generation from renewable sources	-	-	37.14	CHI Power Inc.	37.14
Star Lake Hydro Partnership	CANADA	Electricity generation from renewable sources	-	-	49.00	CHI Hydroelectric Company Inc.	49.00
Black River Hydro Assoc.	NEW YORK - USA	Electricity generation from renewable sources	-	-	25.00	(Cataldo) Hydro Power Associates	25.00

Unconsolidated subsidiaries at December 31, 2000

Company name	Registered office	Activity	Capital stock	Currency	% ownership	Held by	%
			at Dec. 31, 2000				
Climare Scrl	SESTRI LEVANTE (Genoa)	Energy services	60,000,000	lire	66.66	Enel Distribuzione SpA	66.66
Consorzio Siciltech	PALERMO	Small and medium size business development in Sicily	10,000,000	lire	99.00	Enel.Hydro SpA	99.00
Deval SpA	AOSTA	Electricity distribution in Valle D'Aosta	200,000,000	lire	100.00	Valdis SpA	100.00
Enel Investment Holding BV	AMSTERDAM	Holding of telecommunications companies	50,000	euro	100.00	Enel SpA	100.00
Geval SpA	CHÂTILLON (Aosta)	Electricity generation in Valle D'Aosta	200,000,000	lire	100.00	Valgen SpA	100.00
Hydro Gestioni SpA	CITTÀ DI CASTELLO (Perugia)	Water sector	104,000	euro	51.00	Enel.Hydro SpA	51.00
Hydro Gestioni Impianti Tecnologici Scrl	ROME	Water sector	50,000,000	lire	51.00	Enel.Hydro SpA	51.00
Immobiliare Rio Nuovo SpA	ROME	Real estate	200,000,000	lire	100.00	Sei SpA	100.00

Affiliated companies at December 31, 2000

Company name	Registered office	Activity	Capital stock	Currency	% ownership	Held by	%
			at Dec. 31, 2000				
Sotacarbo - Società Tecnologie Avanzate Carbone SpA	PORTOSCUSO (Cagliari)	Coal utilization technology development	9,000,000,000	lire	25.00	Enel SpA	25.00
C.I.N.S.	ROME	Research on materials	100,000,000	lire	20.00	CISE Tecnologie Innovative Srl	20.00
Istedil - Istituto Sperimentale per l'Edilizia SpA	GUIDONIA (Rome)	Building safety technologies	2,000,000,000	lire	50.00	Enel.Hydro SpA	50.00
Consorzio Isas	MATERA	Training and other services	10,000,000	lire	46.25	Enel.Hydro SpA	46.25
Consorzio Corarc	SERiate (Bergamo)	Scientific research coordination	52,000,000	lire	50.00	Enel.Hydro SpA	50.00
Consorzio Progetto Torre di Pisa	PISA	Coordination of studies for the restoration of the Tower of Pisa	60,000,000	lire	24.98	Enel.Hydro SpA	24.98
SIET - Società Informazioni Esperienze Termoidrauliche SpA	PIACENZA	Studies, projects and research in the thermal field	2,184,480,000	lire	41.55	Enel.Hydro SpA	41.55
Idroenergia Consorzio	ROME	Desalination plants	100,000,000	lire	50.00	Enel.Hydro SpA	50.00
Consorzio Gestione Centro Iside	PRIGNANO CIL. (Salerno)	Monitoring and safety of water distribution networks	200,000,000	lire	49.00	Enel.Hydro SpA Erga SpA	29.00 20.00
HydroLazio Srl	BOLOGNA	Water sector	20,000,000	lire	50.00	Enel.Hydro SpA	50.00
Sicilia Hydro SpA	ENNA	Water sector	200,000.000	lire	33.50	Enel.Hydro SpA	33.50
Enelpower Contractor and Development Saudi Arabia Ltd	SAUDI ARABIA	Power plant construction, management and maintenance	5,000,000	SR	40.00	Enelpower SpA	40.00
Enelco SA	GREECE	Power plant construction, management and maintenance	200,000,000	GRD	50.00	Enelpower SpA	50.00
T.S.N. - Transmissora Sudeste Nordeste SA	BRASIL	Construction, ownership and maintenance of transmission network	10,000	R\$	49.98	Enelpower SpA	49.98

Relevant equity investments owned by Enel at December 31, 2000 pursuant to art. 120 of Legislative Decree no. 58, dated Feb. 24, 1998

(reporting pursuant to article 126 of CONSOB Resolution no. 11971 dated May 14, 1999)

