

Half-Year Report June 30, 2000



Half-Year Report June 30, 2000



Enel

Società per azioni

Registered office in Rome

137, Viale Regina Margherita

Share capital

Lire 12,126,150,379,000

fully paid-in

Rome Company Register no. 7050/92

Chamber of Commerce no. 756032

Tax Code 00811720580

VAT Number 00934061003

Contents

Highlights	7
The Enel Group	8
Board of Directors and Board of Statutory Auditors	9
Enel and the financial markets	10
 Report on operations	
Overview and summary of results	14
Regulations and tariffs for the electricity sector	18
Corporate development	20
 Operating review	
Financial data by segment	26
Generation	27
Transmission	31
Distribution and sale of electricity	33
WIND	39
Engineering and contracting	42
Real estate and services	43
Water	45
Other activities	47
Research and Development	50
Parent Company Enel SpA	51
 Human resources	58
 Financial review	62
 Events subsequent to June 30, 2000 and management's expectations of operations	72
 Other information	76

Consolidated Financial Statements and notes	
Consolidated Balance Sheet	78
Consolidated Income Statement	80
Notes to the Financial Statements	81
Balance Sheet - Assets	85
Balance Sheet - Liabilities and Shareholders' Equity	93
Off Balance Sheet items	102
Income Statement	105
 Consolidated Financial Statements in Euro	
Consolidated Balance Sheet in Euro	112
Consolidated Income Statement in Euro	114
 Attachments	
List of companies included in the consolidation area using the line-by-line method at June 30, 2000	116
List of companies included in the consolidation area using the equity method at June 30, 2000	118
List of equity investments in unconsolidated subsidiaries at June 30, 2000	118
List of equity investments in affiliated companies at June 30, 2000	119
List of relevant equity investments held by Enel at June 30, 2000 pursuant to art. 120 of Legislative Decree no. 58, Feb. 24, 1998	120
 Enel SpA Financial Statements	
Balance Sheet	124
Income Statement	126
 Enel SpA Financial Statements in Euro	
Balance Sheet in Euro	128
Income Statement in Euro	130
 Report of the Independent Auditors	131

Highlights

1st half 2000		1st half 2000	1st half 1999
(in millions of euro)	Operating data (in billions of lire)		
11,374	Revenues	22,023	19,507
4,241	Gross operating margin	8,211	8,649
2,392	Operating income	4,632	5,257
982	Net income	1,902	2,210
(in millions of euro)	Financial data (in billions of lire)		
37,249	Gross capital employed	72,124	70,629 ¹
30,162	Net capital employed	58,402	57,467 ¹
13,047	Total financial debt	25,263	23,418 ¹
17,107	Consolidated net equity	33,123	34,034 ¹
1,162	Capital expenditure	2,250	2,444
	Other information		
	Electricity sales (TWh)	113.0	113.8
	Net electricity generated (TWh)	91.7	88.1
	Employees at June 30, 2000 (no.)	75,956	78,511 ¹
	Key ratios		
	Ros (%) ²	21.0	26.9
	Operating income/net financial expense	8.9	8.9
	Debt to equity ratio	0.8	0.7 ¹
(euro)	Share data (lire)		
0.08	Net income per share	157	182
0.35	Gross operating margin per share	677	713
0.20	Operating income per share	382	434
1.41	Net equity per share	2,732	2,807 ¹

⁽¹⁾ At December 31, 1999

⁽²⁾ Operating income on revenues

The Enel Group



Board of Directors and Board of Statutory Auditors

Board of Directors

chairman

Chicco Testa

managing director and general manager

Francesco Tatò

directors

Carlo Angelici

Vittorio Grilli

Franco Morganti

Lorenzo Pelliccioli (resigning from August 28, 2000)

