

*Report and Financial Statements
of Enel SpA at December 31, 2006*



ENERGY IN TUNE WITH YOU.

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

2006



Chile, Pilmaiquén
hydroelectric plant

A scenic view of a river with a concrete walkway and a forested background. In the foreground, there are blurred yellow and orange flowers. A green rectangular overlay is positioned in the upper left quadrant, containing the text "Let the environment show us the way".

*Let the environment
show us the way*



*Quality, competitiveness
and innovation:
our commitment
to 34 million customers*

Italy, Rome
national power grid monitoring center





Guatemala, Matanzas

We speak energy in 18 languages



*Our best resources
go into research
and environmentally
friendly technologies*

Costa Rica, Tierras Morenas - Tilarán
wind plant



Contents

5	The Enel structure
6	Corporate boards
7	Letter to shareholders and stakeholders
12	Summary of the resolutions of the ordinary and extraordinary Shareholders' Meetings
14	Enel and the financial markets

Report on operations

20	Overview
22	Significant events in 2006
24	Results of Enel SpA
32	Performance of the main subsidiaries
45	Human resources and organization
58	Shares held by directors, members of the Board of Auditors, the General Manager and managers with strategic responsibilities
59	Research and development
60	Subsequent events, outlook and other information

Financial statements

67	Income Statement
68	Balance Sheet
70	Statement of Cash Flows
71	Statement of Gains and Losses Recognized in Period
74	Notes to the financial statements
90	Information on the Income Statement
96	Information on the Balance Sheet
124	Related parties
131	Stock option plans
133	Contractual commitments and guarantees
135	Contingent liabilities and assets

Attachments

142	Transition of Enel SpA to International Financial Reporting Standards (IFRS)
157	Report on corporate governance

Reports

194	Report of the Board of Auditors to the Shareholders of Enel SpA
200	Report of the Independent Auditors
202	Glossary

The Enel structure

Corporate Enel SpA

Domestic Sales Division	Domestic Generation and Energy Management Division	Domestic Infrastructure and Networks Division
<ul style="list-style-type: none"> > Enel Distribuzione > Enel Energia (formerly Enel Gas) ⁽¹⁾ > Enel.si > Deval 	<ul style="list-style-type: none"> > Enel Produzione > Enel Trade 	<ul style="list-style-type: none"> > Enel Distribuzione > Enel Rete Gas > Enel Sole > Deval
International Division		Services and Other Activities
<ul style="list-style-type: none"> > Enel Viesgo Generación ⁽²⁾ > Slovenské elektrárne > Enel Maritza East 3 (formerly Maritza East III Power Company) > Enel Operations Bulgaria (formerly Maritza East 3 Operating Company) > Enel North America > Enel Latin America > Enel Panama 	<ul style="list-style-type: none"> > RusEnergosbyt > Enel Viesgo Energía > Enel Electrica Banat > Enel Electrica Dobrogea > Electra de Viesgo Distribución > Enel Servicii > Enel Viesgo Servicios > Enel Unión Fenosa Renovables > Erelis 	<ul style="list-style-type: none"> > Enel Servizi > Sfera > Dalmazia Trieste > Enelpower > Enel.NewHydro > Enel.Factor > Enel.Re

(1) As from January 1, 2006 Enel Energia was merged into Enel Gas; following the merger, the surviving company changed its name to Enel Energia.

(2) As from January 1, 2006 Enel Viesgo Renovables was merged into Enel Viesgo Generación.

Corporate boards

Board of Directors		Board of Auditors	Independent auditors
<i>Chairman</i>	<i>Directors</i>	<i>Chairman</i>	KPMG SpA
Piero Gnudi	Giulio Ballio	Eugenio Pinto	
	Augusto Fantozzi		
<i>Chief Executive Officer and General Manager</i>	Alessandro Luciano	<i>Auditors</i>	
Fulvio Conti	Fernando Napolitano	Carlo Conte	
	Francesco Taranto	Franco Fontana	
	Gianfranco Tosi		
	Francesco Valsecchi	<i>Alternate auditors</i>	
		Giancarlo Giordano	
	<i>Secretary</i>	Paolo Sbordonì	
	Claudio Sartorelli		

Powers

Board of Directors

The Board is vested by the bylaws with the broadest powers for the ordinary and extraordinary management of the Company, and specifically has the power to carry out all the actions it deems advisable to implement and attain the corporate purpose.

Chairman of the Board of Directors

The Chairman is vested by the bylaws with the powers to represent the Company legally and to sign on its behalf, presides over Shareholders' Meetings, convenes and presides over the Board of Directors, and ascertains that the Board's resolutions are carried out. Pursuant to a Board resolution of November 30, 2005, the Chairman has been vested with a number of additional non-executive powers.

Chief Executive Officer

The Chief Executive Officer is also vested by the bylaws with the powers to represent the Company legally and to sign on its behalf, and in addition is vested by a Board resolution of November 30, 2005 with all powers for managing the Company, with the exception of those that are otherwise assigned by law or the bylaws or that the aforesaid resolution reserves for the Board of Directors.

Letter to shareholders and stakeholders



Dear shareholders and stakeholders,

In 2006 we achieved and exceeded all of the objectives that we had set ourselves. We continued the pursuit of our international growth strategy, consolidating our positions in European markets.

Our actions had a positive impact on Group results. In 2006 the gross operating margin rose by 3.5% compared with the previous year, while Group net income, equal to €3,036 million, improved on 2005 net of the gain on the sale of Terna (€1,153 million). Thanks to this performance, we are able to propose that the Shareholders' Meeting approve a dividend of €0.49 per share, up €0.05 with respect to the previous year.

Having completed the re-focusing on our core business, today Enel is strongly positioned to continue its drive for efficiency and growth with the goal of becoming a leading integrated operator in the European electricity and gas market.

Our Group has the human, technical and financial resources it needs to achieve the excellence and leadership goals we have set ourselves.

From an organizational point of view, the full implementation of our new divisional structure, with three domestic Divisions and the International Division, has already generated considerable synergies for the entire Group, enabling us to focus our skills in the businesses in which we operate.

The increasing size we have already achieved in our international operations has also made it necessary to expand the focus of the action of this Division beyond growth to encompass the integration and operational excellence of the businesses we have already acquired. International growth is one of our strategic priorities, and is an opportunity for Enel to participate successfully in the consolidation of energy markets, making the Group's financial structure more efficient.

On the efficiency front, we have launched a cross-cutting project involving the entire Group, both in Italy and abroad, aimed at pursuing operational excellence (Project Zenith), which we also expect to produce significant cost savings beginning this year and continuing in the years to come. To finance this major operating efficiency program, we made an appropriate provision in 2006.

Developing technological and environmental leadership is one of the strategic objectives of our Company. As part of the Environment and Innovation Project, we have established additional investment plans in the field of renewable energy resources and initiatives to promote research and development for environmental sustainability. We have already made significant progress, but we believe that new forces and resources are necessary because the challenge of climate change requires an immediate response and the capacity to innovate to build a better future. The Environment and Innovation Project, which provides for more than €4 billion in investment by 2011 for research, renewable resources, development, innovation and the application of cutting-edge technologies, represents an unprecedented effort by Enel, one with few parallels anywhere in the world.

This journey will make Enel one of the leaders of the European energy market, with the goal of being one of the most efficient and dynamic operators.

Domestic Sales Division

In 2006 the Domestic Sales Division completed its reorganization and is now ready to take up the challenges of the full opening of the electricity market, which is scheduled to take place in July 2007. Our Company has already made a substantive contribution to accelerating the opening of the electricity market and, at December 31, 2006, had some 300,000 customers in the free market. This achievement is the result of a major commercial effort, which involved an expansion of our service offers to enable customers large and small to protect themselves from fluctuations in the cost of fuels ("secure year" and "friendly price"). We also continue to offer "pure energy", for the sale of certified renewable power.

The variety of customized offers made possible by the digital meter was increased even further, enabling customers with special consumption needs to make significant savings.

In the gas sector, in 2006 we acquired about 200,000 new customers, an increase of about 9%, bringing our customer base to more than 2.3 million.

Domestic Generation and Energy Management Division

In 2006 Enel generated 104 TWh of power in Italy, down 7% compared with 2005. The decline in volumes, which was in line with our forecasts, is essentially attributable to the increase in generation by other producers in response to the greater demand on the Italian power grid and the reconversion program involving a number of our power plants.

With the implementation of our investment program, we have been transforming some of our old fuel-oil plants into new, more efficient gas combined-cycle facilities (11 plants have already entered service and one is under construction). We have also initiated projects that exploit new clean-coal generation technologies, one under construction at Civitavecchia and another being approved at Porto Tolle.

In 2006 a further 100 MW of renewables capacity entered service, while the plan provides for some €1.6 billion in new investment for development and maintenance, with the goal of generating more than 30% of our power with renewable energy resources. This program will give us a more balanced mix of fuels and more efficient plants, thereby reducing the cost of electricity generated in Italy while reducing specific emissions.

Our operational efficiency and safety projects, which actively involve and mobilize our resources in a total quality approach, are expected to reduce operation and maintenance costs even more (with a target reduction of 3% for 2007) and improve the overall operation of our power plants.

Domestic Infrastructure and Networks Division

In addition to further enhancement of service quality (reducing interruptions by about 60% since 2001), the Domestic Infrastructure and Networks Division has developed and implemented efficiency programs that have translated into improved profitability. In 2006, the replacement of old meters with the new digital devices was substantially completed and all the remote management functions are operational. With this project, one of the largest recent infrastructure projects in Italy and the largest of its kind in the world, we have achieved considerable savings in managing our customer relationships. The new digital meter, together with other efficiency initiatives, has reduced our cash cost per customer (this measures operating costs and network investments per individual customer) by 32% with respect to 2001, saving some €1.3 billion a year.

In the gas area, in 2006 we consolidated our position as the number two gas distributor in the country, surpassing 2 million customers and, thanks to the growing integration with our electricity operations, we expect substantial operational improvements in the future.

International Division

During 2006 Enel continued to expand abroad, achieving a total installed capacity of more than 10,300 MW, exceeding 27,500 GWh of power generated and serving 2 million customers.

Last year we acquired Slovenské elektrárne, a company with more than 7,000 MW of installed capacity, which we consider to be the key to our growth strategy in Central Europe. In Romania, where we are already present with the distribution companies Enel Electrica Banat and Enel Electrica Dobrogea, we also won the tender for Muntenia Sud, bringing us more than 1.1 million new customers. Today, we are one of the leading foreign investors in Romania, a country that shares considerable cultural roots with Italy, where we also plan to expand our generating operations.

We have the opportunity to develop our presence in Bulgaria and we were also the first Western company to enter Russia, a country that despite the challenges it presents is now undertaking a major privatization program and represents what we see as the new frontier of growth. In addition to operating a combined-cycle plant at St. Petersburg since December 2000, last year Enel also acquired 49.5% of RusEnergosbyt, one of Russia's leading energy trading companies.

Enel is strengthening its presence in Spain, where we have launched an investment program worth more than €1.5 billion to upgrade our generation capacity and expand our activity in renewables. In addition, with the acquisition of Erelis, Enel has entered the promising market for wind power in France, with a project pipeline of some 500 MW.

Renewable energy resources are also a priority objective of Enel's international growth. With an installed capacity of more than 4,100 MW, in addition to the more than 15,300 MW of renewables capacity in Italy, Enel is one of the world's leading operators in this sector. Our acquisitions of hydro plants in Panama, the wind power development companies TradeWind and Snyder in North America, and 20 hydro plants in Brazil in 2006 form part of this strategy.

Outlook

Enel will continue its expansion in the markets it has targeted both by enhancing efficiency through the closer integration of existing assets and making international acquisitions. In particular, with the acquisition of a stake in Endesa and the important agreement reached with Acciona on the joint management of Endesa and then with E.On on the withdrawal of its tender for Endesa in exchange for the transfer of a number of assets, Enel took a significant step towards the creation of a major European energy group with a substantial presence in Spain and the rest of the world.

In Italy we will be investing about €14 billion over the next five years to modernize generation plants, increase efficiency and upgrade our distribution networks, with an ever greater focus on meeting the needs of our customers in an increasingly competitive energy market.

The projects under way and all of our planned activities in the sectors of our business, as well as the growth of our international activities, will also have a positive impact in 2007, improving our operating results even further.

The Chief Executive Officer

Fulvio Conti



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

The Shareholders' Meeting of Enel SpA held in Rome on second call on May 25, 2007 at the Enel Conference Center at 125, Viale Regina Margherita, adopted the following resolutions during the ordinary session:

1. approved the financial statements of Enel SpA for the year ended December 31, 2006; and took note of the results of the consolidated financial statements of the Enel Group, also for the year ended December 31, 2006, which closed with net income for the year of €3,036 million;
2. resolved, with regard to Enel SpA's net income for the year 2006, amounting to €3,346,712,269.87, to:
 - a. earmark for distribution to Shareholders:
 - €0.20 for each of the 6,175,847,399 ordinary shares in circulation on the ex dividend date to cover the interim dividend paid – after coupon n. 8 had gone ex dividend on November 20, 2006 – as from November 23, 2006, amounting to a total of €1,235,169,479.80;
 - €0.29 for each of the ordinary shares in circulation on the ex dividend date of June 18, 2007 as the balance of the dividend, amounting to:
 - . a minimum total sum – which takes into account the 6,181,108,564 shares in circulation as of March 27, 2007 – of €1,792,521,483.56;
 - . a maximum total sum – which takes into account the 6,188,854,120 shares potentially in circulation on the aforesaid ex dividend date – of €1,794,767,694.80;
 - b. earmark to “retained earnings” the remaining part, amounting to:
 - a maximum sum – which takes into account the 6,181,108,564 shares in circulation as of March 27, 2007 – of €319,021,306.51;
 - a minimum sum – which takes into account the 6,188,854,120 shares potentially in circulation on the aforesaid ex dividend date – of €316,775,095.27;
 - c. to pay the aforesaid dividend balance of €0.29 – before withholding tax, if any, and for each of the ordinary shares in circulation on the ex dividend date – as from June 21, 2007, with the ex-dividend day of coupon n. 9 falling on June 18, 2007;

3. elected the new Board of Statutory Auditors, which will remain in office until the approval of the financial statements for 2009, in the persons of:
 - > Franco Fontana – Chairman
 - > Carlo Conte – Regular Auditor
 - > Gennaro Mariconda – Regular Auditor
 - > Giancarlo Giordano – Alternate Auditor
 - > Paolo Sbordonì – Alternate Auditorsetting their compensation at €75,000 a year for the Chairman and €65,000 a year for the other Regular Auditors, in addition to the reimbursement of the expenses incurred in the performance of their duties;
4. extended the KPMG SpA's mandate as the External Auditor for the 2008, 2009 and 2010 accounting periods at an annual consideration (regarding only the Parent Company, Enel SpA) amounting to (i) €230,400 for the year 2008, (ii) €246,400 for the year 2009, and (iii) €262,400 for the year 2010;
5. approved the 2007 stock-option plan for the executives of Enel S.p.A. and/or subsidiaries thereof pursuant to article 2359 of the Civil Code, vesting the Board of Directors with all the powers necessary for concretely implementing such Plan.

In the extraordinary session (on third call), the Shareholders also resolved:

1. the harmonization of the bylaws with the provisions of the Investor Protection Act (Law no. 262/2005) and of the related corrective Decree (Legislative Decree no. 303/2006). In particular, the amendments of the bylaws concern (i) the updating of the vote system for the appointment of the Board of Directors (in order to guarantee the presence within the same Board of an adequate number of independent directors), and (ii) the provision of the qualifications for the manager in charge of preparing corporate accounting documents;
2. to delegate to the Board of Directors for five years the power to increase the share capital by a maximum amount of €27,920,000 in connection with the 2007 stock-option plan, as approved in the ordinary session.

Enel and the financial markets

Main per-share data and capitalization

	2006	2005
Dividend per share (euro)	0.49 ^(*)	0.63
Share price – 12-month high (euro)	7.89	7.48
Share price – 12-month low (euro)	6.54	6.32
Average share price in December (euro)	7.77	6.75
Market capitalization ⁽¹⁾ (millions of euro)	47,988	41,543
No. of shares outstanding at December 31 (millions)	6,176	6,157

(*) Dividend proposed by the Board of Directors on March 27, 2007 equal to €0.49 per share (of which €0.20 paid as an interim dividend in November 2006).

(1) Calculated on average share price in December.

Other financial indicators

	Current ⁽¹⁾	Dec. 31, 2006	Dec. 31, 2005	Dec. 31, 2004
Enel stock weighting in:				
> MIB 30 index	8.09%	8.37%	8.75%	10.46%
> FTSE Electricity E300 index	18.83%	18.81%	23.22%	28.12%
Rating				
	Current ⁽¹⁾	Dec. 31, 2006	Dec. 31, 2005	Dec. 31, 2004
Standard & Poor's	Outlook	Negative	Negative	Stable
	Medium/long-term	A+	A+	A+
	Short term	A-1	A-1	A-1
Moody's	Outlook	Negative	Stable	Stable
	Medium/long-term	Aa3	Aa3	A1
	Short term	P-1	P-1	P-1

(1) Figures updated to March 14, 2007.

The economic recovery in the euro area gained strength in 2006, with GDP growing by 2.7% compared with 1.4% in 2005. The ECB tightened its monetary policy stance, raising the minimum bid rate on main refinancing operations to 3.50% at the end of the year, followed by an additional increase to 3.75% in March 2007.

In this macroeconomic environment, 2006 was a positive year for the financial markets, which benefited from abundant liquidity, the absence of strong macroeconomic strains and solid corporate fundamentals.

The Italian stock market registered its fourth consecutive year of gains (the MIB index rose 82.5% between the end of 2002 and the end of 2006), with trading volume expanding further in the year to total more than €1,200 billion.

The other main European stock markets also performed well, with the FTSE 100 index (United Kingdom) rising by more than 11%, the DAX index (Germany) by more than 21%, the CAC 40 index (France) by more than 16% and the IBEX index (Spain) by more than 31%.

Against this background, Enel's stock gain nearly 17%, closing the year at €7.815. In February this year, however, it reached its highest level since June 2000, rising to €8.395.

Last year also saw considerable activity in the utilities sector, with substantial takeover bids being launched, mainly in Spain. Major operations included a counter-bid by E.On for Endesa in February 2006 to block Gas Natural's public tender offering for the company in September 2005, and the Iberdrola bid for Scottish Power in November 2006.

At the end of February 2007, Enel announced that it had acquired 9.99% of Endesa and entered into a series of share swaps giving it the option to raise that stake to 24.98%.

In November 2006 Enel paid an interim dividend on 2006 profits of €0.20 per share, which together with the dividend of €0.44 paid in June brought total dividends paid during the year to €0.64 per share.

Average daily trading volume in Enel stock was 42.5 million shares, compared with 40.7 million in 2005, a rise of 4.4%.

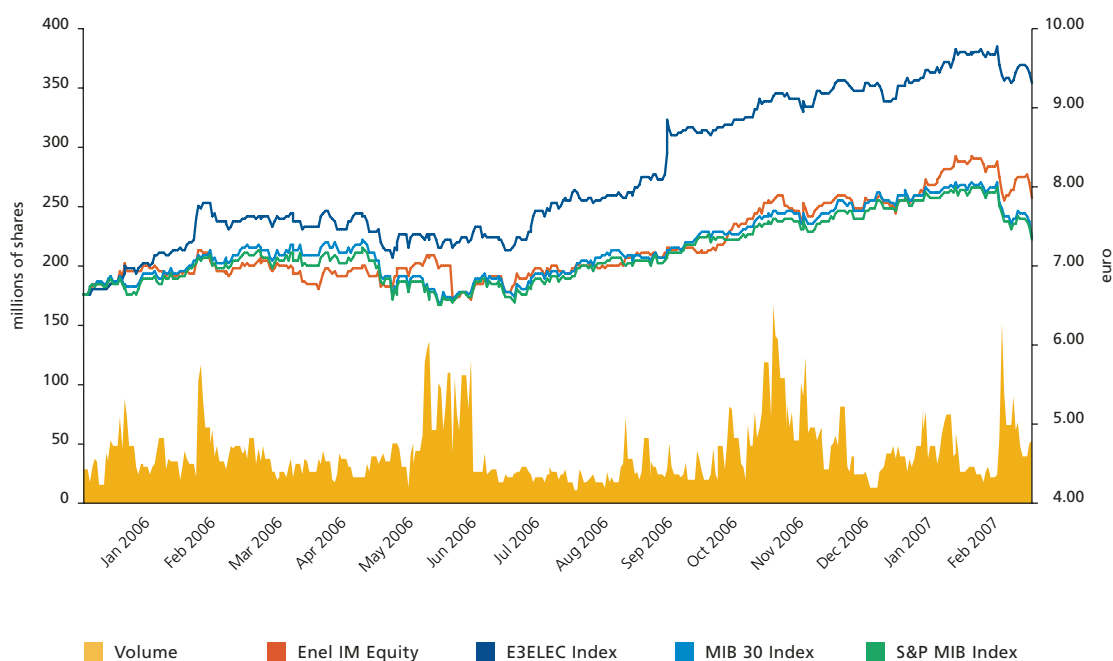
At December 31, 2006, the Ministry for the Economy and Finance held 21.14% of Enel, while Cassa Depositi e Prestiti held 10.16% and other shareholders the remaining 68.70%. As of that date, no other shareholders held more than 2% of the share capital.

For further information we invite you to visit the Investor Relations section of our corporate website (http://www.enel.it/azienda_en/investor_relations), which contains:

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

We have also created a contact center for private investors (which can be reached by phone at +39 (06) 8305 2081 or by e-mail at azionisti.retail@enel.it) and for institutional investors (phone: +39 (06) 8305 7008, e-mail: investor.relations@enel.it).

Performance of Enel share price and the MIB 30, S&P MIB and FTSE Electricity E300 indices (daily trading volume/listed price) – January 2006 to March 14, 2007





Costa Rica, Río Volcán
hydroelectric plant

Report on operations

Following the entry into force of Regulation (EC) 1606/2002 and under the provisions of Legislative Decree 38/2005, issuers of financial instruments listed on regulated markets are required draft separate financial statements in accordance with international accounting standards. Therefore, Enel SpA, starting with the 2006 financial year, has adopted the international accounting standards (International Accounting Standards - IAS or International Financial Reporting Standards - IFRS), the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and the Standing Interpretation Committee (SIC) endorsed by the European Commission (hereinafter IFRS-EU), with January 1, 2005 as the date of transition to IFRS-EU. The final set of Enel SpA financial statements prepared in accordance with Italian GAAP are those for the period ending December 31, 2005. The comparative figures for 2005 have been restated on the basis of the IFRS-EU.

Overview

As an industrial holding company, the group parent, Enel SpA, defines strategic targets for the Group and coordinates activities of its subsidiaries and associates. In addition, Enel SpA manages central treasury operations and insurance risk coverage, providing assistance and guidelines on organization, personnel management and labor relations, accounting, administrative, fiscal, legal, and corporate matters.

Enel has two contracts for the import of electricity, one with EdF (on the French border, terminating on December 31, 2007) and the other with Atel (on the Swiss border, terminating December 31, 2011). The power imported under these contracts is sold to the Single Buyer at a set price and is used to supply the regulated market.

In December 2005, Italian and French authorities adopted a number of measures regarding the management of these long-term contracts. Specifically:

- > with a decree dated December 13, 2005, the Ministry for Productive Activities (now the Ministry for Economic Development) set the sale price for 2006 for

- electricity imported under those contracts at €66/MWh;
- > with its decision of December 1, 2005, the French regulator (CRE) established that it would not reserve any import capacity for the performance of the contract between Enel and EdF, thereby modifying previous practice, which had envisaged the allocation of 50% of the interconnection capacity required to perform long-term contracts to the Italian ISO and 50% to foreign ISOs. Enel has appealed the decision to the French Administrative Court. Pending a decision on the appeal, Enel sold part of the electricity under the contract abroad;
 - > the Government and the regulator continued to reserve the Italian share of the import capacity under those contracts for 2006.

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

- > to maintain the sale price to the Single Buyer set in 2006, equal to €66/MWh, also providing for the possible indexing of that value to the base prices to be established by the Authority for Electricity and Gas;
- > to not maintain the import capacity reserve for the long-term contract with EdF. Accordingly, in 2007 the electricity under the contract will mainly be sold by Enel in foreign markets;
- > to maintain retained the capacity reserve on the Swiss border with regard to the contract with Atel, with the joint agreement of Italian and Swiss authorities.

Significant events in 2006

Disposal of stake in Wind

On February 8, 2006, Enel and Weather Investments (Weather), a company controlled by Egyptian businessman Naguib Sawiris, completed the second and final phase of the sale of Wind. Specifically, following the exercise by Weather of the call option provided for in the agreements of May 2005, Enel sold a stake of 6.28% of Wind to a subsidiary of Weather for €328 million in cash. Enel also transferred to Weather its remaining 30.97% stake in Wind in exchange for shares representing 20.9% of Weather. Taking account of the 5.2% of Weather acquired in August 2005 in the first phase of the transaction, at February 8, 2006 Enel held a total stake of 26.1% in that company.

Disposal of stake in Weather

On December 21, 2006 Enel agreed to a price of €1,962 million for its 26.1% in Weather, which it had obtained in the Wind-Weather transactions. The agreement envisaged the sale of 10% of Weather to a wholly-owned Weather subsidiary and the remaining 16.1% to its parent company Weather Investments II S.à r.l. (Weather II), a holding company controlled by Sawiris.

The first part of the price was settled with a payment of €1 billion at the time the Weather stake was transferred, while a second payment of €962 million will be settled within 18 months of the transfer. The second installment earns interest in line with market rates as from the date of the transfer. Payment of the second installment is secured by the pledge (without voting rights) of the 26.1% of Weather share capital in favor of Enel, and the agreement also provides for the assignment of Weather II's receivables due from Weather.

The accord also provides for an earn-out mechanism, which will supplement the price due to Enel in the event Sawiris' group should sell the Weather shares to other investors at a price above that agreed with Enel within 18 months of the transfer. The agreement also terminates the shareholders' agreement between Enel and Sawiris regarding the management of Weather.

At the end of the entire operation, the Enel Group will have received a net cash price of €4,971 million, excluding interest on payment deferral granted to the buyer.

Interim dividend for 2006 approved

On September 6, 2006 the Board of Directors of Enel SpA approved the distribution of an interim dividend of €0.20 per share. The interim dividend was paid as from November 23, 2006, with the ex-dividend date falling on November 20, 2006.

Disposal of equity investment in Cise Srl

As part of the initiatives to reorganize service and staff activities, which call for the centralization of support activities with Enel Servizi Srl, on December 22, 2006 Enel SpA sold the latter its entire holding in Cise Srl, a real estate management company, for €358 million, the price established by a specific independent appraisal.

Merger of Enel Energia and Enel Gas

Within the framework of the reorganization of the Domestic Sales Division, which operates in the end-user market for electrical power and gas in Italy, developing an integrated package of products and services for the various customer segments and ensuring that commercial services meet quality standards, with accounting and tax effect as from January 1, 2006, the companies operating in the free market for gas and electricity were merged: Enel Gas SpA absorbed Enel Energia SpA and, following the merger, the surviving company changed its name to Enel Energia SpA.

This operation is a key step in the Domestic Sales Division strategy for tackling the liberalization of end-user markets for gas and electricity with a focus on customer segments rather than the traditional individual products approach.

Results of Enel SpA

Definition of performance indicators

In order to present the results of the Company and analyze its financial structure, Enel has prepared separate reclassified schedules that differ from those envisaged under the IFRS-EU adopted by the Company and presented in the consolidated report. These reclassified schedules contain different performance indicators from those obtained directly from the consolidated financial statements, which management feels are useful in monitoring Company performance and representative of the financial performance of the Company's business. In accordance with recommendation CESR/05-178b published on November 3, 2005, the criteria used to calculate these indicators are described below:

- > *Gross operating margin*: an operating performance indicator, calculated as the "Operating income" before "Depreciation, amortization and impairment losses" and "Income from equity exchange transaction and disposal of significant equity investments".
- > *Net non-current assets*: calculated as the difference between "Non-current assets" and "Non-current liabilities" with the exception of:
 - "Deferred tax assets";
 - "Financial receivables due from others" and "Receivables due from subsidiaries" reported under "Non-current financial assets";
 - "Long-term loans";
 - "Post-employment and other employee benefits";
 - "Provisions for risks and charges";
 - "Deferred tax liabilities".
- > *Net current assets*: calculated as the difference between "Current assets" and "Current liabilities" with the exception of:
 - "Financial receivables" and "Receivables due from subsidiaries" reported under "Current financial assets";

- "Cash and cash equivalents";
- "Short-term loans" and the "Current portion of long-term loans".

> *Net capital employed*: calculated as the algebraic sum of "Net non-current assets" and "Net current assets", provisions not previously considered, deferred tax liabilities and deferred tax assets.

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

Performance

The following table summarizes the performance of Enel SpA in 2006 and 2005:

Millions of euro

	2006	2005	2006-2005
Revenues:			
> revenues from sales and services	1,114	1,079	35
> other revenues	72	26	46
Total	1,186	1,105	81
Costs:			
> electricity purchases and consumables	621	607	14
> services, leases and rentals	253	211	42
> personnel	87	91	(4)
> other operating costs	39	176	(137)
Total	1,000	1,085	(85)
Gross operating margin	186	20	166
Income from equity exchange transaction and disposal of significant equity investments	190	1,487	(1,297)
Depreciation, amortization and impairment losses	25	195	(170)
Operating income	351	1,312	(961)
Income from equity investments	3,074	1,563	1,511
Financial income	778	639	139
Financial expense	788	833	45
Income before taxes	3,415	2,681	734
Income taxes	68	(14)	82
NET INCOME FOR THE YEAR	3,347	2,695	652

Revenues from sales and services totaled €1,114 million (€1,079 million in 2005) and regard:

- > *revenues from electricity sales*, of €880 million, mainly attributable to sales of imported electricity to the Single Buyer in the amount of €717 million and the sale of energy in France on the free market in the amount of €155 million;
- > *revenues from services*, of €234 million (€229 million in 2005), essentially in

respect of assistance and consulting services provided to subsidiaries (€230 million, compared with €220 million in 2005).

The increase of €35 million in revenues from sales and services with respect to 2005 is mainly attributable to the increase in the average unit price of electricity while volumes were broadly unchanged.

Other revenues, came to €72 million, an increase of €46 million on the previous year largely due to the effect of the release to the income statement of the gain (€33 million) on the fair value measurement of Terna bonus shares, which had been taken directly to equity in 2005 (the rights to the shares were exercised in January 2006).

Cost for **electricity purchases and consumables** came to €621 million, of which €619 million for the purchase of 14,041 million kWh of electricity, an increase of €14 million on the previous year, mainly due to the average unit price of electricity and the payment to EdF of €8 million for green certificates associated with energy generated from renewables in 2004 and paid in 2006 to Enel SpA by the Electricity Services Operator.

Costs for **services, leases and rentals** amounted to €253 million, of which charges from third parties in the amount of €183 million and from Group companies in the amount of €70 million. The latter regard IT and administrative services, facility management services and rentals, mainly provided by Enel Servizi.

The overall increase of €42 million on 2005 is mainly attributable to expenditure on activities associated with the analysis of organizational processes and the development of appropriate controls in application of the Sarbanes-Oxley Act (€14 million), services in respect of international acquisitions (€11 million), commissions paid to Enel Trade for electricity sales in France (€8 million), and increased services from Group companies (€7 million).

Personnel costs totaled €87 million, a decrease of 4 million mainly attributable to lower provisions for early retirement incentives. The average number of employees was 620 (581 in 2005).

Other operating expenses amounted to €39 million, a decline of €137 million on the previous year. In 2005 the item included an accrual of €45 million to the provision for risks and charges, the effect of the fair value measurement of the Terna bonus shares in the amount of €33 million, charges for green certificates totaling €37 million and charges generated by the application of Resolution no. 20/04 of the Authority for Electricity and Gas in the amount of €16 million.

The **gross operating margin** came to €186 million, a rise of €166 million on 2005. The increase is essentially attributable to the improvement in the margin on the sale of electricity and the gain on the Terna bonus shares, as well as the reduction in operating costs discussed above.

Income from equity exchange transaction and disposal of significant equity investments, equal to €190 million, regards the effects of the exchange of 30.97% of Wind for 20.9% of Weather, which involved the recognition of a gain of €146 million, and the proceeds of the sale of the equity investment in Cise Srl to Enel Servizi Srl for €44 million.

The €1,487 million recognized in 2005 regarded the capital gain on the disposal of Terna SpA.

Depreciation, amortization and impairment losses came to €25 million. The item is composed of depreciation and amortization of €17 million, the capital loss of €6 million on the disposal of the investment in Weather and the writedown of €2 million in the investment in Enel.NewHydro.

The decrease of €170 million with respect to 2005 is mainly attributable to charges recognized in 2005 to adjust the carrying amount of the equity investment in Enel Investment Holding BV (€183 million).

Operating income amounted to €351 million, a decline of €961 million with respect to December 31, 2005. Excluding "income from equity exchange transaction and disposal of significant equity investments" for both 2006 and 2005, operating income rose by €336 million, mainly attributable to the improvement in the gross operating margin and lower depreciation, amortization and impairment losses in 2006.

Income from equity investments amounted to €3,074 million. The item regards dividends approved in 2006 in respect of subsidiaries' net income for 2005 (€3,060 million) and dividends earned and approved by Terna SpA in the amount of €14 million, of which €5 million in respect of the interim dividend for 2006.

Net financial expense totaled €10 million. The decrease of €184 million on the previous year is associated with the contraction in average financial debt and the recognition of the right to reimbursement of registration fees paid on bonds issued between 1976 and 1984.

Income taxes show a net liability of €68 million, associated with the balance of the related income and expense items relevant for tax purposes.

Net income amounted to €3,347 million, compared with €2,695 million in 2005.

Analysis of the financial position

Millions of euro

ASSETS	2006	2005	2006-2005
Net non-current assets:			
> property, plant and equipment and intangible assets	22	26	(4)
> equity investments	15,635	17,677	(2,042)
> other non-current assets/(liabilities)	236	533	(297)
Total	15,893	18,236	(2,343)
Net current assets:			
> trade receivables	263	260	3
> other current assets/(liabilities)	183	574	(391)
> trade payables	(423)	(357)	(66)
Total	23	477	(454)
Gross capital employed	15,916	18,713	(2,797)
Provisions:			
> post-employment and other employee benefits	(430)	(440)	10
> provisions for risks and charges and net deferred taxes	103	(443)	546
Total	(327)	(883)	556
Net capital employed	15,589	17,830	(2,241)
Shareholders' equity	14,600	15,025	(425)
NET FINANCIAL DEBT	989	2,805	(1,816)

Net non-current assets declined by €2,343 million mainly as a result of the disposal of the equity investments in Weather Investments (€1,968 million) and Cise Srl (€315 million).

Net current assets came to €23 million, a decrease of €454 million on December 31, 2005. The change is attributable to the following main developments:

- > a decrease in *other current assets and liabilities* (€391 million) as a result of the reimbursement by Enel Produzione of the deposit of €168 million paid by Enel SpA in 2005 following the signing of the contract to acquire Slovenské elektrárne, as well as the decrease in receivables, mainly in respect of items within the consolidated taxation mechanism in the amount of €238 million;
- > the increase in *trade payables* associated with the purchase of green certificates and electricity totaling €66 million.

Net capital employed at December 31, 2006 came to €15,589 million, of which 94% funded by equity, compared with 84% in December 31, 2005.

Shareholders' equity at December 31, 2006 totaled €14,600 million. Compared with December 31, 2005 it changed as a result of net income for 2006 amounting

to €3,347 million, the distribution of dividends totaling €2,715 million (€0.44 per share), and the payment of an interim dividend for 2006 equal to €1,235 million (€0.20 per share), as well as the effect of the increase in the reserve for the measurement of derivatives and the stock option reserve totaling €179 million. In addition, in 2006 a total of 19,124,633 options granted under the 2002, 2003 and 2004 stock option plans were exercised. This produced an increase of €108 million in shareholders' equity, for which share capital was increased by €19 million and the share premium account increased by €89 million. Enel's share capital therefore rose from €6,157 million at December 31, 2005 to €6,176 million at December 31, 2006.

Net financial debt amounted to €989 million at the end of the year, with a debt-to-equity ratio of 0.06, compared with 0.19 at the end of 2005.

Analysis of the financial structure

Net financial debt and changes in the period are detailed in the table below:

Millions of euro

	at Dec. 31, 2006	at Dec. 31, 2005	2006-2005
Long-term debt:			
> bank loans	27	59	(32)
> bonds	7,567	7,095	472
> debt assumed from subsidiaries	571	-	571
Long-term debt	8,165	7,154	1,011
> financial receivables from others	(962)	-	(962)
> debt assumed and loans to subsidiaries	(1,504)	(1,568)	64
Net long-term debt	5,699	5,586	113
Short-term debt (liquidity):			
> short-term portion of long-term debt	85	678	(593)
> short-term bank debt	441	754	(313)
> other short-term financial payables	-	14	(14)
Short-term debt	526	1,446	(920)
> short-term portion of loans assumed/granted	(63)	(87)	(24)
> net short-term financial position with subsidiaries and associates	(5,095)	(4,094)	(1,001)
Cash at banks and short-term securities	(78)	(46)	(32)
Net short-term financial debt/(liquidity)	(4,710)	(2,781)	(1,929)
NET FINANCIAL DEBT	989	2,805	(1,816)

At December 31, 2006 net financial debt came to €989 million, a decrease of €1,816 million on December 31, 2005. Specifically, net long-term debt increased by €113 million while net liquidity improved by €1,929 million.

Long-term debt primarily rose as a result of the combined effect of:

- > the assumption by Enel SpA of all the bonds originally issued by Enel Investment Holding BV, with a total value of €984 million. As a result, Enel SpA has an obligation in respect of third parties in the amount of €413 million and in

- respect of Enel Investment Holding BV in the amount of €571 million;
- > the recognition of the receivable of €962 million for the disposal of Weather;
- > the issue by Enel SpA of two new tranches of a bond placed privately with leading Italian insurance companies totaling €97 million maturing in 2024.

The rise in liquidity is mainly attributable to the increase in net financial receivables from Group companies (€1,001 million) and the decrease in the current portion of long-term loans and bonds (€593 million) and short-term bank debt (€313 million), essentially as the result of the disposal of 26.1% of Weather for €1,962 million (of which €1,000 million received on December 21, 2006).

Cash flows

Millions of euro

	2006	2005	2006-2005
Cash and cash equivalents at the start of the year	46	20	26
Cash flows from operating activities	3,380	1,464	1,916
Cash flows from investing/disinvesting activities	1,316	28	1,288
Cash flows from financing activities	(4,664)	(1,466)	(3,198)
Cash and cash equivalents at the end of the year	78	46	32

Cash flow from operating activities came to €3,380 million, up €1,916 million on the €1,464 million the previous year due to the improvement in the gross operating margin (up €166 million), the effect of reduced cash needs associated with the change in net current assets (up €941 million), which is essentially attributable to the decline in other receivables due from Group companies and third parties, partially offset by the use of the provision for charges from equity investments (down €723 million) to cover the capital deficit of the subsidiary Enel Investment Holding BV at December 31, 2005. In addition, cash flow from operating activities also reflects the increase of dividends received in 2006 compared with the previous year (up €1,532 million).

Cash flows respect of investing activities amounted to €1,316 million in 2006 and regarded:

- > €157 million in respect of the payment to Enel Investment Holding BV to recapitalize the company;
- > €200 million in relation to the waiver by Enel SpA of part of its receivable from Enel Energia SpA, which was recognized by the latter as an increase in equity reserves;
- > €328 million for the disposal of 6.28% of Wind;
- > €1,000 million in cash received for the disposal of the entire holding in Weather Investments;
- > €358 million in respect of the sale of the investment in Cise Srl to Enel Servizi Srl;
- > €13 million for investments in property, plant and equipment and intangible assets.