Company name	Registered office	Activity	Capital stock	Currency	Held by	%
Agassiz Beach LLC	Minnesota - USA	Electricity generation from renewable sources	-	-	CHI Minnesota Wind LLC	49
Aquenergy Systems Inc.	South Carolina - USA	Electricity generation from renewable sources	10,500	USD	Consolidated Hydro Southeast Inc.	100
Asotin Hydro Company Inc.	Delaware - USA	Electricity generation from renewable sources	100	USD	CHI Energy Inc.	100
Autumn Hills LLC	Minnesota - USA	Electricity generation from renewable sources	-	-	CHI Minnesota Wind LLC	49
Aziscohos Hydro Company Inc.	Delaware - USA	Electricity generation from renewable sources	100	USD	CHI Energy Inc.	100
Beaver Falls Water Power Company	Pennsylvania - USA	Electricity generation from renewable sources	-	-	Beaver Valley Holdings Ltd.	67.50
Beaver Valley Holdings Ltd	Pennsylvania - USA	Electricity generation from renewable sources	2	USD	Hydro Development Group Inc.	100
Beaver Valley Power Company	Pennsylvania - USA	Electricity generation from renewable sources	30	USD	Hydro Development Group Inc.	100
Bedard Electrics Inc.	New York - USA	Electricity generation from renewable sources	150,200	USD	Hydro Development Group Inc.	100
Biz@Capital SpA (now Enel Capital SpA)	Milan	Venture capital	3,500,000	euro	Enel SpA CISE Srl	99 1
Boott Hydropower Inc.	Massachusetts - USA	Electricity generation from renewable sources	-	-	CHI Energy Inc.	100
Camigas Srl	Milan	Gas distribution	20,000,000	lire	Colombo Gas SpA	100
CESI – Centro Elettrotecnico Sperimentale Italiano Giacinto Motta SpA	Milan	Research and testing	17,100,000,000	lire	Enel SpA	57.92
CHI Acquisitions Inc.	Delaware - USA	Electricity generation from renewable sources	100	USD	CHI Energy Inc.	100
CHI Acquisitions II Inc.	Delaware - USA	Electricity generation from renewable sources	100	USD	CHI Finance Inc.	100
CHI Argentina USA Inc.	Delaware - USA	Electricity generation from renewable sources	100	USD	CHI Energy Inc.	100
CHI Black River Inc.	Delaware - USA	Electricity generation from renewable sources	100	USD	CHI Finance Inc.	100
CHI Canada Inc.	Québec - Canada	Electricity generation from renewable sources	800	USD	CHI Finance Inc.	100
CHI Dexter Inc.	Delaware - USA	Electricity generation from renewable sources	100	USD	CHI Finance Inc.	100
CHI Energy Inc.	Connecticut - USA	Electricity generation from renewable sources	10	USD	Enel Green Power Holding S.A.	100
CHI Finance Inc.	Delaware - USA	Electricity generation from renewable sources	100	USD	CHI Energy Inc.	100

Company name	Registered office	Activity	Capital stock	Currency	Held by	%
CHI Hydroelectric Company Inc.	Newfoundland - Canada	Electricity generation from renewable sources	-	-	CHI Canada Inc.	100
CHI Highfalls Inc.	Delaware - USA	Electricity generation from renewable sources	-	-	CHI Finance Inc.	100
CHI Idaho Inc.	Delaware - USA	Electricity generation from renewable sources	100	USD	CHI Acquisitions Inc.	100
CHI Magic Valley Inc.	Delaware - USA	Electricity generation from renewable sources	100	USD	CHI Acquisitions Inc.	100
CHI Minnesota Wind LLC	Delaware - USA	Electricity generation from renewable sources	-	-	CHI Finance Inc.	100
CHI Mountain States Operations Inc.	Delaware - USA	Electricity generation from renewable sources	100	USD	CHI Acquisitions Inc.	100
CHI Operations Inc.	Delaware - USA	Electricity generation from renewable sources	100	USD	CHI Energy Inc.	100
CHI Patagonia Inc.	Delaware - USA	Electricity generation from renewable sources	100	USD	CHI Finance Inc.	100
CHI Philippines Inc.	Delaware - USA	Electricity generation from renewable sources	100	USD	CHI Finance Inc.	100
CHI Power Inc.	Delaware - USA	Electricity generation from renewable sources	100	USD	CHI Energy Inc.	100
CHI Power Marketing Inc.	Delaware - USA	Electricity generation from renewable sources	100	USD	CHI Energy Inc.	100
CHI Universal Inc.	Delaware - USA	Electricity generation from renewable sources	100	USD	CHI Energy Inc.	100
CHI West Inc.	Delaware - USA	Electricity generation from renewable sources	100	USD	CHI Acquisitions Inc.	100
CHI Western Operations Inc.	Delaware - USA	Electricity generation from renewable sources	100	USD	CHI Acquisitions Inc.	100
CISE Tecnologie Innovative Srl	Milan	R&D	1,200,000,000	lire	Enel SpA	100
Climare Scrl	Sestri Levante (Genoa)	Energy services	60,000,000	lire	Enel Distribuzione SpA	66.66
Colombo Gas SpA	Lecco	Gas distribution	26,500,000,000	lire	Enel SpA Enel Holding Luxembourg SA Enel Finance International SA	26.03 40.11 33.86
Coneross Power Corporation Inc.	South Carolina - USA	Electricity generation from renewable sources	110,000	USD	Aquenergy Systems Inc.	100
Conphoebus SpA	Catania	Research and engineering services	1,506,000,000	lire	Enel SpA	100
Conphoebus Technology Service SpA	Catania	Facility management services	200,000,000	lire	Sei SpA	100
Consolidated Hydro Mountain States Inc.	Delaware - USA	Electricity generation from renewable sources	100	USD	CHI Acquisitions Inc.	100
Consolidated Hydro New Hampshire Inc.	Delaware - USA	Electricity generation from renewable sources	130	USD	CHI Universal Inc.	100