Claudio Poggi

Board of Statutory Auditors

chairman

Bruno De Leo

auditors

Gustavo Minervini

Oreste Piemontese

substitute auditors

Francesco Bilotti

Umberto Aprea

secretary

Claudio Sartorelli

independent auditors

Arthur Andersen SpA

Enel and the financial markets

In the first six months of 2000 European and US stock markets posted gains in the first quarter as a result of the excellent performance of telecommunications and technology stocks, declining in the second quarter due to increases in interest rates. In such context, the performance of the Enel stock at the end of June, up about 13% on the 1999 year-end price, was better than the average of other European electricity sector companies (the FT-SE E300 Electricity index rose by 5% in the same period), and of the index of major Italian companies (the MIB30 Index grew by about 9%). The Enel stock increased by about 9% over the price, equal to 4.3 euro, at which it was placed on the market on June 30, 2000.

In evaluating the total yield of the Enel stock we must also consider the dividend distributed on June 19, 2000 equal to lire 232 per share (0.12 euro), representing 2.79% of the placement price.

Moreover, shareholders who hold the stock for a period of one year from the date of purchase will earn a bonus share (one free share for each 20 shares held).

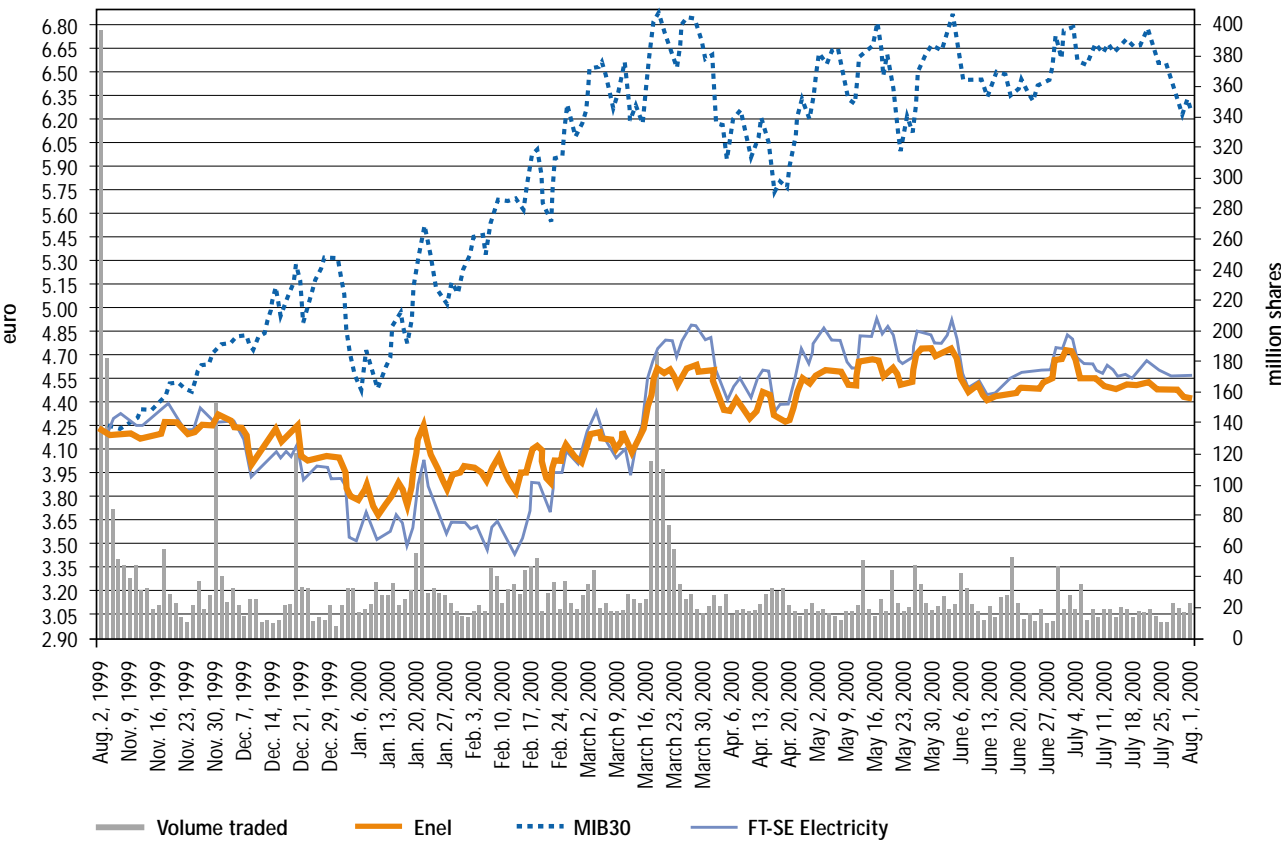
Daily trading volume during the first six months of the year was equal to about 30 million shares.