Liquidity absorbed by financing activity amounted to €4,664 million, mainly due to the payment of the dividend for 2005 (€2,715 million), the interim dividend for 2006 (€1,235 million) and the reduction in net financial debt (€822 million), as well as the increase in capital and reserves due to the exercise of stock options (€108 million).

Cash and cash equivalents rose by €32 million to €78 million at December 31, 2006, up from €46 million at December 31, 2005.

Performance of the main subsidiaries

Enel Produzione SpA

In 2006, the company underwent a number of major corporate events. The main developments regarded:

- > the partial demerger, with effect from January 1, 2006, of the generation and energy management projects unit of Enelpower to Enel Produzione;
- > the acquisition of 66% of Slovenské elektrárne for about €840 million;
- > the acquisition of a further 40% of Maritza East III Power Holding BV (which Enel Produzione now wholly owns) for €43.5 million. The acquired company in turn owns 73% of Enel Maritza East 3 AD;
- > the acquisition of the equity investment in Maritza O&M Holding Nederland BV for €4.0 million. The company in turn owns 73% of Enel Operations Bulgaria AD;
- > a capital decrease of €3,952.1 million, with effect from October 19, 2006;
- > the subscription of €170 million of the participation bond issued by Enel Green Power International with a total value of €500 million in order to finance the acquisition of 11 companies of the Rede Group in Brazil by Enel Latin America LLC.

The net output of Enel Produzione SpA in 2006 totaled 103.9 billion kWh, compared with 112.1 billion kWh in 2005. The decline of 8.2 billion kWh mainly regarded thermal generation (down 8 billion kWh, or about 9.8%) and to a lesser extent hydroelectric generation (down 0.4 billion kWh, or about 1.6%).

Revenues totaled €10,824.2 million (€9,833.0 million in 2005) and were essentially accounted for by revenues from sales and services (€10,586.6 million) and revenues from contract work in progress (€133.2 million).

Revenues from sales and services include €91.9 million in respect of the recovery of gas emergency charges, recognized pursuant to Resolution no. 178/2006. The revenues represent the estimated extra costs incurred in using oil-fired generation plants in response to the gas emergency in the 1st Quarter of 2006.

Operating costs amounted to €8,525.8 million, an increase of €410.3 million. The rise is mainly attributable to the increased costs for electricity purchases (up €293.5 million) and fuels (up €131.6 million) as a result in the substantial rise in unit fuel prices on international markets.

Commodity risk management generated a net charge of €673.7 million, compared with net income of €157.7 million in 2005. The change was the result of increased net charges in respect of contracts for differences with the Single Buyer, which reflected the rising trend in electricity prices in the pool market, which also increased revenues from sales of electricity on the Power Exchange.

Operating income amounted to €1,624.7 million, a decrease of €250.5 million. As described earlier, the change is largely attributable to the net loss on commodity risk management and the increase in operating costs, partially offset by the increase in revenues.

Net financial expense and charges in respect of equity investments came to €212.2 million (€186.6 million in 2005). The change is attributable to reduced interest payments to the Parent Company and third parties and lower dividends from subsidiaries (up €32.8 million received from Enel Finance International in 2005).

After taxes of €605.0 million, the year ended with net income of €807.5 million, down €218.7 million on the previous year, essentially the result of the contraction in operating income (down €250.5 million) and the rise in net financial expense (up €25.6 million), partly offset by lower taxes (down €57.4 million).

Investment in property, plant and equipment and intangibles amounted to €894.0 million (€690.8 million in 2005).

Net capital employed came to €14,877.6 million at December 31, 2006, funded by shareholders' equity of €10,219.1 million (68.7%) and net financial debt of €4,658.5 million (31.3%).

The workforce at December 31, 2006 numbered 9,304, compared with 8,773 at December 31, 2005, with the increase mainly attributable to the acquisition of Enelpower's plant construction unit.

Enel Distribuzione SpA

In 2006, Enel Distribuzione SpA, which serves around 30.3 million final customers on both the free and regulated markets, distributed a total of 254.7 billion kWh, of which 120.1 billion kWh sold and transported on the regulated market and 134.6 billion kWh on the free market.

During 2006, the company was involved in the following extraordinary corporate operations:

- > a *capital decrease* of €3,519.2 million, with effect from October 19, 2006;
- > the *partial demerger* of the equity investment in Enel Gas SpA to Enel Energia SpA;
- > the *disposal of the equity investment* in Hera Rete Modena Srl (previously established by Enel Distribuzione through the contribution of a business unit) to Hera SpA for about €107.5 million.

Revenues from the sale and transport of electricity, taking account of the equalization mechanism (€276.5 million), came to €16,679.2 million (€15,784.0 million in 2005), an increase of €895.2 million, mainly attributable to the increase in the component covering generation costs included in rates (up about €0.01/kWh) as a result of higher costs for electricity purchases.

Operating costs totaled €15,447.4 million (€14,173.3 million in 2005), up €1,274.1 million. The rise is primarily associated with the overall rise in the cost of purchasing and transporting electricity (up €796.4 million) and higher personnel costs (up €209.3 million) as a result of increased charges in respect of the provision for early retirement incentives and the renewal of the collective bargaining agreement for the electricity industry.

Depreciation and amortization totaled €53.6 million.

Operating income came to €2,489.5 million, up €65.9 million on the previous year.

Net financial expense amounted to €174.5 million (€122.9 million at December 31, 2005), an increase of €51.6 million attributable to the reduction in dividends from Enel Gas (down €26 million) and the increase in interest expense on the intercompany current account with Enel SpA (up €39 million) as a result of the large average negative balance on the account.

Net income, after taxes of €965.2 million, came to €1,349.8 million.

Investment in property, plant and equipment and intangibles amounted to €1,357.3 million (€1,540.0 million in 2005).

Net capital employed came to €11,602.9 million at December 31, 2006, funded by shareholders' equity of €8,541.0 million (73.6%) and net financial debt of €3,061.9 million (26.4%).

The workforce at December 31, 2006 numbered 27,283, compared with 29,108 at December 31, 2005.

Enel Energia SpA

During the year, as part of the integration of the Domestic Sales Division aimed at operating in the end-user markets for both of the energy products sold by the Enel Group (electricity and natural gas), the following operations were carried out:

- > the partial demerger of Enel Distribuzione SpA's equity investment in Enel Gas SpA to Enel Energia SpA;
- > the merger of Easygas Srl and Iridea Srl into Enel Gas SpA;
- > the merger of Enel Energia SpA into Enel Gas SpA (considered a reverse merger, given the fact that the latter already had an adequate customer service capacity, effective sales channels and a strong corporate identity);
- > the subsequent renaming of Enel Gas SpA as Enel Energia SpA (December 31, 2006);
- > the partial demerger of Enel Trade SpA's domestic large-customer electricity sales operations to Enel Energia SpA (later merged into Enel Gas SpA);
- > the acquisition from E.On Vendita SpA of a business unit active in the sale of natural gas for €11.7 million;
- > the acquisition from Enel Rete Gas SpA of 100% of Metansicula Vendita Srl (active in natural gas sales in 17 municipalities in the provinces of Catania, Siracusa and Ragusa) for €2.1 million.

Within the framework of these operations Enel SpA waived its receivable of €200.0 million in order to recapitalize the company in December in view of the new operational environment that the company now faces.

The merger of Enel Energia SpA into Enel Gas SpA, which took effect for accounting and tax purposes as from January 1, 2006, significantly altered the operational scope of the company. Accordingly, in order to permit comparison on a like-for-like basis, the figures for 2005 have been adjusted to produce pro forma accounts on the basis of the results of the absorbed companies as if the mergers had already taken place at the dates involved in the comparison.

Revenues amounted to €3,747.4 million, (€2,444.7 million in 2005 pro forma).

Revenues from sales of electricity totaled €2,019 million in 2006 (21.2 billion kWh), up €831 million (12.2 billion kWh) on 2005 pro forma. The increase is primarily attributable to the acquisition of the domestic large-customer electricity sales unit from Enel Trade SpA.

Revenues from sales of gas came to €1,685 million (4.5 billion cubic meters), compared with €1,564 million the previous year (5.1 billion cubic meters). The decrease in the volume of gas sales on the previous year (about 10%) is attributable to weather conditions in the final four months of 2006 and the gas emergency plan established with a decree of the Ministry for Productive Activities of January 25, 2006 aimed at curbing energy consumption in the first two months of the year (these factors offset the increase in consumption due to the rise of about 9% in the number of mass market customers).

Operating costs totaled €3,781.7 million, an increase of 57% on the €2,414.5 million registered in 2005 pro forma. The rise came in conjunction with the increase of 53% in revenues with respect to 2005. However, on a like-for-like basis there was an increase in costs for services (mainly communication services) and for commercial expenditure as a result of the market policies adopted.

Depreciation, amortization and provisions came to €98.8 million, up €8.9 million on 2005 pro forma. The rise is attributable to increased depreciation and amortization (up €4.1 million) of the merger goodwill of the absorbed companies and larger provisions for doubtful accounts (up €4.8 million).

Operations posted a loss of €34.3 million, a decrease of €64.5 million compared with the previous year on a like-for-like basis.

Net financial expense came to €8.2 million, down €2.1 million on December 31, 2005 like-for-like basis. The change is attributable to a reduction in financial expense with respect to the Parent Company, due mainly to reduced borrowing.

The company posted a net loss of €33.6 million after taxes of €1.2 million.

Net capital employed came to €521.7 million at December 31, 2006, funded by shareholders' equity of €202.2 million (38.8%) and net financial debt of €319.5 million (61.2%) .

The workforce at December 31, 2006 numbered 521, compared with 504 pro forma at December 31, 2005.

Enel Trade SpA

In 2006, Enel Trade managed the procurement of fuels for Enel Group power stations and natural gas for Enel Energia SpA (formerly Enel Gas), traded in energy products and performed shipping services on the domestic and international market, and sold electricity and gas to wholesalers and high-consumption customers (the latter operations were transferred to Enel Energia SpA on April 1 2006), with a view to unifying Enel's presence in the end-user free market in Italy. The company also carried out hedging operations on behalf of Enel Group companies to protect against commodity price fluctuations in the energy sector and continued to acquire CO₂ allowances on the main European exchanges and OTC markets.

In addition, in early 2006 the Competition Authority authorized the completion (by June 30, 2007) of Enel Trade's acquisition of 90% of Nuove Energie Srl for €29.7 million. The company will serve as the vehicle for the development of a project involving the construction and operation of a regasification terminal in the port area of Porto Empedocle.

Revenues came to €10,531.0 million in 2006 (€7,757.4 million in 2005).

Revenues from fuel trading amounted to €5,495.4 million (€5,191.1 million in 2005), while revenues from the sale of electricity totaled €5,030.7 million, up €2,526.7 million on 2005, largely as the result of increased volumes handled on foreign markets.

Revenues from the sale of electricity include sales of green certificates and CO₂ allowances in the amount of €374.4 million.

Operating costs came to €10,250.1 million (€7,660.9 million in 2005) and mainly regard purchases of fuels (€5,266.2 million), electricity (€4,463.5 million) and CO₂ allowances (€304.5 million). The costs include an increase in inventories of €100.7 million.

Depreciation, amortization and impairment losses were positive in the amount of €25.1 million at December 31, 2006 (compared with a negative €28.8 million in 2005), as a result of the release of the provision for doubtful accounts in respect of the receivable due from BG Italia SpA (€27.4 million), which was paid in 2006.

Net charges from commodity risk hedging amounted to €27.1 million (net income of €139.3 million in 2005).

Net financial income came to €16.2 million, an increase of €7.3 million. The change is primarily attributable to an increase in net income from foreign exchange differences on trade receivables and payables (€14.4 million). In 2005 the item included income from the disposal of the equity investment in Pragma Energy of €6.3 million.

Income before taxes increased by €25.3 million while net income declined from €165.5 million in 2005 to €153.9 million last year.

Net capital employed came to €485.4 million at December 31, 2006, up €80.0 million on 2005. It is funded by shareholders' equity of €281.0 million (57.9%) and net financial debt of €204.4 million (42.1%).

The workforce at December 31, 2006 numbered 201, compared with 194 at December 31, 2005.

Enel Investment Holding BV

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

In 2006 the company was especially active in the many Group acquisitions abroad, including:

- > 49.5% of Res Holding BV (a Netherlands-registered company that in turn owns 100% of RusEnergoSbyt, a Russian electricity trader) for \$105 million;
 - > 100% of Erelis, a French wind plant development company, for €14.2 million;
 - > 100% of Hydro Quebec International Latin America Ltd, subsequently renamed Enel Panama Ltd, for \$150 million;
 - > 75% of Enelco, of which 50% from Enelpower for about €8.1 million and the remaining 25% from Prometheus Gas and Damco Energy for €4.0 million.
- Enelco holds two licenses for the construction of combined-cycle power stations in Greece.

In 2006 the company sold its equity investments in Carbones Colombianos del Cerrejón SA, a Colombian coal mine operator (for €5.0 million), and Webiz Capital BV, previously established with the contribution of shares held in a number of subsidiaries, for €0.5 million.

As part of the reorganization of the Group's finance operations, Enel SpA formally assumed the obligations in respect of the bonds issued by Enel Investment Holding BV under the Global Medium Term Notes Program (GMTN Program). Following the operation, Enel Investment Holding BV remains obligated in respect of third parties in the amount of €571 million and in respect of Enel SpA in the amount of €413 million.

Last year, net income from equity investments came to €12.3 million, while amortization of goodwill amounted to €6.7 million.

Finance operations benefited from a substantial reduction in debt following the extinction of the €Commercial Paper program and the assumption of debt by Enel SpA in respect of the GMTN Program, with net financial expense of €29.7 million compared with €94.5 million in 2005.

The net loss for the year came to €24.9 million (€172.4 million in 2005).

The company's balance sheet shows net financial debt of €147.6 million (€781.3

million at December 31, 2005) and shareholders' equity of €132.5 million (a negative €712.1 million at December 31, 2005). The change in shareholders' equity is attributable to the capital injection of €880.0 million from the Parent Company.

At the end of 2006, the company's net financial debtor position amounted to €30 million (principal amount), a decrease of €1,263.5 million on December 31, 2005, essentially as a result of the assumption of debt noted earlier.

At December 31, 2006 the company's debtor position with respect to the Parent Company amounted to €176.3 million (compared with a creditor position of €176.2 million at December 31, 2005).

The company has no employees.

Enel Finance International SA

The company, headquartered in Luxembourg, functions as a holding company for the Group's equity investments and financial assets. It holds 100% of Enel Ireland Finance Ltd, a company based in Dublin, Ireland, which on January 2, 2006 repaid a loan of €1,291.0 million that was outstanding at December 31, 2005. On the same date, Enel Finance International SA agreed a loan with Enel Ireland Finance Ltd of €57.6 million, falling due on December 31, 2007.

Repayments of loans to Group companies in 2006 regarded Viesgo Generación SL in the amount of €1,169.1 million and Electra de Viesgo Distribución SL in the amount of €233.4 million.

As regards loans granted, on January 2, 2006 the company made a loan of €169.1 million to Viesgo Generación SL (fully repaid on March 10, 2006) and one of €307.5 million to Enel Green Power International SA maturing December 31, 2007. In addition, on December 1, 2006 the company granted Enel North America Inc. financing of \$50 million (equal to €37.9 million) maturing December 31, 2007.

In 2006 the company raised funds through the Euro Commercial Paper Program (launched in 2005 with a ceiling of €4.2 billion) amounting to about €535.4 million, while at December 31, 2006 the GMTN Program initiated in 2005 for the issue of notes in an amount up to €10 billion had not yet been activated.

The company posted a loss of €0.6 million for the year, mainly as result of net financial expense and the provision for accrued taxes.

The company has no employees.

Enel Servizi Srl

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

Last year was the first full year of operations for Enel Servizi following the corporate and operational reorganization implemented in 2005 in order to minimize the unit costs of companies operating in the Group's core business and to maximize service quality.

Significant developments in 2006 include the acquisition, on December 22, 2006, of 100% of Cise Srl from Enel SpA, for €358 million. Following the transaction, Enel Servizi now controls (directly and indirectly) the Enel Group's real estate management company, Dalmazia Trieste Srl.

Revenues came to €939.2 million (€795.9 million at December 31, 2005), an increase of €143.3 million mainly attributable to greater revenues from services (€89 million) and rental payments (€32 million), as a result of its new scope of operations.

Operating costs totaled €923.5 million (€774.7 million at December 31, 2005), a rise of €148.8 million. The increase is essentially the result of higher personnel costs due to the rise in the average workforce and higher costs for services, leases and rentals, matched by the increase in revenues.

Operating income amounted to €15.7 million (€21.2 million at December 31, 2005), a decline of €5.5 million that is mainly associated with the increased in personnel costs, partially offset by greater profitability compared with 2005.

Net financial income amounted to €3.4 million, compared with net financial expense of €9.2 million in 2005. The net expense in 2005 reflected capital losses on the disposal of equity investments totaling €5.6 million.

Net income, after taxes of €16.4 million, came to €2.7 million.

Net capital employed came to €626.1 million at December 31, 2006. It is funded by shareholders' equity of €462.7 million (73.9%) and net financial debt of €163.4 million (26.1%).

The workforce at December 31, 2006 numbered 4,333, compared with 4,338 at December 31, 2005.

Enelpower SpA

The partial demerger of Enelpower SpA to Enel Produzione SpA was completed on January 1, 2006. The operation involved plant design, construction and start-up operations, as well as assets and liabilities in respect of projects under construction with the Generation and Energy Management Division. Taking account of this operation and not having undertaken any order acquisition activity, during 2006 the company worked on completing plants for third-party customers in Italy and abroad.

Revenues for the year amounted to €112.7 million, declining with respect to 2005 as a result of the demerger and the gradual completion of existing contracts.

Operating costs totaled €76.6 million, with the decrease on the previous year reflecting the reduction in operations and the release to income of past risk provisions.

Net financial income came to €4.6 million, in line with 2005 (€4.6 million).

Net income for 2006, after taxes of €17.7 million, came to €23.0 million.

Net capital employed was a negative €60.0 million at December 31, 2006 and is composed of net non-current assets of €1.2 million, negative net current assets of €6.1 million and sundry provisions of €55.1 million.

Shareholders' equity amounted to €25.3 million and the net financial position was a positive €85.3 million (€178.6 million at December 31, 2005).

The company had 6 employees at December 31, 2006, compared with 786 at December 31, 2005, with the reduction essentially attributable to the transfer of operations to Enel Produzione.

Human resources and organization

Organization

In the course of 2006, Enel continued to work towards the consolidation and development of its divisional structure to support the Company in view of the opening of the domestic market and the ongoing process of international expansion.

This is the context that saw the launch of the new structure of the Domestic Sales Division, with a Marketing unit devoted to market analysis and product development, as well as Sales units segmented by customer category. The reorganization of the Division with a view to integrating gas and electricity customers also involved the start of a process of corporate restructuring.

The reorganization of the Generation and Energy Management Division was completed. Its new structure includes business areas devoted to thermal and renewables generation, a single Energy Management business area responsible for planning generation and the sourcing and trading of fuel and electricity, and technical areas in charge of developing and building power plants, developing nuclear power skills and research.

The Domestic Infrastructure and Networks Division also underwent reorganization in 2006, which led to the creation of central “technical functions” focused on the synergies between the electricity and gas sectors in terms of know-how, core skills, best practices and information systems.

An Operations and Integration Department was created within the International Division to support business development processes in evaluating foreign acquisition targets and integrating those acquired.

At the Corporate level, the process of centralizing staff activities was completed, with the formation of a single central unit for corporate secretariat activities for Italy.

To increase control over the strategic processes in the Institutional and Regulatory Affairs Department, renamed the Regulatory Affairs and Corporate Strategy Department, Corporate Strategy units were created to coordinate strategy development. A Large Infrastructure Projects Unit was also set up to manage the megacommunities supporting the implementation of major infrastructure projects.

The process of reorganizing the Information and Communication Technology Department was also implemented. The aim is to tighten the link between ICT development activities and the Company's business, and increase the operational effectiveness of ICT processes through the establishment of a single position of responsibility to oversee products/services. The ultimate aim is to set up an end-to-end system stretching from the formalization of internal customer needs to the development of new applications within the framework of robust and centralized corporate governance arrangements.

The entire Company underwent a far-reaching review of governance and operational processes in 2006 with a view to assessing and mitigating the risks associated with the reliability and accuracy of corporate reporting. The resulting control system and the process documentation that describes the system are now an integral part of the body of corporate procedures.

Development and training

The human development and training initiatives of 2006 were aimed at achieving excellence in core skills, at managing internal growth effectively and at ensuring resources were available to fill key positions.

The main development initiatives relate to the development and progressive extension to foreign companies of specific assessment campaigns for personnel categories, a Group succession plan to ensure all key positions are filled, and an initial "climate survey" for all members of staff, to appraise the working environment in Enel.

In 2007, Enel will introduce a new performance appraisal system for top and middle management, and specially-tailored development projects for talented resources at various levels of the organization. It also plans to pursue a policy of extensive job rotation, especially at the international level, and will take steps to improve the working environment on the basis of the findings of the climate survey taken in 2006. As regards training, the main areas of interest have been courses to develop and strengthen the executive skills of management-level staff, and institutional training aimed at inculcating a sense of identification with the culture and values of Enel and at expanding/consolidating a set of shared skills (interfunctional knowledge and skills). Enel also established specialized divisional training, particularly the Domestic Sales Division, the aim of which is to develop specific technical know-how and core skills to give personnel the necessary knowledge to manage change processes.

In 2007, Enel plans to overhaul its institutional programs, in line with its talent management policies. Enel also plans to extend specific development streams for professional areas to encompass all critical functions, and launch several specific initiatives to support the ongoing process of change (international expansion and market orientation). The activities planned for 2007 will receive an additional impetus from the upcoming establishment of “Enel University”, planned for the first quarter of the year.

Hiring

Personnel selection within Enel aims at ensuring the compliance of candidates selected with the requirements of the job profiles in the various entry-level positions through the hiring of dynamic young talents who can be developed within the Company, and at creating the conditions to enhance Enel's appeal to the upper segments of the Italian and international labor market.

In 2006, Enel hired more than 1,000 people. In Italy, hirings totaled about 500 people, of whom 56% were young secondary school and university graduates, with the intention of strengthening the core business functions (engineering, plants, energy management in the Domestic Generation and Energy Management Division, the sales and marketing areas of the Domestic Sales Division, and the technical areas of the Domestic Infrastructure and Networks Division) as well as ICT and staff functions (especially the governance units). The technical and management structure of the International Division was also strengthened with the addition of specialized personnel and young graduates seeking international careers. Particular attention was given to the creation of a pool of skills in nuclear technology, which entailed the hiring of 17 people.

During 2006, various exchanges were organized between Enel and international universities, institutions and companies operating in the energy sector, in regions of strategic interest to the Company. The exchanges helped boost Enel's national and international reputation as a center of excellence for energy and sustainable development.

In 2007, Enel plans to continue with the intense recruitment and hiring program begun in 2006 with the aim of strengthening the technical and engineering structures of the Domestic Generation and Energy Management Division and the Domestic Infrastructure and Networks Division, as well as the sales and marketing areas of the Domestic Sales Division and the International Division.

Labor relations

Electricity area

The most significant result in 2006 was the renewal of the work rules part of the national collective bargaining agreement for the electricity industry for the period

2005-2009, and the updating of the economic part of the agreement for the period 2005-2007, which the Company signed with the trade unions on July 18, 2006 after intensive negotiations. The renewal of the contract paved the way to the introduction of modern and flexible labor practices, especially in some areas such as working hours and the new structure of the labor market (types of contract, job security, etc.). October saw the establishment and start of activities of the bilateral committees envisaged in the labor agreement to deal with a series of “deferred commitments” relating to supplementary pensions, personnel classification and rules for industrial action.

At the Company level, in 2006 an agreement was signed for the allocation of performance bonuses for the period 2006-2007, and work was completed on the implementation of the divisional organization, with the transfer of processes and resources to Enel Servizi and the rationalization of the Domestic Generation and Energy Management Division following the transfer of engineering and construction operations from Enelpower to Enel Produzione. Discussions over the creation of a Personnel Services Center, a Purchasing Area and the reorganization of the Domestic Sales Division were concluded during the year.

Gas area

In the gas area, in addition to the corporate rationalization process mentioned above in relation to Enel Gas (now Enel Energia), work was completed transferring assets and staff resources – the ICT and Administration units of Enel Rete Gas and Enel Gas – to Enel Servizi with effect from January 1, 2007, in compliance with the procedures set out in Article 47 of Law 428/90.

As regards the industry as a whole, intensive negotiations took place over the renewal of the national collective bargaining agreement for the gas and water industries (which expired on December 31, 2005).

On May 12, 2006 an agreement was reached with the founders of the executive complementary pension fund (Enel and Cordenel/Federmanager), which called for an increase in the contributions for the members.

Compensation and incentive systems

Compensation policy in 2006 was focused on increasing the integration between processes of compensation and assessment, and saw an increase in use of variable retribution based on performance in the Company. In the area of short-term incentives, the Company reaffirmed management by objective (MBO) as its main tool (which involves around 93% of senior management and 13% of middle management), along with a special incentive system for sales personnel. With regard to medium to long-term incentives, a stock options plan was again implemented in 2006, involving about 88% of senior management. In line with the policies of

recent years, 2007 will see a further intensification of the practice of customizing compensation tools for the most critical professional families, including the adoption of “total rewarding” approaches.

Stock option plans

Since 2000 Enel has implemented stock option plans each year in order to give the Enel Group – in line with international business practice and the leading Italian listed companies – a means for fostering management motivation and loyalty, strengthening a sense of corporate belonging in our key personnel, and ensuring their enduring and constant effort to create value, thus creating a convergence of interests between shareholders and management.

The remainder of this section describes the features of the stock option plans adopted by Enel and still in place in 2006.

2002 plan

In May 2001, accepting the proposals made by the Board of Directors (in consideration of the insufficiency of the remaining capital increase authorized by the shareholders in December 1999 to implement additional stock option plans to those adopted in 2000 and 2001), an extraordinary meeting of Enel's shareholders initiated a new stock option plan, resolving:

- > to revoke, with regard to the part not yet exercised by the Board of Directors, the enabling authority to increase the share capital granted in December 1999, while confirming all the acts carried out in the exercise of this power;
- > to again grant the Board of Directors the authority for five years to increase share capital by a maximum of €60,630,750 (slightly less than 1 % of capital at the time) through the issue of 60,630,750 ordinary shares with a par value of €1.00 each, bearing full dividend rights, to be offered for subscription against payment to executives – to be selected by the Board of Directors – of Enel itself and/or its subsidiaries, with the consequent exclusion of the preemptive rights pursuant to the Civil Code and the Consolidated Law on Financial Intermediation.

In carrying out this mandate from the shareholders, in March 2002 the Board of Directors approved the stock option plan for 2002 (supplemented in September of the same year), together with the Regulations for implementing it. The Regulations provided for the executives selected by the Board of Directors to be granted personal rights, non-transferable inter vivos (options), to subscribe a corresponding number of newly issued ordinary Enel shares. As established by the Board of Directors, the executives were divided into different brackets and the number of options granted to those in each bracket was determined by applying a multiplier to the ratio between the reference gross annual compensation of the bracket concerned and the value of a three-year option, determined on the basis of its market valuation.

The right to subscribe the shares is subordinated to the condition that the executives concerned remain employed within the Group, with a few exceptions (such as, for example, termination of employment because of retirement or permanent invalidity, exit from the Group of the company at which the executive is employed, and succession) specifically governed by the Regulations.

The beneficiaries of the 2002 stock option plan also included those persons who had held, at different times, the position of Enel's Chief Executive Officer during that year, in their capacity as General Manager.

The Regulations also established that the options granted – in the event the conditions of exercise were met – would be exercisable as follows: 30% as from the first year following the one in which they were granted, an additional 30% as from the second year subsequent to the one in which they were granted, and the remaining 40% as from the third year following the one in which they were granted, with the requirement that the deadline for exercising all the options is the fifth year following that in which they were granted.

In any event, the options are exercisable each year only during three time windows of fifteen trading days on the Italian Stock Exchange following: (i) the Board of Directors' examination of the preliminary consolidated data, (ii) the Annual General Meeting's approval of the financial statements of Enel SpA, and (iii) the Board of Directors' approval of the third-quarter report.

With regard to conditions of exercise – suspensory in nature – the Regulations establish that all the options granted would become exercisable in the event that (i) Group EBITDA for the year in which the options were granted as estimated in the budget approved by the Board of Directors is exceeded and (ii) the percentage change in the price of Enel shares recorded on Borsa Italiana's electronic stock exchange during the year in which the options were granted was greater – according to the calculation criteria set out in the Regulations – than the performance of a specific reference index, determined by the Regulations as the average of the MIBTEL index (weighting: 50%) and the FTSE Eurotop 300 Electricity index (weighting: 50%). If both objectives are not jointly achieved, all the options automatically lapse, there being no provision for a mechanism allowing them to be recovered.

The Regulations established that the strike price of the shares was to be determined by the Board of Directors as no less than the arithmetic average of the reference prices of Enel shares on Borsa Italiana SpA's electronic stock exchange during the period between the date on which the options were granted and the same day of the preceding solar month. Subscription of the shares at the strike price is to be charged entirely to the beneficiaries, as the plan does not provide for any facilitated terms to be granted in this respect.

Developments in the 2002 stock option plan

Under the Regulations, the 2002 stock option plan involved the granting of a

total of 41,748,500 options to 383 Group executives at a strike price of €6.426 (€6.480 for the options granted in September 2002). The review conducted by the Board of Directors to verify satisfaction of the conditions of exercise ascertained that during the year in which the options were granted both objectives – surpassing Group EBITDA and the performance of Enel's shares with respect to the benchmark – were achieved, enabling exercise of all the options. Because of the early termination of employment of the related grantees, of the 41,748,500 options that were granted and became exercisable (i) 4,872,500 lapsed in the period between the date of granting of the options and the end of 2005 and (ii) no options lapsed during 2006.

Capital increase to serve the 2002 stock option plan

As a consequence of the foregoing, in April 2003 the Board of Directors, in partial execution of the enabling authority granted it by the Extraordinary Shareholders' Meeting held in May 2001, approved a divisible capital increase (representing a maximum potential dilution of less than 0.7% of capital at the time) to serve the options granted with the stock option plan for 2002.

Specifically, on this occasion the Board of Directors approved a capital increase of a maximum of €41,748,500, to be subscribed by December 31, 2007, serving all the options granted under the 2002 plan (which had become exercisable), at a strike price amounting to (i) €6.426 for the 39,245,000 options granted in March 2002 and (ii) €6.480 for the 2,503,500 options granted in September 2002.

In execution of the Board resolution, in 2006 a total of 1,319,050 ordinary shares were issued and subscribed to serve the stock options for the 2002 plan exercised between February 2 and February 22, 2006, May 29 and June 16, 2006 and November 10 and November 30, 2006. They add to the 34,801,650 ordinary shares issued and subscribed serving the same number of stock options under the 2002 plan exercised in 2004 and 2005.

2003 plan

In May 2003, accepting the proposals made by the Board of Directors (in consideration of the insufficiency of the residual amount of the preceding authorization, granted by the shareholders in May 2001, to establish additional stock option plans) an extraordinary meeting of Enel's shareholders initiated a new stock option plan, resolving:

- > to revoke, with regard to the part not yet exercised by the Board of Directors, the enabling authority to increase share capital granted in May 2001, while confirming all the acts carried out in the exercise of this power;
- > to grant the Board of Directors new authority to increase share capital by a maximum of €47,624,005 (about 0.8% of capital at the time), endowed with the same characteristics as the authority granted in May 2001 and to be used to serve the stock option plan for 2003, as already approved by the Board of Directors in April 2003.

The 2003 plan – whose beneficiaries include Enel's Chief Executive Officer in his capacity as General Manager – is founded on the same rationale as the 2002 plan, following the provisions of the implementing Regulations with regard to the various features of the plan described earlier (specifically, the criteria that govern both the granting of the options to the beneficiaries of the plan and the preservation of entitlement to exercise the options, the vesting period of the options and the exercise of the options in pre-set temporal 'windows', the conditions for exercising the options, the procedures for determining the strike price of the shares and the absence of facilitated conditions for payment by the executives participating in the plan).

Developments in the 2003 stock option plan

The stock option plan for 2003 involved the granting of a total of 47,624,005 options to 549 Group executives at a strike price of €5.240. The review carried out by the Board of Directors to verify the satisfaction of the conditions of exercise ascertained that both objectives – surpassing Group EBITDA during the year in which the options were granted and the performance of Enel's shares with respect to the benchmark index described in the Regulations that implement the plan – were achieved. It should be noted that the period for measuring the performance of both Enel's shares and the benchmark – which, according to the Regulations, was to expire on December 31, 2003 – was extended by the Board of Directors until March 26, 2004. This was done in order to permit normal trading conditions to return and thus allow a more objective evaluation of whether the targets had been achieved in view of the placement of Enel shares with institutional investors carried out by the Ministry for the Economy and Finance in October 2003, which in itself was extraneous to the management of Enel, but because of its extraordinary size had a considerable influence on the performance of the shares. Therefore the conditions for exercising all the options granted under the 2003 plan were satisfied. Because of the early termination of employment of the related grantees, of the 47,624,005 options that were granted and became exercisable (i) 3,288,426 lapsed during the period between the date of granting of the options and the end of 2005 and (ii) 60,290 lapsed during 2006.

Capital increase to serve the 2003 stock option plan

In April 2004 the Board of Directors, entirely exercising the enabling authority granted it by the Shareholders' Meeting held in May 2003, approved a divisible, paid capital increase (entailing a maximum potential dilution amounting to about 0.8% of capital at the time) to serve the options granted under the 2003 plan. This increase, amounting to a maximum of €47,624,005, is to be subscribed by December 31, 2008 and serves all the options assigned under the 2003 plan, which have become exercisable and have a strike price of €5.240.

To implement this Board resolution, in 2006 11,726,012 ordinary shares were

issued and subscribed to serve the equal number of stock options in the 2003 plan that were exercised in the periods February 2 to February 22, 2006, May 29 to June 16, 2006, and November 10 to November 30, 2006. They add to the 30,500,492 ordinary shares issued and subscribed to serve an equal number of stock options in the 2003 plan exercised during 2004 and 2005

2004 plan

In May 2004, an extraordinary meeting of the shareholders of Enel initiated a new stock option plan by resolving to grant the Board of Directors a new authorization to increase share capital by a maximum of €38,527,550 (about 0.6% of capital at the time), with characteristics similar to those of the previous authorizations granted in May 2001 and May 2003, and to be used to serve the 2004 stock option plan, as already approved by the Board of Directors in March 2004.

The 2004 plan – whose beneficiaries include Enel's Chief Executive Officer in his capacity as General Manager – is founded on the same rationale as the 2002 and 2003 plans, following most of the provisions of their implementing Regulations and departing from them only in manner described below.

In particular, although the division of the beneficiaries of the plan into brackets is maintained, provision is made for granting the options using proportional criteria and no longer through the application of a multiplier of the ratio between the reference annual gross compensation of the bracket to which the executive concerned belongs and the value of a three-year option as determined on the basis of market valuations. Furthermore, the Regulations establish that – once the conditions of exercise have been satisfied – 15% of the options granted may be exercised as from the first year subsequent to the grant year, an additional 15% as from the second year subsequent to the grant year, an additional 30% as from the third year subsequent to the grant year, and the remaining 40% as from the fourth year subsequent to the grant year, with the deadline for exercising all the options being the fifth year subsequent to the grant year.

The temporal “windows” for exercising the options have also been eliminated. The options may be exercised each year at any time, with the exception of two blocking periods lasting indicatively one month before the approval of the draft annual financial statements of Enel SpA and the half-year report by the Board of Directors.

With regard to the conditions of exercise – which are suspensory in nature – while the Group EBITDA target has not changed, that connected with the performance of Enel shares with respect to the benchmark index is considered for the first time from a total shareholder return perspective, i.e. taking into account (both for Enel shares and for the benchmark) of the effect of the reinvestment of the respective gross dividends in the same securities. This change was adopted to ensure that the actual return that Enel shares are capable of earning for their shareholders,

including in terms of the distribution of dividends, is consistent with the actual return, in the same terms, on the reference securities.

Developments in the 2004 stock option plan

The stock option plan for 2004 involved the granting of a total of 38,527,550 options to 640 Group executives at a strike price of €6.242. The review carried out by the Board of Directors to verify the materialization of the exercise conditions ascertained that both objectives – surpassing Group EBITDA during the year in which the options were granted and the performance of Enel shares with respect to the benchmark index described in the implemental Regulations of the plan – were achieved. It should be noted that the period for measuring the performance of both Enel's shares and the reference index – which, according to the Regulations, was to expire on December 31, 2004 – was extended by the Board of Directors until March 25, 2005 in order to ensure normal trading conditions and thus permit an objective evaluation of whether the target had been achieved. This decision was prompted by the placement of Enel shares through a global offering carried out by the Ministry for the Economy and Finance in October 2004, which in itself was extraneous to the management of Enel and, because of its extraordinary size, could have distorted the performance of the shares.

The conditions for exercising all the options assigned under the 2004 plan were therefore satisfied. Because of early termination of the employment of the related grantees, of the 38,527,550 options that were granted and became exercisable (i) 1,625,500 lapsed in the period between the date on which the options were granted and the end of 2005 and (ii) 334,300 lapsed during 2006.

Capital increase to serve the 2004 stock option plan

In March 2005 the Board of Directors, entirely exercising the authority granted it by the Shareholders' Meeting held in May 2004, approved a divisible, paid capital increase (entailing a maximum potential dilution of about 0.6% of capital at the time) to serve the options granted under the 2004 plan. This increase, amounting to a maximum of €38,527,550, is to be subscribed by December 31, 2009 and serves all the options assigned under the 2004 plan (insofar as they have become exercisable) at a strike price of €6.242.

To implement this Board resolution, in 2006 6,079,571 ordinary shares were issued and subscribed to serve the exercise of an equal number of stock options in the 2004 plan. They add to the 12,392,982 ordinary shares issued and subscribed to serve an equal number of stock options in the 2004 plan exercised during 2005.

2006 plan

In May 2006, an extraordinary meeting of the shareholders of Enel initiated a new stock option plan by resolving to grant the Board of Directors a new authorization to increase share capital by a maximum of €31,790,000 (about 0.5% of capital at

the time), with characteristics similar to those of the previous authorizations granted in May 2001, May 2003 and May 2004 and to be used to serve the 2006 stock option plan, as approved by the same shareholders' meeting in ordinary session (pursuant to the new regulations introduced in the Consolidated Law on Financial Intermediation by the law on the protection of savings).

The 2006 plan – whose beneficiaries include Enel's Chief Executive Officer in his capacity as General Manager – is founded on the same rationale as the 2002, 2003 and 2004 plans, but is now even more consistent with international best practices, thanks to the establishment of multi-year performance objectives (rather than annual targets) in order to encourage the consolidation of results and accentuate the medium-term characteristics of this tool.

The 2006 plan largely adopts the provisions of the Regulations of the 2004 plan, differing only in the following respects.

The most significant difference regards the multi-year duration of the exercise conditions for the options, which retain their suspensory nature and continue to be linked to the same objectives (Group EBITDA and the performance of Enel's share price with respect to the benchmark index) with a view to ensuring full convergence between the interests of shareholders and management.

More specifically, the 2006 plan establishes that an initial 25% of the options granted may be exercised on the condition that both of the objectives are achieved in 2006-2007, while the remaining 75% may be exercised subject to achievement of both objectives for 2006-2008. If one or both of the objectives are not achieved in 2006-2007, the initial 25% of the options can be recovered with the achievement of both objectives over the longer 2006-2008 period.