Company name	Registered office	Activity	Capital stock	Currency	Held by	%
Consolidated Hydro New York Inc.	Delaware - USA	Electricity generation from renewable sources	200	USD	CHI Energy Inc.	100
Consolidated Hydro Southeast Inc.	Delaware - USA	Electricity generation from renewable sources	100	USD	CHI Acquisitions II Inc.	100
Consolidated Hydro Vermont Inc.	Delaware - USA	Electricity generation from renewable sources	100	USD	CHI Energy Inc.	100
Consolidated Pumped Storage Inc.	Delaware - USA	Electricity generation from renewable sources	80	USD	CHI Energy Inc.	100
Consolidated Pumped Storage Arkansas Inc.	Delaware - USA	Electricity generation from renewable sources	90	USD	Consolidated Pumped Storage Inc.	100
Coosa Pines Energy LLC	Delaware -USA	Electricity generation from renewable sources	-	-	CHI Finance Inc.	100
Coosa Pines Energy Holdings LLC	Delaware - USA	Electricity generation from renewable sources	-	-	CHI Finance Inc.	100
Crosby Drive Investments Inc.	Massachusetts - USA	Electricity generation from renewable sources	-	-	Asotin Hydro Company Inc.	100
Ctida Srl	Milan	Engineering, water systems	100,000,000	lire	Enel.Hydro SpA	75
Dalmazia Trieste SpA	Rome	Real estate management	7,809,520,000	lire	Enel SpA Sei SpA	98.76 1.24
Depurazione Trentino Centrale Scrl	Trento	Water depuration	10,000	euro	Enel.Hydro	15
Deval SpA	Aosta	Electricity distribution in Valle D'Aosta	200,000,000	lire	Valdis SpA	100
Eagle & Phenix Hydro Company Inc.	Delaware - USA	Electricity generation from renewable sources	100	USD	CHI Acquisitions Inc.	100
Echo Summit Hydro Company Inc.	Delaware - USA	Electricity generation from renewable sources	100	USD	CHI Finance Inc.	100
Elettroambiente SpA	Rome	Electricity generation from waste	500,000,000	lire	Enel SpA	100
Elettrogen SpA	Rome	Electricity generation	278,900,000,000	lire	Enel SpA	100
Enelco SA	Athens (Greece)	Power plant construction, management and maintenance	200,000,000	GRD	Enelpower SpA	50
Enel Distribuzione SpA	Rome	Electricity distribution	12,238,400,000,000	lire	Enel SpA	100
Enel.factor SpA	Rome	Factoring	10,000,000,000	lire	Enel SpA	80
Enel Finance International SA (ex IPEF II Holdings n. 2 SA)	Luxembourg	Finance	214,975,000	LUF	Enel SpA	99.99
Enel.FTL SpA	Rome	Fuel trading and logistics	50,000,000,000	lire	Enel SpA Enel Produzione SpA CISE Srl	99.19 0.80 0.01
Enel Green Power Holding SA	Luxembourg	Holding of foreign companies operating in the electricity generation from renewable sources	40,000,000	euro	Erga SpA	99.99

Company name	Registered office	Activity	Capital stock	Currency	Held by	%
Enel Holding Luxembourg SA (ex Triple I Two SA)	Luxembourg	Finance	6,237,390	euro	Enel SpA	99.99
Enel.Hydro SpA	Seriate (Bergamo)	Engineering, water systems	18,780,000,000	lire	Enel SpA	100
Enel Investment Holding BV	Amsterdam (Holland)	Holding of telecommunications companies	50,000	euro	Enel SpA	100
Enel.it SpA	Rome	Information technology	140,400,000,000	lire	Enel SpA CISE Srl	99.99 0.01
Enelpower SpA	Milan	Engineering and contracting	255,200,000,000	lire	Enel SpA CISE Srl	99.99 0.01
Enelpower Contractor and Development Saudi Arabia Ltd	Riyadh (Saudi Arabia)	Power plant construction, management and maintenance	5,000,000	SR	Enelpower SpA	40
Enelpower UK Ltd	London (United Kingdom)	Engineering and contracting	1,000	GBP	Enelpower SpA	100
Enel Produzione SpA	Rome	Electricity generation	12,932,200,000,000	lire	Enel SpA	100
Enel.Re Ltd	Dublin (Ireland)	Reinsurance	3,000,000	euro	Enel Holding Luxembourg SA	99.99
Enel Service UK Ltd	London (United Kingdom)	Services	100	GBP	Enel.FTL SpA	100
Enel.si - Servizi integrati SpA	Rome	Engineering and energy related services	10,000,000,000	lire	Enel SpA CISE Srl	99 1
Enel Trade SpA	Milan	Sale of electricity	5,000,000,000	lire	Enel SpA	100
Energas Impianti Srl	Milan	Gas distribution	20,000,000	lire	Camigas Srl	100
EPV Holdings LLC	Delaware - USA	Electricity generation from renewable sources	-	-	CHI Power Inc.	37.14
Erga - Energie Rinnovabili Geotermiche ed Alternative SpA	Pisa	Electricity generation from renewable sources	1,221,216,000,000	lire	Enel SpA	100
Essex Company	Massachusetts - USA	Electricity generation from renewable sources	-	-	CHI Energy Inc.	100
ESTEL SpA	Trieste	Telecommunications	5,000,000,000	lire	WIND SpA	40
Eurogen SpA	Rome	Electricity generation	205,480,978,000	lire	Enel SpA	100
Euromedia Luxembourg One SA	Luxembourg	Venture capital	52,500,000	USD	Enel SpA	28.57
Florence Hills LLC	Minnesota - USA	Electricity generation from renewable sources	-	-	CHI Minnesota Wind LLC	49
Fulcrum Inc.	Idaho - USA	Electricity generation from renewable sources	992.5	USD	Consolidated Hydro Mountain States Inc.	100
Geval SpA	Châtillon (Aosta)	Electricity generation in Valle D'Aosta	200,000,000	lire	Valgen SpA	100