In July, the performance of the stock was negatively affected by the announcement of a change in the method used in calculating the Eurostoxx 50 Index, which now considers, in addition to the total capitalization of companies, also the float.

Following such change, starting on September 18, 2000 the Enel stock will no longer be included in the index.

Despite this, the stock registered an overall performance in line with that registered by the index of major European electricity sector companies, posting at the end of July an increase of about 7% over the price registered at the end of 1999.

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



Report on operations

Overview and summary of results

The first six months of 2000 were characterized by the strengthening of the recovery in domestic production that began in the last part of 1999 (GDP up 1% in the first quarter over the previous one and up 3% on the first quarter of 1999). Economic growth approached the average of the euro area, less than half a percentage point lower. Growth was spurred by the good performance of exports (up 3.6% in the first quarter) and of investments (up 1.2% in the first three months of the year), in addition to the acceleration of private consumption (up 1.2% in the first quarter).

Domestic industrial production increased by 4.6% in the first six months of 2000 over the corresponding period in 1999.

Due to oil and derivatives price increases and the strengthening of the dollar against the euro, inflation in Italy increased to a level that had not been seen since the Fall of 1996, peaking at 2.7% in June.

In such context, interest rates continued along their upward trend that started in the first six months of the previous year. The European Central Bank increased rates on the euro several times in the first months of the year, bringing the reference rate to 4.25% in June, as compared to 2.5% at the beginning of the year.

Energy product markets rose in the first six months of the year, reaching levels almost double those registered in the first six months of 1999.

The average international spot Brent oil price increased by about 100% over the first half-year of 1999, growing from 13.4 \$/bbl in the first half-year of 1999 to 26.8\$/bbl in the first semester of 2000. The increase is reduced to 24% when comparing the Brent oil price at December 31, 1999 (25.5 \$/bbl) with that at June 30, 2000 (31.6 \$/bbl). Such increase is mainly due to the world economic recovery, in addition to the renewed convergence of OPEC countries on production levels. Similarly to the performance registered by crude oil prices, the average price of fuels used by the Enel Group registered a growth in the first half of 2000 equal to about 100% over the same period in the previous year. The average price of oil (Oil Platt's CIF Mediterranean index) in the first half of 2000 was equal respectively to 134 \$/t for high-Sulphur fuel oil and 154 \$/t for low-Sulphur fuel oil, much higher levels than prices in the first half of 1999 when high-Sulphur fuel oil and low-Sulphur fuel oil prices were equal respectively to 68 \$/t and 78 \$/t.

In the first semester of 2000 the price of natural gas almost doubled, due both to the performance of oil prices to which the price of gas is correlated, and to the appreciation of the dollar against the euro.

On June 21, 2000, the decree implementing European Directive 98/30/EC on the liberalization of the gas sector became effective. In view of such liberalization, gas supply contracts between Snam and Confindustria (the association of Italian industry) have been renegotiated at better conditions for the customers. The renewal of the contract is provisional while a definition of the new regulatory and tariff framework is pending and negotiations are expected to be completed by the end of the current year.