In addition, once the conditions of exercise have been satisfied, 25% of the options granted may be exercised as from the second year subsequent to the grant year, an additional 35% as from the third year subsequent to the grant year, and the remaining 40% as from the fourth year subsequent to the grant year, with the deadline for exercising all the options being the sixth year subsequent to the grant year.

Developments in the 2006 stock option plan

The 2006 plan involved the granting of a total of 31,790,000 options to 461 Group executives at a strike price of €6.842.

Because of early termination of the employment of the related grantees, of the 31,790,000 options that were granted and became exercisable, 286,000 lapsed in the period between the date on which the options were granted (August 2006) and the end of 2006.

The review to be carried out by the Board of Directors to verify the satisfaction of the exercise conditions for the 2006 plan is scheduled to take place as part of the approval of the draft financial statements for 2007 (for 25% of the options granted) and 2008 (for the 75% of the options granted).

Payment of a bonus connected with the portion of the dividends attributable to asset disposals, to be made in conjunction with the exercise of stock options

In March 2004, the Board of Directors voted to grant a special bonus, beginning in 2004, to the beneficiaries of the various stock option plans who exercise the options granted to them, establishing that the amount is to be determined each time by the Board itself when it adopts resolutions concerning the allocation of earnings and is based on the portion of the “disposal dividends” (as defined below) distributed after the granting of the options.

The rationale underlying this initiative is that the portion of dividends attributable to extraordinary transactions regarding the disposal of property and/or financial assets (“disposal dividends”) should be considered a form of return to shareholders of part of the value of the Company, and as such capable of affecting the performance of the shares.

The beneficiaries of the bonus are thus the beneficiaries of the stock option plans who – either because they choose to do so or because of the restrictions imposed by the exercise conditions or the vesting periods – exercise their options after the ex dividend date of the “disposal dividends” and therefore could be penalized.

The bonus is not paid, however, for the portion of other kinds of dividends, such as those generated by ordinary business activities or reimbursements associated with regulatory measures.

Essentially, when beneficiaries of the stock option plans have exercised the options granted to them, since 2004 they have been entitled to receive a sum equal to the “divestiture dividends” distributed by Enel after the options have been granted but before they have been exercised. The bonus will be paid by the company of the Enel Group that employs the beneficiary and is subject to ordinary taxation as income from employment.

Under these rules, to date the Board of Directors has approved: (i) a bonus amounting to €0.08 per option exercised, with regard to the dividend (for 2003) of €0.36 per share payable as from June 24, 2004; (ii) a bonus amounting to €0.33 per option exercised, with regard to the interim dividend (for 2004) of the same amount per share payable as from November 25, 2004; (iii) a bonus amounting to €0.02 per option exercised, with regard to the balance of the dividend (for 2004) of €0.36 per share payable as from June 23, 2005; and (iv) a bonus amounting to €0.19 per option exercised, with regard to the interim dividend (for 2005) of the same amount per share payable as from November 24, 2005.

It should be noted that the overall dilution of share capital as of December 31, 2006 attributable to the exercise of the stock options granted under the various plans amounts to 1.83% and that further developments in the plans could, in theory, increase the dilution up to a maximum of 2.66%.

The following table summarizes developments in the stock option plans in 2006.

Options	2002 plan (year of expiration: 2007)			2003 plan (year of expiration: 2008)			2004 plan (year of expiration: 2009)			2006 plan (year of expiration: 2012)		
	Number of options	Average exercise price	Market price	Number of options	Exercise price	Market price	Number of options	Exercise price	Market price	Number of options	Exercise price	Market price
		(euro)	(euro) ⁽¹⁾		(euro)	(euro) ⁽¹⁾		(euro)	(euro) ⁽¹⁾		(euro)	(euro) ⁽¹⁾
Options outstanding at January 1, 2006	2,074,350	6.426	6.687	13,835,087	5.240	6.687	24,509,068	6.242	6.687	-	-	-
New options granted in 2006	-	-	-	-	-	-	-	-	-	31,790,000	6.842	6.990
Options exercised in 2006	1,319,050	6.426	7.433	11,726,012	5.240	7.138	6,079,571	6.242	7.293	-	-	-
Options lapsed in 2006	-	-	-	60,290	5.240	7.083	334,300	6.242	7.187	286,000	6.842	7.281
Options outstanding at December 31, 2006	755,300	6.426	7.815	2,048,785	5.240	7.815	18,095,197	6.242	7.815	31,504,000	6.842	7.815
> exercisable at December 31, 2006	755,300	6.426	7.815	2,048,785	5.240	7.815	3,672,711	6.242	7.815	-	-	-

(1) Market prices are calculated on the basis of Consob instructions set out in recommendation no. 11508 of February 15, 2000 regarding disclosures on stock option plans.

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

The following table reports the stock options of the General Manager (and Chief Executive Officer) of Enel SpA and Company managers with strategic responsibilities. The information regarding the latter is provided in aggregate form, pursuant to the provisions of Article 78 and annex 3C of Consob Resolution no. 11971/1999 (the "Issuers Regulation").

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

Name	Position	Options held at the start of 2006			Options granted in 2006			Options exercised in 2006			Options lapsed in 2006	Options held at the end of 2006		
		Number of options	Average exercise price (euro)	Average expiry	Number of options	Average exercise price (euro)	Average expiry	Number of options	Average exercise price (euro)	Average market price at exercise (euro)	Number of options	Number of options	Average exercise price (euro)	Average expiry
Fulvio Conti ⁽¹⁾	General Manager Enel SpA	1,430,960	5.939	2009	1,500,000	6.842	2012	0	-	-	0	2,930,960	6.401	2011
	Managers with strategic responsibilities ⁽²⁾	5,546,408	5.952	2009	5,450,000	6.842	2012	2,850,472	5.725	7.101	0	8,145,936	6.627	2011

(1) Of the options reported in the table, those held at the start of 2006 were granted to Fulvio Conti as head of the Administration, Finance and Control Department of Enel SpA, the position he held until June 20, 2005.

(2) In 2006 the following were managers with strategic responsibilities: heads of Enel SpA Departments, Division heads, the head of business development of the International Division and the head of the Energy Management business area of the Domestic Generation and Energy Management Division, for a total of 15 management positions.

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

As provided for by Article 79 of Consob Resolution no. 11971/99, the table below sets out the number of Enel SpA shares owned directly or through subsidiaries, trust companies or third parties by directors, members of the Board of Auditors, the General Manager and managers with strategic responsibilities, as well as their spouses (if not legally separated) or minor children. The data presented is based on the information found in the shareholder register and in notices received from and information supplied by the directors, members of the Board of Auditors, the General Manager and managers with strategic responsibilities themselves. The information regarding the latter is provided in aggregate form, pursuant to the provisions of annex 3C of Consob Resolution no. 11971/1999.

All persons who held the position of director, statutory auditor, General Manager or manager with strategic responsibilities at some time in 2006 are included. Those persons who are not listed therefore did not own any Enel SpA shares during 2006.

Name	Company in which shares are held	Number of shares held at year-end 2005	Number of shares purchased in 2006	Number of shares sold in 2006	Number of shares held at year-end 2006	How held
Ballio Giulio	Enel SpA	1,700 ⁽¹⁾	-	-	1,700 ⁽¹⁾	Owned
Conti Fulvio	Enel SpA	41,324 ⁽²⁾	75 ⁽³⁾	-	41,399 ⁽⁴⁾	Owned
Giordano Giancarlo	Enel SpA	524	-	-	524	Owned
Gnudi Piero	Enel SpA	70,524 ⁽⁵⁾	-	-	70,524 ⁽⁵⁾	Owned
Taranto Francesco	Enel SpA	10,000	10,000	10,000	10,000	Owned
Managers with strategic responsibilities ^(a)	Enel SpA	111,874	2,853,908 ⁽⁶⁾	2,865,784 ⁽⁷⁾	99,998	Owned

(a) In 2006 the following were managers with strategic responsibilities: heads of Enel SpA Departments, Division heads, the head of business development of the International Division and the head of the Energy Management business area of the Domestic Generation and Energy Management Division, for a total of 15 management positions.

(1) All held by spouse.

(2) Of which: 40,562 held personally and 762 held by spouse.

(3) From granting of bonus shares.

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

(5) Of which: 262 held personally; 24,262 held by spouse; 46,000 by subsidiaries.

(6) Of which 2,850,472 subscribed in exercise of stock options and 3,436 from granting of bonus shares.

(7) Of which 2,826,272 from exercise of stock options.

Research and development

Enel SpA does not directly conduct research and development activities. Such projects are carried out by other Group subsidiaries and associated companies.

In particular, Enel Produzione is engaged in “competitive research”, primarily aimed at increasing the efficiency and improving the costs and environmental compatibility of the generation process.

“System research”, conducted for the benefit of the entire Italian electrical system, governed by regulations concerning the reorganization of the electrical industry and remunerated through a specific rate component, is conducted by the associated company Cesi.

Subsequent events, outlook and other information

Significant events

Acquisition of Endesa shares

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

On March 1, 2007, EEE entered into a share swap agreement with UBS Limited in which the underlying is represented by a maximum of 74,112,648 shares of Endesa (7% of the share capital).

The agreement envisages cash settlement, with an option for EEE to request physical settlement in Endesa shares subject, among other requirements, to obtaining the necessary administrative authorizations to carry out the acquisition. To perform the share swap, EEE has already obtained financing for the same total of 74,112,648 Endesa shares at an average price of €39 per share.

On the same date, Enel, in addition to requesting from the relevant bodies of the Spanish Ministry for Industry, Tourism and Trade authorization to exercise the rights in respect of the entire shareholding owned in Endesa, also asked the Comisión Nacional de la Energía (the Spanish National Energy Commission – CNE):

- > to authorize the acquisition of Endesa shares amounting to more than 10% of that company's share capital up to the threshold (currently set at 24.99% of the share capital) beyond which it is obligatory to launch a public tender offer;
- > to remove any restrictions on Enel's exercise of its rights as a shareholder of Endesa with regard to the qualification of the latter as a "principal operator".

Subsequently, in three transactions carried out on March 1, 2 and 12, EEE entered into share swap agreements with Mediobanca in which the underlying is represented by a maximum of 84,488,949 shares of Endesa (7.99% of the share capital).

Settlement procedures are the same as those for the other derivative contract with UBS.

To date, Enel owns 9.99% of Endesa through EEE and has entered into derivative contracts in which the underlying is represented by an additional 14.99% of Endesa.

Agreement with Acciona Group for joint management of Endesa

On March 26, 2007 Enel signed an agreement with Acciona, one of the leading Spanish groups operating at the international level in the development and operation of infrastructure, services and energy from renewables, for the joint management of Endesa, which thanks to synergies and the exchange of experience will contribute to the future growth of the Spanish electricity company. The agreement is subject to the condition that E.On does not acquire more than 50% of Endesa.

Agreement between Enel, Acciona and E.On

On April 2, 2007 Enel and Acciona signed an agreement with E.On under which the latter agrees to withdraw its tender offer for Endesa, and Enel and Acciona agree to transfer to E.On a number of assets owned by Endesa and Enel, subject to acquiring effective control of Endesa through a tender offer, in line with the agreement of March 26, 2007.

The assets will be transferred to E.On once Acciona and Enel have control of Endesa, the transaction is approved by the corporate bodies of Endesa and it has received the necessary administrative authorizations.

E.On's withdrawal of its tender offer for Endesa enables Enel and Acciona to launch their tender immediately. The offer price will be at least €41 per share, plus interest accrued until the completion of the tender.

Enel has the technical and financial resources necessary to meet its commitments in respect of the operation.

Outlook

Enel's results and level of debt in its capacity as a holding company will continue to be affected by the results of its subsidiaries, as well as by the positive effects generated by Group reorganization and rationalization. Enel will continue its strategy of concentrating on its core business so as to become the most efficient producer and distributor of electricity and gas.

As regards the international expansion of its core business, the major agreement reached first with Acciona for the joint management of Endesa and then E.On's agreement to withdraw its tender in exchange for the transfer of a number of assets significantly strengthens the international development plan of Enel, which will also continue to integrate and enhance the efficiency of the assets acquired.

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

Other information

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

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

Approval of the financial statements

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

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

Disclosures on financial instruments

The disclosures on financial instruments required by Article 2428. 2, no. 6 bis of the Civil Code are reported in the notes to the financial statements.

Atypical or unusual operations

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

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

Own shares

The company does not hold treasury shares.

Transactions with related parties

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



Bulgaria, Maritza
thermal plant

Financial statements

Income Statement

Euro	Notes	2006		2005	
			<i>of which with related parties</i>		<i>of which with related parties</i>
Revenues					
Revenues from sales and services	5.a	1,113,828,317	960,310,598	1,079,473,896	1,043,342,104
Other revenues	5.b	72,350,590	8,831,482	26,215,412	12,308,060
	[Subtotal]	1,186,178,907		1,105,689,308	
Income from equity exchange transaction and disposal of significant equity investments	6	189,666,244	43,272,895	1,487,308,114	
Costs					
Electricity purchases and consumables	7.a	621,251,511	28,872,760	606,920,980	93,754
Services, leases and rentals	7.b	252,694,874	91,374,594	210,732,682	68,859,590
Personnel	7.c	87,414,476	88,490	91,056,802	80,238
Depreciation, amortization and impairment losses	7.d	24,782,569		195,561,385	
Other operating expenses	7.e	39,450,208	52,586,815	175,985,778	16,995,828
	[Subtotal]	1,025,593,638		1,280,257,627	
Operating income		350,251,513		1,312,739,795	
Income from equity investments	8	3,074,372,929	3,074,254,685	1,563,108,202	1,542,416,554
Financial income	9	778,147,939	454,879,948	638,957,642	458,132,500
Financial expense	9	788,205,121	213,897,869	832,990,523	288,281,018
Income before taxes		3,414,567,260		2,681,815,116	
Income taxes	10	67,854,991		(13,681,377)	
NET INCOME FOR THE PERIOD		3,346,712,269		2,695,496,493	

Balance Sheet

Euro	Notes	at Dec. 31, 2006		at Dec. 31, 2005	
ASSETS					
			<i>of which with related parties</i>		<i>of which with related parties</i>
Non-current assets					
Property, plant and equipment	11	8,991,949		11,765,066	
Intangible assets	12	13,427,007		13,958,647	
Deferred tax assets	13	192,162,474		537,063,453	
Equity investments	14	15,634,489,789		17,676,507,924	
Non-current financial assets	15	2,748,636,273	1,772,086,195	1,850,127,329	1,846,749,434
Other non-current assets	16	27,060,663		350,127,654	
	[Total]	18,624,768,155		20,439,550,073	
Current assets					
Trade receivables	17	262,774,449	254,221,863	259,712,489	234,382,811
Tax receivables	18	199,640,272		276,689,182	
Current financial assets	19	6,073,721,518	6,046,596,410	5,676,610,871	5,610,736,809
Cash and cash equivalents	20	77,793,567		45,529,634	
Other current assets	21	615,431,126	233,012,144	1,076,511,610	391,454,314
	[Total]	7,229,360,932		7,335,053,786	
TOTAL ASSETS		25,854,129,087		27,774,603,859	

Euro

Notes

LIABILITIES AND SHAREHOLDERS' EQUITY		at Dec. 31, 2006		at Dec. 31, 2005	
			<i>of which with related parties</i>		<i>of which with related parties</i>
Shareholders' equity	22				
Share capital		6,176,196,279		6,157,071,646	
Other reserves		4,491,356,335		4,331,332,225	
Retained earnings (losses carried forward)		1,821,056,735		3,010,150,755	
Net income for the period ⁽¹⁾		2,111,542,789		1,526,093,374	
TOTAL SHAREHOLDERS' EQUITY		14,600,152,138		15,024,648,000	
Non-current liabilities					
Long-term loans	23	8,165,363,974	571,408,858	7,154,801,274	
Post-employment and other employee benefits	24	429,513,976		440,139,016	
Provisions for risks and charges	25	41,786,693		867,869,972	
Deferred tax liabilities	26	46,856,668		111,681,296	
Non-current financial liabilities	27	73,569,179		99,681,821	
	[Total]	8,757,090,490		8,674,173,379	
Current liabilities					
Short-term loans	28	990,624,419	549,415,095	1,967,516,061	1,214,822,421
Current portion of long-term loans	23	84,967,796		677,868,402	
Trade payables	29	423,348,433	99,742,848	357,364,422	50,858,294
Current financial liabilities	30	349,603,154	75,486,744	418,813,227	32,139,512
Other current liabilities	31	648,342,657	221,716,622	654,220,368	491,350,412
	[Total]	2,496,886,459		4,075,782,480	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		25,854,129,087		27,774,603,859	

(1) Net income is reported net of interim dividend equal to €1,235.1 million for 2006 and €1,169.4 million for 2005.

Statement of Cash Flows

Euro		Notes	
		at Dec. 31, 2006	at Dec. 31, 2005
		of which with related parties	of which with related parties
Income for the period		3,346,712,269	2,695,496,493
Adjustments for:			
Depreciation and amortization of property, plant and equipment and intangible assets	7.d	16,752,569	12,804,123
Exchange rate gains and losses		(6,534,224)	447,783
Provisions		33,358,292	296,436,752
Dividends from subsidiaries, associates and other companies	8	(3,074,372,929)	(3,074,372,929)
Financial (income)/expense		16,591,406	(240,977,045)
Income taxes	10	67,854,991	(13,681,378)
(Gains)/Losses and other non-monetary items		(215,116,372)	(43,272,895)
Cash flow from operating activities before changes in net current assets		185,246,002	129,786,350
Increase/(Decrease) in provisions		(820,250,637)	(89,205,690)
(Increase)/Decrease in trade receivables	17	(3,061,961)	(19,839,053)
(Increase)/Decrease in financial and non-financial assets/liabilities		1,613,176,772	129,337,642
Increase/(Decrease) in trade payables	29	65,984,011	49,841,069
Interest income and other financial income collected		377,440,549	244,854,694
Interest expense and other financial expense paid		(548,041,950)	(71,599,547)
Dividends from subsidiaries, associates and other companies	8	3,074,372,929	3,074,372,929
Income taxes paid (consolidated taxation mechanism)		(564,432,077)	1,374,796,789
Cash flows from operating activities (a)		3,380,433,638	1,463,817,793
Investments in property, plant and equipment and intangible assets	11-12	(13,447,811)	(11,272,746)
Equity investments	14	(356,874,973)	(356,874,973)
Disposals of equity investments	14	1,686,000,000	358,000,000
Cash flows from investing/disinvesting activities (b)		1,315,677,216	27,635,734
Long-term debt (new borrowing)	23	1,086,572,165	571,408,858
Long-term debt (repayments)	23	(678,094,409)	(2,623,985,248)
Net change in long-term financial debt		84,534,289	84,534,289
Net change in short-term financial debt		(1,314,328,059)	(983,256,456)
Dividends paid	22	(3,950,400,107)	(3,382,949,697)
Increase in share capital and reserves due to the exercise of stock options	22	107,869,200	338,883,763
Cash flows from financing activities (c)		(4,663,846,921)	(1,466,304,497)
Increase/(Decrease) in cash and cash equivalents (a+b+c)		32,263,933	25,149,030
Cash and cash equivalents at beginning of the year	20	45,529,634	20,380,604
Cash and cash equivalents at the end of the year		77,793,567	45,529,634

Statement of Gains and Losses Recognized in Period

Euro	Notes	2006	2005
Effective portion of change in the fair value of cash flow hedges		35,599,769	39,347,734
Change in the fair value of financial investments available for sale		28,886,015	175,572,402
Net income for period recognized in equity	22	64,485,784	214,920,136
Net income for period recognized in income statement		3,346,712,269	2,695,496,493
TOTAL GAINS/(LOSSES) RECOGNIZED IN PERIOD		3,411,198,053	2,910,416,629



Italia, Piacenza
gas substation

Notes to the financial statements

1. Form and content of the financial statements

Following the entry into force of Regulation (EC) 1606/2002 and under the provisions of Legislative Decree 38/2005, issuers of financial instruments listed on regulated markets are required to draft separate financial statements in accordance with international accounting standards. Therefore, Enel SpA, starting with the 2006 financial year, has adopted the international accounting standards (International Accounting Standards - IAS or International Financial Reporting Standards - IFRS), the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and the Standing Interpretation Committee (SIC) endorsed by the European Union (hereinafter IFRS-EU), with January 1, 2005 as the date of transition to IFRS-EU. The final set of Enel SpA financial statements prepared in accordance with Italian GAAP are those for the period ending December 31, 2005.

The comparative figures for 2005 have been restated on the basis of the IFRS-EU. The date of transition to the IFRS-EU is January 1, 2005, and, as permitted under IFRS 1, taking account of the fact that the Parent Company adopted the IFRS-EU first in the consolidated financial statements and then in the separate financial statements, all assets and liabilities have been recognized at the same amount in both, with the exception of consolidation adjustments.

The attachments include a document summarizing the effects of the transition to the IAS/IFRS. Specifically, it reports the effects of the change on the balance sheet at January 1, 2005 and at December 31, 2005, as well the effects on the income statement for 2005. The document also includes a reconciliation of shareholders' equity and income for the above dates between the amounts calculated previously under Italian GAAP and those that have been restated under IFRS-EU.

These financial statements have been audited by KPMG SpA.

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

As Parent Company, Enel SpA prepared the consolidated financial statements of the Enel Group for the year ending December 31, 2006 presented in a specific separate document.

On March 27, 2007, the Board of Directors authorized the publication of these financial statements at December 31, 2006.

Compliance with IFRS/IAS

The financial statements for the year ended December 31, 2006 have been prepared in accordance with international accounting standards (International Accounting Standards - IAS or International Financial Reporting Standards - IFRS), the interpretations of the International Financial Reporting Interpretations Committee (IFRIC), and the Standing Interpretations Committee (SIC), endorsed by the European Union (hereinafter IFRS-EU), as well as with measures issued in implementation of Article 9 of Legislative Decree 38 of February 28, 2005.

The accounting policies and criteria adopted in these financial statements conform with those adopted in preparing the opening balances at January 1, 2005 of the income statement for 2005 and the balance sheet at December 31, 2005 in accordance with IFRS-EU, as indicated in the document "Transition of Enel SpA to International Financial Reporting Standards (IFRS-EU)", which provides more detail on the options exercised by the Company upon first -time adoption.

Basis of presentation

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

The assets and liabilities reported in the balance sheet are classified on a "current/non-current" basis, with separate reporting of assets and liabilities held for sale.

Current assets, which include cash and cash equivalents, are assets that are intended to be realized, sold or consumed during the normal operating cycle of the Company or in the twelve months following the balance-sheet date; current liabilities are liabilities that are expected to be settled during the normal operating cycle of the Company or within the twelve months following the close of the financial year.

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

The financial statements are presented in euro, the functional currency of the Company. All figures are shown in millions of euro unless stated otherwise.

The financial statements are prepared using the historic cost method, with the exception of items that are measured at fair value under IFRS-EU, as specified in the measurement policies for the individual items.

The balance sheet, income statement and statement of cash flows report transactions with related parties. Related parties are mainly parties that have the same parent company with Enel SpA, companies that directly or indirectly through one or more intermediaries control, are controlled or are subject to the joint control of Enel SpA and in which the latter has a holding that enables it to exercise a significant influence. Related parties also include the members of the Board of Auditors of Enel SpA, managers with strategic responsibilities, and their close relatives, of Enel SpA and the companies over which it exercises direct, indirect or joint control and over which it exercises a significant influence. Managers with strategic responsibilities are those persons who have the power and direct or indirect responsibility for the planning, management and control of the activities of the Company. They include Company directors.

Use of estimates

Preparing the financial statements under IFRS-EU requires the use of estimates and assumptions that impact the carrying amount of assets and liabilities and the related information on the items involved as well as the disclosure required for contingent assets and liabilities at the balance sheet date. The estimates and the related assumptions are based on previous experience and other factors considered reasonable in the circumstances. They are formulated when the carrying amount of assets and liabilities is not easily determined from other sources. The actual results may therefore differ from these estimates. The estimates are used to recognize provisions for doubtful accounts, depreciation and amortization, impairment losses, liabilities in respect of employee benefits, taxes and other provisions. The estimates and assumptions are periodically revised and the effects of any changes are reflected in the income statement if they only involve that period. If the revision involves both the current and future periods, the change is recognized in the period in which the revision is made and in the related future periods.

2. Accounting policies and measurement criteria

Translation of foreign currency items

Transactions in currencies other than the functional currency are recognized in these financial statements at the exchange rate prevailing on the date of the transaction. Monetary assets and liabilities denominated in a foreign currency other than the functional currency are later adjusted using the balance sheet exchange rate. Any exchange rate differences are recognized in profit or loss.

Non-monetary assets and liabilities in foreign currency stated at historic cost are translated using the exchange rate prevailing on the date of initial recognition of the transaction. Non-monetary assets and liabilities in foreign currency carried at

fair value are translated using the exchange rate prevailing on the date the related carrying amount is determined.

Equity investments in subsidiaries, associated companies and joint ventures

Subsidiaries comprise those entities for which Enel SpA has the direct or indirect power to determine their financial and operating policies for the purposes of obtaining the benefits of their activities. Associated companies comprise those entities in which Enel SpA has a significant influence. Joint ventures are enterprises in which Enel SpA exercises joint control with other entities. In assessing the existence of a situation of control, significant influence and joint control, account is also taken of potential voting rights that are effectively exercisable or convertible.

These equity investments are measured at cost. Cost is adjusted for any impairment losses. Adjustments for impairment losses are reversed where the reasons for their recognition no longer obtain. The reversal may not exceed the original cost.

Where the loss pertaining to the Company exceeds the carrying amount of the investment and the Company has committed to performing the legal or constructive obligations of the investee or in any event to cover its losses, the excess with respect to the carrying amount is recognized in a specific provision.

Property, plant and equipment

Property, plant and equipment, which mainly regards leasehold improvements, is recognized at historic cost, including directly attributable ancillary costs necessary for the asset to be ready for use. Financial charges in respect of loans granted for the purchase of the assets are recognized in profit or loss as an expense in the period they accrue.

Subsequent expenditure is recognized as an increase in the carrying amount of the asset when it is probable that future economic benefits deriving from the cost incurred to replace a component of such item will flow to the enterprise and the cost of the item can be reliably determined. All other expenditure is recognized as an expense in the period in which it is incurred.

Property, plant and equipment is reported net of accumulated depreciation and any impairment losses determined as set out below. Depreciation is calculated on a straight-line basis over the item's estimated useful life, which is reviewed annually, and any changes are reflected on a prospective basis. Depreciation begins when the asset is ready for use.

The estimated useful life of the main items of property, plant and equipment is as follows:

	Useful life
Leasehold improvements	Shorter of term of lease and residual useful life
Civil buildings	40 years
Industrial and commercial equipment	4 years

Intangible assets

Intangible assets, all with a definite useful life, are measured at purchase or internal development cost, when it is probable that the use of such assets will generate future economic benefits and the related cost can be reliably determined.

The cost includes any directly attributable incidental expenses necessary to make the assets ready for use. The assets are shown net of accumulated amortization and any impairment losses, determined as follows.

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

Amortization commences when the asset is ready for use.

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

Impairment losses

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

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

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

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

An impairment loss is recognized in the income statement if an asset's carrying amount or that of the cash-generating unit to which it is allocated is higher than its recoverable amount.

Impairment losses are reversed if the impairment has been reduced or is no longer present or there has been a change in the assumptions used to determine the recoverable amount.

Financial instruments

Debt securities

Debt securities that the Company intends and is able to hold until maturity are recognized at the trade date and, upon initial recognition, are measured at fair value including transaction costs; subsequently, they are measured at amortized cost using the effective interest rate method, net of any impairment losses.

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

For securities measured at fair value through shareholders' equity (available-for-sale securities), when a reduction in fair value has been recognized directly in equity and there is objective evidence that such securities have suffered an impairment loss, the cumulative loss is reversed to the income statement.

For securities measured at amortized cost (loans and receivables or held-to-maturity investments), the amount of the loss is equal to the difference between the carrying amount and the present value of future cash flows discounted using the original effective interest rate.

Debt securities held for trading and designated at fair value through profit or loss are initially recognized at fair value and subsequent variations are recognized in profit or loss.

Equity investments in other entities and other financial assets

Equity investments in entities other than subsidiaries, associates and joint ventures as well as other financial assets are recognized at fair value with any gains or losses recognized in equity (if classified as "available for sale") or in profit or loss (if classified as "fair value through profit or loss"). On the sale of available-for-sale assets, any accumulated gains and losses are released to the income statement.

When the fair value cannot be determined reliably, equity investments in other entities are measured at cost adjusted by impairment losses with any gains or losses recognized in profit or loss. Such impairment losses are measured as the difference between the carrying amount and the present value of future cash flows discounted using the market interest rate for similar financial assets. The losses are not reversed.

Cumulative impairment losses for equity investments in other entities measured at fair value through shareholders' equity are equal to the difference between the purchase cost and the current fair value, reduced for any loss already recognized through profit or loss, and are reversed from equity to the income statement.

Other assets classified under "loans and receivables" are initially recognized at fair value adjusted for transaction costs and are subsequently measured at amortized cost using the effective interest rate method, net of any impairment losses.

Trade receivables

Trade receivables are recognized at amortized cost, net of any impairment losses. Impairment is determined on the basis of the present value of estimated future cash flows, discounted at the original effective interest rate.

Trade receivables falling due in line with generally accepted trade terms are not discounted.

Cash and cash equivalents

This category is used to record cash and cash equivalents that are available on demand or at very short term, clear successfully and do not incur collection costs.

Cash and cash equivalents are recognized net of bank overdrafts at period-end in the statement of cash flows.

Trade payables

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

Financial liabilities

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

Derivative financial instruments

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

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

- > fair value hedges: when the derivatives are used to hedge the risk of changes in the fair value of hedged assets or liabilities, any changes in the fair value of the hedging instrument are taken to profit or loss. The adjustments in the fair values of the hedged assets or liabilities are also taken to profit or loss.
- > cash flow hedges: when derivatives are used to hedge the risk of changes in the cash flows generated by the hedged items, changes in fair value are initially recognized in equity, in the amount qualifying as effective. The accumulated gains and losses are subsequently released from equity to profit or loss in line with the gains and losses on the hedged items.

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

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

The fair value is determined using the official prices for instruments traded on regulated markets. The fair value of instruments not listed on regulated markets is determined by discounting expected future cash flows on the basis of the market yield curve at the balance sheet date and translating amounts in currencies other than the euro using year-end exchange rates.

Employee benefits

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

These appraisals are performed by independent actuaries.

All actuarial gains and losses at the IFRS transition date were recognized.

Subsequently, the cumulative actuarial gains and losses exceeding 10% of the greater of the present value of the defined benefit obligation and the fair value of the plan assets are recognized in profit or loss over the expected average remaining working lives of the employees participating in the plan. Otherwise, they are not recognized. Where the Company shows a demonstrable commitment, with a formal plan without realistic possibility of withdrawal, to a termination before retirement eligibility has been reached, the benefits due to employees in respect of the termination are recognized as a cost and measured on the basis of the number of employees that are expected to accept the offer.

Share-based payments

The cost of services rendered by employees and remunerated through stock option plans is determined based on the fair value of the options granted to employees at the grant date.

The calculation method to determine the fair value considers all characteristics of the option (option term, price and exercise conditions, etc.), as well as the Enel share price at the grant date, the volatility of the stock and the yield curve at the grant date consistent with the expected life of the plan. The pricing model used is the Cox-Rubinstein.

This cost is recognized in the income statement over the vesting period considering the best estimate possible of the number of options that will become exercisable.

Provisions for risks and charges

Accruals to the provisions for risks and charges are recognized where there is a

legal or constructive obligation as a result of a past event at period-end, the settlement of which is expected to result in an outflow of resources whose amount can be reliably estimated. Where the impact is significant, the accruals are determined by discounting expected future cash flows using a pre-tax discount rate that reflects the current market assessment of the time value of money and, if applicable, the risks specific to the liability. If the amount is discounted, the periodic adjustment of the present value due to the time value of money is recognized as a financial expense.

Changes in estimates are recognized in the income statement in the period in which the changes occur and are classified under the same item reporting the related provision.

Revenues

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

- > revenues from the sale and transport of electricity and gas refer to the quantities provided during the period, even if these have not yet been invoiced. Where applicable, this revenue is based on the rates and related restrictions established by law and the Authority for Electricity and Gas during the applicable period;
- > revenues from the rendering of services are recognized in line with the stage of completion of the services. Where it is not possible to reliably determine the value of the revenues, they are recognized in the amount of the costs that it is considered will be recovered.

Financial income and expense

Financial income and expense is recognized on an accruals basis in line with interest accrued on the net carrying amount of the related financial assets and liabilities using the effective interest rate method.

Dividends

Dividends are recognized when the shareholder's right to receive them is established. Dividends and interim dividends payable to third parties are recognized as changes in equity at the date they are approved by the Shareholders' Meeting and the Board of Directors, respectively.

Income taxes

Current income taxes for the period, recognized under tax payables/receivables net of any payments on account, are determined using an estimate of taxable income and in conformity with the relevant tax regulations.

Deferred tax liabilities and assets are calculated on the temporary differences between the carrying amounts of assets and liabilities in the financial statements and their

corresponding values recognized for tax purposes on the basis of tax rates in effect on the date the temporary difference will reverse, which is determined on the basis of tax rates that are in force or substantively in force at the balance sheet date. Deferred tax assets are recognized when recovery is probable, i.e. when an entity expects to have sufficient future taxable income to recover the asset. The recoverability of deferred tax assets is reviewed at each period-end. Taxes in respect of components recognized directly in equity are taken directly to equity.

3. Recently issued accounting standards

Standards not yet adopted or not yet applicable

In 2006, the European Union endorsed and published the following new accounting principles, amendments and interpretations to supplement the existing standards approved and published by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC).

- > Amendment to IAS 1 "Presentation of financial statements: disclosures about capital": this document requires the disclosure of greater information on the objectives, policies and processes for managing capital. This standard has already been adopted by the European Union and takes effect as of the financial statements for periods beginning on or after January 1, 2007. The application of this standard will have no impact on Enel.
- > IFRS 7 "Financial instruments: disclosure": this standard supplements the standards for the recognition, measurement and presentation in the financial statements of financial assets and liabilities dealt with under IAS 32 "Financial instruments: disclosure and presentation" and under IAS 39 "Financial instruments: recognition and measurement" and supersedes IAS 30 "Disclosures in the financial statements of banks and similar financial institutions". IFRS 7 requires additional disclosure of the significance of financial instruments for a company's financial performance and position, as well as a description of management's objectives, policies and processes for managing risks associated with financial instruments. This standard has already been adopted by the European Union and takes effect starting as of the financial statements for periods beginning on or after January 1, 2007. Enel is assessing the impact this new standard may have in terms of disclosure.
- > IFRIC 7 "Applying the restatement approach under IAS 29 Financial reporting in hyperinflationary economies"; the interpretation, adopted by the European Union, is effective for annual periods beginning on or after March 1, 2006. It establishes that an entity shall apply the provisions of IAS 29 in a reporting period in which it identifies the existence of hyperinflation in the economy of its functional currency

as if the economy had always been hyperinflationary. The application of this interpretation will have no significant impact on Enel.

- > IFRIC 8 "Scope of IFRS 2": this interpretation clarifies whether IFRS 2 applies to arrangements where entities cannot specifically identify a portion or the entirety of the goods or services received. The issue addressed in this interpretation provides that, in the case in which the identifiable consideration received is less than the fair value of the equity instruments granted or liability incurred, the unidentifiable good/services received (or to be received) shall be valued, at the date of granting, at an amount equal to the difference between the fair value of the share-based payment and the fair value of the goods/services received (or to be received). Enel believes that the application of this interpretation, which has already been adopted by the European Union and takes effect starting as of the financial statements for periods beginning on or after May 1, 2006, will not have a material impact on its financial statements.
- > IFRIC 9 "Reassessment of embedded derivatives": this interpretation establishes that the company shall assess whether embedded derivatives are to be recognized separately from the host contract at the time the company becomes party to the contract. Subsequent reassessment of the terms of the contract for separate recognition is prohibited, unless there is a change in the underlying contract that significantly modifies the related cash flows. Enel believes that the application of this interpretation, which has already been adopted by the European Union and takes effect starting as of the financial statements for periods beginning on or after June 1, 2006, will not have a material impact on its financial statements.

First-time adoption of applicable standards

- > Amendment of IAS 19 "Employee benefits": the primary changes concern the option for the alternative treatment of actuarial gains and losses. The amendment is effective as of January 1, 2006. Enel, which currently applies the corridor approach, has elected to not adopt the option introduced by this amendment.
- > Amendment of certain paragraphs of IAS 21 "The effects of changes in foreign exchange rates", effective for annual periods beginning on or after January 1, 2006, which modifies the recognition of exchange rate differences associated with monetary items of a foreign operation and supplements the definition of net investment in a foreign operation. The application of this standard has no impact on Enel.
- > Amendments to IAS 39 and to IFRS 4 that provide for changes in the accounting treatment of guarantees issued. These changes relate primarily to the recognition of "financial guarantee contracts" other than contracts identified as "insurance contracts". These amendments are effective as of January 1, 2006 and their adoption had no material impact on Enel's shareholders' equity and its results for the year.

- > Amendment to IAS 39 "Financial instruments: recognition and measurement" permits the designation of forecast intragroup transactions. Specifically, the change allows, in certain circumstances, the company to designate, as an item hedged in the consolidated financial statements, a forecast intragroup transaction in a foreign currency. This amendment also establishes that if the hedge of a forecast intragroup transaction qualifies for hedge accounting, the gains or losses recognized directly in equity in accordance with IAS 39 shall be reclassified into profit or loss in the same year in which the foreign exchange risk of the hedged transaction affects consolidated profit or loss. The application of this standard had no impact on Enel.
- > Amendment to IAS 39 "Financial instruments: recognition and measurement" restricts the use of the fair value option. The changes regard the definitions of financial instruments recognized at fair value through profit and loss, limiting the designation to specific financial instruments with specified characteristics. This amendment is effective as of January 1, 2006 and its adoption had no impact on Enel's shareholders' equity and its results for the year.
- > IFRIC 4 "Determining whether an arrangement contains a lease": the interpretation establishes the guidelines for identifying whether, in substance, a contract constitutes a lease as defined by IAS 17. The amendment is effective as of January 1, 2006. Specifically, in determining whether a contract is, or contains, a lease, the company must look to the substance of the arrangement and verify whether the contract: (a) explicitly or implicitly provides for the use of a specific asset or assets without which one of the parties to the contract would not be able to fulfill its contractual obligations; (b) transfers the right to use such assets. The application of this standard had no impact on Enel.
- > IFRIC 5 "Rights to interests arising from decommissioning, restoration and environmental funds", effective as of January 1, 2006. This interpretation establishes the criteria for recognizing and measuring contributions to funds established to decommission assets that have the following characteristics: (a) the fund assets are owned and managed by a legal entity that is distinct from the company; (b) the company contributing to the fund has a limited right of access to fund assets. The contributor separately recognizes its obligation to pay the decommissioning costs and its interest in the fund. The interest shall be measured at the lower of: (a) the amount of the decommission obligation recognized; and (b) the contributor's share of the fair value of the net assets of the fund attributable to contributors. Changes in the carrying amount of this right to receive a reimbursement other than contributions to, and payments from, the fund shall be recognized in the income statement of the period in which the changes occur. In the case in which the interest in the fund is such as to allow the company to exercise control, considerable influence or joint control of the fund, the interest in the fund is recognized, respectively, as an interest in a subsidiary, associate or joint venture. The application of this standard had no effect on Enel.