Company name	Registered office	Activity	Capital stock	Currency	Held by	%
Hadley Ridge LLC	Minnesota - USA	Electricity generation from renewable sources	-	-	CHI Minnesota Wind LLC	49
Highfalls Hydro Company Inc.	Delaware - USA	Electricity generation from renewable sources	-	-	CHI Finance Inc.	100
Hope Creek LLC	Minnesota - USA	Electricity generation from renewable sources	-	-	CHI Minnesota Wind LLC	49
Hosiery Mill Hydro Company Inc.	Delaware - USA	Electricity generation from renewable sources	100	USD	CHI Acquisitions Inc.	100
Hydrodev Inc.	Québec - Canada	Electricity generation from renewable sources	-	-	CHI Canada Inc.	100
Hydro Development Group Inc.	New York - USA	Electricity generation from renewable sources	12.25	USD	CHI Acquisitions II Inc.	100
Hydro Energies Corporation	Vermont - USA	Electricity generation from renewable sources	5,000	USD	CHI Finance Inc.	100
Hydro Gestioni SpA	Città di Castello (Perugia)	Water sector	104,000	euro	Enel.Hydro SpA	51
Hydro Gestioni Impianti Tecnologici Scrl	Rome	Water sector	50,000,000	lire	Enel.Hydro SpA	51
HydroLazio Scrl	Bologna	Water sector	20,000,000	lire	Enel.Hydro SpA	50
Immobiliare Foro Bonaparte SpA	Rome	Real estate	55,000,000	euro	Sei SpA	49
Immobiliare Rio Nuovo SpA	Rome	Real estate	200,000,000	lire	Sei SpA	100
Insula SpA	Venice	Urban maintenance for the city of Venice	4,000,000,000	lire	Enel.Hydro SpA	12
International Multimedia University SpA	Gualdo Tadino (Perugia)	Long-distance training	1,200,000,000	lire	Enel.Hydro SpA	13.04
Interpower SpA	Rome	Electricity generation	189,177,516,000	lire	Enel SpA	100
Iroquorp Ltd	New York - USA	Electricity generation from renewable sources	-	-	Hydro Development Group Inc.	100
Iroquorp Acquisitions Inc.	New York - USA	Electricity generation from renewable sources	-	-	Hydro Development Group Inc.	100
Istedil - Istituto Sperimentale per l'Edilizia SpA	Guidonia (Rome)	Building safety technologies	2,000,000,000	lire	Enel.Hydro SpA	50
IT-net SpA	Rome	Network information systems	1,000,000,000	lire	WIND SpA Mondo WIND Srl	99 1
Jack River LLC	Minnesota - USA	Electricity generation from renewable sources	-	-	CHI Minnesota Wind LLC	49
Jessica Mills LLC	Minnesota - USA	Electricity generation from renewable sources	-	-	CHI Minnesota Wind LLC	49
Joseph Hydro Company Inc.	Delaware - USA	Electricity generation from renewable sources	100	USD	CHI Acquisitions II Inc.	100
Julia Hills LLC	Minnesota - USA	Electricity generation from renewable sources	-	-	CHI Minnesota Wind LLC	49

Company name	Registered office	Activity	Capital stock	Currency	Held by	%
KH (Multimedia Education) SpA	Turin	Personnel training	9,804,000,000	lire	Sfera ScpA	49
Kings River Hydro Company Inc.	Delaware - USA	Electricity generation from renewable sources	100	USD	CHI Finance Inc.	100
Kinneytown Hydro Company Inc.	Delaware - USA	Electricity generation from renewable sources	100	USD	CHI Energy Inc.	100
LaChute Hydro Company Inc.	Delaware - USA	Electricity generation from renewable sources	100	USD	CHI Energy Inc.	100
La Metanifera Srl	Milan	Gas distribution	30,000,000	lire	Energas Impianti Srl	100
Lario Distribuzione Gas SpA	Lecco	Gas distribution	2,000,000,000	lire	Colombo Gas SpA	50
Les Développements Hydroélectriques CHI Inc.	Québec - Canada	Electricity generation from renewable sources	100	USD	CHI Acquisitions Inc.	100
Littlefield Hydro Company Inc.	Delaware - USA	Electricity generation from renewable sources	100	USD	CHI Energy Inc.	100
Littleville Power Company Inc.	Massachusetts - USA	Electricity generation from renewable sources	-	-	Hydro Development Group Inc.	100
Lower Saranac Corporation	New York - USA	Electricity generation from renewable sources	2	USD	CHI Acquisitions Inc.	100
Megamind SpA	Rome	Distribution	200,000,000	lire	Mondo WIND Srl	30
Metro Wind LLC	Minnesota - USA	Electricity generation from renewable sources	-	-	CHI Minnesota Wind LLC	49
Mill Shoals Hydro Company Inc.	Delaware - USA	Electricity generation from renewable sources	100	USD	CHI Finance Inc.	100
Minnewawa Hydro Company Inc.	Delaware - USA	Electricity generation from renewable sources	100	USD	CHI Energy Inc.	100
Mondo WIND Srl	Rome	Sale of telecommunication products and services	190,000,000	lire	WIND SpA IT-net SpA	99 1
North Canal Waterworks	Massachusetts - USA	Electricity generation from renewable sources	-	-	Essex Company	100
Notch Butte Hydro Company Inc.	Delaware - USA	Electricity generation from renewable sources	100	USD	CHI Finance Inc.	100
Optigaz Inc.	Québec - Canada	Electricity generation from renewable sources	-	-	CHI Canada Inc.	60
Ottawaquechee Hydro Company Inc.	Delaware - USA	Electricity generation from renewable sources	100	USD	CHI Finance Inc.	100
Pelzer Hydro Company Inc.	Delaware - USA	Electricity generation from renewable sources	100	USD	Consolidated Hydro Southeast Inc.	100
Phoenix Hydro Company Inc.	Delaware - USA	Electricity generation from renewable sources	100	USD	CHI Acquisitions Inc.	100
Pioneer Hydro Company Inc.	Delaware - USA	Electricity generation from renewable sources	100	USD	CHI Finance Inc.	100
Q-Channel SpA	Rome	Health care services	3,214,286,000	lire	Enel.it SpA	24