The international market price of coal used in steam production (Coal Week International index for the Authority for Electricity and Gas mix) did not register significant changes in the past twelve months, and the average price (about 33.0 \$/t) reversed its past trend, from a decline in 1999 to a strong recovery in 2000. Such performance is due to the absorption of excess supply of Polish coal which characterized the first months of 1999, due to high demand registered in the winter season.

Main electric energy flows in Italy registered in the first half of the year are shown in the table that follows:

Millions of kWh				
	1st half 2000	1st half 1999	Change	
Gross energy generation:				
- thermal	111,960	103,443	8,517	8.2%
- hydroelectric	24,114	24,501	(387)	-1.6%
- geothermal	2,283	2,167	116	5.4%
- other sources	231	209	22	10.5%
Total gross energy generation	138,588	130,320	8,268	6.3%
Own consumption	(6,572)	(6,375)	(197)	3.1%
Net energy generation	132,016	123,945	8,071	6.5%
Imports	22,214	21,627	587	2.7%
Energy delivered to Enel's network	154,230	145,572	8,658	5.9%
Consumption for pumping	(4,576)	(4,331)	(245)	5.7%
Exports	(269)	(229)	(40)	17.6%
Energy absorbed by network	149,385	141,012	8,373	5.9%

In the first half of the year, demand for electricity in Italy grew by 5.9% over the same period in the previous year (up 5.4% adjusted for the number of actual working days). Demand was stable in the first quarter of the year, while it grew in the second quarter in line with industrial production. Adjusting for the number of working days, in June consumption rose by 1.3% over May.

The table below provides data on electric energy flows on the Enel network for the first half of the year:

Millions of kWh				
	1st half 2000	1st half 1999	Change	
Net electricity generated:				
- thermal	71,951	67,900	4,051	6.0%
- hydroelectric	17,548	18,171	(623)	-3.4%
- geothermal	2,139	2,036	103	5.1%
- other sources	16	16	-	-
Total net generation	91,654	88,123	3,531	4.0%
Electricity purchases:				
- from domestic producers	20,384	16,577	3,807	23.0%
- from foreign producers	12,527	21,371	(8,844)	-41.4%
Total purchases	32,911	37,948	(5,037)	-13.3%
Electricity sales:				
Captive market				
High voltage	14,274	24,779	(10,505)	-42.4%
Medium voltage	37,630	39,043	(1,413)	-3.6%
Low voltage	51,441	49,984	1,457	2.9%
Total	103,345	113,806	(10,461)	-9.2%
Free market				
High voltage	8,063	-	8,063	-
Medium voltage	1,641	-	1,641	-
Total	9,704	-	9,704	-
TOTAL ELECTRICITY SALES	113,049	113,806	(757)	-0.7%

The first half of 2000 saw the introduction of the new tariff regime applying to captive customers and the start of the liberalization of the electricity sector with the opening up of the market for eligible customers. The transfer of a number of customers to the unregulated market and the entry of new operators had an impact on Enel sales.

Sales on the captive market declined by 9.2% (down 10,461 million kWh), while Enel Trade's activity on the free market has already generated sales for a total of 9,704 million kWh, bringing total energy sold by the Group up to the level registered in the first half of 1999 (down 0.7%), despite the loss in the market share due to the opening up of the market to competition, currently serving about 50% of the free market.

With regards to purchases from other producers, imports declined by 41.4% (down 8,844 million kWh) due to the assignment on the part of the Gestore della Rete di Trasmissione Nazionale (Independent System Operator, ISO), as provided by the Authority for Electricity and Gas, of a share of the total international transport capacity to other operators. Parent Company Enel SpA holds long-term supply contracts with foreign producers stipulated in the past for energy destined to the captive market, while Enel Trade negotiates annual supplies and spot purchases on an equal stand with other domestic operators for electricity destined to the free market.