> IFRS 6 “Exploration for and evaluation of mineral resources”, effective for annual periods beginning on or after January 1, 2006. The standard establishes the accounting treatment of exploration and evaluation assets. Such assets shall be classified as tangible or intangible according to the nature of the assets acquired and the classification shall be applied consistently. The application of this standard had no effect on Enel.

4. Risk management

Market risk

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

To minimize this exposure, Enel enters into derivatives contracts to hedge individual transactions and overall exposures using instruments available on the market.

Transactions that, in compliance with risk management policies, qualify for hedge accounting are designated as hedging transactions, while those that do not qualify for hedge accounting are classified as trading transactions.

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

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

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

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

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

Interest rate risk

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

These contracts are normally agreed with a notional amount and expiry date lower than or equal to that of the underlying financial liability or the expected future cash flows, so that any change in the fair value and/or expected future cash flows is offset by a corresponding change in the fair value and/or the expected future cash flows of the underlying position.

The overall market value of interest rate derivatives in cash flow hedges at December 31, 2006 was a negative €62 million (compared with a negative €110 million at December 31, 2005).

The following table reports the expected net financial income/(expense) in respect of these derivatives in the coming years, as well as the expected change in that amount resulting from a 10% increase or decrease in market interest rates. Actual changes in market interest rates may differ from the hypothetical changes.

Expected net financial income/(expense) in respect of interest rate derivatives in cash flow hedges

Millions of euro

	2007	2008	2009	2010	2011	Beyond
Current rates decreased by 10%	(13)	(35)	(3)	(4)	(3)	(45)
Current rates at Dec. 31, 2006	(10)	(31)	(1)	(1)	(1)	(34)
Current rates increased by 10%	(7)	(26)	2	1	1	(23)

The market value of interest rate derivatives classified in the trading book at December 31, 2006 was a negative €19 million (compared with a negative €37 million at December 31, 2005).

The following table reports the expected net financial income/(expense) in respect of these derivatives in the coming years, as well as the expected changes in such expense resulting from a 10% increase or decrease in market interest rates:

Expected net financial income/(expense) in respect of interest rate derivatives in the trading book

Millions of euro

	2007	2008	2009	2010	2011	Beyond
Current rates decreased by 10%	(21)	(19)	(18)	(14)	(12)	(25)
Current rates at Dec. 31, 2006	(15)	(10)	(10)	(7)	(6)	(5)
Current rates increased by 10%	(8)	(1)	(2)	-	-	15

Exchange rate risk

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

These contracts are also normally agreed with a notional amount and expiry date equal to that of the underlying financial liability or the expected future cash flows, so that any change in the fair value and/or future cash flows of these contracts stemming from a potential appreciation or depreciation of the euro against other currencies is fully offset by a corresponding change in the fair value and/or the expected future cash flows of the underlying position.

The market value of exchange rate derivatives classified in the trading book at December 31, 2006 was a negative €2 million (compared with a negative €3 million at December 31, 2005).

The following table reports the expected net financial income/(expense) in respect of these derivatives (all in 2007), as well as the expected amount of such expense resulting from a 10% appreciation or depreciation of the euro against other significant currencies:

Expected net financial income/(expense) in respect of exchange rate derivatives in the trading book

Millions of euro

	2007	2008	2009	2010	2011	Beyond
10% depreciation of the euro	82	-	-	-	-	-
Current exchange rates at December 31, 2006	(15)	-	-	-	-	-
10% appreciation of the euro	(94)	-	-	-	-	-

Commodity risk

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

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

At December 31, 2006 there were no embedded derivatives to separate, while contracts qualifying as derivatives were measured appropriately.

The fair value of commodity derivatives at December 31, 2006 was equal to zero (compared with a positive €5 million at December 31, 2005).

Credit risk

Enel manages credit risk by operating solely with counterparties considered solvent by the market, i.e. those with high credit standing, and does not have any concentration of credit risk.

The credit risk in respect of the derivatives portfolio is considered negligible since transactions are conducted primarily with leading Italian and international banks, diversifying the exposure among different institutions.

Liquidity risk

Enel SpA performs central treasury functions for the Group and meets liquidity needs mainly out of cash flow from ordinary operations and bank credit where necessary. Forecasting of liquidity requirements is carried out on the basis of forecast cash flows from ordinary operations.

Information on the Income Statement

Revenues

5.a Revenues from sales and services – €1,113.8 million

Revenues from sales and services amounted to €1,113.8 million, of which €880.3 million from electricity sales and €233.5 million from services.

Compared with 2005, they rose by €34.3 million, mainly attributable to an increase in the average price of electricity as volumes were unchanged (14 billion kWh).

“Revenues from energy sales” rose by €29.7 million and are essentially related to the sale of electricity to the Single Buyer (€717.3 million), which acts as guarantor of the supply to customers on the regulated market. Compared with the previous year, sales to the Single Buyer diminished by €111.0 million, largely as a result of the decision of the French regulator (CRE) to not reserve any import capacity for the performance of the contract between Enel and EdF. The decline was more than offset by sales of electricity in France by Enel Trade in the name and on behalf of Enel SpA (up €155.1 million).

“Revenues from services” essentially regard the provision of assistance and consulting to subsidiaries and the rebilling to these subsidiaries of various costs.

Revenues from sales and services break down by geographical area as follows: €954.6 million in Italy, €158.4 million in the EU market, notably France in connection with the electricity sales, and €0.8 million in North America.

5.b Other revenues – €72.4 million

Other revenues break down as follows:

Millions of euro

	2006		2005	2006-2005	
	<i>of which with related parties</i>		<i>of which with related parties</i>		
Terna bonus shares	33.4		-		33.4
Assumption of supplementary pension fund liability by Group companies	11.1	11.1	12.3	12.3	(1.2)
Other	27.9	(2.3)	13.9		14.0
Total	72.4	8.8	26.2	12.3	46.2

"Other revenues" came to €72.4 million, a rise of €46.2 million on the previous year as a result of the release to the income statement of the gain recognized in equity in 2005 (€33.4 million) resulting from the fair value measurement of the Terna bonus shares, the rights to which were exercised in January 2006.

6. Income from equity exchange transaction and disposal of significant equity investments – €189.7 million

"Income from equity exchange transaction and disposal of significant equity investments", equal to €189.7 million, regards the effects of the exchange of 30.97% of Wind for 20.9% of Weather (€146.4 million) and the proceeds of the sale of the equity investment in Cise Srl to Enel Servizi Srl (€43.3 million).

The €1,487.3 million recognized in 2005 regarded the capital gain on the disposal of Terna SpA, carried out in two tranches of 13.86% and 29.99%, raising €443.0 million and €1,044.3 million respectively.

Costs

7.a Electricity purchases and consumables – €621.3 million

Costs for purchases of electricity and consumables totaled €621.3 million (€606.9 million in 2005) and are nearly entirely accounted for by purchases of electricity amounting to €618.8 million (€604.0 million in 2005).

In 2006, 14,041 million kWh were purchased, compared with 14,404 million kWh in 2005. The volumes mainly regard power acquired in France and Switzerland at prices set in long-term contracts with foreign suppliers (EdF and Atel).

Despite a slight contraction in volumes, "Electricity purchases" rose by €14.8 million on the previous year, mainly due to the rise in the average unit price, as well as the payment to EdF of €8.0 million in respect of green certificates for energy generated

in 2004 using renewables (11.5 TWh), which the Electricity Services Operator paid to Enel SpA in April 2006.

Costs for electricity purchases also include imbalancing charges incurred by the Company in meeting its commitments under the contracts for electricity imports from France.

7.b Services, leases and rentals – €252.7 million

This item breaks down as follows:

Millions of euro					
	2006		2005		2006-2005
		<i>of which with related parties</i>		<i>of which with related parties</i>	
Services	237.6	77.7	196.1	60.4	41.5
Leases and rentals	15.1	13.7	14.6	8.5	0.5
Total	252.7	91.4	210.7	68.9	42.0

Costs for services rose by €41.5 million on 2005. The increase is attributable to the following:

- > €28.6 million in services from third parties, notably assistance and consulting services in respect of international acquisitions (€10.5 million) and costs for bringing Company internal control systems and information systems into compliance with the Sarbanes-Oxley Act (€14.4 million);
- > €13.4 million in services from Group companies, essentially IT and administrative services, building management services and rentals (€5.6 million) and fees paid to Enel Trade for electricity sales in France on behalf of the Company (€7.8 million).

7.c Personnel – €87.4 million

Personnel costs break down as follows:

Millions of euro			
	2006	2005	2006-2005
Wages and salaries	55.9	53.4	2.5
Social security contributions	15.8	16.8	(1.0)
Termination benefits	1.6	1.8	(0.2)
Other costs	14.1	19.1	(5.0)
Total	87.4	91.1	(3.7)

Personnel costs amounted to €87.4 million, a decrease of €3.7 million on the previous year despite an increase in the number of employees and higher costs as a result of the renewal of the collective bargaining agreement for the electricity industry. The decline is attributable to lower charges for early retirement incentives.

Social security contributions came to €15.8 million in 2006, of which contributions to the National Social Security Institute (INPS) and smaller institutions in the amount of €14.4 million and contributions to defined-contribution plans (Fopen and Fondenel) in the amount of €1.4 million.

The table below shows the average number of employees by category, compared with the previous year, and the actual number of employees at December 31, 2006.

	Average number			Headcount
	2006	2005	2006-2005	at Dec. 31, 2006
Senior managers	113	103	10	116
Middle managers	260	224	36	283
Office staff	247	254	(7)	253
Total	620	581	39	652

7.d Depreciation, amortization and impairment losses – €24.8 million

Depreciation and amortization amounted to €16.8 million, an increase of €4.0 million on 2005. The rise is mainly attributable to increase amortization of costs for software development.

Impairment losses regard the writedown of the carrying amount of the equity investment in Enel.NewHydro (€1.6 million) as a result of losses at that company in 2006, as well as the charge of €6.4 million in respect of the difference between the sale price of the equity investment in Weather Investments and the carrying amount at the time of sale.

Impairment losses in 2005 regarded the charge in respect of losses at Enel Investment Holding BV.

7.e Other operating expenses – €39.5 million

Other operating expenses amounted to €39.5 million, a decrease of €136.5 million on 2005. The decline is mainly attributable to charges recognized in 2005, when the item included an accrual of €44.8 million to the provision for risks and charges, the effect of the fair value measurement of the Terna bonus shares in the amount of €33.4 million, charges for green certificates totaling €17.6 million and charges generated by the application of Resolution no. 20/04 of the Authority for Electricity and Gas in the amount of €15.7 million.

Operating income amounted to €350.3 million, a decline of €962.4 million with respect to December 31, 2005 (€1,312.7 million). Excluding “income from equity exchange transaction and disposal of significant equity investments” in both years, operating income rose by €335.2 million, mainly attributable to lower provisions and impairment losses.

8. Income from equity investments – €3,074.4 million

This item is made up of dividends distributed by subsidiaries, associates and other companies, as detailed below:

Millions of euro	Dividends on 2005 earnings	Interim dividends on 2006 earnings	Total dividends received in 2006
Enel Produzione SpA	1,006.2	-	1,006.2
Enel Trade SpA	121.6	-	121.6
Enel Distribuzione SpA	1,835.8	-	1,835.8
Enel Sole Srl	14.9	-	14.9
Cise Srl	2.3	-	2.3
Enel.Factor SpA	4.8	-	4.8
Enel Finance International SA	6.9	-	6.9
Enelpower SpA	56.0	-	56.0
Enel Servizi Srl	10.1	-	10.1
Sfera Srl	2.0	-	2.0
Terna Rete Elettrica Nazionale SpA	8.3	5.4	13.7
Emittente Titoli SpA	0.1	-	0.1
Total	3,069.0	5.4	3,074.4

9. Financial income/(expense) – €(10.1) million

The item breaks down as follows:

Millions of euro

	2006		2005		2006-2005
		<i>of which with related parties</i>		<i>of which with related parties</i>	
Financial income:					
> interest and other income from non-current financial assets	89.9	83.2	108.1	88.2	(18.2)
> foreign exchange gains	13.7	0.1	1.0		12.7
> income from interest rate hedging derivatives	306.7	141.0	309.3	175.5	(2.6)
> interest and other income from current financial assets	367.8	230.6	220.6	194.4	147.2
Total income	778.1		639.0		139.1
Financial expense:					
> interest and other charges on financial debt	429.8	58.0	446.9	38.0	(17.1)
> foreign exchange losses	3.9	0.7	3.4	0.1	0.5
> expense on interest rate hedging derivatives	334.8	153.4	362.5	248.7	(27.7)
> accretion of post-employment and other employee benefits	17.8		18.7		(0.9)
> other	1.9	1.9	1.5	1.5	0.4
Total expense	788.2		833.0		(44.8)
TOTAL FINANCIAL INCOME/(EXPENSE)	(10.1)		(194.0)		183.9

Net financial expense totaled €10.1 million, down €183.9 million on the previous year. The decrease is associated with the contraction in net financial debt from €2,805.0 million at December 31, 2005 to €989.3 million at December 31, 2006, and the recognition of the right to reimbursement of registration fees paid on bonds issued by Enel SpA between 1976 and 1984.

10. Income taxes – €67.9 million

Millions of euro

	2006	2005	2006-2005
Current taxes	(194.1)	(276.7)	82.6
Deferred tax assets	342.2	16.8	325.4
Deferred tax liabilities	(80.2)	246.2	(326.4)
Total	67.9	(13.7)	81.6

Income taxes for 2006 were totaled €67.9 million, equal to 2.0% of taxable income. Excluding dividends, the tax rate would be 20.0%. In 2005 taxes were a positive €13.7 million. The following table reconciles the theoretical tax rate with the effective rate:

Millions of euro

	2006
Income before taxes	3,414.6
Theoretical IRES tax liability (33.0%)	1,126.8
Tax decreases:	
> gains on exempt equity investments	(38.6)
> dividends on equity investments	(1,017.2)
> writedowns from previous years	(232.9)
> uses of provisions	(28.5)
> difference on tax estimates for previous years	(0.7)
> other	(34.4)
Tax increases:	
> accretions to provisions	14.3
> writedowns for the period	0.6
> other	11.0
Total current income taxes (IRES)	(199.6)
IRAP	7.7
Difference on tax estimate for previous years	(2.2)
Total deferred tax items	262.0
TOTAL INCOME TAXES	67.9

Information on the Balance Sheet

Assets

Non-current assets

11. Property, plant and equipment – €9.0 million

Changes in property, plant and equipment for 2005 and 2006 are shown below:

Millions of euro	Land	Buildings	Plant and machinery	Industrial and commercial equipment	Other assets	Leasehold improvements	Total
Cost	0.3	2.8	3.0	5.3	16.4	12.1	39.9
Accumulated depreciation	-	(1.0)	(2.6)	(5.0)	(14.1)	(2.9)	(25.6)
Balance at Dec. 31, 2004	0.3	1.8	0.4	0.3	2.3	9.2	14.3
Investments	0.1	-	-	-	0.1	1.9	2.1
Depreciation	-	(0.1)	(0.1)	(0.2)	(0.6)	(3.6)	(4.6)
Disposals	-	-	-	-	-	-	-
Total changes	0.1	(0.1)	(0.1)	(0.2)	(0.5)	(1.7)	(2.5)
Cost	0.4	2.8	3.0	5.3	16.5	14.0	42.0
Accumulated depreciation	-	(1.1)	(2.7)	(5.2)	(14.7)	(6.5)	(30.2)
Balance at Dec. 31, 2005	0.4	1.7	0.3	0.1	1.8	7.5	11.8
Investments	-	-	-	-	-	3.0	3.0
Depreciation	-	(0.1)	(0.1)	-	(0.6)	(5.0)	(5.8)
Disposals	-	-	-	-	-	-	-
Total changes	-	(0.1)	(0.1)	-	(0.6)	(2.0)	(2.8)
Cost	0.4	2.8	3.0	5.3	16.5	17.0	45.0
Accumulated depreciation	-	(1.2)	(2.8)	(5.2)	(15.3)	(11.5)	(36.0)
Balance at Dec. 31, 2006	0.4	1.6	0.2	0.1	1.2	5.5	9.0

Property, plant and equipment totaled €9.0 million, of which €3.0 million in respect of investments during the year for restructuring of certain parts of the building leased by Enel SpA for its headquarters, which are depreciated over the residual term of the lease for the building.

12. Intangible assets – €13.4 million

Intangible assets, all with a definite life, break down as follows:

Millions of euro	Industrial patents and intellectual property rights	Assets under development	Total
Balance at Dec. 31, 2004	12.9	-	12.9
Investments	9.2	-	9.2
Amortization	(8.1)	-	(8.1)
Total changes	1.1	-	1.1
Balance at Dec. 31, 2005	14.0	-	14.0
Investments	8.6	1.8	10.4
Amortization	(11.0)	-	(11.0)
Total changes	(2.4)	1.8	(0.6)
Balance at Dec. 31, 2006	11.6	1.8	13.4

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

13. Deferred tax assets – €192.2 million

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

Millions of euro	Increase/(Decrease) taken to income statement		Increase/(Decrease) taken to equity	Reclassifications	
at Dec. 31, 2005				at Dec. 31, 2006	
Nature of the temporary differences:					
> accruals to provisions for risks and charges and impairment losses	64.7	(26.6)	-	(0.2)	37.9
> measurement of financial assets	300.3	(232.9)	-	-	67.4
> financial derivatives	118.1	(81.8)	(8.2)	-	28.1
> fair value measurement of equity investments	(6.0)	-	6.0	-	-
> other items	60.0	(0.9)	-	(0.3)	58.8
Total	537.1	(342.2)	(2.2)	(0.5)	192.2

Deferred tax assets decreased by €344.9 million compared with 2005. The change is mainly attributable to the deduction of charges in respect of writedowns of equity investments in previous years and the effects of the fair value measurement of cash flow hedges.

It is expected that all deferred tax assets will be recovered between two and five years after December 31, 2006.

14. Equity investments – €15,634.5 million

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

Millions of euro	Original cost	Writedowns/ Revaluations	Carrying amount	% holding
at Dec. 31, 2005				
A) Subsidiaries				
Enel Produzione SpA	6,568.7	-	6,568.7	100.0
Enel Distribuzione SpA	6,320.7	-	6,320.7	100.0
Cise Srl	315.2	(0.5)	314.7	100.0
Enel Trade SpA	101.0	-	101.0	100.0
Enel Investment Holding BV	4,473.0	(4,473.0)	-	100.0
Enelpower SpA	189.5	(151.7)	37.8	100.0
Deval SpA	19.8	-	19.8	51.0
Enel Energia SpA	21.0	(8.3)	12.7	100.0
Enel Energy Europe Srl	-	-	-	100.0
Enel Finance International SA	1,414.2	-	1,414.2	100.0
Enel.Factor SpA	17.9	(0.4)	17.5	100.0
Sfera Srl	13.2	(2.8)	10.4	100.0
Enel Capital Srl	8.5	(2.4)	6.1	100.0
Enel Sole Srl	5.3	-	5.3	100.0
Enel.si Srl	5.2	(1.0)	4.2	100.0
Enel Servizi Srl	524.5	(40.2)	484.3	100.0
Enel Viesgo Servicios SL	0.002	-	0.002	60.0
Enel.NewHydro Srl	23.0	(21.1)	1.9	100.0
Enel Servicii Srl	0.04	-	0.04	80.0
Total subsidiaries	20,020.7	(4,701.4)	15,319.3	
B) Associated companies				
Idrosicilia SpA	9.0	-	9.0	40.0
Cesi SpA	2.2	-	2.2	25.9
Wind Telecomunicazioni SpA	1,824.4	20.6	1,845.0	37.2
Weather Investment	-	-	-	
Total associated companies	1,835.6	20.6	1,856.2	
C) Other companies				
Elcogas S.A.	2.2	(1.1)	1.1	4.0
Emittente Titoli SpA	0.5	-	0.5	10.0
Terna Rete Elettrica Nazionale SpA	55.5	157.9	213.4 (*)	6.1
Weather Investment	305.0	(19.0)	286.0	5.2
Consorzio Civita	-	-	-	25.0
Consorzio Bresciano S.c.r.l.	-	-	-	0.3
Total other companies	363.2	137.8	501.0	
TOTAL EQUITY INVESTMENTS	22,219.5	(4,543.0)	17,676.5	

(*) Does not include bonus shares (equal to 1%), which are classified as "current financial assets".

Equity exchange	Reclassificat.	Purchases/ Incorporations/ (Sales)	Capital grants and loss coverage	Value adjustments	Change	Original cost	Writedowns/ Revaluations	Carrying amount	% holding
Changes in 2006					at Dec. 31, 2006				
-	-	-	-	-	-	6,568.7	-	6,568.7	100.0
-	-	-	-	-	-	6,320.7	-	6,320.7	100.0
-	-	(314.7)	-	-	(314.7)	-	-	-	-
-	-	-	-	-	-	101.0	-	101.0	100.0
-	-	-	156.9	-	156.9	4,629.8	(4,473.0)	156.9	100.0
-	-	-	-	-	-	189.5	(151.7)	37.8	100.0
-	-	-	-	-	-	19.8	-	19.8	51.0
-	-	-	200.0	-	200.0	221.0	(8.3)	212.7	100.0
-	-	0.01	-	-	0.01	0.01	-	0.01	100.0
-	-	-	-	-	-	1,414.2	-	1,414.2	100.0
-	-	-	-	-	-	17.9	(0.4)	17.5	100.0
-	-	-	-	-	-	13.2	(2.8)	10.4	100.0
-	-	-	-	-	-	8.5	(2.4)	6.1	100.0
-	-	-	-	-	-	5.3	-	5.3	100.0
-	-	-	-	-	-	5.2	(1.0)	4.2	100.0
-	-	-	-	-	-	524.5	(40.2)	484.3	100.0
-	-	-	-	-	-	0.002	-	0.002	60.0
-	-	-	-	(1.9)	(1.9)	23.0	(23.0)	-	100.0
-	-	-	-	-	-	0.04	-	0.04	80.0
-	-	(314.7)	356.9	(1.9)	40.3	20,062.4	(4,702.8)	15,359.6	
-	-	-	-	-	-	9.0	-	9,0	40,0
-	-	-	-	-	-	2.2	-	2,2	25,9
(1,663.4)	-	(328.0)	-	146.4	(1,845.0)	-	-	-	-
1,663.4	305.0	(1,968.4)	-	-	-	-	-	-	-
-	305.0	(2,296.4)	-	146.4	(1,845.0)	11.2	-	11,2	
-	-	-	-	-	-	2.2	(1.1)	1,2	4,0
-	-	-	-	-	-	0.5	-	0,5	10,0
-	-	-	-	48.7	48.7	55.5	206.6	262,1	5,1
-	(305.0)	-	-	19.0	(286.0)	-	-	-	-
-	-	-	-	-	-	-	-	-	25,0
-	-	-	-	-	-	-	-	-	0,3
-	(305.0)	-	-	67.7	(237.3)	58.2	205.5	263,8	
-	-	(2,611.1)	356.9	212.2	(2,042.0)	20,131.8	(4,497.3)	15.634,5	

Changes in equity investments in 2006 are as follows:

Millions of euro

Increases:	
> incorporation of Enel Energy Europe Srl	0.01
> waiver of financial receivable from Enel Energia SpA	200.0
> capital contribution to Enel Investment Holding BV	156.9
> fair value measurement of Terna Rete Elettrica Nazionale SpA	48.7
> fair value measurement of Wind/Weather equity exchange	146.4
> writeback to fair value of 5.2% of Weather	19.0
Total increases	571.0
Decreases:	
> writedown of equity investment in Enel.NewHydro SpA	(1.9)
> disposal of Cise Srl	(314.7)
> disposal of 6.28% of Wind	(328.0)
> disposal of Weather	(1,968.4)
Total decreases	(2,613.0)
TOTAL CHANGE	(2,042.0)

The increases regarded:

- > the incorporation of Enel Energy Europe Srl with paid-up share capital of €10,000;
- > the recapitalization of Enel Energia SpA by means of the waiver of a financial receivable in the amount of €200.0 million;
- > the recapitalization of Enel Investment Holding BV in the amount of €156.9 million, as well as coverage of the equity deficit at December 31, 2005 in the amount of €723.1 million;
- > the fair value measurement of the equity investment in Terna Rete Elettrica Nazionale SpA (€48.7 million) as a result of adjustment to stock market value at the closing date;
- > the fair value measurement of the Wind/Weather equity exchange (€146.4 million) and the writeback to fair value of Weather (€19.0 million).

The decreases regarded:

- > the disposal of the equity investment in Cise Srl; the disposal gave rise to a decrease in the equity investment of €314.7 million at a price of €358.0 million, as determined by independent appraisal;
- > the disposal of the equity investments in Wind and Weather with a carrying amount of €2,296.4 million;
- > the writedown of the equity investment in Enel.NewHydro SpA in the amount of €1.9 million as a result of losses in 2006.

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

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

The following table lists equity investments in subsidiaries, associates and other companies at December 31, 2006:

	Registered office	Currency	Share capital	Shareholders' equity (€ millions)	Income/(Loss) previous year (€ millions)	% holding	Carrying amount (€ millions)
A) Subsidiaries							
Enel Produzione SpA	Rome	Euro	2,400,000,000.00	10,219.1	807.5	100.0	6,568.7
Enel Distribuzione SpA	Rome	Euro	2,600,000,000.00	8,541.0	1,349.8	100.0	6,320.7
Enel Trade SpA	Rome	Euro	90,885,000.00	281.0	153.9	100.0	101.0
Enel Investment Holding BV	Amsterdam	Euro	1,593,050,000.00	132.5	(24.9)	100.0	156.9
Enelpower SpA	Milan	Euro	2,000,000.00	25.3	23.0	100.0	37.8
Deval SpA	Aosta	Euro	37,500,000.00	53.7	4.0	51.0	19.8
Enel Energia SpA	Rome	Euro	302,039.00	202.2	(33.6)	100.0	212.7
Enel Energy Europe Srl	Rome	Euro	10,000.00	-	-	100.0	0.0
Enel Finance International S.A.	Luxembourg	Euro	1,391,900,230.00	1,418.5	(0.6)	100.0	1,414.2
Enel.Factor SpA	Rome	Euro	12,500,000.00	38.3	4.8	100.0	17.5
Sfera Srl	Rome	Euro	2,000,000.00	10.8	0.1	100.0	10.4
Enel Capital Srl	Rome	Euro	8,500,000.00	-	0.1	100.0	6.1
Enel Sole Srl	Rome	Euro	4,600,000.00	24.6	14.0	100.0	5.3
Enel.si Srl	Rome	Euro	5,000,000.00	4.3	(2.1)	100.0	4.2
Enel Servizi Srl	Rome	Euro	50,000,000.00	462.7	2.7	100.0	484.3
Enel Viesgo Servicios SL	Santander	Euro	3,010.00	-	(0.1)	60.0	-
Enel.NewHydro Srl	Rome	Euro	1,000,000.00	(1.6)	(3.5)	100.0	-
Enel Servicii Srl	Bucharest	RON	200,000.00	1.6	0.7	80.0	-
B) Associated companies							
Idrosicilia SpA ⁽¹⁾	Palermo	Euro	22,520,000.00	22.3	(0.1)	40.0	9.0
Cesi SpA ⁽¹⁾	Milan	Euro	8,550,000.00	26.1	0.7	25.9	2.2
C) Other companies							
Elcogas SA ⁽¹⁾	Madrid	Euro	49,959,000.00	37.5	(14.8)	4.0	1.2
Emittente Titoli SpA	Milan	Euro	5,200,000.00	6.2	1.2	10.0	0.5
Terna Rete Elettrica Nazionale SpA	Rome	Euro	440,000,000.00	1,901.7	355.8	5.1	262.1
Consorzio Civita	Rome	Euro	208,000.00	0.2	-	25.0	-
Consorzio Bresciano Scrl	Brescia	Euro	918,493.00	1.0	(0.1)	0.3	-

(1) The figures for shareholders' equity and net income refer to the financial statements at December 31, 2005.

15. Non-current financial assets – €2,748.6 million

The item breaks down as follows:

Millions of euro

	at Dec. 31, 2006	at Dec. 31, 2005	2006-2005
Receivables due from subsidiaries	1,772.1	1,846.7	(74.6)
Cash flow hedge derivatives	11.9	0.1	11.8
Financial receivables due from third parties	962.0	-	962.0
Other financial receivables	2.6	3.3	(0.7)
Total	2,748.6	1,850.1	898.5

"Receivables due from subsidiaries" regards receivables in respect of the assumption by Group companies of their share of financial debt (€1,504.3 million) and the supplementary pension fund (€267.8 million).

The receivable due from third parties, equal to €962.0 million, regards the second installment of the price for the disposal of the equity investment in Weather, to be paid within 18 months. The second installment earns interest in line with market rates as from the date of the transfer. Payment of the second installment is secured by the pledge (without voting rights) of the 26.1% of Weather share capital in favor of Enel, and the agreement also provides for the assignment of Weather II's receivables due from Weather.

The residual maturity of financial receivables recognized under "non-current financial assets" is given in the following table:

Millions of euro	From 2 to 5 years	Beyond 5 years	Total	From 2 to 5 years	Beyond 5 years	Total
	at Dec. 31, 2006			at Dec. 31, 2005		
Non-current financial receivables due from subsidiaries	1,289.6	214.7	1,504.3	1,335.9	231.7	1,567.6
Receivables for assumption of supplementary pension plan liabilities	56.5	211.3	267.8	58.0	221.1	279.1
Total	1,346.1	426.0	1,772.1	1,393.9	452.8	1,846.7
Cash flow hedge derivatives	11.9	-	11.9	0.1	-	0.1
Financial receivables due from third parties	962.0	-	962.0	-	-	-
Other financial receivables	2.6	-	2.6	3.3	-	3.3
Total	976.5	-	976.5	3.4	-	3.4
TOTAL	2,322.6	426.0	2,748.6	1,397.3	452.8	1,850.1

The notional amounts of cash flow hedge derivatives on interest rates classified under non-current financial assets at December 31, 2006 came to €782.6 million, with a corresponding fair value of €11.9 million.

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

Millions of euro	at Dec. 31, 2006	at Dec. 31, 2005	2006-2005
Financial assets held to maturity:			
> financial receivables	2,736.7	1,850.1	886.6
> derivatives	11.9	-	11.9
Total	2,748.6	1,850.1	898.5

16. Other non-current assets – €27.1 million

The item breaks down as follows:

Millions of euro

	at Dec. 31, 2006	at Dec. 31, 2005	2006-2005
Receivables from Electricity Equalization Fund	23.9	336.8	(312.9)
Other long-term receivables:			
> security deposits	0.1	0.1	-
> loans to employees	2.9	2.7	0.2
> other receivables	0.2	10.5	(10.3)
Total	3.2	13.3	(10.1)
TOTAL	27.1	350.1	(323.0)

The receivables from the Electricity Equalization Fund in respect of reimbursement of costs of natural gas imports from Nigeria decreased as a result of the payment of nearly all of the receivable during the year.

The receivable in respect of Compagnie Générale des Eaux (€7.7 million) for the sale of the investment in Enel.Hydro in 2005 was also paid.

Current assets

17. Trade receivables – €262.8 million

The item breaks down as follows:

Millions of euro

	at Dec. 31, 2006	at Dec. 31, 2005	2006-2005
Customers:			
> sale and transport of electricity	138.1	178.0	(39.9)
> other receivables	6.0	30.5	(24.5)
Total	144.1	208.5	(64.4)
Trade receivables due from subsidiaries	118.7	51.2	67.5
TOTAL	262.8	259.7	3.1

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

Receivables due from subsidiaries primarily regard services and activities carried out by Enel SpA on behalf of Group companies. The increase is largely attributable to increased costs rebilled to electricity and gas distribution companies in respect of communication services for specific informational and promotional campaigns.

Receivables due from subsidiaries break down as follows:

Millions of euro

	at Dec. 31, 2006	at Dec. 31, 2005	2006-2005
Subsidiaries:			
> Enel Produzione	24.7	23.5	1.2
> Enel Distribuzione	36.0	11.2	24.8
> Enel Trade	23.3	2.9	20.4
> Enel Energia	17.3	4.8	12.5
> Enel Servizi	3.8	1.7	2.1
> Slovenské elektrárne	2.5	-	2.5
> Enel.si	1.8	0.5	1.3
> Enelpower	1.6	1.6	-
> Enel Rete Gas	1.6	1.7	(0.1)
> Enel Investment Holding	1.2	0.2	1.0
> Enel Viesgo Servicios	1.1	0.1	1.0
> Sfera	1.0	0.4	0.6
> Enel Sole	0.9	0.3	0.6
> Dalmazia Trieste	0.7	0.8	(0.1)
> other	1.2	1.5	(0.3)
Total	118.7	51.2	67.5

Receivables break down by geographical area as follows:

Millions of euro

	at Dec. 31, 2006	at Dec. 31, 2005	2006-2005
Italy	223.1	246.2	(23.1)
EU	28.9	5.7	23.2
Non-EU	8.3	6.9	1.4
Other	2.5	0.9	1.6
Total	262.8	259.7	3.1

18. Tax receivables – €199.6 million

Tax receivables at December 31, 2006 amounted to €199.6 million and regard the Company's IRES credit for current 2006 taxes.

19. Current financial assets – €6,073.7 million

The item breaks down as follows:

Millions of euro

	at Dec. 31, 2006	at Dec. 31, 2005	2006-2005
Financial receivables due from Group companies:			
> short-term financial receivables – intercompany current account	5,564.4	5,189.3	375.1
> short-term loan to Dalmazia Trieste	80.0	120.0	(40.0)
> current portion of receivables for assumption of loans	63.2	86.7	(23.5)
> other financial receivables	269.3	26	243.3
> derivatives	69.6	188.8	(119.2)
Financial receivables due from others:			-
> derivatives	20.1	23.2	(3.1)
> Terna bonus shares	-	42.6	(42.6)
> other financial receivables	7.1	-	7.1
TOTAL	6,073.7	5,676.6	397.1

Current financial assets rose by €397.1 million on 2005. The change is essentially attributable to the increase in borrowing by Group companies (€375.1 million).

The Terna bonus shares item regards shares sold to third parties in January 2006 following exercise of the right to the bonus shares granted to investors in the Terna offering carried out by Enel in June 2004.

The following table reports the notional values and the fair value of derivative contracts, grouped by hedge type and designation:

Millions of euro	Notional value		Fair value		
	at Dec. 31, 2006	at Dec. 31, 2005	at Dec. 31, 2006	at Dec. 31, 2005	2006-2005
Cash flow hedge derivatives:					
> interest rates	-	60.0	-	-	-
Total	-	60.0	-	-	-
Trading derivatives:					
> interest rates	2,339.3	2,536.3	66.9	168.6	(101.7)
> exchange rates	1,074.6	1,860.1	14.4	24.8	(10.4)
> commodities	16.3	148.6	8.4	18.6	(10.2)
Total	3,430.2	4,545.0	89.7	212.0	(122.3)
TOTAL	3,430.2	4,605.0	89.7	212.0	(122.3)

20. Cash and cash equivalents – €77.8 million

Cash and cash equivalents are detailed in the table below:

Millions of euro

	at Dec. 31, 2006	at Dec. 31, 2005	2006-2005
Bank deposits	77.3	45.0	32.3
Post office deposits	0.4	0.4	-
Cash and cash equivalents on hand	0.1	0.1	-
Total	77.8	45.5	32.3

Bank deposits represent liquidity connected with operations.

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

21. Other current assets – €615.4 million

At December 31, 2006 the item broke down as follows:

Millions of euro

	at Dec. 31, 2006	at Dec. 31, 2005	2006-2005
Tax receivables	189.9	298.5	(108.6)
Other receivables due from Group companies	232.8	391.3	(158.5)
Receivables due from Electricity Equalization Fund	12.0	56.9	(44.9)
Receivables due from others	180.7	329.8	(149.1)
Total	615.4	1,076.5	(461.1)

Other current assets declined by €461.1 million on December 31, 2005, primarily as a result of the repayment by Enel Produzione of the deposit of €168.0 million paid by Enel SpA for the acquisition of 66% of Slovenské elektrárne.

Tax receivables came to €189.9 million and mainly regard receivables in respect of withholdings on interest of €5.7 million, receivables for Group VAT of €14.8 million and interest on taxes of €4.7 million, as well as IRAP and IRES credits totaling €30.7 million in respect of previous years, for which reimbursement has been requested. Tax receivables also take account of the recognition of the right to reimbursement of registration fees on bonds issued by Enel SpA between 1976 and 1984, in a total amount of €121.1 million, including accrued interest.

In 2005 tax receivables mainly regarded the IRES receivable transferred to Enel SpA by the companies participating in the consolidated taxation mechanism.

“Receivables due from others” totaled €180.7 million at December 31, 2006.

They largely related to advances paid in respect of contributions to recreational and assistance associations for personnel, equal to €80.5 million (the same amount was also recognized in “other current liabilities”), and advance billing at end-2006 of the fixed capacity charge for the supply of electricity from EdF for all of 2007 totaling €74.0 million (the same amount was also recognized under “payables due to suppliers”).

Liabilities and shareholders' equity

Shareholders' equity

22. Shareholders' equity – €14,600.2 million

During 2006, 19,124,633 options that had been distributed under the stock option plans for 2002, 2003 and 2004 were exercised. The exercise of these options generated an increase of €107.8 million in equity through an increase in share capital of €19.1 million and in the share premium reserve of €88.7 million. In addition, as regards the exercised options, the share premium reserve increased by a further €7.2 million as a result of the reclassification from the specific stock option reserve.

Share capital – €6,176.2 million

Share capital at December 31, 2006 consisted of 6,176,196,279 ordinary shares with a par value of €1.00 each (6,157,071,646 shares at December 31, 2005).

Based on the shareholders register and other available information, at December 31, 2006 no shareholders held more than 2% of the total share capital, apart from the Ministry for the Economy and Finance, which holds 21.14%, and its subsidiary Cassa Depositi e Prestiti, which holds 10.16%.

Other reserves – €4,491.4 million

Share premium reserve – €606.9 million

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

Legal reserve – €1,452.1 million

The legal reserve is equal to 23.51% of share capital.

Reserve pursuant to Law 292/93 – €2,215.4 million

This reserve represents the remaining portion of value adjustments made as part of the process of transforming Enel from a public entity to a company limited by shares. In the event of a distribution of this reserve, the tax treatment for capital reserves as defined by Article 47 of the Uniform Tax Code shall apply.

Other reserves – €50.6 million

This includes €19.0 million related to the reserve for capital grants, which reflects 50% of the grants received from the Italian government and from EU bodies in application of related laws, in order to carry out new works (pursuant to Article 55 of Presidential Decree 917/1986), which is recognized in equity in order to take advantage of tax deferment benefits. It also regards €11.5 million in respect of the

stock option reserve (of which €7.0 million regarding the provision for the year for the 2003, 2004, 2005 and 2006 stock option plans) and €20.1 million in other reserves.

Reserve from measurement of financial instruments – €166.4 million

This includes a gain of €215.9 million from the measurement of AFS financial instruments and a loss of €61.7 million from the measurement of cash flow hedge derivatives, net of tax effects of €12.2 million.

The table below shows changes in 2006.

Millions of euro		Gains/(Losses) recognized in equity for the period	Released as adjustment of financial assets	Released to income statement	
	at Dec. 31, 2005				at Dec. 31, 2006
Gain/(Loss) from fair value measurement of cash flow hedging, effective portion	(73.8)	12.0	-	23.8	(38.0)
Gain/(Loss) from fair value measurement of financial investments available for sale	175.7	42.2	19.0	(32.5)	204.4
Total gains/(losses) recognized in equity	101.9	54.2	19.0	(8.7)	166.4

Retained earnings – €1,821.1 million

The decrease of €1,189.1 million compared with December 31, 2005 is attributable to the amount distributed to shareholders as a dividend pursuant to the resolution of the Shareholders' Meeting of May 26, 2006.