Company name	Registered office	Activity	Capital stock	Currency	Held by	%
Ruthon Ridge LLC	Minnesota - USA	Electricity generation from renewable sources	-	-	CHI Minnesota Wind LLC	49
Schoolfield Hydro Company Inc.	Delaware - USA	Electricity generation from renewable sources	100	USD	CHI Acquisitions Inc.	100
Sei SpA	Rome	Real estate management and general services	2,446,854,729,000	lire	Enel SpA Enel.Hydro SpA	99.99 0.01
Sfera - Società consortile per la formazione e le risorse aziendali ScpA	Rome	Human resources	11,650,000,000	lire	Enel SpA Enel Produzione SpA Enel Distribuzione SpA Terna SpA Enelpower SpA Erga SpA Sei SpA Enel.Hydro SpA	45 10 10 10 10 5 5 5
Sheldon Vermont Hydro Company Inc.	Delaware - USA	Electricity generation from renewable sources	-	-	CHI Acquisitions Inc.	100
Sicilia Hydro SpA	Enna	Water sector	200,000,000	lire	Enel.Hydro SpA	33.50
SIET - Società Informazioni Esperienze Termoidrauliche SpA	Piacenza	Studies, projects and research in the thermal field	2,184,480,000	lire	Enel.Hydro SpA	41.55
Slate Creek Hydro Company Inc.	Delaware - USA	Electricity generation from renewable sources	100	USD	CHI Acquisitions II Inc.	100
So.I.e. - Società luce elettrica SpA Gruppo Enel	Rome	Public lighting systems	9,200,000,000	lire	Enel SpA CISE Srl	99.98 0.02
So.I.e. Milano H Scrl	Rome	Construction of public lighting systems	20,000,000	lire	So.I.e. SpA	70
Soliloquoy Ridge LLC	Minnesota - USA	Electricity generation from renewable sources	-	-	CHI Minnesota Wind LLC	49
Somersworth Hydro Company Inc.	Delaware - USA	Electricity generation from renewable sources	100	USD	CHI Universal Inc.	100
Sotacarbo – Società Tecnologie Avanzate Carbone SpA	Portoscuso (Cagliari)	Coal utilization technology development	9,000,000,000	lire	Enel SpA	25
Southwest Transmission LLC	Minnesota - USA	Electricity generation from renewable sources	-	-	CHI Minnesota Wind LLC	49
Spartan Hills LLC	Minnesota - USA	Electricity generation from renewable sources	-	-	CHI Minnesota Wind LLC	49
Summit Energy Storage Inc.	Delaware - USA	Electricity generation from renewable sources	8,200	USD	CHI Energy Inc.	69.31
Summit Finance Inc.	Delaware - USA	Electricity generation from renewable sources	100	USD	Summit Energy Storage Inc.	100
Sun River LLC	Minnesota - USA	Electricity generation from renewable sources	-	-	CHI Minnesota Wind LLC	49
Terna -Trasmissione Elettricità Rete Nazionale SpA	Rome	Ownership and maintenance of the electricity transmission network	4,072,100,000,000	lire	Enel SpA	100
The Great Dam Corporation	Massachusetts - USA	Electricity generation from renewable sources	100	USD	Lawrence Hydroelectric Associates LP	100

Company name	Registered office	Activity	Capital stock	Currency	Held by	%
TKO Power Inc.	California - USA	Electricity generation from renewable sources	-	-	CHI West Inc.	100
Tsar Nicholas LLC	Minnesota - USA	Electricity generation from renewable sources	-	-	CHI Minnesota Wind LLC	49
T.S.N. - Transmissora Sudeste Nordeste SA	Curitiba (Brasil)	Construction, ownership and maintenance of transmission network	10,000	R\$	Enelpower SpA	49.98
Twin Falls Hydro Company Inc.	Delaware - USA	Electricity generation from renewable sources	10	USD	CHI Acquisitions Inc.	100
Twin Lake Hills LLC	Minnesota - USA	Electricity generation from renewable sources	-	-	CHI Minnesota Wind LLC	49
Valdis SpA	Aosta	Electricity distribution in Valle D'Aosta	61,100,000,000	lire	Enel SpA	100
Valgen SpA	Châtillon (Aosta)	Electricity generation in Valle D'Aosta	533,400,000,000	lire	Enel SpA	100
Ware Hydro Company Inc.	Delaware - USA	Electricity generation from renewable sources	100	USD	CHI Finance Inc.	100
WEBiz 2 BV	Amsterdam (Holland)	Venture capital	18,000	euro	Enel SpA	100
WEBiz 3 NV	Aartselaar (Belgium)	Venture capital	12,500,000	euro	WEBiz Holding BV WEBiz 2 BV	99.99 0.01
WEBiz Holding BV	Amsterdam (Holland)	Venture capital	20,000	euro	Enel SpA WEBiz2 BV	80 20
Willimantic Hydro Company Inc.	Delaware - USA	Electricity generation from renewable sources	100	USD	CHI Acquisitions Inc.	100
Willimantic Power Corporation	Connecticut - USA	Electricity generation from renewable sources	-	-	Willimantic Hydro Company Inc.	100
WIND Telecomunicazioni SpA	Rome	Telecommunications	2,189,964,813,000	lire	Enel SpA	56.63
Winter's Spawn LLC	Minnesota - USA	Electricity generation from renewable sources	-	-	CHI Minnesota Wind LLC	49