Higher purchases from national producers resulted from the entry into service of new generation capacity belonging to third parties, in line with plans for electricity generation from renewable sources provided for by CIP ruling no. 6/92. To satisfy demand in the period, lower energy purchases have been compensated by an increase in net generation equal to 4.0% (up 3,531 million kWh), with a more than proportional share contributed by thermal energy (growing by 6.0%) and geothermal energy (up 5.1%), compensating for the reduction in hydroelectric energy (down 3.4%), affected by unfavorable water supply conditions.

Overall, in the first six months of 2000, the good performance of sales resulting from the economic recovery and the strong presence of Enel Trade on the free market, allowed to face the impact of the opening up of the market to new operators.

Financial results for the first half of the year, though benefiting from the cost reduction effort, were lower than in the corresponding period in 1999, in which the Group operated according to the old tariff system and in a regulated market.

Group revenues amounted to lire 22,023 billion (11,374 million euro), against lire 19,507 billion in the first six months of 1999 (10,075 million euro).

The growth in revenues is due mainly to the balance between higher contributions recognized against rising fuel costs and lower revenues from energy sales due to a large extent to tariff reductions imposed by the Authority for Electricity and Gas starting from January 1, 2000.

The gross operating margin reached lire 8,211 billion (4,241 million euro), against lire 8,649 billion lire (4,467 million euro) in the first six months of 1999, posting a decline of 5.1%.

The net income for the period was equal to lire 1,902 billion (982 million euro), as compared with lire 2,210 billion in the first half-year of 1999 (1,141 million euro), representing a reduction of 13.9%, due also to extraordinary income relating to deferred taxes registered in 1999.

The financial position at June 30, 2000 shows total net capital employed amounting to lire 58,402 billion (30,162 million euro), increasing by lire 935 billion (483 million euro) as compared to December 31, 1999. Total Shareholders' Equity (Group and minority interests) amounts at the end of the period to lire 33,139 billion (17,115 million euro), declining by lire 910 billion (470 million euro) over December 31, 1999. Total financial debt increases from lire 23,418 billion (12,094 million euro) at the end of 1999 to lire 25,263 billion (13,047 million euro) at June 30, 2000. The debt to equity ratio stands at the same date at 0.76, as compared to 0.69 at the end of 1999.

Capital expenditure and other tangible assets declined by 7.9% from lire 2,444 billion (1,262 million euro) to lire 2,250 billion (1,162 million euro), as compared to investments made in the first half of 1999, mainly due to lower activity levels and is expected to recover in the second half of the year. The breakdown of investments by category of assets is shown in the table that follows:

In billions of lire		
	1st half 2000	1st half 1999
Generation plants	510	734
Power lines and transformation stations	208	160
Distribution networks	1,298	1,383
Land, buildings and other fixed assets	234	167
Total	2,250	2,444

Expenses for research and development activities, both on the national electricity system and applied research, carried out in the first half of 2000 by Enel Group companies amounted to about lire 120 billion.

At June 30, 2000 the Group employed 75,956 persons, down 3.3% from December 31, 1999, when the number of persons employed was 78,511. The reduction is due mainly to incentives to retirement offered to employees at all levels.

Regulations and tariffs for the electricity sector

Evolution of the liberalization process

Regulations regarding imports of electricity issued by the Authority for Electricity and Gas in 1999 came into effect in 2000. In the free market no operator is allowed to import more than 20% of total transport capacity (excluding capacity covered by long-term contracts, reserved to the captive market), or 15% in case import demand from a single country is higher than the capacity available for transmission from the same country. With regards to electricity demand, Decree 79/99 provides that, starting January 1, 2000 the status of "eligible" customer is granted to customers with an annual consumption higher than 20 million kWh (9 million kWh from 2002). The Government is planning to introduce in the context of the 2000 Budget Law a reduction in the eligibility threshold to 0.1 million kWh starting ninety days from the full divestment of 15,000 MW of generation capacity on the part of Enel.