Net income for the period – €3,346.7 million

The table below shows the availability of shareholders' equity:

Millions of euro	Amount	Possible uses	Portion available
Share capital	6,176.2		
Capital reserves:			
> share premium reserve	606.9	ABC	606.9
Income reserves:			
> legal reserve	1,452.1	BC ⁽¹⁾	216.9
> reserve pursuant to Law 292/93	2,215.4	ABC	2,215.4
> reserves from measurement of financial instruments	166.4		-
> reserve for capital grants	19.0	ABC	19.0
> stock option reserve	11.5	ABC	5.6
> other	20.1	ABC	20.1
Retained earnings	1,821.1	ABC	1,821.1
Total	12,488.7		4,905.0
> Of which: portion available for distribution			4,905.0

A: for capital increases

B: to cover losses

C: for distribution to shareholders

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

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

Statement of changes in equity

Millions of euro	Share capital and reserves								Shareholders' equity
	Share capital	Share premium reserve	Legal reserve	Reserve pursuant to Law 292/93	Other reserves	Retained earnings/ (loss carried forward)	Reserve from measurement of financial instruments	Net income for the period	
January 1, 2005	6,103.5	208.0	1,452.1	2,215.4	58.8	(25.2)	(113.1)	5,249.0	15,148.5
Exercise of stock options	53.6	303.0	-	-	(17.7)	-	-	-	338.9
Stock option charges	-	-	-	-	9.7	-	-	-	9.7
Allocation of 2004 net income:									
> dividends	-	-	-	-	-	-	-	(2,213.6)	(2,213.6)
> reserves	-	-	-	-	-	3,035.4	-	(3,035.4)	-
2005 interim dividend	-	-	-	-	-	-	-	(1,169.4)	(1,169.4)
Net income for period recognized in equity	-	-	-	-	-	-	215.0	-	215.0
Net income for period recognized in income statement	-	-	-	-	-	-	-	2,695.5	2,695.5
Total December 31, 2005	6,157.1	511.0	1,452.1	2,215.4	50.8	3,010.2	101.9	1,526.1	15,024.6
Exercise of stock options	19.1	95.9	-	-	(7.2)	-	-	-	107.8
Stock option charges	-	-	-	-	7.0	-	-	-	7.0
Allocation of 2005 net income:									
> dividends	-	-	-	-	-	(1,189.1)	-	(1,526.1)	(2,715.2)
2006 interim dividend (*)	-	-	-	-	-	-	-	(1,235.2)	(1,235.2)
Net income for period recognized in equity	-	-	-	-	-	-	64.5	-	64.5
Net income for period recognized in income statement	-	-	-	-	-	-	-	3,346.7	3,346.7
TOTAL DECEMBER 31, 2006	6,176.2	606.9	1,452.1	2,215.4	50.6	1,821.1	166.4	2,111.5	14,600.2

(*) Authorized by the Board of Directors on September 6, 2006 with the ex dividend date set at November 20, 2006 and payment as from November 23, 2006.

Non-current liabilities

23. Long-term loans (including the portion falling due within twelve months) – €8,250.3 million

The aggregate includes long-term payables in respect of bonds, bank loans and other loans in euro and other currencies (totaling €8,165.3 million), including the portion falling due within twelve months (€85.0 million).

The following table shows long-term debt and repayment schedules at December 31, 2006, grouped by loan and interest rate type.

Millions of euro	Maturing	Balance at Dec. 31, 2006	Nominal value at Dec. 31, 2006	Balance at Dec. 31, 2005
Bonds:				
> listed, fixed rate	2008-2033	5,040.1	5,074.7	4,888.4
> listed, floating rate	2009-2012	483.4	486.0	649.0
> unlisted, fixed rate	2007-2010	91.2	91.2	171.0
> unlisted, floating rate	2007-2032	2,005.0	2,005.1	1,873.5
Total		7,619.7	7,657.0	7,581.9
Bank loans:				
> fixed rate	2007-2012	59.2	59.2	93.1
> floating rate		-	-	157.7
Total		59.2	59.2	250.8
Loans from Group companies:				
> fixed rate	2010-2023	396.4	400.0	-
> floating rate	2008-2010	175.0	175.0	-
Total		571.4	575.0	-
TOTAL		8,250.3	8,291.2	7,832.7

Millions of euro	Balance	Current portion <12 months	Portion maturing >12 months	Maturing in				
	at Dec. 31, 2006			2008	2009	2010	2011	Beyond
Bonds:								
> listed, fixed rate	5,040.1	-	5,040.1	997.7	-	-	746.4	3,296.0
> listed, floating rate	483.4	-	483.4	-	86.0	-	-	397.4
> unlisted, fixed rate	91.2	30.2	61.0	60.0	0.7	0.3	-	-
> unlisted, floating rate	2,005.0	23.0	1,982.0	22.1	331.0	54.1	55.7	1,519.1
Total	7,619.7	53.2	7,566.5	1,079.8	417.7	54.4	802.1	5,212.5
Bank loans:								
> fixed rate	59.2	31.8	27.4	13.4	13.4	0.2	0.3	0.1
> floating rate	-	-	-	-	-	-	-	-
Total	59.2	31.8	27.4	13.4	13.4	0.2	0.3	0.1
Loans from Group companies:								
> fixed rate	396.4	-	396.4	-	-	99.7	-	296.7
> floating rate	175.0	-	175.0	50.0	-	125.0	-	-
Total	571.4	-	571.4	50.0	-	224.7	-	296.7
TOTAL	8,250.3	85.0	8,165.3	1,143.2	431.1	279.3	802.4	5,509.3

The balance for bonds is stated net of €474.2 million relating to the unlisted floating-rate "Special series of bonds reserved for employees 1994-2019" repurchased by Enel SpA.

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

Millions of euro	Balance	Balance	Nominal value	Current interest rate	Effective interest rate
	at Dec. 31, 2005	at Dec. 31, 2006		at Dec. 31, 2006	
Euro	7,697.0	8,115.9	8,156.8	4.57%	4.65%
US dollar	1.1	0.7	0.7	6.35%	6.35%
Pound sterling	4.1	61.7	61.7	5.73%	5.73%
Swiss franc	21.7	12.8	12.8	6.49%	6.49%
Japanese yen	108.8	59.2	59.2	1.65%	1.65%
Brazilian real	-	-	-	-	-
Other currencies	-	-	-	-	-
Total non-euro currencies	135.7	134.4	134.4	-	-
TOTAL	7,832.7	8,250.3	8,291.2	-	-

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

Millions of euro	Nominal value	Repayments	New issues	Assumption of debt	Own bonds repurchased	Exchange rate differences	Nominal value
	at Dec. 31, 2005						at Dec. 31, 2006
Bonds	7,621.6	(486.7)	96.5	415.0	18.2	(7.6)	7,657.0
Bank loans	250.7	(191.3)	-	-	-	(0.2)	59.2
Loans from Group companies	-	-	-	575.0	-	-	575.0
TOTAL	7,872.3	(678.0)	96.5	990.0	18.2	(7.8)	8,291.2

Compared with December 31, 2005, the nominal value of long-term debt increased by a total of €418.9 million, which is the net effect of €678.0 million in repayments, €96.5 million in new financing, €990.0 million in assumption of debt from Enel Investment Holding BV, €18.2 million in repurchases of own bonds, and €7.8 million in exchange rate gains. The main repayments for the year concern bonds in the amount of €486.7 million, €100.0 million in respect of Enel SpA's matured 36-month revolving credit lines and other maturing loans in the amount of €91.3 million.

The main financing transactions for 2006 include the following:

- > the issue of two additional tranches of a bond issue placed privately with leading Italian insurance companies in the amount of €96.5 million maturing in 2024;
- > the assumption of the liability in respect of bonds originally issued by Enel Investment Holding BV with a nominal value of €415.0 million (for which Enel SpA is obligated in respect of external creditors);
- > the assumption of the liability in respect of bonds originally issued by Enel Investment Holding BV with a nominal value of €575.0 million (for which Enel SpA is obligated in respect of Enel Investment Holding BV, while the latter retains liability in respect of external creditors).

Finally, the 5-year (renewable for a further two years) revolving line of credit in the amount of €5.0 billion agreed in November 2005 was available in its entirety at December 31, 2006.

The following table compares the carrying amount and the fair value of long-term debt, including the portion falling due within twelve months, broken down by category.

Millions of euro	Carrying amount	Fair value	Carrying amount	Fair value
	at Dec. 31, 2006		at Dec. 31, 2005	
Bonds:				
> fixed-rate	5,131.4	5,254.5	5,059.4	5,380.4
> floating-rate	2,488.3	2,526.4	2,522.5	2,611.4
Bank loans:				
> fixed-rate	59.2	62.1	93.1	100.7
> floating-rate	-	-	57.7	57.7
> drawings on revolving credit line	-	-	100.0	100.0
Loans from Group companies:				
> fixed-rate	396.4	417.2	-	-
> floating-rate	175.0	172.6	-	-
TOTAL	8,250.3	8,432.8	7,832.7	8,250.2

The following tables show changes in the long-term loans for the period, distinguishing current from non-current portions, with comparative figures for December 31, 2005.

Long-term loans (excluding the current portion)

Millions of euro	at Dec. 31, 2006	at Dec. 31, 2005	2006-2005
Bonds:			
> fixed-rate	5,101.1	4,762.4	338.7
> floating-rate	2,465.4	2,333.0	132.4
Bank loans:			
> fixed-rate	27.4	59.4	(32.0)
> floating-rate	-	-	-
Loans from Group companies:			
> fixed-rate	396.4	-	396.4
> floating-rate	175.0	-	175.0
TOTAL	8,165.3	7,154.8	1,010.5

Current portion of long-term loans

Millions of euro			
	at Dec. 31, 2006	at Dec. 31, 2005	2006-2005
Bonds:			
> fixed-rate	30.2	296.9	(266.7)
> floating-rate	23.0	189.6	(166.6)
Bank loans:			
> fixed-rate	31.8	33.7	(1.9)
> floating-rate	-	157.7	(157.7)
TOTAL	85.0	677.9	(592.9)

At December 31, 2006, 40% of net financial debt paid floating interest rates. Taking account of cash flow hedges using interest rate derivatives considered effective under the provisions of the IFRS-EU, exposure to interest rate risk at December 31, 2006 was 23%. If account is also taken of interest rate derivatives used as hedges but which do not qualify for hedge accounting, the residual exposure of financial debt to interest rate risk falls even lower, to 20%.

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

The main covenants regard the bond issues carried out within the framework of the Global Medium Term Notes program, and can be summarized as follows:

- > "negative pledge" clauses under which the issuer may not establish or maintain (except under statutory requirement) mortgages, liens or other encumbrances on all or part of its assets to secure any listed bond or bond for which listing is planned unless the same guarantee is extended equally or pro rata to the bonds in question;
- > "*pari passu*" clauses, under which the securities constitute a direct, unconditional and unsecured obligation of the issuer and are issued without preferential rights among them and have the same seniority as other present and future bonds of the issuer;
- > specification of "default events", whose occurrence (for example, insolvency, failure to pay principle or interest, initiation of liquidation proceedings, etc.) constitutes a default; under "cross default" clauses, the occurrence of a default event in respect of any financial liability (above a threshold level) issued by the issuer or significant subsidiaries (defined as consolidated companies whose gross revenues or total assets are at least 10% of gross consolidated revenues or total consolidated assets) constitutes a default in respect of the liability in question, which becomes immediately repayable;
- > early redemption clauses in the event of new tax requirements, which permit early redemption at par of all outstanding bonds.

To date none of the covenants have been triggered.

Pursuant to the Consob instructions of July 28, 2006, the following table reports the net financial position and its main components at December 31, 2006.

Millions of euro

	at Dec. 31, 2006		at Dec. 31, 2005	
		<i>of which with related parties</i>		<i>of which with related parties</i>
Cash on hand	0.1		0.1	
Other cash and cash equivalents	77.7		45.4	
Total cash and cash equivalents	77.8		45.5	
Current financial receivables	5,707.6	5,707.6	5,396.0	5,396.0
Short-term bank debt	(441.2)		(752.7)	
Short-term portion of long-term debt	(85.0)		(677.9)	
Other short-term financial payables	(549.4)	(549.4)	(1,228.7)	(1,214.8)
Short-term financial debt	(1,075.6)		(2,659.3)	
Long-term bank debt	(27.4)		(59.4)	
Bonds	(7,566.5)		(7,095.5)	
Other long-term debt	(571.4)	(571.4)	-	
Other long-term financial receivables	2,466.3	1,504.3	1,567.7	1,567.7
Long-term financial debt	(5,699.0)		(5,587.2)	
NET FINANCIAL POSITION	(989.2)		(2,805.0)	

24. **Post-employment and other employee benefits – €429.5 million**

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

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

Termination benefits

Under Italian law, upon the termination of an employment relationship, the former employee has the right to receive termination benefits for each year of service equal to the employee's gross annual salary, divided by 13.5. The entitlement is increased each year by an amount corresponding to 75% of the rise in the cost-of-living index plus 1.5 points.

Additional months' pay and similar benefits

In accordance with the national collective bargaining agreement for workers in the electricity industry, workers hired up to July 2001 and managers hired or appointed until 1999 who leave the company after reaching the maximum working age or after accruing sufficient seniority to be eligible for a pension are entitled to several additional months' pay in addition to their termination benefits. The benefit is fixed and is not revalued.

Loyalty bonus

The loyalty bonus is awarded to employees hired under the national collective bargaining agreement for workers in the electricity industry who have reached specified seniority levels in the company (25 and 35 years of service). The bonus is calculated on the basis of the gross monthly wage payable to the eligible party at the date of distribution. It is equal to one third of the monthly wage for employees with seniority of 25 years and an entire month's pay for employees with seniority of 35 years.

Company supplementary pension plan

The company supplementary pension plan is provided to a number of senior managers who retired before March 31, 1998. They receive a supplementary pension in addition to that to which they are entitled by law. This liability only changes as a result of payment of benefits and changes in the actuarial parameters used.

Although Enel SpA retains legal liability for pensions paid to retired managers, following the transfers of business units the liability has been assumed internally (pursuant to Article 1273 of the Civil Code) by the companies to which the unit were transferred, with the recognition of the receivable due from such companies under "non-current financial assets" and the share of charges debited to them under "other revenues".

Healthcare plan

Under the national collective bargaining agreement for industrial managers, managers are entitled to supplementary healthcare protection in addition to that provided by the National Health Service, both while in service and after retirement.

Reimbursements for supplementary health services for Enel Group managers are paid by Asem, a healthcare fund specifically set up for employees in the Italian electricity industry.

Electricity discounts

The national collective bargaining agreement for electricity workers stipulates that employees in service hired before July 1, 1996 and retired workers shall receive a discount on the cost of electricity supplied to them for domestic use up to a specified annual level of consumption.

Under IAS 19, these obligations are considered "defined-benefit plans" and are calculated using the "projected unit credit method", under which the liability is calculated in proportion to the service already provided with respect to the total service expected in the future.

The following table reports the change during the year in actuarial liabilities, as well as a reconciliation of actuarial liabilities with liabilities recognized in the balance sheet at December 31, 2006 and December 31, 2005:

Millions of euro

	2006	2005
Benefits due on termination of employment and other long-term benefits		
Liabilities at the beginning of the year	388.3	412.0
Service cost	2.0	1.9
Interest cost	15.7	16.6
Benefit paid	(27.7)	(42.5)
Unrecognized actuarial (gains)/losses in year	1.4	0.3
Actuarial liabilities at end of year	379.8	388.3
Liabilities at end of year	378.4	388.0
Post employment benefits under defined-benefit plans		
Liabilities at the beginning of the year	51.8	51.4
Service cost	(0.5)	0.4
Interest cost	2.0	2.1
Benefit paid	(2.2)	(1.8)
Unrecognized actuarial (gains)/losses in year	1.3	(0.3)
Actuarial liabilities at end of year	52.4	51.8
Liabilities at end of year	51.1	52.1
Reconciliation of carrying amount		
Actuarial liabilities at end of year	432.2	440.1
Unrecognized actuarial (gains)/losses	2.7	-
Liability recognized at end of year	429.5	440.1

The cost of employee benefits in 2006 came to €19.2 million (€21.0 million in 2005), of which €17.7 million in respect of accretion cost recognized under interest cost (€18.7 million in 2005) and €1.5 million recognized under personnel costs (€2.3 million in 2005).

The cost for termination benefit in 2006 amounted to €2.2 million, of which €0.6 million in respect of accretion cost.

The main actuarial assumptions used to calculate the liabilities in respect of employee benefits are set out in the following table:

Millions of euro

	2006	2005
Discount rate	4.25%	4.00%
Rate of increase in wages	3.00%	3.00%
Rate of increase in healthcare costs	3.00%	3.00%

25. Provisions for risks and charge – €41.8 million

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

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

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

Millions of euro	Taken to income statemen		Utilization	
	at Dec. 31, 2005			at Dec. 31, 2006
Provisions for litigation, other risks and charges:				
> litigation	44.0	(6.2)	(11.0)	26.8
> other	819.8	5.8	(816.6)	9.0
Total	863.8	(0.4)	(827.6)	35.8
Provision for early retirement incentives	4.1	7.9	(6.0)	6.0
TOTAL	867.9	7.5	(833.6)	41.8

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

Utilization includes €723.1 million for the reconstitution of capital at Enel Investment Holding BV, €5.4 million for the charge in respect of the exercise of options by participants in the stock option plan, €42.6 million for the charge in respect of the granting of Terna bonus shares, the right to which was exercised in January 2006, and €49.1 million for the settlement of a number of disputes.

26. Deferred tax liabilities – €46.8 million

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

Millions of euro		Increase/ (Decrease) taken to income statement	Increase/ (Decrease) taken to equity	Reclassifications	
	at Dec. 31, 2005				at Dec. 31, 2006
Nature of the temporary differences:					
> differences on non-current and financial assets	-	-	11.4	-	11.4
> income subject to deferred taxation	2.8	(1.2)	-	-	1.6
> measurement of financial instruments	70.1	(70.1)	4.5	-	4.5
> other items	38.8	(8.9)	-	(0.6)	29.3
Total	111.7	(80.2)	15.9	(0.6)	46.8

Deferred tax liabilities came to €46.8 million, down €64.9 million, mainly as the result of the fair value measurement of derivatives. It is expected that all deferred tax liabilities will fall due between two and five years after December 31, 2006.

27. Non-current financial liabilities – €73.6 million

These consist of the fair value measurement of cash flow hedge derivatives. The following table shows the related notional amount and fair value.

Millions of euro	Notional value		Fair value		
	at Dec. 31, 2006	at Dec. 31, 2005	at Dec. 31, 2006	at Dec. 31, 2005	2006-2005
Cash flow hedge derivatives:					
> interest rates	1,035.4	1,337.7	73.6	99.7	(26.1)
Total	1,035.4	1,337.7	73.6	99.7	(26.1)

Current liabilities

28. Short-term loans – €990.6 million

Short-term loans break down as follows:

Millions of euro			
	at Dec. 31, 2006	at Dec. 31, 2005	2006-2005
Due to third parties	441.2	752.7	(311.5)
Due to Group companies	549.4	1,214.8	(665.4)
Total	990.6	1,967.5	(976.9)

Short-term bank loans came to €441.2 million, a decrease of €311.5 million. The decline was mainly attributable to greater liquidity generated, notably the payment

on December 21, 2006 of part of the receivable from the sale of the equity investment in Weather Investments.

The decline in borrowing from Group companies of €665.4 million was a direct consequence of a decrease in their operating cash requirements.

29. Trade payables – €423.3 million

This item includes payables for the supply of electricity, materials and equipment and sundry services in 2006.

Millions of euro

	at Dec. 31, 2006	at Dec. 31, 2005	2006-2005
Trade payables:			
> due to third parties	338.9	308.7	30.2
> due to Group companies	84.4	48.7	35.7
Total	423.3	357.4	65.9

Trade payables rose by €65.9 million on 2005, due in part to the purchase of green certificates from Enel Trade and in part to the rise in payables for electricity purchases.

Trade payables due to subsidiaries at December 31, 2006 break down as follows:

Millions of euro

	at Dec. 31, 2006	at Dec. 31, 2005	2006-2005
Subsidiaries:			
> Enel Produzione	0.4	0.5	(0.1)
> Enel Trade	48.4	(4.2)	52.6
> Enel Servizi	30.9	46.7	(15.8)
> Enel.Factor	1.1	1.7	(0.6)
> other	3.6	4.0	(0.4)
Total	84.4	48.7	35.7

Trade payables break down by geographical area as follows:

Millions of euro

	at Dec. 31, 2006	at Dec. 31, 2005	2006-2005
Suppliers:			
> Italy	223.4	166.7	56.7
> EU	135.6	108.2	27.4
> Non-EU	62.9	82.1	(19.2)
> other	1.4	0.4	1.0
Total	423.3	357.4	65.9

30. Current financial liabilities – €349.6 million

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

Millions of euro

	at Dec. 31, 2006	at Dec. 31, 2005	2006-2005
Deferred financial liabilities	154.5	152.2	2.3
Derivative contracts	111.4	257.8	(146.4)
Other items	83.7	8.8	74.9
Total	349.6	418.8	(69.2)

The following table shows the notional value and fair value of the derivative contracts:

Millions of euro	Notional value		Fair value		
	at Dec. 31, 2006	at Dec. 31, 2005	at Dec. 31, 2006	at Dec. 31, 2005	2006-2005
Cash flow hedge derivatives:					
> interest rates	-	191.2	-	10.3	(10.3)
Total	-	191.2	-	10.3	(10.3)
Trading derivatives:					
> interest rates	2,573.2	2,936.1	86.5	206.0	(119.5)
> exchange rates	1,098.8	2,025.0	16.5	27.5	(11.0)
> commodities	16.3	26.6	8.4	14.0	(5.6)
Total	3,688.3	4,987.7	111.4	247.5	(136.1)
TOTAL	3,688.3	5,178.9	111.4	257.8	(146.4)

Trading derivatives on interest and exchange rates essentially include transactions entered into for hedging purposes but which do not qualify for hedge accounting under the IFRS.

31. Other current liabilities – €648.3 million

Other current liabilities mainly concern liabilities in respect of IRES for companies participating in the consolidated taxation mechanism and payables due to recreational and assistance associations for personnel in respect of payments that have not yet been specified in contract (€80.5 million), with a corresponding amount recognized under “other current assets”.

Millions of euro

	at Dec. 31, 2006	at Dec. 31, 2005	2006-2005
Tax payables	313.0	3.7	309.3
Payables due to Group companies	221.7	491.4	(269.7)
Payables due to employees, recreational/assistance associations	93.4	71.8	21.6
Social security contributions payable	5.9	8.4	(2.5)
Payables due to customers for security deposits and reimbursements	1.1	0.9	0.2
Other	13.2	78.0	(64.8)
TOTAL	648.3	654.2	(5.9)

32. *Related parties*

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

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

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

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

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

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

Commercial and other relationships

2006

Millions of euro	Receivables	Payables	Costs		Revenues	
			Goods	Services	Goods	Services
			at Dec. 31, 2006		2006	
Subsidiaries:						
> Enel Produzione SpA	40.5	106.3	-	-	1.1	81.3
> Enel Trade SpA	52.4	57.7	-	59.8	-	0.4
> Enel Viesgo Servicios SL	1.1	-	-	-	-	1.0
> Enel Servicii Srl	0.1	0.3	-	0.3	-	0.1
> Enel ESN Energo LLC	0.1	-	-	-	-	0.1
> Enel Latin America LLC	0.4	-	-	-	-	0.3
> Enel.si Srl	1.8	2.7	-	-	-	1.9
> Enel Energia SpA	17.3	57.2	-	-	-	22.8
> Deval SpA	-	0.4	-	-	-	0.1
> Enel Sole Srl	2.7	0.1	-	0.2	-	1.0
> Enel Distribuzione SpA	209.0	0.5	-	0.2	-	121.2
> Enel Rete Gas SpA	4.2	-	-	-	-	2.1
> Enel Finance International SA	0.2	-	-	-	-	0.2
> Enel Servizi Srl	10.0	57.3	-	58.9	-	1.9
> Dalmazia Trieste Srl	2.4	1.2	-	-	-	0.7
> Enel.Factor SpA	0.4	1.1	-	-	-	0.1
> Sfera Srl	1.2	3.3	-	3.0	-	0.7
> Enelpower SpA	3.6	17.9	-	-	-	0.6
> Enel.NewHydro Srl	0.1	0.2	-	-	-	-
> Cise Srl	0.2	-	-	-	-	-
> Enel Investment Holding BV	1.2	-	-	-	-	1.1
> Enel North America Inc.	0.2	-	-	-	-	0.4
> Slovenské elektrárne AS	2.5	-	-	-	-	0.8
> Enel Unión Fenosa Renovables SA	0.1	-	-	-	-	0.1
Total	351.7	306.2	-	122.4	1.1	238.9
Other related parties:						
> Single Buyer	133.4	-	-	-	717.3	-
> Market Operator	-	8.2	20.0	-	-	-
> Wind Telecomunicazioni SpA ⁽¹⁾	-	-	-	2.1	-	-
> Terna	1.5	6.4	4.1	19.4	8.4	-
> Electricity Services Operator	0.6	0.7	4.8	-	3.4	-
Total	135.5	15.3	28.9	21.5	729.1	-
TOTAL	487.2	321.5	28.9	143.9	730.2	238.9

(1) For transactions up to February 2006.

Commercial and other relationships

2005

Millions of euro	Receivables	Payables	Costs		Revenues	
			Goods	Services	Goods	Services
			at Dec. 31, 2005		2005	
Subsidiaries:						
> Enel Produzione SpA	121.6	195.8	-	-	-	73.7
> Enel Trade SpA	66.1	6.0	-	-	-	4.1
> Enel Viesgo Servicios SL	0.1	-	-	-	-	0.2
> Enel Viesgo Generación SL	-	4.4	-	-	-	-
> Enel ESN Energo LLC	0.5	-	-	-	-	0.5
> Enel Latin America LLC	0.4	0.1	-	-	-	0.9
> Enel.si Srl	1.7	0.2	-	-	-	1.6
> Enel Energia SpA	59.3	2.1	-	0.2	-	14.2
> Enel Sole Srl	5.7	0.2	-	0.3	-	0.9
> Enel Distribuzione SpA	29.6	254.4	-	16.4	-	116.4
> Enel Rete Gas SpA	12.8	-	-	-	-	2.5
> Avisio Energia SpA	1.0	-	-	-	-	-
> Iridea Srl	1.2	-	-	-	-	-
> Enel Servizi Srl	52.6	52.1	-	25.5	-	1.9
> Enel.NewHydro Srl	0.9	0.2	-	19.4	-	-
> Dalmazia Trieste Srl	12.6	1.5	-	0.8	-	0.9
> Enel.Factor SpA	6.9	1.8	-	-	-	0.1
> Sfera Srl	1.8	2.7	-	3.4	-	0.5
> Enelpower SpA	34.0	8.1	-	0.4	-	4.1
> Cise Srl	-	0.1	-	-	-	-
> Enelpower UK Ltd.	0.1	-	-	-	-	-
> Enel Investment Holding BV	29.9	8.6	-	-	-	0.3
> Enel Finance International SA	-	0.8	-	-	-	-
> Electra de Viesgo Distribución SL	3.5	-	-	-	-	-
> Enel North America Inc.	0.4	0.6	-	0.4	-	0.7
Total	442.7	539.7	-	66.8	-	223.5
Associated companies:						
> Wind Telecomunicazioni SpA	12.2	0.8	-	1.9	-	3.7
> Cesi SpA	-	0.1	-	-	-	-
Total	12.2	0.9	-	1.9	-	3.7
Other related parties:						
> Single Buyer	170.9	-	-	-	828.4	-
> Terna	0.1	-	-	2.0	-	-
> Electricity Services Operator	-	1.2	0.1	15.1	-	-
Total	171.0	1.2	0.1	17.1	828.4	-
TOTAL	625.9	541.8	0.1	85.8	828.4	227.2

Financial relationships

2006

Millions of euro	Receivables	Payables	Guarantees	Costs	Revenues	Dividends
at Dec. 31, 2006				2006		
Subsidiaries:						
> Enel Produzione SpA	4,306.7	2.8	1,016.7	55.4	211.4	1,006.2
> Enel Sole Srl	59.4	-	60.0	0.1	2.5	14.9
> Enel Distribuzione SpA	1,422.9	18.1	4,313.5	48.9	73.2	1,835.8
> Enel Rete Gas SpA	636.5	-	36.7	-	19.2	-
> Enel Servizi Srl	174.0	5.0	6.6	6.0	1.3	10.1
> Dalmazia Trieste Srl	159.2	36.3	0.8	1.2	8.5	-
> Enel Trade SpA	290.1	5.2	965.6	40.3	86.5	121.6
> Enel Servicii Srl	1.4	-	-	-	-	-
> Maritza East III Power Holding BV	0.1	-	-	-	-	-
> Enel Green Power International SA	9.2	-	-	-	0.2	-
> Enel.si Srl	0.1	1.2	2.5	0.1	0.1	-
> Enel Energia SpA	321.0	3.6	106.9	11.8	17.1	-
> Deval SpA	-	1.0	-	0.1	-	-
> Deval Energie Srl	-	1.0	-	-	-	-
> Electra de Viesgo Distribución SL	0.7	8.6	-	0.1	0.7	-
> Enel Viesgo Energía SL	-	0.6	-	-	-	-
> Enel Viesgo Servicios SL	-	0.8	-	-	-	-
> Enel Viesgo Generación SL	-	3.1	150.0	1.7	-	-
> Avisio Energia SpA	36.0	-	2.2	-	1.2	-
> Slovenské elektrárne AS	6.1	6.0	-	-	6.1	-
> Enel Finance International SA	8.4	388.3	4,000.0	21.5	8.4	6.9
> Enel.NewHydro Srl	32.6	-	29.1	1.9	1.1	-
> Cise Srl	-	12.5	-	0.3	-	2.3
> Enel.Factor SpA	152.7	-	-	-	5.0	4.8
> Enel Capital Srl	-	6.2	0.4	0.2	-	-
> Sfera Srl	-	5.0	1.0	0.1	-	2.0
> Enelpower SpA	1.0	81.1	173.2	8.6	2.7	56.0
> Enelpower U.K Ltd.	4.1	-	-	-	0.2	-
> Enel Investment Holding BV	182.2	581.0	585.0	13.8	8.9	-
> Pragma Energy SA	-	6.9	-	0.5	-	-
> Enel North America Inc.	-	0.4	49.4	-	-	-
> Enel Latin America LLC	-	-	-	0.5	0,5	-
> Metansicula Vendita Srl	0.5	-	-	-	-	-
> Metansicula BF SpA	13.8	-	-	-	0.1	-
> Enel Ireland Finance Ltd.	-	21.6	-	1.0	-	-
> Enel M@P Srl	-	-	3.6	-	-	-
Total	7,818.7	1,196.3	11,503.2	214.1	454.9	3,060.6
Other related parties:						
> Terna	-	-	-	-	-	13.6
Total	-	-	-	-	-	13.6
TOTAL	7,818.7	1,196.3	11,503.2	214.1	454.9	3,074.2

Financial relationships

2005

Millions of euro	Receivables	Payables	Guarantees	Costs	Revenues	Dividends
at Dec. 31, 2005				2005		
Subsidiaries:						
> Avisio Energia SpA	40.9	-	3.7	-	1.0	-
> Enel Rete Gas SpA	567.8	-	36.7	0.1	13.0	-
> Cise Srl	-	3.4	-	-	-	6.7
> Concert Srl	0.4	-	0.3	-	-	-
> Dalmazia Trieste Srl	209.7	46.5	0.8	4.0	10.3	-
> Deval SpA	-	1.1	-	0.1	-	-
> Deval Energie Srl	-	0.2	-	-	-	-
> Enel Distribuzione SpA	1,390.6	2.3	3,022.7	3.2	62.3	621.1
> EasyGas SpA	-	0.1	-	-	-	-
> Electra de Viesgo Distribución SL	96.3	-	-	-	3.5	-
> Enel North America Inc.	-	0.1	-	-	-	-
> Enel Investment Holding BV	26.7	193.6	3,487.6	47.0	37.6	-
> Enel Capital Srl	-	6.0	-	0.1	-	-
> Enel Energia SpA	372.5	84.8	1,170.5	0.7	11.6	0.5
> Enel Finance International SA	-	19.5	-	0.7	-	-
> Enel.si Srl	-	5.3	2.5	0.2	-	-
> Enel.Factor SpA	193.4	-	-	-	6.8	4.7
> Enel Green Power International SA	3.3	-	-	1.1	0.8	-
> Enel.Hydro SpA	-	-	-	-	0.3	-
> Iridea Srl	-	8.3	-	-	-	-
> Metanodotti Padani SpA	2.5	-	-	-	-	-
> Metanodotti Trentini Srl	-	0.8	-	-	-	-
> Enel.NewHydro SpA	28.7	-	44.3	-	0.8	-
> Enelpower SpA	0.2	424.3	464.0	17.1	19.4	47.2
> Enelpower UK Ltd.	3.7	-	-	-	0.1	-
> Pragma Energy SA	0.8	-	-	-	-	-
> Enel Produzione SpA	4,234.8	4.1	884.7	83.0	217.3	736.2
> Enel Servizi Srl	1.4	-	-	-	-	-
> Enel Servizi Srl	35.7	183.7	6.6	1.1	2.8	-
> Sfera Srl	-	5,8	1.0	0.1	-	-
> Enel Sole Srl	49.0	-	60.0	0.8	2.5	-
> Enel Trade SpA	199.0	7.6	329.1	102.0	57.0	69.3
> Enel Viesgo Energía SL	-	0.1	-	-	-	-
> Enel Viesgo Generación SL	-	247.4	-	4.4	-	-
> Enel Viesgo Servicios SL	-	1.9	-	0.1	-	-
Total	7,457.4	1,246.9	9,514.5	265.8	447.1	1,485.7
Associated companies:						
> Wind Telecomunicazioni SpA	-	-	-	0.3	8.3	-
Total	-	-	-	0.3	8.3	-
Other related parties:						
> Terna	-	-	-	22.2	2.8	56.7
Total	-	-	-	22.2	2.8	56.7
TOTAL	7,457.4	1,246.9	9,514.5	288.3	458.1	1,542.4

The impact of transactions with related parties on the balance sheet and income statement is reported in the following table.

Impact on balance sheet

Millions of euro	Total	Related parties	% of total	Total	Related parties	% of total
at Dec. 31, 2006				at Dec. 31, 2005		
Assets						
Non-current financial assets	2,748.6	1,772.1	64.5	1,850.1	1,846.8	99.8
Trade receivables	262.8	254.2	96.7	259.7	234.4	90.3
Current financial assets	6,073.7	6,046.6	99.6	5,676.6	5,610.7	98.8
Other current assets	615.4	233.0	37.9	1,076.5	391.5	36.4
Liabilities						
Long-term loans	8,165.4	571.4	7.0	7,154.8	-	-
Short-term loans	990.6	549.4	55.5	1,967.5	1,214.8	61.7
Trade payables	423.3	100.7	23.8	357.4	50.9	14.2
Current financial liabilities	349.6	75.5	21.6	418.8	32.1	7.7
Other current liabilities	648.3	221.7	34.2	654.2	491.3	75.1

Impact on income statement

Millions of euro	Total	Related parties	% of total	Total	Related parties	% of total
	at Dec. 31, 2006			at Dec. 31, 2005		
Revenues	1,186.2	969.1	81.7	1,105.7	1,055.6	95.5
Electricity purchases	621.3	28.9	4.7	606.9	0.1	-
Services and other operating expenses	292.2	143.9	49.2	386.7	85.8	22.2
Income from equity investments	3,074.4	3,074.3	100.0	1,563.1	1,542.4	98.7
Financial income	778.1	454.9	58.5	638.9	458.1	71.7
Financial expense	788.2	213.9	27.1	832.9	288.3	34.4

Compensation of directors, members of the Board of Auditors, the General Manager and managers with strategic responsibilities

The compensation paid to directors, members of the Board of Auditors, the General Manager and managers with strategic responsibilities of Enel SpA is summarized in the following table.

The table has been prepared with regard to the period for which the position was held on an accruals basis. The information regarding managers with strategic responsibilities is provided in aggregate form, pursuant to the provisions of Article 78 and annex 3C of Consob Resolution no. 11971/1999 (the "Issuers Regulation").

The directors and managers with strategic responsibilities of Enel SpA have waived all forms of compensation for positions held in subsidiaries.

Compensation of directors, members of the Board of Auditors, the General Manager and managers with strategic responsibilities

Last name	Name	Position	Period for which position was held	End of term	Remuneration (euro)	Non monetary benefits (euro)	Bonuses and other incentives (euro)	Other compensation (euro)	Total (euro)
Directors and General Manager									
Gnudi	Piero	Chairman	1/2006-12/2006	Approv. fin. stat. 2007	735,764.00	11,779.68 ⁽¹⁾	⁽²⁾		747,543.68
Conti	Fulvio	CEO and GM	1/2006-12/2006	Approv. fin. stat. 2007	600,000.00		⁽³⁾	701,678.52 ⁽⁴⁾	1,301,678.52
Ballio	Giulio	Director	1/2006-12/2006	Approv. fin. stat. 2007	117,000.00				117,000.00
Fantozzi	Augusto	Director	1/2006-12/2006	Approv. fin. stat. 2007	116,427.00				116,427.00
Luciano	Alessandro	Director	1/2006-12/2006	Approv. fin. stat. 2007	117,000.00				117,000.00
Napolitano	Fernando	Director	1/2006-12/2006	Approv. fin. stat. 2007	117,250.00				117,250.00
Taranto	Francesco	Director	1/2006-12/2006	Approv. fin. stat. 2007	122,500.00				122,500.00
Tosi	Gianfranco	Director	1/2006-12/2006	Approv. fin. stat. 2007	117,500.00				117,500.00
Valsecchi	Francesco	Director	1/2006-12/2006	Approv. fin. stat. 2007	117,000.00				117,000.00
Total compensation of directors and GM					2,160,441.00	11,779.68	-	701,678.52	2,873,899.20
Board of Auditors									
Pinto	Eugenio	Chair. Board of Auditors	1/2006-12/2006	Approv. fin. stat. 2006	85,000.00				85,000.00
Conte	Carlo	Acting Auditor	1/2006-12/2006	Approv. fin. stat. 2006	70,500.00 ⁽⁵⁾				70,500.00
Fontana	Franco	Acting Auditor	1/2006-12/2006	Approv. fin. stat. 2006	70,500.00				70,500.00
Total compensation of Board of Auditors					226,000.00	-	-	-	226,000.00
Managers with strategic responsibilities ⁽⁶⁾ 1/2006-12/2006							7,428,332.98		7,428,332.98
Total					2,386,441.00	11,779.68	-	8,130,011.50	10,528,232.18

(1) Insurance policy.

(2) In 2007 the Board of Directors will determine the variable portion of compensation due to the Chairman for 2006 (in an amount of no more than €210,000.00) once achievement of the targets for the Group set for that year has been verified.

(3) In 2007 the Board of Directors will determine the variable portion of compensation due to the Chief Executive Officer for 2006 (in an amount of no more than €600,000.00) once achievement of the targets for the Group set for that year has been verified.

(4) Fixed compensation for position of General Manager for 2006. In 2007 the Board of Directors will determine the variable portion of compensation due to the General Manager for 2006 (in an amount of no more than €700,000.00) once achievement of the targets for the Group set for that year has been verified.

(5) Compensation paid to the Ministry for the Economy and Finance in the amount of €55,000.00 pursuant to the Directive of the Presidency of the Council of Ministers – Department of Public Administration of March 1, 2000.