Erga • Monte Arci (Oristano), wind plant

2000

Reports



Report of the Board of Statutory Auditors on the 2000 Consolidated Financial Statements of the Enel Group

Dear Shareholders:

the Consolidated Financial Statements of the Enel Group at December 31, 2000 have been prepared by the Group's Parent Company, Enel SpA, pursuant to the provisions contained in Legislative Decree no. 127 dated April 9, 1991, and are made up by the Consolidated Balance Sheet, Consolidated Income Statement and the related Notes, in addition to the Report of the Board of Directors of the Group's Parent Company. The report provides adequate information on operations and in particular considerations on financial and economic aspects. With reference to article 40 of the mentioned Legislative Decree, moreover, the Report of the Board contains a description of Research and Development activities, of events occurred after the closing of the 2000 financial year and management's expectations of operations for the year 2001.

The Board of Statutory Auditors acknowledges that consolidated companies – whose list and description is supplied pursuant to article 39 of Legislative Decree 127/91 – have been recorded correctly in compliance with article 26 of the mentioned Legislative Decree. The Board of Statutory Auditors examined the company's documents and found them to be correct and in line with current statutory regulations, examining also the financial statements of companies controlled by Enel SpA.

The Balance Sheet and Income Statement report data for the previous financial year for comparative purposes. Financial data is expressed also in euro, converted from Italian lire at the exchange rate of lire 1,936.27 per euro.

The Notes to the accounts contain the information prescribed by article 38, Legislative Decree 127/91. In particular they include a description of the most significant valuation criteria applied, in line with those adopted by the Group's Parent Company and those applied in the preparation of the accounts for 1999. Significant changes in Consolidated Balance Sheet items from the previous year are also explained in the Notes.

The Notes to the accounts illustrate moreover the consolidation techniques applied, pursuant to the provisions of articles 31 and 32 of Legislative Decree 127/91. Principles adopted for the consolidation in 2000 are those adopted in the previous year.

The Board of Statutory Auditors, based also on contacts held with Independent Auditors Arthur Andersen SpA, has no exception to make on the Consolidated Financial Statements of the Enel Group for 2000.

Rome, May 8, 2001

The Board of Statutory Auditors

Arthur Andersen SpA
Via Campania 47
00187 Roma

**Report of the Independent Auditors on Consolidated
Financial Statements pursuant to art. 156
of Legislative Decree no. 58 of February 24, 1998**
(Translation from the original issued in Italian)

To the Shareholders of Enel S.p.A.:

1. We have audited the consolidated financial statements of Enel S.p.A. (the "Company") and subsidiaries as of and for the year ended December 31, 2000. These financial statements are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.
2. We conducted our audit in accordance with generally accepted auditing standards in Italy as recommended by the Italian Regulatory Commission for Companies and the Stock Exchange ("Consob"). Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement and are, as a whole, reliable. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the adequacy and the fairness of the accounting principles used and the reasonableness of the estimates made by the Directors. We believe that our audit provides a reasonable basis for our opinion.

The financial statements of the subsidiary Wind Telecomunicazioni S.p.A. were audited by another auditor whose report has been furnished to us. In the consolidated financial statements of the Company as of and for the year ended December 31, 2000, the equity investment in Wind Telecomunicazioni S.p.A. has been accounted for with the equity method, whose application in 2000 resulted in the recording of the pertaining loss of Lire 813 billion. Our opinion, expressed in this report, insofar as it relates to the value of this investment, is based also on the report of the other auditor.

For our opinion on the prior year's consolidated financial statements, which are presented for comparative purposes as required by law, reference should be made to our auditors' report dated May 2, 2000.

3. In our opinion, the consolidated financial statements of Enel S.p.A. and subsidiaries as of and for the year ended December 31, 2000 comply with the Italian statutory provisions related to consolidated financial statements; therefore they give a true and fair view of the financial position and results of operations of the Company and its subsidiaries.
4. For a better understanding of the consolidated financial statements, attention is drawn to the following information contained in the notes to the consolidated financial statements:



- a) as of December 31, 2000, there existed certain lawsuits and other uncertainties relating primarily to tariff, environmental and urbanistic matters, the outcome of which could result, in some cases, in charges for the Company and its subsidiaries, at present not objectively quantifiable. These situations are described in the notes to the consolidated financial statements;
- b) at the end of July, 2000, Enel S.p.A. increased its equity investment in Wind Telecomunicazioni S.p.A. to 56.63% redefining at the same time the management and control agreements with its partner France Telecom. The use of the equity method has been maintained for the valuation of this investment in the financial statements as of December 31, 2000, since control by Enel S.p.A. was restricted for the larger part of the year. Wind Telecomunicazioni S.p.A. will be consolidated on a line-by-line basis from 2001, also taking into consideration transactions in process in the Company's telecommunications business.