From April 1, 2000, following the introduction of the Decree of the Ministry of Industry dated January 21, 2000, company Gestore della Rete di Trasmissione Nazionale (ISO), incorporated by Enel SpA in 1999, became the operator of the national transmission network. Its shares have been assigned for no consideration to the Italian Treasury.

The Authority for Electricity and Gas (with regulation no. 52/00 of March 9, 2000) set the rules regarding the design and functioning of generation plants, distribution networks and directly connected equipment, in addition to connection circuits and direct lines. Moreover (with regulation no. 63/00 of March 29, 2000) the Authority revised tariffs for the access and use of the national transmission network granting to the ISO, from April 1 to December 31, 2000, an amount equal to lire 0.50 per kWh transported.

Main regulations issued by the Authority for Electricity and Gas

The new tariff system for the supply of electricity services to captive customers, defined by the Authority for Electricity and Gas with regulations 204/99, 205/99 and 206/99 became effective on January 1, 2000. Regulation 204/99, as integrated by subsequent regulations 4/00 and 5/00 dated January 27, 2000, sets the base tariff and establishes the parameters and the other tariff components reference points. Regulation 205/99 sets the tariffs for the sale of electricity produced and destined to captive customers. Regulation 206/99 updates the B part of the electricity tariff for the first two months of 2000, changing its composition to accommodate specific costs referring to each category of customer. Finally a circular issued by the Authority on January 27, 2000 sets the manner and timing for the application of the mentioned regulations.

The new tariff schedule is based on a system of constraints devised to ensure the coverage of costs recognized for the supply of electricity, in addition to the coverage of system costs and costs incurred in the general interest. For each of the 9 different classes of customers there have been defined "admissible revenues", representing maximum revenues that may be earned by the distributor for each class of customer supplied, determined according to clients served and electricity sold. In case actual revenues for each class of customer are higher than admissible revenues, the distributor must return the difference to customers according to the terms provided in the regulation.

Base tariff plans offered by electricity companies came into effect on July 1, 2000. Enel Distribuzione filed with the Authority for Electricity and Gas a proposal for tariff plans applicable in the second half of 2000 in line with those submitted for public lighting. For other classes of customers, Enel Distribuzione will continue to apply in the second half of 2000 tariffs in force at June 30, 2000, with the exception of tariffs for other low voltage uses. For these, a reduction of 8% will apply to tariffs in force at June 30, 2000 in line with the "V1" constraint (maximum tariff revenues constraint) applicable to such supplies. Based on maximum power usage recorded, Enel Distribuzione will propose by September 2000 tariff plans for all classes of customers according to power supply levels set by the Authority, applicable from January 1, 2001.

Regulations on the quality of service issued by the Authority at the end of 1999 became effective on July 1, 2000, after a six-month period granted to electricity sector companies to organize themselves. Minimum electricity supply levels (new quality standards) came into effect, while new specific and general service quality standards are imposed on operators, providing for automatic reimbursement to customers in case of lack of compliance.

“Stranded cost”

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

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

According to the Decree, stranded costs are recognized as investments made prior to February 19, 1997 relating to generation plants currently in service, with the exclusion of those that benefit from the provisions of CIP regulation no. 6/92. Stranded costs are recovered over seven years, from 2000 to 2006, according to costs recognized by the Authority for each plant, considering operating costs, annual amortization expense and a remuneration of capital of 7.9% per annum. During the retrieval period, the Authority will compare costs recognized for each plant with the portion of the wholesale price of electricity relating to the coverage of fixed costs. In case for all generating plants of a single electricity company recognized costs are higher than the above mentioned fixed costs, the difference is retrieved as a stranded cost. In case of sale of generating plants admitted to the stranded cost retrieval mechanism, the acquiring party shall inherit rights and commitments resulting from the retrieval mechanism.