(6) In 2006 the following were managers with strategic responsibilities: heads of Enel SpA Departments, Division heads, the head of business development of the International Division and the head of the Energy Management business area of the Domestic Generation and Energy Management Division, for a total of 15 management positions.

33. Stock option plans

The following table summarizes developments in 2006 in Enel's stock option plans, detailing the main assumptions used in calculating their fair value.

Developments in stock option plans

Number of options	2002 plan	2003 plan	2004 plan	2006 plan	Total
Options granted at December 31, 2004	41,748,500	47,624,005	38,527,550	-	127,900,055
Options exercised at December 31, 2004	24,104,556	16,342,119	-	-	40,446,675
Options lapsed at December 31, 2004	4,824,000	3,237,700	1,231,000	-	9,292,700
Options outstanding at December 31, 2004	12,819,944	28,044,186	37,296,550	-	78,160,680
Options exercised in 2005	10,697,094	14,158,373	12,392,982	-	37,248,449
Options lapsed in 2005	48,500	50,726	394,500	-	493,726
Options outstanding at December 31, 2005	2,074,350	13,835,087	24,509,068	-	40,418,505
New options granted in 2006	-	-	-	31,790,000	31,790,000
Options exercised in 2006	1,319,050	11,726,012	6,079,571	-	19,124,633
Options lapsed in 2006	-	60,290	334,300	286,000	680,590
Options outstanding at December 31, 2006	755,300	2,048,785	18,095,197	31,504,000	52,403,282
Fair value at grant date (euro)	0.17	0.37	0.18	0.27	
Volatility	28%	28%	17%	14%	
Option expiry	December 2007	December 2008	December 2009	December 2012	

On May 26, 2006, the Enel Ordinary Shareholders' Meeting approved the 2006 stock option plan, granting the Board of Directors the powers required to carry out the plan, to be exercised in accordance with criteria established by the Shareholders' Meeting. On August 4, 2006, the Board of Directors of Enel SpA, exercising the authority given to it by the Shareholders' Meeting, granted 31,790,000 options to 461 Enel Group executives. Achievement of the targets set in the 2006 plan will be verified between 2008 and 2009.

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

of the company at which the executive is employed, and succession) specifically governed by the Regulations.

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

34. Contractual commitments and guarantees

Millions of euro

	at Dec. 31, 2006	at Dec. 31, 2005	2006-2005
Sureties and other guarantees granted to:			
> third parties	769.9	759.1	10.8
> subsidiaries	11,503.2	9,514.5	1,988.7
> associates and others	14.1	14.1	-
Total	12,287.2	10,287.7	1,999.5
Other commitments for electricity purchases from third parties	1,744.8	2,454.6	(709.8)
TOTAL	14,032.0	12,742.3	1,289.7

Sureties granted to third parties regard guarantees issued by the Parent Company as part of the disposal to third parties of assets owned by Enel and its subsidiaries. They include:

- > €737 million in commitments relating to the sale of real estate assets in connection with the regulations that, for a period of six years and six months from July 2004, govern the termination of leases and the related payments. The value of such guarantees is reduced annually by a specified amount;
- > €15 million in guarantees issued in the sale of Enel.Hydro;
- > €8 million in bid bonds in favor of S.C. Electrica SA - Romania;
- > €9 million in respect of the pledge of shares of Idrosicilia securing a loan granted to Sicilacque, in which Idrosicilia has a 75% stake.

Sureties issued on behalf of subsidiaries include:

- > €4,000 million issued on behalf of Enel Finance International securing a Euro Commercial Paper Program;
- > €1,950 million issued by Enel SpA to the Single Buyer on behalf of Enel Distribuzione for commitments under electricity purchase contracts;
- > €1,800 million issued to the European Investment Bank (EIB) securing loans by the latter to Enel Distribuzione and Enel Produzione;
- > €630 million in guarantees issued in favor of Enel Distribuzione securing loans

- to be received from the EIB as part of the Enel Network Efficiency program;
- > €585 million on behalf of Enel Investment Holding securing bonds;
 - > €525 million in a counter-guarantee issued to banks that provided guarantees to the EIB securing a loan by the latter to Enel Distribuzione;
 - > €325 million issued on behalf of Enel Trade to Eni (€295 million) and Electrabel (€30 million) for the supply of gas;
 - > €173 million issued on behalf of Enelpower securing the latter's commitments to customers or supporting the issue of bank sureties in favor of customers;
 - > €166 million issued to the Single Buyer on behalf of Enel Distribuzione, Enel Trade and Enel Produzione for participation on the national electricity market;
 - > €150 million issued to the EIB securing loans by the latter to Enel Viesgo Generación SL;
 - > €113 million issued to RWE on behalf of Enel Produzione in respect of upgrading of plants abroad;
 - > €109 million issued by Enel SpA to the tax authorities in respect of participation in the Group VAT procedure by Enel Energia, Enel Trade and Enel Produzione;
 - > €51 million issued in favor of Snam Rete Gas on behalf of Enel Trade for the transport capacity reserve;
 - > €40 million issued in favor of E.On on behalf of Enel Trade for trading activities on the German electricity market;
 - > €880 million in various guarantees issued as part of financial support activities by the Parent Company on behalf of subsidiaries, as well as €5 million issued on behalf of Enel.NewHydro in respect of the latter's indemnity undertakings made as part of the disposal of the Ismes business unit.

Commitments for electricity mainly regard imports and expire by the end of 2011.

35. *Contingent liabilities and assets*

Litigation on rates

Enel is the target of a series of suits filed by a number of companies that consume large amounts of electricity and who have challenged, in full or in part, the legitimacy of the measures with which first the Interministerial Price Committee (CIP) and then the Authority for Electricity and Gas (Authority) determined changes in electricity rates in the past. To date, the courts have generally rejected the complaints lodged and an examination of the rulings would indicate that the chance of unfavorable judgments is remote.

Out-of-court disputes and litigation connected with the blackout of September 28, 2003

With regard to the blackout that occurred on September 28, 2003, Enel Distribuzione received numerous letters (most drafted on the basis of standardized forms prepared by consumer associations) containing requests for automatic/lump-sum indemnities under the Electricity Service Charter and resolutions of the Authority for Electricity and Gas (€25.82 each), in addition to further damages to be quantified by customers with a view to possible legal action.

With regard to litigation, at December 31, 2006 more than 90,000 proceedings were pending against Enel Distribuzione, individually for small amounts (almost all before justices of the peace in Southern Italy). All involved requests for automatic/lump-sum indemnities on the basis of the resolutions of the Authority for Electricity and Gas and the Electricity Service Charter or damages for loss due to the interruption of electricity supplies. Enel Distribuzione has challenged these requests with the following arguments: first, neither the Authority resolutions nor the Electricity Service Charter (whose reference legislation has been repealed) provide for automatic/lump-sum indemnities in the case of an interruption of supply, as specified by the Authority in a press release. Second, in relation to both the manner and extent of the black-out, the electricity supply interruption of September 28, 2003 was an unexpected and unforeseeable event and, as such, is ascribable to exceptional events beyond the control of the Group companies, for which they cannot therefore

be held liable in any way. At December 31, 2006 more than 39,000 rulings had been issued by justices of the peace, with a majority finding in favor of the plaintiffs. Charges in respect of such indemnities could be recovered at least in part under existing insurance policies. The appellate courts have nearly all found in favor of Enel Distribuzione, based upon both the lack of proof of the loss claimed and the recognition that the company was not involved in causing the event. The few adverse rulings against Enel Distribuzione (all in Calabria) have been appealed to the Court of Cassation (the supreme court of appeal).

**INPS Circular no. 63 of May 6, 2005
concerning contribution obligations**

Cassa Integrazione Guadagni (CIG), Cassa Integrazione Guadagni Straordinaria (CIGS), Disoccupazione Involontaria (DS) and Mobilità (unemployment benefit schemes)

On May 6, 2005, the Italian National Social Security Institute (INPS) issued a circular regarding obligatory contributions to the *Cassa Integrazione Guadagni* (CIG), *Cassa Integrazione Guadagni Straordinaria* (CIGS), *Disoccupazione Involontaria* (DS) and *Mobilità* (all unemployment benefit programs). In regulating the matter, the circular specified that contributions to be paid in respect of the above programs are also applicable to State-controlled companies and national public entities involved in industrial activities that are not wholly public-owned. These include Enel and companies incorporated by Enel pursuant to Legislative Decree 79 of March 16, 1999, both for the period following the issue of the circular and retroactively as from the date on which they ceased to be entirely owned by public entities (in the case of Enel, as from the date of the IPO, in November 1999).

More specifically, under the provisions of the circular Enel SpA would be required only to make contributions to CIG and CIGS, while companies incorporated by Enel under Legislative Decree 79/1999 would also be required to contribute to the DS and *Mobilità* programs.

The Enel Group believes that it is not liable for these contributions as it does not meet the conditions for applicability. In particular, as regards past periods, the Group contests the payment of contributions for programs whose benefits it would not have been eligible to use.

The circular has been challenged for precautionary reasons before the administrative courts, requesting its suspension. The Regional Administrative Court rejected the appeal for suspension, stating that the matter fell under the exclusive jurisdiction of the ordinary courts. Enel therefore filed an appeal with the Labor Court, asking it to find that no contribution obligation existed for CIG, CIGS and *Mobilità*. The matter is still pending.

Owing to the complexity of the issues and the need for further study, INPS initially extended the deadline for the payment of accrued contributions. INPS subsequently

felt it advisable to request an opinion from the Council of State and extended the deadline for settlement of the obligation until the opinion was issued.

In an opinion issued at the hearing of February 8, 2006, the second section of the Council of State ruled, specifically, that the circular may not have retroactive effect and that there are no grounds for levying penalties, therefore ordering that the circular be amended appropriately.

As regards the contribution for the *Disoccupazione Involontaria* program (involuntary unemployment), and therefore the *Mobilità* program (which applies only where the DS contribution is also due), the Ministry of Labor, upon completion of the inspection begun in December 2005 to ascertain whether the conditions exempting Enel and the companies incorporated by it under Legislative Decree 79/1999 from the contributions continued to hold, issued a Decree on August 1, 2006 in which it confirmed that both Enel SpA and the companies incorporated under it that are still members of the Enel Group have been exempt from the DS (and therefore *Mobilità*) schemes since they began operations. The confirmation of the contribution exemption also affects the *Mobilità* contribution, whose basis of calculation is the overall payroll subject to the contribution for *Disoccupazione Involontaria*.

However, despite the generally favorable situation for Enel and in conflict with the opinion issued by the Council of State (whose arguments were cited by the Rome Labor Court in its ruling no. 2384 of February 8, 2007 in *Acea vs. INPS*) and the findings of the decree issued by the Ministry of Labor, during 2006 and early 2007 Enel has received a number of tax assessments demanding payment of contributions for previous years for the CIG, CIGS, *Mobilità* and DS programs. The assessments were suspended at the initiative of INPS or with an injunction of the Labor Court, to which Enel has appealed the assessments received. Accordingly, as the situation stands it is felt that the likelihood of incurring a liability in this regard is remote.

Inquiries by the Milan Public Prosecutor's Office and the State Audit Court

In February 2003, the Milan Public Prosecutor's Office initiated a criminal investigation (still ongoing) of former top managers of Enelpower and other individuals for alleged offences to the detriment of Enelpower and payments made by contractors to receive certain contracts. Implementing the resolutions of the boards of Enel, Enelpower and Enel Produzione, legal action was taken against the suppliers involved, which led to settlements with Siemens and Alstom.

On the basis of the information that emerged during the criminal proceedings, the State Audit Court sued the former Chief Executive Officer and a former executive of Enelpower, in addition to the former Chairman of Enel Produzione, citing them for possible administrative liability in relation to losses caused to the tax authorities. Enel, Enelpower and Enel Produzione deposited an instrument in support of the request of the Regional Public Prosecutor. In a ruling of February 22, 2006, the State

Audit Court, finding that the former directors and managers cited in the suit were liable, awarded Enelpower damages of about €14 million. The ruling was appealed before the Central Jurisdictional Appeals Section of the Rome State Audit Court, where it is still pending.

In parallel with the above ruling, Enelpower and Enel Produzione initiated a revocatory action against the claimants in respect of the former Enel Produzione CEO and the former Enelpower CEO and manager, obtaining a court ruling of the invalidity in their regard of a number of asset disposals.



Chile, El Tatio
surface exploration for geothermal sources

Attachments

Transition of Enel SpA to International Financial Reporting Standards (IFRS)

1. Introduction

Following the entry into force of Regulation (EC) 1606/2002 and under the provisions of Legislative Decree 38/2005, issuers of financial instruments listed on regulated markets are required draft separate financial statements in accordance with international accounting standards. Therefore, Enel SpA, starting with the 2006 financial year, has adopted the international accounting standards (International Accounting Standards - IAS, or International Financial Reporting Standards - IFRS), the interpretations of the International Financial Reporting Interpretations Committee (IFRIC), and the Standing Interpretation Committee (SIC), endorsed by the European Commission (hereinafter IFRS-EU), with January 1, 2005 as the date of transition to IFRS-EU. The final set of Enel SpA financial statements prepared in accordance with Italian GAAP are those for the period ending December 31, 2005.

As required by IFRS 1, paragraph 6 of this document includes a reconciliation of shareholders' equity and income for the period between the amounts calculated previously under Italian GAAP and those that have been restated under IFRS-EU, together with the related notes on the adjustments.

The balance sheet and income statement have been prepared only for the purposes of the transition to IFRS for the preparation of the first set of complete financial statements in accordance with IFRS-EU. Accordingly, they do not include comparative figures and explanatory notes that would be required for a complete presentation of the financial position of Enel SpA in accordance with IFRS-EU.

2. Adoption of IFRS 1

In adopting International Financial Reporting Standards, the Company has applied IFRS 1 – First-time adoption. This standard establishes that if a parent company adopts the international accounting standards first in its consolidated financial statements and then in its separate financial statements, it shall measure its assets and liabilities at the same amounts in both financial statements, except for consolidation adjustments.

Therefore, the reconciliations reported below reflect the same accounting standards and the same options provided for under IFRS 1 that were adopted in drafting the Enel Group's consolidated financial statements for 2005, except for the standard concerning subsidiaries, associates and joint ventures.

The exemptions allowed by IFRS 1 and applicable to the Company, with an indication of those used in drafting the opening balance sheet, are set out below:

- > measurement of property, plant and equipment and intangible assets at fair value or deemed cost: the Company has applied the revalued amount for certain assets;
- > employee benefits: the Company has decided to recognize all cumulative actuarial gains and losses at the date of transition, and has elected to use the corridor approach for all subsequent actuarial gains and losses;
- > share-based payments: the Company has not applied the exemption allowed by IFRS-EU for share-based payments and instead has applied IFRS 2 to all stock option plans existing at January 1, 2005.

3. IFRS-EU balance sheet at January 1, 2005 and December 31, 2005 and IFRS-EU income statement for the period ended December 31, 2005

The balance sheet as at January 1, 2005 and December 31, 2005 and the income statement for the period ended December 31, 2005 are set out below. They show:

- > figures calculated under Italian GAAP reclassified for IFRS-EU purposes;
- > adjustments for alignment with IFRS.

Balance sheet at January 1, 2005

Millions of euro	Italian GAAP reclassified for IFRS-EU	IFRS-EU adjustments	IFRS-EU	Notes
ASSETS				
Non-current assets:				
> Property, plant and equipment	14.4		14.4	
> Intangible assets	18.3	(5.4)	12.9	1
> Deferred tax assets	629.4	123.3	752.7	2
> Equity investments	16,069.0	(2.1)	16,066.9	3
> Non-current financial assets	3,926.3	-	3,926.3	4
> Other non-current assets	404.1	-	404.1	
Total non-current assets	21,061.5	115.8	21,177.3	
Current assets:				
> Trade receivables	226.4	-	226.4	
> Current financial assets	8,749.3	216.9	8,966.2	5
> Cash and cash equivalents	20.4	-	20.4	
> Other current assets	942.0	(32.1)	909.9	6
Total current assets	9,938.1	184.8	10,122.9	
TOTAL ASSETS	30,999.6	300.6	31,300.2	

Balance sheet at January 1, 2005

Millions of euro	Italian GAAP reclassified for IFRS-EU	IFRS-EU adjustments	IFRS-EU	Notes
LIABILITIES AND SHAREHOLDERS' EQUITY				
Shareholders' equity:				
> Share capital	6,103.5	-	6,103.5	
> Other reserves	3,906.8	(85.5)	3,821.3	
> Retained earnings	5,290.6	(66.8)	5,223.8	
Total shareholders' equity	15,300.9	(152.3)	15,148.6	
Non-current liabilities:				
> Long-term loans	8,530.4	(73.1)	8,457.3	7
> Post-employment and other employee benefits	409.1	54.5	463.5	8
> Provisions for risks and charges	656.3	(7.0)	649.3	9
> Deferred tax liabilities	5.2	89.7	94.9	10
> Non-current financial liabilities	-	114.4	114.4	11
Total non-current liabilities	9,601.0	178.4	9,779.4	
Current liabilities:				
> Short-term loans	3,865.8	-	3,865.8	
> Current portion of long-term loans	1,193.9	-	1,193.9	
> Trade payables	369.5	(0.4)	369.1	12
> Income tax payable	23.7	-	23.7	
> Current financial liabilities	215.4	275.4	490.8	11
> Other current liabilities	429.4	(0.5)	428.9	13
Total current liabilities	6,097.7	274.5	6,372.2	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	30,999.6	300.6	31,300.2	

Balance sheet at December 31, 2005

Millions of euro	Italian GAAP reclassified for IFRS-EU	IFRS-EU adjustments	IFRS-EU	Notes
ASSETS				
Non-current assets:				
> Property, plant and equipment	11.8	-	11.8	
> Intangible assets	19.0	(5.0)	14.0	1
> Deferred tax assets	401.8	135.0	536.8	2
> Equity investments	17,474.4	202.1	17,676.5	3
> Non-current financial assets	1,856.7	(6.1)	1,850.6	4
> Other non-current assets	350.1	-	350.1	
Total non-current assets	20,113.8	326.0	20,439.8	
Current assets:				
> Trade receivables	259.7	-	259.7	
> Current financial assets	5,476.0	200.8	5,676.8	5
> Cash and cash equivalents	45.5	-	45.5	
> Other current assets	1,397.8	(44.8)	1,353.0	6
Total current assets	7,179.0	156.0	7,335.0	
TOTAL ASSETS	27,292.8	482.0	27,774.8	

Balance sheet at December 31, 2005

Millions of euro	Italian GAAP reclassified for IFRS-EU	IFRS-EU adjustments	IFRS-EU	Notes
LIABILITIES AND SHAREHOLDERS' EQUITY				
Shareholders' equity:				
> Share capital	6,157.1	-	6,157.1	
> Other reserves	4,192.2	139.1	4,331.3	
> Retained earnings	3,076.9	(66.7)	3,010.2	
> Net income for the period ⁽¹⁾	1,545.5	(19.4)	1,526.1	
Total shareholders' equity	14,971.7	53.0	15,024.7	
Non-current liabilities:				
> Long-term loans	7,226.9	(72.1)	7,154.8	7
> Post-employment and other employee benefits	397.6	42.5	440.1	8
> Provisions for risks and charges	830.0	37.9	867.9	9
> Deferred tax liabilities	38.2	73.5	111.7	10
> Non-current financial liabilities	-	99.7	99.7	11
Total non-current liabilities	8,492.7	181.5	8,674.2	
Current liabilities:				
> Short-term loans	1,967.5	-	1,967.5	
> Current portion of long-term loans	677.9	-	677.9	
> Trade payables	357.6	(0.3)	357.3	12
> Current financial liabilities	162.3	256.5	418.8	11
> Other current liabilities	663.1	(8.7)	654.4	13
Total current liabilities	3,828.4	247.5	4,075.9	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	27,292.8	482.0	27,774.8	

(1) Net of interim dividend of €1,169.4 million.

Income statement for the period ended December 31, 2005

Millions of euro	Italian GAAP reclassified for IFRS-EU	IFRS-EU adjustments	IFRS-EU	Notes
Revenues from sales and services	1,079.4	-	1,079.4	
Other revenues	1,518.8	(5.2)	1,513.6	
Total revenues	2,598.2	(5.2)	2,593.0	14
Personnel	100.6	(9.5)	91.1	15
Purchased power	604.0	-	604.0	
Services, leases and rentals	210.8	-	210.8	
Materials	2.9	-	2.9	
Other costs	93.1	37.9	131.0	16
Depreciation, amortization and impairment losses	13.2	(0.4)	12.8	17
Accruals	216.6	11.0	227.6	18
Operating income	1,357.0	(44.2)	1,312.8	
Dividends from subsidiaries	1,542.5	-	1,542.5	
Income/(Expense) from equity investments	-	20.6	20.6	19
Net financial income/(expense)	(200.6)	6.7	(193.9)	20
Income before taxes	2,698.9	(16.9)	2,682.0	
Income taxes	(16.0)	2.5	(13.5)	21
NET INCOME	2,714.9	(19.4)	2,695.5	

4. Notes on the main IFRS-EU adjustments made to certain items in the balance sheet at January 1, 2005 and at December 31, 2005

Brief comments are given below on the key adjustments made to specific balance sheet items at the beginning and the end of 2005.

Balance sheet – Assets

1) *Intangible assets* (down €5.4 million at January 1, 2005 and down €5.0 million at December 31, 2005); these adjustments regard solely the “extraordinary contribution” owed as a result of the suppression of the Electricity Industry Employee Pension Fund for the employees of Enel and private electricity companies (FPE) established with Law 488 of December 23, 1999 (2000 Finance Act). It was necessary to eliminate the amount recognized in the balance sheet since it is no longer permitted under IFRS-EU.

2) *Deferred tax assets* (up €123.3 million at January 1, 2005 and up €135.0 million at December 31, 2005); these reflect the balance sheet entries offsetting the tax effects applicable to the IFRS-EU adjustments indicated in paragraph 6.

3) *Equity investments* (down €2.1 million at January 1, 2005 and up €202.1 million at December 31, 2005); these adjustments reflect:

- > the measurement at fair value of the equity investment in Echelon, a company listed in the United States (down €2.1 million at January 1, 2005);
- > the measurement at fair value of the equity investments held in Weather Investments Srl and Terna SpA (up €181.5 million at December 31, 2005), valued at cost in accordance with Italian GAAP;
- > the positive effect from measuring the call option provided in agreements related to the sale of the equity investment in Wind and exercised in January 2006 at fair value (up €20.6 million at December 31, 2005).

4) *Non-current financial assets* (down €6.1 million at December 31, 2005); these adjustments reflect:

- > the reduction of the receivable for taking over the Supplementary Company Pension (PIA) for retired executives due from Group companies (down €5.2 million at December 31, 2005); this adjustment is directly related to the actuarial measurement and discounting of the total liability recognized by Enel SpA for the PIA and in part assumed by the subsidiaries (see note 14 “Revenues”);
- > the adjustment of financial receivables due from Group companies as a result of their recognition at amortized cost (down €0.9 million at December 31, 2005).

5) *Current financial assets* (up €216.9 million at January 1, 2005 and up €200.8 million at December 31, 2005); these adjustments mainly reflect the measurement at fair value of hedging derivatives (interest rates and exchange rates) entered into also on behalf of Group companies (see note (d) of “*Reconciliation of shareholders’ equity and net income for the period*” – paragraph 6).

6) *Other current assets* (down €32.1 million at January 1, 2005 and down €44.8 million at December 31, 2005); these adjustments mainly reflect the elimination of prepaid expenses and issue discounts related to bonds measured using the amortized cost method.

Balance sheet – Liabilities

7) *Long-term loans* (down €73.1 million at January 1, 2005 and down €72.1 million at December 31, 2005); these adjustments are mainly related to:

- > the adjustment of foreign currency long-term payables using the period-end exchange rate, compared with the method used under Italian GAAP, where they were recognized using the hedge exchange rate (down €25.2 million at January 1, 2005 and down €24.7 million at December 31, 2005);
- > the adoption of the amortized cost method to measure bonds and long-term bank loans (down €42.0 million at January 1, 2005 and down €42.9 million at December 31, 2005), taking into account the premiums/discounts and expenses involved in issuing bonds.

8) *Post-employment and other employee benefits* (up €54.5 million at January 1, 2005 and up €42.5 million at December 31, 2005); the adjustments are summarized in the following table:

Millions of euro		
	Jan. 1, 2005	Dec. 31, 2005
Termination benefits	(1.3)	(1.2)
Energy discount	7.0	6.1
ASEM healthcare plan	45.4	45.7
Other benefits	3.4	(8.1)
Total	54.5	42.5

These adjustments relate mainly to the application of actuarial methods to determine termination benefits and the recognition of the present value of expected liabilities calculated on an actuarial basis.

9) *Provisions for risks and charges* (down €7.0 million at January 1, 2005 and up €37.9 million at December 31, 2005); the adjustments are summarized in the following table:

Millions of euro		
	Jan. 1, 2005	Dec. 31, 2005
Provision for charges from equity investments (Enel Investment Holding BV)	-	11.0
Terna bonus shares	-	33.4
Provision for restructuring financial instruments	(7.0)	(6.5)
Total	(7.0)	37.9

These adjustments related to:

- > the adjustment of the value of the provision for charges from equity investments to the value of the negative shareholders' equity of the subsidiary Enel Investment Holding BV in application of IFRS-EU;
- > the measurement at fair value of the Terna bonus shares, for which the right to receive the grant was exercised in January 2006;
- > the elimination of the provision for the restructuring of financial instruments due to failure to meet the requirements for recognition under IFRS-EU.

10) *Deferred tax liabilities* (up €89.7 million at January 1, 2005 and up €73.5 million at December 31, 2005); these reflect the balance sheet entries offsetting the tax effects of the IFRS-EU adjustments stated in paragraph 6.

11) *Current and non-current financial liabilities* (up €389.8 million at January 1, 2005 and up €356.2 million at December 31, 2005); these adjustments reflect the measurement at fair value of derivative financial instruments.

12) *Trade payables* (down €0.4 million at January 1, 2005 and down €0.3 million at December 31, 2005); these reflect the adjustment of foreign currency trade payables using the period-end exchange rate, compared with the method used under Italian GAAP, where these payables are recognized using the hedge exchange rate.

13) *Other current liabilities* (down €0.5 million at January 1, 2005 and down €8.7 million at December 31, 2005); these adjustments mainly relate to the elimination of deferred income on loans assumed by Group companies due to their measurement at amortized costs (down €5.6 million at December 31, 2005).

5. Notes on main IFRS-EU adjustments made to certain items in the income statement for 2005

14) *Revenues* (down €5.2 million); the adjustments to “other revenues” refers to lower recoveries from Group companies as a result of the actuarial measurement and discounting of the payable for the Supplementary Company Pension (PIA) for retired executives recognized by Enel SpA and in part assumed by the subsidiaries. (see note 4, “Non-current financial assets”).

15) *Personnel* (down €9.5 million); the adjustment relates to:

- > the various methods for measuring (actuarial/discounting) benefits owed to employees in the form of post-employment and other employee benefits, additional months’ pay, energy discounts, PIA, etc. (down €9.7 million);
- > the measurement of the expenses for the stock options granted to Enel SpA executives (up €5.0 million) as well as to the adjustment of the bonus upon resignation (down €4.8 million).

16) *Other costs* (up €37.9 million); the adjustment mainly relates to the measurement of:

- > the fair value of the Terna bonus shares (up €33.4 million – see note 9);
- > the expenses for the stock options granted to executives of subsidiaries (up €4.8 million).

17) *Depreciation, amortization and impairment losses* (down €0.4 million); these adjustments refer solely to the elimination of charges related to amortization of the Electricity Industry Employee Pension Fund contribution, which is no longer permitted under IFRS-EU (see note 1).

18) *Provisions* (up €11.0 million); the adjustment relates to the change in the value of the provision for charges from equity investments, as described in note 9.

19) *Income/(Charges) from equity investments* (up €20.6 million); the adjustment relates to the positive effect of measuring the call option provided in agreements related to the sale of the equity investment in Wind and exercised in January 2006.

20) *Financial expense, net* (up €6.7 million); the adjustment includes:

- > the financial component arising from discounting employee benefits (down €2.8 million);
- > the ineffective portion of hedges related to derivative financial instruments (up €11.0 million);

- > measurement at fair value through profit or loss of the equity investment in Echelon (up €2.4 million);
- > the impact of adopting the amortized cost method for financial receivables and payables (down €3.9 million).

21) *Income taxes* (up €2.5 million); this figure reflects of tax effects of adjustments to income statement items.

6. Reconciliation of shareholders' equity and net income for the period

As required by IFRS 1, the following schedule reconciles shareholders' equity at January 1, 2005 and at December 31, 2005 and net income for 2005, accompanied by comments on the adjustments made to the balances prepared under Italian GAAP.

Millions of euro	Notes	Shareholders' equity		Net income for the year
		at Jan. 1, 2005	at Dec. 31, 2005	2005
ITALIAN GAAP		15,300.9	14,971.7	2,714.9
Adjustments:				
> Intangible assets	a	(5.4)	(5.0)	0.4
> Equity investments	b	(2.1)	202.1	23.0
> Non-current financial assets	c	-	(5.2)	(5.2)
> Derivative financial instruments	d	(132.7)	(125.0)	11.0
> Adoption of amortized cost	e	1.8	5.0	(3.9)
> Post-employment and other employee benefits (e.g. termination benefits, stock options, ASEM healthcare plan, etc.)	f	(54.5)	(42.5)	1.9
> Provision for risks and charges	g	7.0	(37.9)	(44.1)
Tax impact of adjustments	h	33.6	61.5	(2.5)
Total adjustments net of taxes		(152.3)	53.0	(19.4)
IFRS-EU		15,148.6	15,024.7	2,695.5

Notes to adjustments made to shareholders' equity and net income under IFRS-EU

a. Intangible assets

Capitalization of the cost of the extraordinary contribution for the suppression of the Electricity Industry Employee Pension Fund, paid in three annual installments in 2000, 2001, and 2002, as provided for by a specific law, is no longer permitted under IFRS-EU. Instead, defined contribution plans are recognized in the income statement on the basis of the amount of contributions paid in each period.

The impact of the adjustment on shareholders' equity at January 1, 2005 and at December 31, 2005 was down €5.4 million and down €5.0 million, respectively.

b. Equity investments

Equity investments in undertakings other than subsidiaries and associates are measured at fair value.

The impact of the adjustment on shareholders' equity at January 1, 2005 and at December 31, 2005 was down €2.1 million and up €202.1 million, respectively.

c. Non-current financial assets

Receivables from Group companies related to the taking over of the Supplementary Company Pension (PIA) for retired executives are adjusted as a result of the actuarial measurement and discounting of the total recognized by Enel SpA for the PIA (see note 14 "Revenues").

The effect of this adjustment on shareholders' equity at December 31, 2005 was down €5.2 million.

d. Derivative financial instruments

To manage the risk of fluctuations in interest rates, exchange rates and commodity prices, derivatives are used to hedge both individual transactions and overall exposures.

IFRS-EU establish specific rules regarding accounting for these derivatives, which differ from those provided for by Italian GAAP.

Specifically, with respect to derivatives hedging the risk of changes in cash flows from assets, liabilities or future transactions (cash flow hedges), the main effects relate to:

- > the recognition of the fair value of the "derivative" asset or liability in the balance sheet;
- > the recognition of a cash flow hedge reserve for the effective part of the hedge;
- > the recognition of the ineffective part of the hedge in the income statement.

This method had a negative impact on shareholders' equity at January 1, 2005 and at December 31, 2005 of €132.7 million and €125.0 million, respectively.

e. Adoption of amortized cost

Debt instruments which the Company plans and is able to hold until maturity are measured at amortized cost, using the effective interest rate method.

This method produced a positive impact on shareholders' equity at January 1, 2005 and at December 31, 2005 equal to, €1.8 million and €5.0 million, respectively.

f. Employee benefits

Among the various types of benefits offered to employees, IFRS-EU identify "post-employment benefits". There are benefits due to employees upon termination of their service. Under defined benefit plans, the actuarial risk (that benefits will be

less than expected) and the investment risk (that assets invested will be insufficient to meet expected benefits) fall on the entity and not on the employees. Therefore, the actuarial present value of the expected liability and the related costs and income are recognized, including the financial expense and actuarial gains and losses.

With respect to defined benefits plans, including termination benefits, additional months' pay (IMA), indemnities in lieu of notice, loyalty bonus, supplemental pension plan (PIA) and electricity discounts (electricity provided at reduced rates), the following steps were taken:

> re-recognition and remeasurement of:

- the liability for the energy discount;
- the liability for the loyalty bonus

> application of different measurement criteria for

- termination benefits;
- provision for additional months' pay and indemnities in lieu of notice;
- provisions for the supplemental pension plan.

The most significant difference related to the recognition of the liability for the Asem healthcare plan, which *had a negative impact on shareholders' equity at January 1, 2005 and at December 31, 2005 of €45.4 million and €45.7 million, respectively. The other adjustments mentioned above had a negative impact on shareholders' equity of €9.1 million at January 1, 2005 and a positive impact of €3.2 million at December 31, 2005.*

Under IFRS-EU, stock options granted to employees are measured at their fair value at the date of granting. The cost of the options granted, represented by their fair value, is recognized in the income statement over the vesting period with a balancing entry in a specific reserve under shareholders' equity; accordingly, the overall impact on shareholders' equity is nil.

Italian GAAP do not provide for the recognition of these effects in the income statement.

g. Provision for risks and charges

IFRS-EU require that provisions for risks and charges be recognized only when an entity has a present obligation as a result of a past event and has no realistic alternative to settling that obligation. The adjustment relates to the reversal of provisions for restructuring derivative instruments which do not meet these requirements, *with a positive impact on shareholders' equity at January 1, 2005, and December 31, 2005, of €7.0 million and €6.5 million, respectively.*

The adjustment also includes:

> the supplementation of the costs for the Terna bonus shares, measured at the

market value of the shares, *with a negative effect on shareholders' equity at December 31, 2005 of €33.4 million;*

> adjustment of the provision for charges from equity investments to the value of the negative shareholders' equity of the subsidiary Enel Investment Holding BV calculated under IFRS-EU, with a *negative impact on shareholders' equity at December 31, 2005 of €11.0 million.*

The overall effect on shareholders' equity is a positive €7.0 million at January 1, 2005 and a negative €37.9 million at December 31, 2005.

h. Tax effects of adjustments

Overall the adjustments related to the adoption of IFRS-EU, had a positive impact on shareholders' equity of €33.6 million at January 1, 2005 and €61.5 million at December 31, 2005.

7. Effects on the cash flow statement for the year ended December 31, 2005

A reconciliation of the cash flow statement is not presented as the effects of applying IFRS-EU are not significant.

The following table sets out a reconciliation of net financial indebtedness at December 31, 2005 between the amounts as determined under Italian GAAP and as restated under IFRS-EU.

Millions of euro

	Dec. 31, 2005
Net financial indebtedness under Italian GAAP	2,854
> Application of amortized cost method to short-term and to long-term debt ⁽¹⁾	(49)
Net financial indebtedness under IFRS-EU	2,805

(1) Includes premiums, discounts and transaction costs directly related to the debt, no longer shown separately in the line items established by Italian GAAP.

Please refer to the notes on the key adjustments made above for the other reconciling items.

Report on corporate governance

Section 1: Governance structure

Introduction

During 2006, the corporate governance system in place in the Company and the Group was updated with the intention of ensuring that it both conforms to the recommendations expressed in the new edition of the Self-regulation Code of Italian listed companies promoted by Borsa Italiana, published in March 2006 (hereinafter, for the sake of brevity, the "Self-regulation Code") and corresponds to the recommendations made in this regard by the Consob and, more generally, to international best practice.

The aim of this corporate governance system is essentially the creation of value for the shareholders, taking into account the social importance of the Group's activities and the consequent need, in carrying them out, to adequately consider all the interests involved.

Ownership structure

The capital stock of the Company consists exclusively of registered ordinary shares fully paid up and entitled to full voting rights at both Ordinary and Extraordinary Shareholders' Meetings.

According to the entries in the stock register and the information available as of March 2007, no shareholder – with the exception of the Italian Ministry of the Economy and Finance, which owns 21.12% of the share capital, and the Cassa Depositi e Prestiti (a joint-stock company controlled by the aforesaid Ministry), which owns 10.15% of the share capital – owns more than 2% of the Company's share capital, nor, to the Company's knowledge, do any agreements regarding Enel's shares exist among its shareholders.

The Company is therefore subject to the de facto control of the Ministry of the Economy and Finance. However, the latter has declared that it is not in any way involved in managing and coordinating the Company.

Both the Assicurazioni Generali group (during June 2006) and the Banca Intesa group (during November 2006) have been temporarily in possession of a shareholding constituting slightly more than 2% of the Company's share capital.

Limit to the ownership of shares

Implementing a provision of the regulations regarding privatizations, the Company's bylaws provide that – except for the government, public bodies, and parties subject to their respective control – no shareholder may own, directly or indirectly, Enel shares that constitute more than 3% of the share capital.

The voting rights regarding the shares owned in excess of the aforesaid limit of 3% may not be exercised and the voting rights to which each of the parties concerned by the limit to share ownership would have been entitled will be proportionately reduced, unless there are prior joint instructions from the shareholders concerned. In case of noncompliance, resolutions of Shareholders' Meetings may be challenged in court if the majority required would not have been attained without the votes expressed in excess of the aforesaid limit.

According to the regulations regarding privatizations, the provision of the bylaws concerning the limit to share ownership will lapse if the limit of 3% is exceeded following certain kinds of public tender offers regulated by the Unified Financial Act.

Special powers of the Italian government

Implementing the provisions of the regulations regarding privatizations, the Company's bylaws assign the Italian government (represented for this purpose by the Ministry of the Economy and Finance) several "special powers", which are exercisable regardless of the number of Enel shares owned by the aforesaid Ministry.

Specifically, the Ministry of the Economy and Finance, in agreement with the Ministry of Productive Activities, has the following "special powers", to be used according to the criteria established by the Prime Minister's Decree of June 10, 2004:

- > opposition to the acquisition of significant shareholdings (that is to say, amounting to or exceeding 3% of Enel's share capital) by parties to whom the aforesaid limit to share ownership applies. Grounds for the opposition must be given and the opposition may be expressed only in cases in which the Ministry considers the transaction to be in actual fact detrimental to vital national interests;
- > opposition to shareholders' agreements referred to in the Unified Financial Act if they concern 5% or more of Enel's share capital. In this case, too, grounds must be given for the opposition, which may be expressed only in cases in which the shareholders' agreements are liable to cause concrete detriment to vital national interests;
- > veto of the adoption of resolutions liable to have a major impact on the Company (by which is understood resolutions to wind up, transfer, merge, or split up the Company or to move its headquarters abroad or change its corporate purpose, as well as those aimed at abolishing or changing the content of the "special powers"). Grounds for the veto must in any case be given and the veto may be exercised only in cases in which such resolutions are liable to cause concrete detriment to vital national interests;
- > appointment of a director without the right to vote.

Organizational structure

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

- > a Board of Directors entrusted with the management of the Company;
- > a Board of Statutory Auditors responsible for (i) ensuring compliance with the law and the Company's bylaws, as well as the observance of correct management principles in the carrying out of the Company's activities, (ii) checking the adequacy of the Company's organizational structure, internal auditing system, and administration and accounting system, and (iii) ascertaining how the corporate governance rules provided for by the Self-regulation Code are actually implemented;
- > Shareholders' Meetings, called to resolve – in either an Ordinary or an Extraordinary session – inter alia on (i) the appointment and removal of members of the Board of Directors and the Board of Statutory Auditors, as well as their compensation and responsibilities, (ii) the approval of the financial statements and the allocation of net income, (iii) the acquisition and sales of own shares, (iv) stock-option plans, (v) amendments to the Company's bylaws, and (vi) the issue of convertible bonds.