Rome, Italy
April 20, 2001

Arthur Andersen SpA


Massimo delli Paoli – Partner

U.S. Generally Accepted Accounting Principles (U.S. GAAP)

Summary of significant differences between Italian GAAP and U.S. GAAP

The Consolidated Financial Statements are prepared in accordance with Italian GAAP which differs in certain respects from U.S. GAAP. The significant differences are as follows:

Fixed Assets and Related Depreciation

In accordance with various Italian laws, certain utility plant balances have been restated. Under U.S. GAAP, such restatements are not permitted. Additionally, in 2000, the Company initiated a 4-year plan to replace certain assets with newer technology. A U.S. GAAP adjustment resulted from the change in useful lives of the assets to be replaced. Lastly, since Italian GAAP and U.S. GAAP often have a different cost basis in fixed assets, differences in gains or losses on disposal arise between Italian and U.S. GAAP.

The reconciliations below include adjustments to eliminate the restatements, and related accumulated depreciation, to reflect the effect of the recomputation of depreciation expense on a historical U.S. GAAP cost basis and to recognize gains or losses on asset disposals in accordance with U.S. GAAP.

Capitalized Interest and Related Depreciation

Under U.S. GAAP, interest is required to be capitalized as part of the cost of constructing an asset in accordance with Statement of Financial Accounting Standards ("SFAS") No. 34, "Capitalization of Interest Cost". Under Italian GAAP, interest capitalization is permitted, but not required. For Italian purposes, the Company has not capitalized any interest since December 31, 1988. The reconciliations below include adjustments to reflect capitalization of interest on assets, to the extent those assets qualify for interest capitalization in accordance with SFAS No. 34, and the related effect on depreciation.

Unbilled Revenues

The Company records revenues for electric services rendered when the electrical meter is read or when a customer is billed based on estimated consumption. Revenues for the supply of electricity provided after the last meter reading prior to year-end, as well as differences between estimated and actual consumption, are recognized in the subsequent period when billed. Under U.S. GAAP, revenues are recorded for all services provided through the end of the accounting period. The reconciliations presented below include adjustments to recognize the net impact on revenues for all services provided during each fiscal period, even if amounts are not billed at the period end.

Pension and Employee Termination Accounting

The Company grants certain pension and other benefits to its employees, as required by Italian law and under labor contracts. In particular, the Company's employees are covered by a plan required under Italian law and labor contracts which grants a termination indemnity based on compensation and years of service. The Company has accrued the amount due to each employee as of the respective year-end, based on such factors and dates. In addition, the Company is required, by agreements with trade unions, to provide certain additional employee termination benefits. The reserve for these termination benefits is accrued on a current liability basis at the end of each year and accordingly is not actuarially computed.

Other Postretirement Benefits Accounting

The Company grants certain postretirement benefits to its employees, mainly related to a reduction on electricity tariffs and contributions to certain employee programs that provide medical benefits. The related costs are expensed as incurred under Italian GAAP.

SFAS No. 106, "Accounting for Postretirement Benefits Other than Pensions", requires the provision for various employee benefit arrangements to be recognized over the employees' employment period based on actuarially determined calculations. The reconciliations presented below include adjustments to recognize the other postretirement benefits in accordance with SFAS No. 106.

Social Security Withholdings and Contribution ("Solidarity Contribution")

The Company was required to pay approximately lire 126 billion for social security withholdings and contributions (relating to the period from September 1, 1985 to June 30, 1991), during 1997 through 1999. In the Consolidated Financial Statements, the amounts are expensed as paid over the deferred payment period. U.S. GAAP requires the recognition of a liability on an accrual basis, when it is probable and reasonably estimated. The reconciliations below include adjustments to reflect the liabilities on an accrual basis.

Derivatives

The Company enters into derivatives for general and specific hedging purposes. The general hedges are not designed against specific transactions. Under U.S. GAAP, derivatives that are not designated to hedge specific transactions are accounted for at estimated market value with gains and losses being recognized in the statements of income currently.

Additionally, in connection with the preliminary agreement signed by the Company in October 2000, to acquire Infostrada, the Company also entered into derivative instruments to manage its exposure to the variable adjustment mechanism in the preliminary agreement. For Italian GAAP purposes, the settlement of the derivative instruments will be considered a component of the purchase price of Infostrada, while U.S. GAAP does not allow hedge accounting for instruments intended to manage the purchase price of a business combination. Therefore, any resulting gains or losses from these instruments must be recorded as a gain or loss in the statements of income.

The reconciliations below include adjustments to reflect all of the types of derivatives described above at their estimated market value in the statements of income.

Effect of U.S. GAAP Adjustments on WIND Equity

Certain differences between Italian GAAP and U.S. GAAP exist in the accounts of WIND, primarily related to start-up and advertising costs, which are required to be expensed for U.S. GAAP purposes. The reconciliations below include adjustments to recognize the Company's investment in WIND on a U.S. GAAP basis.

Restructuring Reserve

The financial statements reflect accruals for anticipated restructuring charges to occur in the future. U.S. GAAP requires that certain conditions must be met before a restructuring accrual can be established. These conditions have not been met, therefore, the reconciliations below reflect adjustments for the difference in the timing of the accruals.

Italian Pension System Obligation

The Group Companies are required to pay extraordinary contributions to the Italian national pension system in the three year period 2000-2002. U.S. GAAP requires the expense to be recorded for these amounts during the year that the contributions are due, while Italian GAAP allows these amounts to be expensed over a 20-year period. The reconciliations presented below include an adjustment to recognize the expense in accordance with U.S. GAAP.