Among stranded costs are also recognized costs relating to contractual commitments for the import of liquefied natural gas (LNG) from Nigeria, which will be retrieved in a period of ten years starting with 2000, that may be extended under certain circumstances.

The charge relating to stranded costs imposed on electricity tariffs will be partially compensated by contributions paid to the ISO by hydroelectric and geothermal producers. Such contributions amount in 2001 and 2002 to 75% of the difference between the free market price registered on the energy pool and fixed costs recognized by plants of the same type. Such percentage will be reduced to 50% in the years 2003 and 2004, and to 25% in 2005 and 2006. Beyond such date the contribution will be eliminated.

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

Corporate development

In the first six months of the year, a number of initiatives that resulted or will result in the creation of new companies, the acquisition or sale of equity investments have been concluded. In some cases these transactions have involved major partners, both domestic and foreign, operating in specific sectors.

Developments in the gas distribution sector

The gas market in Italy is extremely fragmented, divided between more than 700 operators among private companies, utility companies and consortia.

In March 2000 Enel acquired Colombo Gas, a company operating in several areas in the Piedmont, Lombardy and Emilia Romagna regions in the gas distribution sector, serving about 76,000 household and industrial customers. In 1999, companies currently belonging to the Colombo Gas Group sold a total of about 194 million cubic meters of gas, of which about 77% supplied to households and 23% to industrial customers. The Group presently holds concessions for gas distribution in 61 municipalities, with an average residual life of 21 years.

In July 2000, Colombo Gas acquired Camigas, a company operating directly and through its subsidiaries, in 11 municipalities of the Lombardy and Veneto regions, in the gas distribution sector. In 1999 Camigas and its subsidiaries distributed a total of 45 million cubic meters of gas, of which about 89% to households and 11% to industrial customers, to about 19,500 clients. The integration of Camigas into Colombo Gas represents an opportunity for the achievement of considerable operating synergies due to the closeness of the two customer basins, and of a critical mass of customers totaling 95,000.

Agreement with the Valle d'Aosta Region

On April 19, 2000, Enel signed an agreement with the Valle d'Aosta Region for the sale of all its generation plants present on the Valle d'Aosta territory, in addition to the creation of a joint company for the distribution of electricity. Enel will contribute to a newly created distribution company (51% owned by Enel and 49% by the Valle d'Aosta Region) about 3,900 kilometers of electricity distribution network and 114,000 customers. With regards to power generation, the agreement provides for the sale to the Region of all Enel generation plants existing in Valle d'Aosta, representing a total generation capacity of 781 MW.

As part of the transaction, So.I.e., a company of the Enel Group operating in the public lighting sector, will transfer to a company wholly-owned by the Region all public lighting equipment present in the Region.

Streamlining of electricity distribution in urban areas

Regulations on the reorganization of the electricity sector (the "Bersani Decree") provide that, in case on April 1, 1999 there exist on any municipal territory more than one distributor of electricity, these must aggregate and submit to the Ministry of Industry by March 31, 2000 the related proposals. Proposals will be deemed as automatically approved after sixty days of the date at which they are received by the Ministry of Industry unless otherwise determined by the Ministry. The Minister of Industry, in agreement with the Minister of the Treasury, will promote such aggregations, also through specific plans. In the event that no proposal is submitted, or that a proposal is rejected by the Minister of Industry, distribution companies controlled by local entities that serve at least 20% of users in their area may request that Enel sell at market prices distribution activities in the cities involved.

With regards to such sales, that will have to take place by March 31, 2001, the assets to be transferred, their value and personnel to be transferred will have to be determined in agreement between the parties. Lacking such agreement by September 30, 2000, the above will be determined by a panel of experts. The panel will act in accordance to normally accepted financial techniques that keep into account market value. Unless otherwise determined by the parties, the sale will take place on the basis of the mentioned expert opinions.