The external audit of the Company's accounts is entrusted to a specialized firm registered with the Consob and expressly elected, after the Board of Statutory Auditors has made a grounded proposal, by a Shareholders' Meeting. Enel's external auditor is entrusted with the same task at the other Group companies.

In addition to the prohibition regarding the performance of specific kinds of services imposed on auditing firms by the Unified Financial Act (with provisions introduced at the end of 2005), the Group's code of ethics has for some time established that the external audit of the Company's financial statements and of the consolidated financial statements is incompatible with the performance of consulting activities for any Group company and such incompatibility extends to the external auditor's entire network.

Section II: Implementation of the recommendations of the Self-regulation Code and additional information

Board of Directors

Role and powers

The Company's Board of Directors plays a central role in the Company's organization and is entrusted with the powers and the responsibility for strategic and organizational policies, as well as with verifying the existence of the controls necessary for monitoring the performance of the Company and the Group. In consideration of its role, the Board of Directors meets regularly and is organized and works so as to ensure the effective performance of its duties.

In this context, and in accordance with the provisions of the law and specific resolutions of its own (and, in particular, of the one adopted in November 2005), the Board of Directors:

- > establishes the corporate governance system for the Company and the Group and sees to the constitution and definition of the duties of the Board's internal committees, whose members it appoints;
- > delegates and revokes the powers of the Chief Executive Officer, defining their content, limits, and the procedures, if any, for exercising them. In accordance with the delegations in force, the Chief Executive Officer is vested with the broadest powers for the management of the Company, with the exception of those assigned otherwise by the law or the Company's bylaws or that are reserved to the Board of Directors according to the resolutions of the latter, which are described below;
- > receives, together with the Board of Statutory Auditors, constant and exhaustive information from the Chief Executive Officer regarding the activities carried out in the exercise of his powers, which is summarized in a special quarterly report. In particular, with regard to all the most significant transactions carried out using the powers of his office (including atypical or unusual transactions or transactions with related parties whose approval is not reserved to the Board of Directors), the Chief Executive Officer reports to the Board on (i) the features of the transactions, (ii) the parties concerned and any relation they

- might have with the Group companies, (iii) the procedures for determining the considerations concerned, and (iv) the related effects on the income statement and the balance sheet;
- > determines, on the basis of the proposals made by the dedicated Committee and after receiving the opinion of the Board of Statutory Auditors, the compensation of the Chief Executive Officer and of the other Directors who hold specific offices;
 - > evaluates, on the basis of the analyses and proposals made by the dedicated Committee, the criteria adopted for the compensation of the Company's and the Group's executives with strategic responsibilities and decides with regard to the adoption of the stock-option plans addressed to executives to be submitted to Shareholders' Meetings for approval;
 - > evaluates the adequacy of the Company's and the Group's organizational, administrative, and accounting structure and resolves on the changes in the organizational structure proposed by the Chief Executive Officer;
 - > establishes the corporate structure of the Group and checks if it is appropriate;
 - > examines and approves the strategic, business, and financial plans of the Company and the Group. In this regard, the current division of powers within the Company specifically provides for the Board of Directors to resolve on the approval of:
 - the annual budget and the long-term plan (which include the aggregates of the annual budgets and long-term plans of the Group companies);
 - strategic agreements, also determining – upon proposal by the Chief Executive Officer and after the Chairman has expressed his opinion – the strategic objectives of the Company and the Group;
 - > examines and approves beforehand the transactions of the Company and the Group that have a significant impact on their strategy and on their balance sheets, income statements, and cash flows, particularly in cases where they are carried out with related parties or otherwise characterized by a potential conflict of interest. In particular, all financial transactions of a significant size – by which is meant taking on loans exceeding the value of euro 50 million, as well as granting loans and issuing guarantees in favor of third parties exceeding the value of euro 25 million – must be approved beforehand (if they concern the Company) or evaluated (if they regard Group companies) by the Board of Directors.
- In addition, the acquisition and disposal of equity investments amounting to more than euro 25 million must be approved beforehand (if they are carried out directly by the Company) or evaluated (if they concern Group companies) by the same Board of Directors. Finally, the latter approves agreements (with ministries, local governments, etc.) that entail expenditure commitments exceeding euro 25 million;
- > provides for the exercise of voting rights at Shareholders' Meetings of the companies directly controlled by the Parent Company and designates the Directors and Statutory Auditors of the aforesaid companies;
 - > appoints the General Manager and grants the related powers;

- > evaluates the general management of the Company and the Group, with particular reference to conflicts of interest, using the information received from the Chief Executive Officer and verifying periodically the achievement of the objectives set;
- > formulates proposals to submit to Shareholders' Meetings and reports during the latter on the activities that have been carried out and planned, seeing that the shareholders have adequate information on the elements necessary for them to participate in a well-informed manner in the decisions that are within the authority of such Meetings.

Appointment, composition, and term

Pursuant to the provisions of the Company's bylaws, the Board of Directors consists of from three to nine members, who are appointed for a term not exceeding three accounting periods and may be reappointed at the expiration of their term. To them may be added a non-voting Director, whose appointment is reserved to the Italian government in virtue of the legislation regarding privatizations and a specific provision of the bylaws (as previously explained). To date, the Italian government has not exercised this power of appointment.

According to the current legislation, Directors must possess the requisites of honorableness required of (i) company representatives of financial intermediaries, as well as (ii) Statutory Auditors of listed companies.

In compliance with the legislation regulating privatizations and in accordance with the amendments made at the end of 2005 to the Unified Financial Act, the bylaws also provide for the appointment of the entire Board of Directors to take place according to the "slate-vote" mechanism aimed at ensuring the presence on the Board of Directors of members nominated by minority shareholders amounting to three-tenths of the Directors to be elected. In the event this number is a fraction, it is to be rounded up to the nearest integer.

This electoral system currently provides that slates of candidates may be presented by the outgoing Board of Directors or by shareholders who, individually or together with other shareholders, represent at least 1% of the share capital. The slates are filed at the Company's registered office and published in newspapers with a nation-wide circulation sufficiently in advance of the date of the Shareholders' Meeting concerned – 20 days in advance being the deadline if the slate is presented by the outgoing Board of Directors and 10 days if the slates are presented by shareholders – thus ensuring a transparent process for the appointment of the Board of Directors. In this regard, it should be noted that, beginning with the next election of the Board of Directors, shareholders will be requested to file their slates at least 15 days before the date of the Shareholders' Meeting in compliance with the recommendations of the Self-regulation Code, as will be specifically noted in the notice of the Meeting. A report with exhaustive information regarding the personal and professional characteristics of the candidates, accompanied by a statement of whether or not

the latter qualify as independent pursuant to the law and the Self-regulation Code, is to be filed at the Company's registered office at the same time as the slates, as well as published promptly on the Company's web, as noted specifically in the notice of the Shareholders' Meeting.

The Board of Directors confirmed (in December 2006) that it can defer the creation within itself of a special nomination committee, because to date there has been no evidence that it is difficult for shareholders to find suitable candidates, so as to achieve a composition of the Board of Directors corresponding to the recommendations of the Self-regulation Code.

As resolved by the Ordinary Shareholders' Meeting of May 26, 2005, the incumbent Board of Directors consists of nine members, whose term expires when the financial statements for 2007 are approved. As a result of the appointments made at the aforesaid Shareholders' Meeting, the Board thus currently consists of the following members, whose professional profiles are summarized below, together with the specification of the slate on which each of them was nominated.

> Piero Gnudi, 68, Chairman

(designated on the slate presented by the Ministry of the Economy and Finance).

A graduate in economics and commerce (1962) of the University of Bologna and proprietor of an accounting firm located in Bologna, he has served on the board of directors and the board of statutory auditors of numerous important Italian companies, including STET, ENI, Enichem, and Credito Italiano. In 1995, he was appointed economic advisor to the Ministry of Industry. Since 1994, he has been on the board of directors of IRI, where he has also held the positions of supervisor of privatizations (1997) and chairman and chief executive officer (1999); later, from 2000 to 2002, he served as chairman of the IRI liquidation committee. A member of the executive of Confindustria, the steering committee of Assonime (an association of Italian corporations), the executive committee of the Aspen Institute, the committee on corporate governance of listed companies – reconstituted on the initiative of Borsa Italiana in April 2005), and president of the Mediterranean Energy Observatory (OME), he currently holds also the positions of chairman of Emittenti Titoli, director of Unicredito Italiano, and government commissioner of the Fochi Group, which is under special management. He has been Chairman of the Board of Directors of Enel since May 2002.

> Fulvio Conti, 59, Chief Executive Officer and General Manager

(designated on the slate presented by the Ministry of the Economy and Finance).

A graduate of the University of Rome "La Sapienza" with a degree in economics and commerce, in 1969 he joined the Mobil Group, where he held a number of executive positions in Italy and abroad and in 1989-90 was in charge of finance for Europe. The head of the accounting, finance, and control department of Montecatini from

1991 to 1993, he subsequently was in charge of finance at Montedison-Compart (between 1993 and 1996), overseeing the financial restructuring of that group. The general manager and chief financial officer of the Italian National Railways between 1996 and 1998, he also held important positions in other companies of that group (including Metropolis and Grandi Stazioni). Vice-chairman of Eurofima in 1997, in 1998-99 he was general manager and chief financial officer of Telecom Italia, holding also in this case important positions in other companies of that group (including Finsiel, TIM, Sirti, Italtel, Meie, and STET International). From 1999 to June 2005, he was Enel's Chief Financial Officer. He has been the Chief Executive Officer and General Manager of Enel since May 2005, and currently is also a director of Barclays Plc.

> Giulio Ballio, 67, Director

(designated on the slate presented by institutional investors).

A graduate (1963) with a degree in aeronautical engineering of the Milan Polytechnic Institute, he has also made his academic career there. A professor since 1975, since 1983 he has held the chair of steel construction at the school of engineering and since 2002 has been president of the institute. The author of many publications (which have also been published abroad), he has carried on an extensive scientific activity. Alongside his academic activity, since 1964 he has worked with several engineering firms and in 1970 founded an engineering services company (B.C.V. Progetti), where he has been involved in numerous projects as designer, site engineer, and consultant, both in Italy and abroad. A member of the National Research Council's committee on regulations for constructing with steel from 1970 to 2000, he was a member of the Board of Steel Experts from 1975 to 1985 and chairman in 1981-82, as well as a member of the chairman's council of the Italian Calibration Service from 1997 to 2002. He has been involved in the renovation of several important monumental buildings (including the Academia Bridge in Venice) and has coordinated research activities in the field of construction both in Italy and abroad. He has been a Director of Enel since May 2005.

> Augusto Fantozzi, 66, Director

(designated on the slate presented by institutional investors).

A graduate (1963) in law from the University of Rome "La Sapienza", he is a lawyer and the owner of a law firm with offices in Rome, Milan, Bologna, and Lugano, as well as a professor of tax law at "La Sapienza" and the LUISS "Guido Carli". The Minister of Finance from January 1995 to May 1996 in Prime Minister Lamberto Dini's Cabinet – where for several months he also held the offices of Minister of the Budget and Economic Planning and Minister for the Coordination of E.U. Policies – he was subsequently the Minister of Foreign Trade in Prime Minister Romano Prodi's Cabinet (from May 1996 to October 1998). A member of the Chamber of Deputies in the

thirteenth legislature (from May 1996 to May 2001), he was chairman of the Budget, Treasury, and Economic Planning Committee (from September 1999). He has been vice-president of the Finance Council, president of the Asctributi, and a member of the Consulta of Vatican City. A former chairman of the technical committee of the International Fiscal Association, he is the author of numerous publications and has been a member of the editorial board of Italian and international law reviews. He has also been on the board of directors of numerous companies, including the Benetton group, Lloyd Adriatico, and Citinvest, and currently holds the office of deputy chairman of the board of directors of Banca Antonveneta. He has been a Director of Enel since May 2005.

> Alessandro Luciano, 55, Director

(designated on the slate presented by the Ministry of the Economy and Finance).

After graduating from law school, he earned a master's degree in economics and finance in London. A lawyer, he began his career in 1974, consulting in currency law for leading Italian and foreign banks and pleading before the Currency Commission of the Treasury Ministry. At the same time, he was also concerned with the incorporation of companies and with loans from abroad, contributing to the conclusion of several transactions in favor of industries, insurance groups, and state-owned companies. Starting in 1984 he began extending his sphere of activity to the telecommunications industry, where he has been involved with entrepreneurial as well as financial and technical aspects. Formerly a consultant of STET, Techint, Snam Progetti, Aquater, Comerint, and the American company DSC Communications (on behalf of which he participated in trial studies in Italy for the ISDN, MDS, Airspan, and Video-on-demand systems), he has also been vice president of two committees of the Italian Soccer Federation. From October 1998 to March 2005, he was a commissioner of the Italian Communications Authority, where he was a member of the Board and of the Infrastructure and Networks Committee. At the Authority he was concerned with, among other things, the development, competition, and interconnection of communication networks, resolving disputes between telecommunications companies and their users. In June 2005, he became the chairman of the board of directors of Centostazioni (Italian National Railways group). He has been a Director of Enel since May 2005.

> Fernando Napolitano, 42, Director

(designated on the slate presented by the Ministry of the Economy and Finance).

A graduate in economics and commerce (1987) of the University of Naples, he completed his studies in the United States, earning at first a master's degree in management at Brooklyn Polytechnic University and later attending the advanced management program at Harvard Business School. He began his career by working in the marketing division of Laben (Finmeccanica group) and then that of Procter

& Gamble Italia. In 1990 he joined the Italian office of Booz Allen Hamilton, a management and technology consulting firm, where he was appointed partner and vice-president in 1998. Within this office he was in charge of developing activities in the fields of telecommunications, media, and aerospace, while also gaining experience in Europe, the United States, Asia, and the Middle East. He is currently chief executive officer of Booz Allen Hamilton Italia and also carries out assignments with an international scope. From November 2001 to April 2006, he has served on the committee for surface digital television instituted by the Communications Ministry and from July 2002 to September 2006 has been a director of the Italian Center for Aerospace Research. He has been a Director of Enel since May 2002.

> Francesco Taranto, 66, Director

(designated on the slate presented by institutional investors).

He began his career in 1959 in the office of a stockbroker in Milan and subsequently (from 1965 to 1982) worked at the Banco di Napoli, where he eventually became head of the marketable securities service. He then held numerous executive positions in the mutual funds industry, where he was first in charge of investment management at Eurogest (from 1982 to 1984) and then general manager of Interbancaria Gestioni (from 1984 to 1987). After that he worked for the Prime group (from 1987 to 2000), serving for a long time as chief executive officer of the parent company. He has also been a member of the steering committee of Assogestioni and a member of the committee for the corporate governance of listed companies sponsored by Borsa Italiana. A Director of Enel since October 2000, he currently holds the same office at Banca Carige, Cassa di Risparmio di Firenze, Unicredit Xelion Banca, Pioneer Global Asset Management (part of the Unicredito Group), Kedrios, and Alto Partners SGR.

> Gianfranco Tosi, 59, Director

(designated on the slate presented by the Ministry of the Economy and Finance).

A graduate in mechanical engineering (1971) of the Polytechnic Institute of Milan, since 1972 he has held a number of positions at the same institute, becoming professor of iron metallurgy in 1982 and from 1992 also giving the course on the technology of metal materials (together with the same position at the University of Lecco). The author of more than 60 publications, he has been extensively involved in scientific activities. A member of the board of directors of several companies and consortia, he has also held positions in associations, including the vice-presidency of the Gruppo Giovani Federlombarda (with duties as regional delegate on the Comitato Centrale Giovani Imprenditori instituted within the Confindustria) and the office of member of the executive committee of the Unione Imprenditori of the Province of Varese. From December 1993 to May 2002, he was mayor of the city of Busto Arsizio. The president of the Center for Lombard Culture, established by the Lombardy Region to defend and develop the

local culture, he is also a member of the association of journalists. He has been a Director of Enel since May 2002.

> Francesco Valsecchi, 42, Director

(designated on the slate presented by the Ministry of the Economy and Finance).
After graduating with honors (1987) with a degree in law from the University of Rome "La Sapienza", he held a number of positions both there and at the LUISS "Guido Carli" in Rome regarding specifically the field of commercial law. From 1990 to 1992, he was the academic coordinator of the course for corporate lawyers organized by the LUISS business school. A lawyer and the author of several publications, since November 2001 he has been a member of the committee on the reform of civil trials instituted by the Ministry of Justice and since March 2002 has taught at the Civil Service School. Since December 1994 he has been an extraordinary member of the Technical Council of the Communications Ministry and since April 2003 has been on the committee of experts of the High Commission for the coordination of public finance and the tax system. A member of the board of directors of the Italian Postal Service (from May 2002 to May 2005), he has subsequently held important positions in several companies of such group, including the chairmanship of BancoPosta Fondi SGR (since April 2003) and Postecom (from July 2002 to April 2003). He has been a Director of Enel since May 2005.

The Directors are aware of the duties and responsibilities connected with the office they hold and are kept constantly informed by the relevant corporate departments of the most important legislative and regulatory changes concerning the Company and performance of their duties. In order to be able to perform their role even more effectively, they also participate in initiatives aimed at increasing their knowledge of the reality and dynamics of the Company.

The Directors perform their duties with full knowledge of the facts and in complete autonomy, pursuing the primary objective of creating value for the shareholders within a medium-long time frame.

Limit to the number of offices held by Directors

The Directors accept their office and maintain it in the belief that they can dedicate the necessary time to the diligent performance of their duties, taking into account both the number and the nature of the offices they hold on the boards of directors and the boards of statutory auditors of other companies of significant size and the commitment required by the other professional activities they carry on and the offices they hold in associations.

In this regard, it should be noted that in December 2006, the Board of Directors approved (and formalized in a specially provided document) a policy regarding the maximum number of offices that its members may hold on the boards of directors

and the boards of statutory auditors in other companies of significant size in order to ensure that the persons concerned have sufficient time available to ensure the effective performance of the role they have on the Board of Directors of Enel. Following the recommendations of the Self-regulation Code, the aforesaid policy considers to this end the offices held on the boards of directors and boards of statutory auditors of the following kinds of companies:

- a) companies with shares listed on regulated markets, including foreign ones;
- b) Italian and foreign companies with shares not listed on regulated markets and doing business in the fields of insurance, banking, securities intermediation, mutual funds, or finance (as far as the last field is concerned, only with regard to finance companies subject to the prudential supervision of the Bank of Italy and entered on the special list referred to in article 107 of the Unified Banking Act);
- c) other Italian and foreign companies with shares not listed on regulated markets that, even though they do business in fields other than those specified under letter b) above, have assets exceeding euro 1 billion or revenues exceeding euro 1.7 billion according to the latest approved financial statements.

In accordance with the recommendations of the Self-regulation Code, the policy formulated by the Board of Directors thus establishes differentiated limits to the number of offices (made measurable by a system of specific “weights” for each kind of office) depending on (i) the commitment connected with the role performed by each Director both on the Board of Directors of Enel and on the boards of directors and the boards of statutory auditors of other companies of significant size, as well as (ii) the nature of the companies where the other roles are performed, excluding from the related calculation those performed in Enel’s subsidiaries and affiliates. On the basis of the information provided by the Directors of the Company to implement the aforesaid policy, it has been ascertained that each of them currently holds a number of offices on the boards of directors and boards of statutory auditors of other companies of significant size that is compatible with the limits established by the same policy.

Board Meetings and the role of the Chairman

In 2006 the Board of Directors held 16 meetings, which lasted an average of more than 3 hours and 30 minutes each. Director participation was regular and the meetings were also attended by the Board of Statutory Auditors and by the magistrate representing the Court of Accounts. As far as 2007 is concerned, as of the month of March 9 meetings have been held (with respect to the 4 that were scheduled), while for the rest of the year 10 more Board meetings are planned.

The activities of the Board of Directors are coordinated by the Chairman, who calls its meetings, establishes their agenda, and presides over them, ensuring that – except in cases of urgency and necessity – the necessary documents and information are provided to the Board members in time for the Board to express its informed opinion

on the matters under examination. He also ascertains whether the Board's resolutions are implemented, chairs Shareholders' Meetings, and – like the Chief Executive Officer – is empowered to represent the Company legally.

In short, the Chairman's role is to stimulate and supervise the functioning of the Board of Directors as part of the fiduciary powers that make him the overseer for all shareholders of the legality and transparency of the Company's activities.

According to a Board resolution of November 2005, the Chairman is also entrusted with the duties of (i) participating in the formulation of corporate strategies in agreement with the Chief Executive Officer, the powers granted the latter by the Board of Directors being understood, as well as (ii) overseeing auditing in agreement with the Chief Executive Officer, with the internal auditing department remaining under the latter. In this regard, however, it is provided that decisions concerning the appointment and revocation of the head and top executives of the aforesaid department are to be made jointly by the Chairman and the Chief Executive Officer. Finally, in agreement and coordination with the Chief Executive Officer, the Chairman maintains relations with institutional bodies and authorities.

Evaluation of the functioning of the Board of Directors and the Committees

In the second half of 2006, with the assistance of a specialized company, the Board of Directors began (and completed in February 2007) an evaluation of the size, composition, and functioning of the Board and its Committees (so-called board review), in accordance with the most advanced practices of corporate governance found abroad and adopted by the Self-regulation Code.

Conducted by means of a questionnaire filled out by each Director and followed by individual interviews carried out by the consultancy firm, the analysis focused on numerous aspects regarding the Board of Directors, such as: (i) the structure, composition, role, and responsibilities of the body; (ii) the conduct of Board meetings, the related flow of information, and the decision-making procedures adopted; (iii) the functioning and composition of the Committees formed within the Board of Directors; (iv) the strategies pursued and the performance objectives set; (v) the relations between the Board, the shareholders, and the stakeholders; and (vi) the Company's organizational structure and the plans of management turnover adopted. Among the most positive aspects that emerged from the board review was, first of all, the atmosphere of great cohesiveness existing on the Board of Directors, which facilitates open and constructive discussion that is respectful of the contribution of each Director and tends to converge towards decisions characterized by broad agreement. It was also reported that the Board's decision-making process is supported by flows of information that the Directors consider timely and effective (although capable of improvement from both points of view), with the minutes being drawn up precisely. The Directors also gave an essentially positive evaluation of the ease with

which they had access to the Chief Executive Officer and the Chairman, as well as of the role the latter performs as the person who ensures the application of sound corporate governance within the Board. The structure of the Board of Directors and the number of Board meetings were considered appropriate and – like the long-term strategic objectives – it was thought that the short-to-medium-term operating and performance objectives were clearly established. As far as the Committees formed within the Board are concerned, there was wide agreement about their role, the effectiveness of their activity, and the appropriateness of their composition. Among the aspects that could be improved – and on which the Board of Directors will focus its attention in 2007 – were thought to be the need for greater agreement by the Board on the most important decisions, as well as with regard to the adequacy of the Company's organizational structure and the plans of management turnover. Finally, the Directors hoped that the length of the Board meetings (on average, 2 hours and 30 minutes each in 2005) would be increased so that the important issues on the agenda could be discussed more thoroughly. Following up on the needs that emerged from the board review which had been carried out in 2004, it was considered advisable to organize again in 2006 a special strategic meeting, which took place in November and was dedicated to the analysis and in-depth study by the Board of Directors of the Company's and Group's long-term strategies.

Non-executive Directors

The Board of Directors consists of executive and non-executive Directors. In accordance with the recommendations of the Self-regulation Code, the following are considered executive Directors:

- > the Chief Executive Officer of the Company (or of strategically significant Group companies), as well as the related Chairman who has been granted individual powers of management or who has a specific role in the formulation of the Company's strategies;
- > Directors who hold executive positions in the Company (or in strategically significant Group companies) or in the controlling entity, if the position also regards the Company.

The Directors who do not correspond to any of the aforesaid categories can be termed non-executive.

According to the analysis carried out by the Board of Directors in December 2006, with the exception of the Chairman and the Chief Executive Officer, the other 7 members of the Board of Directors currently in office (Giulio Ballio, Augusto Fantozzi, Alessandro Luciano, Fernando Napolitano, Francesco Taranto, Gianfranco Tosi and Francesco Valsecchi) can be termed non-executive Directors.

As far as the Chairman is concerned, it should be noted that the characterization of the latter as an executive Director derives from the specific role that the current

division of powers assigns him with regard to the formulation of the Company's strategies, while the person concerned does not have any individual powers of management.

The number, expertise, authoritativeness and availability of time of the non-executive Directors are therefore sufficient to ensure that their judgment can have a significant influence on the decisions made by the Board.

The non-executive Directors bring their specific expertise to the Board's discussions, so as to facilitate an examination of the subjects under discussion from different perspectives and consequently well-considered and well-informed decisions that correspond to the corporate interest.

Independent Directors

Basing itself on the information provided by the individual persons concerned or, in any case, at the Company's disposal, in December 2006 the Board of Directors attested that all the non-executive Directors qualify as independent.

Specifically, independent directors are defined as those who do not have, nor have recently had, even indirectly, relations with the Company or with parties connected with the Company that could condition independence of judgment at the present time. In evaluating the independence of the non-executive Directors, the Board of Directors took into account the cases in which, according to the Self-regulation Code, the requisite of independence should be considered lacking and applied in this respect the principle of the prevalence of substance over form recommended by the Code itself. When it carried out its review in December 2006, the Board of Directors was able to ascertain that all the non-executive Directors also possessed the requisites of independence provided for the Statutory Auditors of listed companies, in accordance with the amendments to the Unified Financial Act made at the end of 2005.

In March 2007, the Board of Statutory Auditors ascertained that, in carrying out the aforesaid evaluation of the independence of its non-executive members, the Board of Directors correctly applied the criteria recommended by the Self-regulation Code, following for that purpose a transparent assessment procedure that enabled the Board to learn about relations that were potentially significant for the purpose of the evaluation of independence.

The independent Directors held their first meeting without the other Directors present in February 2007.

In December 2006, the Board of Directors also ascertained the absence of the conditions that, according to the Self-regulation Code require the institution of a lead independent director, in consideration of the fact that at Enel the Chairman of the Board of Directors is not the chief executive officer, nor does he own a controlling interest in the Company.

Although independence of judgment characterizes the activity of all the Directors, whether executive or not, an adequate presence (in terms of both number and

expertise) of Directors who qualify as “independent” according to the aforesaid definition and have significant roles on both the Board of Directors and its Committees is considered a suitable means for ensuring that the interests of all the shareholders are appropriately balanced.

Committees

In order to ensure that it performs its duties effectively, as early as January 2000 the Board of Directors set up as part of itself a Compensation Committee and an Internal Control Committee, assigning them both advisory and proactive duties and entrusting them with issues that are sensitive and sources of possible conflicts of interest. Each Committee consists of at least 3 non-executive Directors, the majority of whom are independent, and are appointed by the Board of Directors, which names one of them as coordinator and also establishes the duties of the Committee by a special resolution.

In December 2006, the Board of Directors approved special organizational regulations that govern the composition, tasks, and working procedures of each Committee. The Committees in question are empowered to access the information and corporate departments necessary to perform their duties and make avail themselves of outside consultants at Company’s expense within the limits of the budget approved by the Board of Directors.

Each Committee appoints a secretary, who need not be one of its members, who is entrusted with the task of drawing up the minutes of the meetings.

The meetings of each Committee may be attended by the members of the other Committee, as well as by other members of the Board of Directors or other persons, invited by the related coordinator, whose presence may help the Committee to perform its duties better.

The meetings of the Internal Control Committee are also attended by the Chairman of the Board of Statutory Auditors or another Statutory Auditor designated by him (in consideration of the specific duties regarding the supervision of the internal control system with which the aforesaid Board is entrusted by the laws in force concerning listed companies) and, as from December 2006, the Chairman of the Board of Directors (in his capacity as an executive Director entrusted with supervising the functioning of the internal control system). The head of internal auditing may also attend the aforesaid meetings.

Compensation Committee

The Compensation Committee is entrusted first of all with the task of ensuring that the compensation of the Directors is established in an amount that is sufficient to attract, retain, and motivate Directors endowed with the professional qualities required for successfully managing the Company.

In this regard, the Committee must ensure that a significant portion of the

compensation of the executive Directors and executives with strategic responsibilities is tied to the economic results achieved by the Company and the Group, as well as the attainment of specific objectives established beforehand by the Board of Directors, or – with regard to the aforesaid executives – by the Chief Executive Officer, in order to align the interests of the persons concerned with the pursuit of the primary objective of creating value for the shareholders in a medium-to-long time frame.

The Compensation Committee also ensures that the compensation of the non-executive Directors is commensurate with the commitment required of each of them, taking into account their participation on the Committees. It should be noted in this regard that, in line with the recommendations of the Self-regulation Code, this compensation is in no way tied to the economic results achieved by the Company and the Group and that the non-executive Directors are not beneficiaries of the stock-option plans.

Specifically, then, the Compensation Committee is entrusted with the following tasks, which are both advisory and proactive (as last redefined by the Board of Directors in December 2006 to implement the recommendations of the Self-regulation Code):

- > to present proposals to the Board of Directors for the compensation of the Chief Executive Officer and the other Directors who hold particular offices, monitoring the application of the resolutions adopted by the Board. It should be noted in this regard that the Directors in question are not allowed to attend the meetings of the Committee at which the proposals regarding the related compensation to present to the Board of Directors are formulated;
- > to periodically review the criteria adopted for the compensation of executives with strategic responsibilities, monitor their application on the basis of the information provided by the Chief Executive Officer and formulate general recommendations for the Board of Directors on the matter.

As part of its duties, the Compensation Committee also plays a central role in elaborating and monitoring the performance of stock-option plans addressed to executives and conceived as instruments for providing incentives for them and making them loyal, which are aimed at attracting and motivating resources with appropriate ability and experience and further developing their sense of belonging and ensuring their constant, enduring effort to create value. The 2006 stock-option plan, which was drawn up by the Compensation Committee and then submitted by the Board of Directors to the Shareholders' Meeting for its approval, also included among beneficiaries the Company's Chief Executive Officer in his capacity as General Manager.

In addition to those recommended by the Self-regulation Code, the Compensation Committee also performs the function of assisting the Chief Executive Officer and the relevant corporate departments in developing the potential of the Company's

managerial resources, recruiting talented people, and promoting related initiatives with universities.

In 2006, the Compensation Committee (i) consisted entirely of non-executive and independent Directors in the persons of Francesco Taranto (who acts as coordinator), Giulio Ballio, Fernando Napolitano, and Gianfranco Tosi, (ii) held 10 meetings, which all of its members attended regularly and which lasted an average of 1 hour and 10 minutes, and, finally, (iii) called on external consultants at the Company's expense.

During 2006, the Compensation Committee – in addition to elaborating the stock-option plan for that year – worked on establishing the applicative aspects of the variable component of the compensation of the Chief Executive Officer and the Chairman, in particular setting the annual economic and managerial objectives to assign them. The Committee also reviewed the compensation policies and the management methods of executives in place in the Company and the Group (carrying out in this regard benchmark comparisons with the compensation paid by companies comparable to Enel) and examined in depth the different kinds of incentives that may be used in the light of the new tax regime regarding stock options.

Internal Control Committee

The Internal Control Committee has the task of assisting the Board of Directors in the latter's evaluations and decisions regarding the internal control system, the approval of the financial statements and the half-year report, and the relations between the Company and the external auditor by preliminarily gathering the relevant facts.

Specifically, the Internal Control Committee is entrusted with the following tasks, which are both advisory and proactive (as last redefined by the Board of Directors, in December 2006 to implement the recommendations of the Self-regulation Code):

- > to assist the Board of Directors in performing the tasks regarding internal control entrusted to the latter by the Self-regulation Code;
- > to evaluate, together with the executive in charge of preparing the corporate accounting documents and the external auditors, the proper use of accounting principles and their uniformity for the purpose of drawing up the consolidated financial statements;
- > to express opinions, upon request by the executive Director who is assigned the task, on specific aspects regarding the identification of the Company's and Group's main risks, as well as the planning, implementation, and management of the internal control system;
- > to examine the work plan prepared by the head of internal auditing, as well as the latter's periodical reports;
- > to assess the proposals made by auditing firms to obtain the related assignment,

- as well as the work plan prepared for the external audit and the results expounded in the report and, if there is one, the letter of suggestions;
- > to oversee the effectiveness of the external audit process;
 - > to perform the additional tasks assigned it by the Board of Directors, with particular regard to the checks aimed at ensuring the transparency and the fairness of transactions with related parties;
 - > to report to the Board of Directors at least once every six months – when the financial statements and the half-year report are approved – on the work performed and the adequacy of the internal control system.

During 2006, the Internal Control Committee consisted entirely of non-executive, independent Directors. Specifically, (i) during the period from January to December the members were Piero Gnudi (who acted as coordinator), Augusto Fantozzi, Alessandro Luciano, and Francesco Valsecchi, while (ii) beginning in December (that is to say, in concurrence with the acknowledgment of the Chairman of the Board of Directors in his new role as executive Director according to the criteria established by the Self-regulation Code), the Committee has consisted of Augusto Fantozzi (who acts as coordinator), Alessandro Luciano, and Francesco Valsecchi. In December 2006, the Board of Directors also acknowledged that the new coordinator, Augusto Fantozzi, has the qualifications of adequate experience in accounting and finance provided for by the Self-regulation Code.

During 2006, the Internal Control Committee held 8 meetings, which were regularly attended by its members (as well as the Chairman of the Board of Statutory Auditors) and lasted an average of 1 hour and 30 minutes each.

During 2006, the work of the Internal Control Committee focused on the evaluation of (i) the work plans prepared by both the head of internal auditing and the external auditor, as well as (ii) the results of the audits performed during the preceding year, and (iii) the content of the letter of suggestions prepared by the external auditor regarding the accounting period in question. The Committee also examined several supplementary auditing assignments for the external auditor regarding the Group, supervised the preparation of the sustainability report and the “zero tolerance of corruption – ZTC” plan, monitored the observance of the compliance program adopted pursuant to legislative decree no. 231 of June 8, 2001 (and also seeing to the updating of the aforesaid program), and oversaw the progress made in the activities aimed at ensuring the prompt issue of the management’s attestation regarding the planning, implementation, and actual functioning of the internal controls over financial reporting, in accordance with the requirements of the Sarbanes-Oxley Act (which applies to Enel because of the listing of the Company’s shares on the New York Stock Exchange, in the form of ADRs – American Depositary Receipts).

Board of Statutory Auditors

According to the provisions of the law and the Company's bylaws, the Board of Statutory Auditors consists of three regular Auditors and two alternates, who are appointed for a period of three accounting periods and may be re-appointed when their term expires.

During 2005, in adjusting its governance rules to the regulations of the United States on audit committees contained in the Sarbanes-Oxley Act – which applies to Enel for the aforesaid reason – the Company strengthened the supervisory duties already entrusted to the Board of Statutory Auditors by Italian law, the description of which is contained in the paragraph of the present report concerning the organization of the Company.

Since July 2005, therefore, in connection with the provisions of the US regulations on audit committees, the Board of Statutory Auditors has had the following duties:

(i) to supervise the work of the external auditor and to approve beforehand the entrusting of the latter with additional assignments, which will in any case regard accounting; (ii) to oversee the corporate procedures that regulate the presentation of complaints and reports concerning accounting practices and the internal control system, with the possibility of availing itself of external consultants.

In order to ensure that the Board of Statutory Auditors can effectively perform its duties and in compliance with the recommendations of the Self-regulation Code, in December 2006 the Board of Directors expressly granted it, as far as it is concerned:

- > the power to oversee the independence of the external auditor (in confirmation of the provisions of the US regulations on audit committees), monitoring both compliance with the relevant regulatory provisions and the nature and extent of the services other than auditing that the external auditor and the firms belonging to the latter's network may provide for the Company and the Group;
- > the power – which may also be exercised individually by the Auditors – to request the Company's Internal Auditing Department to perform checks on specific corporate operating areas or transactions;
- > the power to promptly exchange with the Internal Control Committee information relevant for performing their respective duties.

All the members of the Board of Statutory Auditors must possess the requisites of honorableness and professional competence required of Statutory Auditors of listed companies by the legislation in force, as supplemented by special provisions of the bylaws. According to the provisions of the Unified Financial Act, the limit to the number of offices on the Boards of Directors and Boards of Statutory Auditors that the members of the Board of Statutory Auditors may hold in Italian corporations will be established by the Consob in specially provided regulations, which are expected to be issued by the end of March 2007. Until then, the need to ensure that the Statutory Auditors have the time necessary to perform their duties diligently is satisfied by

provision of the bylaws according to which the members of the Board of Statutory Auditors may not hold the office of regular Statutory Auditor in more than four companies not controlled by Enel that issue securities listed on regulated markets. As in its provisions for the Board of Directors – and in compliance with the regulations regarding privatizations, as well as in accordance with the amendments to the Unified Financial Act made at the end of 2005 – the bylaws provide that the appointment of the entire Board of Statutory Auditors take place according to the “slate vote” mechanism, which aims to ensure the presence on the Board of a regular Auditor and an alternate Auditor designated by minority shareholders.

This electoral system currently provides that shareholders who, alone or together with other shareholders, represent at least 1% of the share capital may present slates of candidates. The slates must be filed at the Company’s registered office and published in daily newspapers with nationwide circulation at least 10 days before the date of the Shareholders’ Meeting. It should be noted in this regard that, beginning with the next election of the Board of Statutory Auditors, the shareholders will be requested to file their slates at least 15 days before the day of the Shareholders’ Meeting, in compliance with the recommendations of the Self-regulation Code and according to specific note contained in the notice of the meeting. In order to ensure a transparent procedure for the appointment of the Board of Statutory Auditors, exhaustive information about the personal and professional characteristics of the candidates must be filed at the Company’s registered office at the same time as the slates, as well as promptly published on the Company’s website according to a specific note contained in the notice of the meeting. In accordance with the provisions of the Unified Financial Act, the procedures for the election of a regular auditor by “slate vote” in companies with listed shares are established by the Consob in specially provided regulations, which are expected to be issued by the end of March 2007. Until then, the provisions of the bylaws so far described will be valid.

In any case, the Statutory Auditors act autonomously and independently, including with regard to the shareholders who elected them.

Having been elected by the Ordinary Shareholders’ Meeting of May 21, 2004, the incumbent Board of Statutory Auditors has a term that will expire when the 2006 financial statements are approved. The Chairman of the Board of Statutory Auditors elected by that Shareholders’ Meeting, Angelo Provasoli, resigned from his office in March 2005 (but with effect as from the approval of the financial statements regarding 2004) because of his intense activity in consequence of his appointment as president of the Bocconi University in Milan and thus the Ordinary Shareholders’ Meeting of May 26, 2005 replaced him with Eugenio Pinto. The Board of Statutory Auditors therefore currently consists of the following regular members, for each of whom a brief professional profile is provided, as well as (where possible) the slate on which he was designated.

> Eugenio Pinto, 47, Chairman

(designated by the Ministry of the Economy and Finance).

A graduate with honors in economics and commerce (1983) of the University of Rome "La Sapienza", he is currently a professor of business economics in the economics department of the LUISS "Guido Carli". The author of numerous publications, he has been a member of the group of experts on lending and saving set up by the Minister of the Treasury, as well as of the expert committee instituted to advise the Treasury Department with regard to bank foundations. He was also a member of the Zamagni Committee (instituted by the Minister of Finance to draw up tax regulations for non-profit organizations) and a consultant of the "Euro Committee" (established at the Ministry of the Treasury and entrusted with drawing up the regulations that governed the introduction of the European single currency in Italy). He is currently a member of the executive committee of the "Organismo italiano di contabilità" (the Italian standard setter on accounting principles), as well as of the expert committee of the CIRSIFID at the University of Bologna. A certified public accountant, he also consults on economic and financial matters for important public and private clients. He is currently a regular statutory auditor of, among others, Mediobanca, Alleanza Assicurazioni (Assicurazioni Generali group), and Sofid (ENI group), as well as chairman of Astaldi's board of statutory auditors. He has been a regular statutory auditor at the Banca di Roma, the Banca Nazionale dell'Agricoltura (Antonveneta group), and chairman of the board of statutory auditors of Agip Petroli (ENI group). He has been Chairman of Enel's Board of Statutory Auditors since May 2005.