Investment in Equity Securities

The Company has an investment in the equity securities of Echelon Corporation. For Italian GAAP purposes, the investment is accounted for under the cost method. For U.S. GAAP purposes, the securities must be recorded at their fair value in accordance with SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities." The reconciliations below include an adjustment to recognize the investment in accordance with SFAS No. 115.

Deferred Taxes

The Company records deferred taxes in accordance with Italian Accounting Standard No. 25, which is substantially consistent with SFAS No. 109, "Accounting for Income Taxes." For Italian GAAP purposes, the Company is not required to recognize deferred taxes on capital reserves if they are not expected to be distributed and the Company has not yet provided deferred taxes for the Legal Reserves, Law 292/93 Reserves or other reserves. For Italian GAAP purposes, the tax effect will be recognized when these amounts are reimbursed to the shareholders. For U.S. GAAP purposes, these taxes are required to be recognized since certain criteria have been met. The reconciliations below include the adjustments to recognize income taxes in accordance with SFAS No. 109.

Extraordinary Income and Expenses

Items are recorded as extraordinary under Italian GAAP if they meet a certain criteria. U.S. GAAP requires more stringent conditions for extraordinary item classification by also requiring the underlying event or transaction to clearly possess a high degree of abnormality and be of a type that would not reasonably be expected to recur in the foreseeable future, taking into account the environment in which the event operates. Items recorded by the Company as extraordinary in the years presented herein for Italian GAAP would not qualify as extraordinary under U.S. GAAP.

Reconciliation between Net Income and Shareholders' Equity determined under Italian GAAP and U.S. GAAP

The following table summarizes the significant adjustments to consolidated net income for the years ended December 31, 1998, 1999 and 2000 that would be required if U.S. GAAP had been applied instead of Italian GAAP:

Billions of lire ^(a)

	1998	1999	2000
Net income as reported in the Consolidated Statements of Income	4,286	4,541	4,236
Items increasing (decreasing) reported net income:			
Depreciation on fixed assets	433	403	717
Capitalized interest and related depreciation ^(b)	(4)	(74)	(63)
Unbilled revenues	(18)	181	(117)
Pension and employee termination accounting	(55)	(104)	(215)
Other postretirement benefits accounting	(17)	(46)	(37)
Social security withholdings and contribution	42	42	-
Derivatives	(71)	52	(160)
Effect of U.S. GAAP adjustments on WIND equity	-	(55)	1
Restructuring reserve	-	59	(33)
Italian pension system obligation	-	-	(1,118)
Investment in equity securities	-	-	68
Deferred taxes	(933)	(362)	-
Tax effect of reconciling items	(132)	(191)	286
Approximate net income in accordance with U.S. GAAP	3,531	4,446	3,565
Basic and diluted earnings per share in accordance with U.S. GAAP ^(c)	291	367	294

^(a) Except per-share data which is in lire

^(b) Includes related depreciation of lire 121 billion, lire 135 billion, lire 138 billion, respectively

^(c) The approximate per share amounts have been calculated in accordance with SFAS No. 128, "Earnings Per Share".

For purposes of these calculations the weighted average number of shares was 12,126,150,379 shares as of December 31, 1998, 1999 and 2000, respectively

The following table summarizes the significant adjustments to consolidated Shareholders' Equity as of December 31, 1999 and 2000 that would be required if U.S. GAAP had been applied instead of Italian GAAP:

Billions of lire

	1999	2000
Shareholders' Equity as reported in the Consolidated Balance Sheet	34,034	35,457
Items increasing (decreasing) reported Shareholders' Equity:		
Fixed assets and related depreciation ^(a)	(3,315)	(2,598)
Capitalized interest and related depreciation ^(b)	2,918	2,855
Unbilled revenues	1,087	970
Pension and employee termination accounting	(118)	53
Other postretirement benefits accounting	(2,005)	(2,042)
Derivatives	(7)	(167)
Effect of U.S. GAAP adjustments on WIND equity	(55)	(54)
Restructuring reserve	59	26
Italian pension system obligation	-	(1,118)
Investment in equity securities	-	(126)
Deferred taxes	(205)	(205)
Tax effect of reconciling items	502	716
Approximate Shareholders' Equity in accordance with U.S. GAAP	32,895	33,767

^(a) Includes related accumulated depreciation of lire 24,342 billion, lire 24,113 billion, respectively

^(b) Includes related accumulated depreciation of lire 663 billion, lire 801 billion, respectively

There are other differences between Italian GAAP and U.S. GAAP which have not been included in the U.S. GAAP reconciliation because their effects on net income and Shareholders' Equity are not considered material. Following is a brief description of such differences:

1. **Cost of Removal and Land Depreciation** – The Company does not specifically provide a reserve for the cost of removal of utility plant upon completion of its service period since the environmental laws in Italy do not require removal of generating assets. The Company does, however, provide depreciation on land on which generating stations and other property are located. Under U.S. GAAP, land is not depreciated, but specific provisions are generally made for the cost of removals as a reduction in net utility plant or reflected as a liability in the Balance Sheet. The effect of not providing for the cost of removal of plant or the depreciation of land is not material, individually or in the aggregate, on the Company's financial position and results of operations.
2. **Equity Method of Accounting for WIND** – In the Italian financial statements presented for 1998, the Company's investment in WIND was accounted for under the cost method of accounting. Under U.S. GAAP, WIND should have been accounted for under the equity method in 1998 since the Company had significant influence (but not control) over the investment. This effect is not material to the Company's results of operations for 1998.

Enel

Società per azioni

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137, Viale Regina Margherita

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fully paid-in

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