> Carlo Conte, 59, regular Auditor

(designated on the slate presented by the Ministry of the Economy and Finance).

After graduating in economics and commerce at "La Sapienza" University in Rome, he has remained active in the academic world. He has taught at the University of Chieti (1988-1989) and the LUISS "Guido Carli" in Rome (1989-1995) and currently teaches governmental accounting at the Civil Service School and the School of Management at the LUISS, as well as administration and governmental accounting at the Bocconi University in Milan. A certified public accountant, he is also the author of a number of publications. In 1967 he started his career in the Civil Service at the Government Accounting Office, becoming a General Manager in 2002. He currently represents the Office on a number of commissions and committees and in various research and work groups, as well as representing Italy on several committees of OECD. He has also been and still is a statutory auditor in a number of bodies, institutions, and companies. He has been a member of Enel's Board of Statutory Auditors since May 2004.

> Franco Fontana, 63, regular Auditor

(designated on the slate presented by institutional investors).

A certified public accountant and professor of economics and business management, since 1973 he has taught at a number of Italian universities and has been the dean of the economics department at the LUISS "Guido Carli" in Rome since 1995. He has been director of the school of management of the aforesaid university since 1994. He has served as a member of several commissions for the reorganization of the Civil Service (Ministry of the Postal Service and Telecommunications, Ministry of Finance, Ministry of Industry, and Ministry of Health). From 1994 to 1997, he was chairman of the Cassa di Risparmio of the Province of l'Aquila. A member of Enel's Board of Statutory Auditors since 2001, he is the author of numerous publications on the subjects of business management and organization.

During 2006, the Board of Statutory Auditors held 16 meetings, lasting an average of 1 hour and 30 minutes, which were regularly attended by the regular Auditors and by the magistrate representing the Court of Accounts.

In March 2007, the Board of Statutory Auditors certified that the Chairman, Eugenio Pinto, and the regular Auditor Franco Fontana possess the requisite of independence provided for by the Self-regulation Code with regard to directors. As far as the regular Auditor Carlo Conte is concerned, the Board of Statutory Auditors ascertained that, even though he does not possess the aforesaid requisite of independence (because he is a General Manager at the Ministry of the Economy and Finance, the controlling shareholder of the Company), he does possess the characteristics of independence provided for by the Unified Financial Act (and the related implementation regulations) with regard to statutory auditors of listed companies.

Executive in charge of preparing the corporate accounting documents

In compliance with the provisions introduced at the end of 2005 in the Unified Financial Act, a clause was inserted in the Company's bylaws on the basis of which in June 2006 the Board of Directors, after receiving the opinion of the Board of Statutory Auditors, appointed the head of the Company's Accounting, Planning, and Control Department to the position of executive in charge of preparing the corporate accounting documents.

The duty of this executive is to establish appropriate administrative and accounting procedures for the preparation of the financial statements of the Parent Company and the consolidated financial statements, as well as all other financial documents. The Board of Directors ensures that this executive has adequate powers and means, as well as seeing that the administrative and accounting procedures that he establishes are actually observed.

The executive in question issues a declaration that accompanies the corporate documents and communications released to the market regarding accounting information, including interim information, and certifies that such information corresponds to what is recorded in the Company's documents, account books, and book entries.

Together with the Chief Executive Officer, the aforesaid executive also certifies in a specially provided report attached to the financial statements of the Parent Company, the consolidated financial statements, and the half-year report (i) the adequacy and actual application of the aforesaid administrative and accounting procedures during the period to which such accounting documents refer and (ii) the correspondence of the aforesaid documents to the accounting records and their suitability for providing a truthful and fair representation of the Company's and the Group's balance sheet, income statement, and cash flows. The content of the report in question will be established by the Consob in specially provided regulations, which it is expected will be issued by the end of March 2007.

Internal control system

With regard to internal control, several years ago the Group adopted a special system aimed at (i) checking the adequacy of Group procedures 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 Group's internal control system is divided into two distinct areas of activity:

- > "line auditing", which consists of all the auditing activities that the individual operating units or Group companies carry out on their own processes. Such auditing activities are primarily the responsibility of operating executives and are considered an integral part of every corporate process;
- > internal auditing, which is entrusted to the Company's related department and is aimed essentially at the identification and containment of corporate risk of any kind. This objective is pursued through the monitoring of line auditing, in terms of both the adequacy of the audits themselves and the results actually achieved by their application. This auditing activity is therefore applied to all corporate processes of the Company and of Group companies. The personnel in charge of said activity is responsible for indicating both the corrective actions deemed necessary and for carrying out follow-up actions aimed at checking the results of the measures suggested.

Responsibility for adopting an appropriate internal control system consistent with the reference models and existing national and international best practice is entrusted

to the Board of Directors, which, to this end and availing itself of the Internal Control Committee:

- > establishes the guidelines of such system, so that the main risks regarding the Company and its subsidiaries are correctly identified, as well as properly measured, managed, and monitored, and then ensures the compatibility of such risks with sound and correct corporate management. It should be noted in this regard that in December 2006, the Board of Directors took note of the identification of the main risks regarding the Group and the establishment of specially provided criteria for measuring, managing, and monitoring the aforesaid risks – according to the content of a special document drawn up by the Company's Internal Auditing Department – and agreed on the compatibility of the aforesaid risks with sound and correct corporate management;
- > appoints one or more executive Directors to supervise the functioning of the internal control system. In this regard, it should be noted that in December 2006 the Board of Directors entrusted this role to both the Chief Executive Officer and the Chairman, assigning the latter the task of regularly participating in the meetings of the Internal Control Committee;
- > evaluates at least once a year the adequacy, efficiency, and actual functioning of the internal control system. It should be noted in this regard that in March 2007, the Board of Directors expressed a positive evaluation in this respect;
- > appoints and removes one or more persons to be in charge of the internal control system, establishing his compensation in line with the relevant corporate policies. In this regard, in December 2006 the Board of Directors confirmed that the person in charge of the internal control system is the head of the Company's Internal Auditing Department and established his compensation as the same as he was already receiving.

The executive Directors assigned to oversee the functioning of the internal control system in turn:

- > oversee the identification of the main corporate risks, taking into account the characteristics of the activities carried out by the Company and its subsidiaries and then submitting them periodically to the Board of Directors for examination;
- > carry out the guidelines established by the Board of Directors, seeing to the planning, implementation, and management of the internal control system and constantly monitoring its overall adequacy, effectiveness, and efficiency. They also supervise the adaptation of this system to the dynamics of operating conditions and the legislative and regulatory framework;
- > make proposals to the Board of Directors regarding the appointment, removal and compensation of one or more persons to be in charge of the internal control system.

The person in charge of the internal control system:

- > is entrusted with ensuring that the internal control system is always adequate, fully operative, and functioning;
- > is not the head of any operating area and is not hierarchically dependent on any head of operating area;
- > has direct access to all the information that is useful for the performance of his duties;
- > has adequate means at his disposal for performing the task assigned him;
- > reports on his activity to the executive Directors assigned to supervise the functioning of the internal control system, the Internal Control Committee, and the Board of Statutory Auditors. Specifically, he reports on the procedures through which risk management is conducted, as well as on the observance of the plans devised for their containment, and expresses his evaluation of the suitability of the internal control system for achieving an acceptable level of overall risk.

Transactions with related parties

In December 2006, the Board of Directors – in compliance with the provisions of the Italian Civil Code and the recommendations of the Self-regulation Code – adopted regulations that establish the procedures for approving and carrying out transactions undertaken by the Company or its subsidiaries with related parties, in order to ensure the transparency and correctness, both substantial and procedural, of the aforesaid transactions.

According to these regulations, the Internal Control Committee is entrusted with the prior examination of the various kinds of transactions with related parties, with the exception of those that present a low level of risk for the Company and the Group (the latter including the transactions carried out between companies entirely owned by Enel, as well as those that are typical or usual, those that are regulated according to standard conditions, and those whose consideration is established on the basis of official market prices or rates established by public authorities).

After the Internal Control Committee has completed its examination, the Board of Directors gives its prior approval (if the transactions regard the Company) or prior evaluation (if the transactions regard Group companies) of the most significant transactions with related parties, by which is meant (i) atypical or unusual transactions; (ii) transactions with a value exceeding €25 million (with the exception of the previously mentioned ones that present a low level of risk for the Company and the Group); and (iii) other transactions that the Internal Control Committee thinks should be examined by the Board.

Transactions whose value amounts to or is less than €25 million and in which the relationship exists with a Director, a regular Auditor or an executive with strategic responsibilities of the Company or the Group (or with a related party through such

persons) are always submitted to the Internal Control Committee for its prior examination.

For each of the transactions with related parties submitted for its prior approval or evaluation, the Board of Directors receives adequate information on all the significant aspects and the related resolutions adequately explain the reasons for and the advantageousness of the aforesaid transactions for the Company and the Group. Furthermore, it is provided for the Board of Directors to receive detailed information on the actual carrying out of the transactions that it has approved or evaluated. In order to prevent a transaction with related parties is finalized on conditions that are different from those that would probably have been negotiated between unrelated parties, both the Internal Control Committee and the Board of Directors have the authority to avail themselves – depending on the nature, value, or other characteristics of the transaction – of the assistance of one or more independent experts of recognized professional competence.

If the relationship exists with a Director or with a related party through the latter, the Director involved must promptly inform the Board of Directors of the nature, terms, origin, and extent of his interest and leave the Board meeting when the decision is made, unless that prejudices the quorum or the Board of Directors decides otherwise. If the relationship exists with the Chief Executive Officer or with a related party through the latter, in addition to the foregoing he abstains from carrying out the transaction and leaves the decision to the Board of Directors.

If the relationship exists with one of the regular Statutory Auditors or with a related party through the latter, the Auditor concerned promptly informs the other Statutory Auditors and the Chairman of the Board of Directors of the nature, terms, origin, and the extent of his interest.

Finally, a system of communications and certifications is provided for the purpose of promptly identifying, as early as the negotiation phase, transactions with related parties that involve Directors and regular Statutory Auditors, as well as executives with strategic responsibilities, of the Company and the Group.

Processing of corporate information

As early as February 2000, the Board of Directors approved special rules (to which additions were made in March 2006) for the management and processing of confidential information, which also contain the procedures for the external circulation of documents and information concerning the Company and the Group, with particular reference to privileged information. The Company's Directors and Statutory Auditors are obliged to comply with the provisions contained in such rules and, in any case, to maintain the confidentiality of the documents and information acquired in carrying out their duties.

The rules are aimed at keeping confidential information secret, while at the same time ensuring that the information regarding the Company and the Group made available

to the market is correct, complete, adequate, timely, and non-selective.

The rules entrust Enel's Chief Executive Officer and the chief executive officers of the Group companies with the general responsibility of managing the confidential information concerning their respective spheres of competence, establishing that the divulgation of information regarding individual subsidiaries must in any case be agreed upon with the Parent Company's Chief Executive Officer.

The rules also establish specific procedures to be followed in circulating information regarding the Company and the Group outside the Group – with particular emphasis on privileged information – and carefully regulate the ways in which Company and Group representatives enter in contact with the press and other mass media (or financial analysts and institutional investors).

Taking into account the provisions introduced in the USA by the Sarbanes-Oxley Act – which apply to Enel for the reason explained above – in June 2003 the Board of Directors also formalized the practices and procedures applied within the Group regarding corporate information in a special document (called "Disclosure Controls and Procedures"), with the aim of ensuring the transparency, timeliness, and completeness of the documentation produced by Enel in the United States of America according to the local laws applicable to listed companies.

Following the adoption by Italian law of the EU regulations regarding market abuse and the coming into force of the secondary regulations issued by the Consob, in April 2006 the Company instituted (and began to regularly update) a Group register recording the persons, whether legal or natural, who have access to privileged information because of the professional or other work they do or because of the tasks they perform on behalf of the Company or Group companies. The purpose of this register is to make the persons recorded therein aware of the value of the privileged information at their disposal, while at the same time facilitating the Consob's supervision of compliance with the regulations provided to safeguard the integrity of markets.

Also following the adoption by Italian law of the EU regulations regarding market abuse and the coming into force of the secondary regulations issued by the Consob, as from April 2006 radical changes were introduced in the regulations regarding internal dealing, that is the transparency of transactions involving the Company's shares and financial instruments connected with them carried out by the largest shareholders, Company representatives, and persons closely connected with them.

The new EU regulations replaced those previously adopted by Borsa Italiana, which had regulated the matter since January 2003. Therefore, as from April 2006 the Enel Group's Dealing Code – which the Board of Directors had adopted in December 2002 in compliance with the regulations issued by Borsa Italiana – also became inapplicable. The new regulations regarding internal dealing apply to the purchase, sale, subscription, and exchange of Enel shares and of financial

instruments connected with them by “important persons”. This category includes shareholders who own at least 10% of the Company’s share capital, the Directors, and the regular Statutory Auditors, as well as 16 managerial positions currently identified within the Company on the basis of the relevant regulations, because they have regular access to privileged information and are authorized to make managerial decisions that could influence Enel’s evolution and prospects. The obligations of transparency apply to all the aforesaid transactions whose total value is at least €5,000 in a given year, even if carried out by persons closely connected with the “important persons”.

In enacting measures to implement the aforesaid new regulations, the Board of Directors considered it advisable to provide that “important persons” (other than the shareholders who possess an interest amounting to or exceeding 10% of the Company’s share capital) are obliged to abstain from carrying out transactions subject to the regulations regarding internal dealing during two blocking periods, lasting approximately one month each, around the time the Board of Directors’ approves the Company’s proposed financial statements and the half-year report.

This initiative of the Board of Directors was prompted by will to improve the Company’s governance standards with respect to the reference regulations, maintaining in force a provision formerly contained in the Enel Group’s Dealing Code and aimed at preventing the carrying out of transactions by “important persons” that the market could perceive as suspect, because they are carried out during periods of the year that are especially sensitive for corporate information.

Relations with institutional investors and shareholders in general

Ever since the listing of its shares on the stock market, the Company has deemed it appropriate for its own specific interest – as well as its duty with respect to the market – to establish an ongoing dialogue, based on mutual understanding of their respective roles, with its shareholders in general, as well as with institutional investors. Such dialogue, in any case, was to take place in accordance with the rules and procedures that regulate the divulgation of privileged information.

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

The Company therefore created (i) an investor-relations unit, which is currently a part of its Finance Department, and (ii) a unit within its Corporate Affairs Department in charge of communicating with shareholders in general.

It was also decided to further facilitate communication with investors through the creation of a special section of the Company’s website (www.enel.it, investor relations section), providing both financial information (financial statements, half-year and quarterly reports, presentations to the financial community, analysts’ estimates, and information on trading of the securities issued by the Company) and up-to-date

data and documents of interest to shareholders in general (press releases, the members of Enel's Boards, the Company's bylaws and shareholders'-meeting regulations, information and documents regarding Shareholders' Meetings, documents regarding corporate governance, the code of ethics, and the compliance program pursuant to legislative decree no. 231/2001, as well as a general chart of the organization of the Group).

Shareholders' Meetings

The suggestion contained in the Self-regulation Code to consider shareholders' meetings important occasions for discussion between a company's shareholders and its board of directors (even 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 attendance of its Directors at Shareholders' Meetings – deemed it advisable to adopt specific measures to adequately enhance the latter.

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

With regard to the rules that govern the right to attend Shareholders' Meetings, in compliance with the reference regulations, the bylaws assign such right to those who deposit their shares at least two days before the date set for a given Meeting and do not withdraw them before the Meeting takes place. This rule was intended to satisfy the Company's interest in knowing in advance the identity and number of the shareholders entitled to attend the Shareholders' Meeting – *inter alia*, for the purpose of seeing in a timely manner if a quorum can be reached – without at the same time prejudicing the possibility for the latter to sell the shares already deposited, if they so wish (in this case, however, losing the right to attend the Shareholders' Meeting, according to the relevant regulations in force).

Furthermore, in September 1999, and thus with the listing of its shares imminent, the Company adopted special regulations to ensure the orderly and efficient conduct of Shareholders' Meetings through the detailed regulation of their different phases, while respecting the fundamental right of each shareholder to request clarification of the different matters under discussion, to express his or her opinion, and to make proposals.

Even though they do not constitute provisions of the bylaws, these regulations must be approved at an Ordinary Shareholders' Meeting, as specifically stated in the bylaws. During 2001 their content was updated in order to ensure that they correspond to the most advanced models for listed companies expressly drawn up by several professional associations (Assonime and ABI).

In the event of a significant change in the market capitalization of the Company or the composition of the shareholders, the Board of Directors evaluates the advisability of proposing to a Shareholders' Meeting bylaws amendments with regard to the minimum percentage required for exercising actions and rights provided for as a protection of minority shareholders.

Code of Ethics

Awareness of the social and environmental effects that accompany the activities carried out by the Group, as well as consideration of the importance of both a cooperative approach with stakeholders and the good name of the Group itself (in both internal and external relations), inspired the preparation of the Enel Group's Code of Ethics, which was approved by the Company's Board of Directors in March 2002 and updated in March 2004.

This code expresses the commitments and ethical responsibilities involved in the conduct of business, regulating and harmonizing corporate behavior according to standards requiring maximum transparency and fairness with respect to all stakeholders. Specifically, the Code of Ethics consists of:

- > general principles regarding relations with stakeholders, which abstractly define the reference values guiding the Group in the carrying out of its activities.
Among the aforesaid principles, specific mention should be made of the following: honesty, impartiality, confidentiality, shareholder value, the value of human resources, the transparency and completeness of information, service quality, and the protection of the environment;
- > criteria of behavior towards each class of stakeholders, which specify the guidelines and rules that Enel's officers and employees must follow in order to ensure observance of the general principles and prevent the risk of unethical behavior;
- > implementation mechanisms, which describe the control system devised to ensure observance of the code of ethics and its continual improvement.

Taking into account the obligations under the Sarbanes-Oxley Act of companies with shares listed in the United States of America, in June 2004 the Board of Directors also approved an additional specific code of ethical principles regarding financial matters, which applies specifically to the Company's Chief Executive Officer and to the heads of the Finance Department and the Accounting, Planning, and Control Department.

- In accordance with the requirements of US law, the code concerned consists of a series of rules aimed at reasonably preventing illegal behavior, as well as promoting:
- > honest and transparent financial management, which gives due consideration to any conflicts of interests;
 - > fair, comprehensible, complete, exact, and prompt information in the documents sent to the authorities supervising financial markets and in all other public notices;

- > compliance with government rules and regulations;
- > the establishment of internal procedures aimed at ensuring that any violations of the provisions of the code are promptly communicated to the persons designated therein;
- > adequate public transparency regarding observance of the provisions of the code.

Compliance Program

In July 2002 the Company launched a compliance program corresponding to the requirements of legislative decree no. 231 of June 8, 2001, which introduced into the Italian legal system a regime of administrative (but in fact criminal) liability with respect to companies for several kinds of crimes committed by their directors, executives, or employees in the interest or to the benefit of the companies themselves.

The content of the aforesaid program is consistent with the provisions of the guidelines on the subject established by industry associations and with the best practice in the United States and represents another step towards strictness, transparency and a sense of responsibility in internal relations and those with the external world. At the same time, it offers shareholders adequate insurance of efficient and fair management.

The program in question consists of a “general part” (in which are described, among other things, the content of legislative decree no. 231/2001, the objectives of the program and how it works, the duties of the internal control body responsible for supervising the functioning and observance of the program, the information flows, and the penalty regime) and separate “special parts” concerning the different kinds of crimes provided for by legislative decree no. 231/2001.

In 2006, as proposed by the Internal Control Committee, the Board of Directors updated and supplemented the compliance program by (i) revising the “general part” and the “special parts” regarding corporate crimes and crimes against the civil service, in order to take into account court rulings and the applicative experience acquired during the first years of implementation of the program, as well as (ii) approving new special parts concerning crimes of terrorism and subversion of the democratic order, crimes against the person, and crimes and administrative wrongdoing regarding market abuse.

“Zero tolerance of corruption” plan

In June 2006, the Board of Directors approved the adoption of the “zero tolerance of corruption – ZTC” plan in order to give substance to Enel’s adherence to the Global Compact (an action program promoted by the UN in 2000) and the PACI – Partnership Against Corruption Initiative (sponsored by the World Economic Forum in Davos in 2005).

The ZTC plan neither replaces nor overlaps with the Code of Ethics and the

compliance program adopted pursuant to legislative decree no. 231/2001, but represents a more radical step regarding the subject of corruption and adopts a series of recommendations for implementing the principles formulated on the subject by Transparency International.

Attached below are three tables that summarize some of the most significant information contained in the second section of the report.

TABLE 1: **Structure of Enel's Board of Directors and Committees****Board of Directors**

Office	Members	Executive	Non- executive	Independent	****	Number of other offices **	Internal Control Committee		Compensation Committee		Nomination Committee (if any)		Executive Committee (if any)	
							***	****	***	****	***	****	***	****
Chairman	Gnudi Piero ⁽¹⁾	X	X	X	100%	1	X	100%						
Chief Executive Officer/General Manager	Conti Fulvio	X			100%	1								
Director	Ballio Giulio*		X	X	94%	-			X	80%				
Director	Fantozzi Augusto*		X	X	100%	1	X	63%						
Director	Luciano Alessandro		X	X	100%	-	X	100%						
Director	Napolitano Fernando		X	X	100%	1			X	100%				
Director	Taranto Francesco*		X	X	100%	6			X	100%				
Director	Tosi Gianfranco		X	X	100%	-			X	100%				
Director	Valsecchi Francesco		X	X	100%	1	X	100%						

Quorum required for the presentation of slates for the appointment of the Board of Directors: 1% of the share capital.

Number of meetings held in 2006: Board of Directors: **16** – Internal Control Committee: **8** – Compensation Committee: **10** – Nomination Committee: **N.A.** – Executive Committee: **N.A.**

(1) The Chairman of the Board of Directors, Piero Gnudi, was a non-executive, independent Director in the period between January and December 2006 (according to the criteria specified in the 2002 edition of the Self-regulation Code) and subsequently has been an executive Director since December 2006 (according to the criteria specified in the 2006 edition of the Self-regulation Code).

* The presence of an asterisk indicates that the Director was designated on a slate presented by minority shareholders.

** This column shows the number of offices held by the person concerned on the board of directors or the board of statutory auditors of other companies of significant size, as defined by the policy established in this regard by the Board of Directors.

*** In these columns, an "X" indicates the Committee(s) of which each Director is a member. It should be noted that, since December 2006, in consideration of his new role as an executive Director, the Chairman of the Board of Directors, Piero Gnudi, has no longer been a member of the Internal Control Committee.

**** These columns show the percentages of the meetings of, respectively, the Board of Directors and the Committees attended by each Director. All absences were appropriately explained.

TABLE 2: **Enel's Board of Statutory Auditors**

Office	Members	Percentage of Board meetings attended	Number of other offices**
Chairman	Pinto Eugenio	100%	3
Regular Auditor	Conte Carlo	100%	-
Regular Auditor	Fontana Franco*	94%	-
Alternate Auditor	Giordano Giancarlo	N.A.	-
Alternate Auditor	Sbordoni Paolo*	N.A.	-

Quorum required for the presentation of slates for the appointment of the Board of Statutory Auditors: 1% of the share capital.

Number of meetings held in 2006: **16**

* The presence of an asterisk indicates that the Statutory Auditor was designated on a slate presented by minority shareholders.

** This column shows the number of offices held by the person concerned on the boards of directors or boards of statutory auditors of other companies listed on regulated Italian markets.

TABLE 3: **Other provisions of the Self-regulation Code**

	Summary of the reasons for any deviation from	
	YES	NO the recommendations of the Code
Delegation system and transactions with related parties		
Has the board of directors delegated powers and established:		
a) their limits	X	
b) how they are to be exercised	X	
c) how often it is to be informed?	X	
Has the board of directors reserved the power to examine and approve beforehand transactions having a significant impact on the company's strategy, balance sheet, income statement, or cash-flow (including transactions with related parties)?	X	
Has the board of directors established the guidelines and criteria for identifying "significant" transactions?	X	
Are the aforesaid guidelines and criteria described in the report?	X	
Has the board of directors established special procedures for the examination and approval of transactions with related parties?	X	
Are the procedures for approving transactions with related parties described in the report?	X	
Procedures of the most recent election of the board of directors and the board of statutory auditors		
Were the candidacies for the office of director filed at least 10 days (*) beforehand?	X	
Were the candidacies for the office of director accompanied by exhaustive information?	X	
Were the candidacies for the office of director accompanied by statements as to whether or not they qualified as independent?	X	
Were the candidacies for the office of statutory auditor filed at least 10 days (*) beforehand?	X	This procedure was duly observed the last time the entire board of statutory auditors was elected (in the year 2004), when the "slate-vote" mechanism was applied. When the chairman of the board of statutory auditors was replaced (during 2005), instead, the candidacies were not filed beforehand, because the election did not take place by "slate vote".
Were the candidacies for the office of statutory auditor accompanied by exhaustive information?	X	
Shareholders' meetings		
Has the company approved rules for shareholders' meetings?	X	
Are the rules attached to the report or is it stated where they can be obtained/downloaded?	X	
Internal control		
Has the company appointed the person in charge of internal control?	X	
Is the person in charge hierarchically independent of heads of operating areas?	X	
Organizational position of the person in charge of internal control		Head of the Internal Auditing Department
Investor relations		
Has the company appointed a head of investor relations?	X	
Organizational unit of the head of investor relations and related contact information		<p>> Relations with institutional investors: Investor Relations – Viale Regina Margherita, 137 – 00198 Rome, Italy – tel. +39.06.83053437 – fax +39.06.83053771 – e-mail: investor.relations@enel.it</p> <p>> Relations with retail shareholders: Department of Corporate Affairs – Viale Regina Margherita, 137 – 00198 Rome, Italy – tel. +39.06.83052081 – fax +39.06.83052129 – e-mail: azionisti.retail@enel.it</p>

(*) It should be noted that in the 2006 edition of the Self-regulation Code the recommended deadline for filing the slates of candidates for the offices of director and statutory auditor was increased from 10 to 15 days.



Italia, Latina
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Reports

Report of the Board of Auditors to the Shareholders of Enel SpA (pursuant to article 153 of legislative decree 58/98)

Shareholders,

During the year ended December 31, 2006 we performed the oversight activities envisaged by law.

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

- > we monitored compliance with the law and the corporate Bylaws;
- > the Directors provided us, on a quarterly basis, with the information on the activity they carried out and on the transactions with the most significant impact on the income statement, balance sheet and financial situation conducted by Enel SpA (the Company) and its subsidiaries and we report that the actions approved and implemented were in compliance with the law and the Bylaws and were not manifestly imprudent, risky, in potential conflict of interest or in contrast with the resolutions of the Shareholders' Meeting or otherwise prejudicial to the integrity of the company's assets. As in previous years, we examined the information provided by the Board of Directors for governance purposes, updated with a resolution of November 30, 2005, specifying significant transactions as those "that have a significant impact on strategy and on the balance sheet, income statement and cash flow, particularly in cases where they are carried out with related parties or otherwise characterized by a potential conflict of interest". In particular, they include: a) taking on loans of more than €50 million; b) granting loans or issuing guarantees to third parties of more than €25 million; c) the acquisition and disposal of equity investments with a value of more than €25 million; and d) agreements (with ministries, local authorities, etc.) that involve expenditure commitments of more than €25 million;
- > we did not find any atypical or unusual transactions conducted with third parties, Group companies or related parties;

- > in the notes to the financial statements, the Directors describe the main related-party transactions – identified on the basis of international accounting standards carried out by the Parent Company, Enel SpA, in the section “Related parties”, to which readers may refer for details on the transactions and their impact on the income statement. They also detail the procedures adopted to ensure that related-party transactions are carried out in accordance with the principles of procedural and substantive fairness. In December 2006, these procedures were further updated with the “Rules governing transactions with related parties”, which provide for the participation of the Internal Control Committee in the preliminary examination of transactions that involve risk for the Company and the Group;
- > the Company prepared its statutory financial statements for 2006 on the basis of international accounting standards (IAS/IFRS) as envisaged in Regulation (EC) 1606/2002 and Legislative Decree 38/2005, with January 1, 2005 as the date of transition to the IFRS-EU. The financial statements contain a document detailing the effects of the change on the balance sheet and income statement. The statutory financial statements were audited by the independent auditors KPMG SpA, which issued an unqualified opinion.

The most important developments during the year include:

- the Company sold its equity investment of 26.1% in Weather (the parent company of Wind) for a total of €1,962 million, thus completing its exit from the telecommunications industry;
- the Board of Directors approved the distribution of an interim dividend for 2006 of €0.20 per share, which was paid in November 2006;
- the Company sold its entire equity investment in Cise Srl – a company operating in the real estate management sector – to Enel Servizi Srl for €358 million;
- the subsidiary Enel Energia SpA was merged into Enel Gas SpA, which subsequently changed its name from Enel Gas SpA to Enel Energia SpA.

The company operates in the end-user gas and electricity market in Italy;

- > the Company prepared the 2006 consolidated financial statements for the Enel Group on the basis of international accounting principles (IFRS), as in the previous year.

The 2006 consolidated financial statements for the Enel Group were audited by the independent auditors KPMG SpA, which issued an unqualified opinion. The latter also issued unqualified opinions for all the subsidiaries, also affirming that the financial statements for 2006 are in conformity with the regulations governing the preparation of the financial statements and provide a true and fair view of the performance and financial situation of the companies. Within the scope of their responsibility, the Boards of Auditors of the subsidiaries stated that they conducted their oversight activities in compliance with current legislation and

did not report irregularities or note other circumstances requiring mention, expressing their opinion in favor of approval of the financial statements by their Shareholders' Meetings;

- > we acquired information and monitored, within the scope of our responsibility, the adequacy of the Company's organizational structure. Organizational arrangements had already been modified in previous years with a substantial degree of centralization, partly with a view to the structural simplification of the Group. The divisional structure remained unchanged, with the following Divisions: Domestic Sales, Domestic Infrastructure and Networks and Domestic Generation and Energy Management and International. The Board of Auditors feels that the organizational system can currently be considered adequate, even in an environment of evolving operational needs;
- > we monitored compliance with the principles of sound administration and the adequacy of the instructions issued by the Company to the subsidiaries pursuant to Article 114.2 of Legislative Decree 58/98, gathering information from department heads and in meetings with the independent auditors, KPMG SpA, during which we exchanged information relevant to the performance of our functions. We have nothing to report in this regard;
- > we examined and monitored the appropriateness of the administrative and accounting system and its reliability in representing operational events, obtaining information from the department head, examining company documentation and analyzing the findings of the examination performed by KPMG SpA. The Company appointed the "executive responsible for the preparation of corporate accounting documents", who will be required to certify, with a report containing the information specified by Consob (when this body issues the implementing regulations) to be attached to the statutory financial statements of Enel SpA and the consolidated financial statements of the Enel Group, (i) the adequacy and effective application of accounting and administrative procedures and (ii) the correspondence between the information in the accounting documents and the accounting books and records and their appropriateness for providing an accurate representation of the performance and financial situation of the Company and the Group;
- > we assessed and monitored the adequacy of the internal control system, conducting periodic meetings with the head of internal control operations, attending the meetings of the Internal Control Committee and examining the associated documentation. In the light of our examination and in the absence of significant problems, the internal control system can be considered adequate to the tasks assigned to it;
- > we held periodic meetings with the representatives of the independent auditors, KPMG SpA, pursuant to Article 150.3 of Legislative Decree 58/98, and no significant information was found that would require mention in this report;

- > we received no complaints pursuant to Article 2408 of the Civil Code.
Complaints were received from former employees and a number of customers. The Board of Auditors examined the matters and found no irregularities to report, notifying the persons involved of its findings;
- > the Company has adopted the Corporate Governance Code drafted by the Committee for the Corporate Governance of Listed Companies. During the year, the Board of Directors approved the adoption of the recommendations in the new edition (March 2006) of the Code. As regards the Board of Auditors, its new duties regard: (i) the task of monitoring the independence of the auditing company, (ii) the power to ask Internal Audit to carry out specific verifications, (iii) the timely exchange of material information with the Internal Control Committee and (iv) the verification of the correct application of the criteria and procedures adopted by the Board of Directors to assess the independence of directors and the assessment of the independence of its own members on the basis of the criteria used for directors. In this regard, for the first time the Board of Auditors verified that non-executive directors met the independence requirements, notifying the Board of Directors of the need to improve the independence assessment procedure and to refine the assessment criteria, partly in the light of the lessons provided by experience. As regards the “self-assessment” of the independence of its members, the Board of Auditors verified compliance, noting however that the regular member of the Board of Auditors Carlo Conte met the independence requirements established in the Consolidated Law on Financial Intermediation while not meeting those envisaged in the Corporate Governance Code;
- > since its listing, the Company has adopted specific rules for managing and processing confidential information and for the external disclosure of price sensitive information;
- > following the transposition of Community regulations concerning market abuse, the Company established a Group register of the natural and legal persons that have access to confidential information. Consequently, during the year the code of conduct for internal dealing was amended as follows: (i) “relevant persons” include shareholders with a holding of at least 10% of share capital, directors and members of the Board of Auditors, and a further 16 managers with access to confidential information; (ii) the disclosure rules shall apply for transactions with a value of at least €5,000 per year and (iii) “relevant persons” (with the exceptions of shareholders with a holding of at least 10% of share capital) may not undertake transactions (purchases, sales, subscriptions or exchanges) during two blocking periods (of about 30 days each) at the time of the approval of the financial statements and the half-year report;
- > the Company has adopted a Code of Ethics that expresses the commitments and ethical responsibilities involved in the conduct of business, regulating and

harmonizing corporate behavior in accordance with standards of maximum transparency and fairness with respect to all stakeholders. During the year, the Board of Directors approved the adoption of a “zero-tolerance for corruption” plan, participating in the initiatives launched by a number of international institutions (the Global Compact of the UN and the PACI of the World Economic Forum);

> as regards the provisions of the Sarbanes-Oxley Act, which is applicable because Enel’s shares are listed on the NYSE, the Company:

- formalized (in 2003) disclosure controls and procedures (section 302);
- approved (in 2004) a specific code of financial ethics to prevent illicit conduct (section 406);
- implemented (in 2005 and 2006) a project to provide adequate support to management’s assessment of internal controls on financial reporting (section 404);
- amended (in 2005) its governance rules, designating the Board of Auditors as the Enel SpA body responsible for acting as the Audit Committee provided for in applicable US law, which supplements the roles and duties assigned to it under Italian legislation (section 301);

> with regard to the provisions of Legislative Decree 231 of 8 June 2001, since 2002 the Company has adopted a compliance program consistent with the guidelines established by industry associations and with international best practices. The program consists of a “general part” and two separate “special parts” concerning a number of specific kinds of crime. In 2006, additional “special parts” concerning offences related to terrorism, degradation of the individual and market abuse, as well as the revision of the existing general part and special parts;

> the independent auditing firm KPMG SpA received additional engagements amounting to €3,716,228 (net of VAT) for the following services:

- Auditing of the sustainability report	euro	104,960
- Adoption of IFRS/IAS	euro	6,500
- 770 and Unico tax returns	euro	5,000
- Auditing of internal control system for financial reporting - 404 SOA	euro	3,429,768
- a comfort letter for Global Medium Term Notes	euro	55,000
- KANTO consolidated half-year report and annual report	euro	115,000

> in 2006 the Board of Auditors issued no opinions pursuant to Article 2389.3 of the Civil Code;

> the Board of Auditors’ oversight activity in 2006 was carried out in 16 meetings and with participation in 16 meetings of the Board of Directors and eight meetings held by the Internal Control Committee.

During the course of this activity and on the basis of information obtained from KPMG SpA, no omissions, censurable facts, irregularities or other significant

developments were found that would require reporting to the control bodies or mention in this report.

Based on the oversight activity performed and the information exchanged with the independent auditors KPMG SpA, we propose that you approve the financial statements for the year ended December 31, 2006 in conformity with the proposals of the Board of Directors.

Shareholders,

With this Meeting our term in office comes to an end. We therefore invite you to elect a new Board of Auditors.

Thank you for the confidence you have shown in our work.

The Board of Auditors

Rome, May 2, 2007



KPMG S.p.A.
Revisione e organizzazione contabile
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00197 ROMA RM

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

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

To the shareholders of
ENEL S.p.A.

- 1 We have audited the separate financial statements of ENEL S.p.A. as at and for the year ended 31 December 2006, comprising the balance sheet, income statement, statement of income and charges recognised for the period, statement of cash flows and notes thereto. These financial statements are the responsibility of the company's directors. Our responsibility is to express an opinion on these financial statements based on our audit. These are the first set of separate financial statements prepared in accordance with the International Financial Reporting Standards endorsed by the European Union.
- 2 We conducted our audit in accordance with the auditing standards recommended by Consob, the Italian Commission for Listed Companies and the Stock Exchange. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the separate financial statements are free of material misstatement and are, as a whole, reliable. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by directors. We believe that our audit provides a reasonable basis for our opinion.

The separate financial statements present the prior year corresponding figures for comparative purposes prepared using consistent accounting policies. Furthermore, the appendix "Transition of Enel S.p.A. to International Financial Reporting Standards (IFRS)" to the separate financial statements discloses the effects of the adoption of the International Financial Reporting Standards endorsed by the European Union and includes the disclosures on the IFRS reconciliation schedules required by IFRS 1. We audited such schedules, which had already been approved by the board of directors and published as an appendix to the half year report at 30 June 2006, and issued our report thereon on 13 September 2006.

- 3 In our opinion, the separate financial statements of ENEL S.p.A. as at and for the year ended 31 December 2006 comply with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38 of 28 February 2005. Therefore, they are clearly stated and give

2006, the results of its operations, changes in its equity and its cash flows for the year then ended.

- 4 As disclosed in the notes to the separate financial statements, ENEL S.p.A. holds controlling interests in a number of companies and, in accordance with current legislation, has prepared consolidated financial statements. Such consolidated financial statements are presented in addition to its own financial statements in order to furnish adequate information on the financial position and results of both the company and the group. We have audited the consolidated financial statements and these, with our audit report thereon, have been presented and issued separately.

Rome, 9 April 2007

KPMG S.p.A.

(Signed on the original)

Bruno Mastrangelo
Director of Audit

Glossary

Cash-generating unit

The smallest identifiable group of assets that generates a positive cash flow that is highly independent from positive cash flows generated by other assets or groups of assets.

Deemed cost

Amount used as substitute of cost or amortized cost at a given date. Subsequent amortization is calculated based on the assumption that the entity had initially recorded the asset or liability at that date and the cost coincided, also at the same date, with the deemed cost.

Discontinued operations and continuing operations

Discontinued operation: a component of an entity that has either been disposed of or classified as held for sale and:

- > represents a significant independent business or geographical area in which the business operates;
- > is part of a larger plan for the disposal of an autonomous business unit or a geographical area of operations;
- > is a subsidiary acquired exclusively to be resold.

Continuing operations represent ongoing businesses that are not being held for sale.

Fair value

The amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Impairment loss

The amount by which the book value of an asset exceeds its recoverable value.

Ke

This represents the opportunity cost of shareholders. It is measured as the risk-free rate increased by the premium expected by equity investors.

Special purpose entity

These are companies formed by a sponsor company for the purpose of achieving a specific, well-defined objective.

Weighted Average Cost of Capital (WACC)

The weighted average cost of financing, capital and debt relating to a specific company, generally calculated on the basis of an existing or ideal long-term financial structure.

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