Enel has already started negotiations with major utility companies (AEM Turin, AEM Milan, ACEA Rome, AGSM Verona, AMPS Parma) which, pursuant to the mentioned decree, have requested the sale on the part of Enel of the respective distribution business in the relevant municipalities.

AEM Milan, ACEA Rome, ACEGAS Trieste, META Modena and ASM Brescia have moreover applied by March 31, 2000 to the Ministry of Industry to extend the aggregation procedure to distribution networks in neighboring municipalities.

Negotiations with the great majority of utility companies affected by the provisions of the mentioned decree have been started. The first outcome of such negotiations has been the transfer to Trieste's utility ACEGAS of 819 customers in the same city and the relating distribution networks.

Sale of electricity generation companies

The Decree no. 79/99 for the reorganization of the electricity sector establishes that, starting in 2003, no entity may produce or import more than 50% of electricity generated and imported in Italy.

To meet such requirement, by the end of 2002, Enel will be required to sell at least 15,000 MW of its electricity generation capacity.

Accordingly, on October 1, 1999, Enel incorporated three generation companies:

Eurogen	with a total generation capacity of	7,008 MW
Elettrogen	" " "	5,438 MW
Interpower	" " "	2,611 MW

The terms for the sale, defined by Decree by the Italian Treasury, provide for the divestment through direct negotiation of all three companies, with the possibility of divestment through a public offer of a portion of the capital stock of Eurogen.

Article 1 of Decree dated January 25, 2000 provides that for the sale of its generation capacity Enel shall appoint advisors and, where necessary, institutions of proven experience. To such end, Enel began in May to select financial advisors. The selection was concluded on July 28, 2000 with the appointment of Merrill Lynch, Lehman Brothers and Credit Suisse First Boston, marking the beginning of the divestment process with the objective of closing the sale of at least one of the three companies by the end of the current year.

Agreement with Echelon Corporation

Enel Distribuzione is developing a project for the manufacturing and installation of digital meters, replacing the present electro-mechanical ones, and of the related remote control management network.

In the context of such project, Enel Distribuzione started the executive design of all hardware components and system software, using both resources within the Enel Group (Distribuzione, Enel.it and CESI), and external ones.

The installation of the first integrated meters is expected to start in April 2001 in 40 pilot areas, with a progressive acceleration that will make the new system operative in all Enel areas by the end of 2001. The end of the installation process of the remote management of electronic meters is expected by the beginning of 2004.

The link adopted for data transmission is the Lonworks system designed by Echelon Corporation.

Echelon is a US company established about 10 years ago, employing about 170 persons in California and the United Kingdom, listed on the NASDAQ since 1998. It is active in network communication systems and has developed its own communication system that allows data transmission along electricity lines and conventional telecommunication lines.

This communication system is able to run on the customer's network (either electrical or telephone) in the customer's home and on electricity distribution networks. The system is also designed to connect to the Internet.

On June 30, 2000, Enel and Echelon Corporation signed an agreement providing for:

- the use on the part of Enel Distribuzione of Echelon's Lonworks technology and base software (LONTalk protocol), in addition to all resources necessary for training and user support, in the shortest possible time, including also in the design phase, for the application of the technology;
- Echelon's commitment to cooperate with Enel Distribuzione and the parties involved in the Electronic Meter Project, to facilitate the integration of Echelon's technology into research and development activities;
- the joint definition, in the next months, of a list of Value Added Services (VAS) that may be supplied through the Enel system.

The agreement includes an option granted to Enel for the purchase of an equity investment in Echelon, for a total of 3 million shares equal to about 9% of the capital stock. The acquisition price will be determined on the basis of Echelon's share price recorded on the NASDAQ in the period preceding the acquisition. The total price may not in any case be less than \$87.3 million or higher than \$130.9 million. The acquisition aims, among other things, to strengthen Enel's position as Echelon's preferred partner.

Agreement with Internet Capital Group

An agreement between Enel and Internet Capital Group for the development of an Internet application and e-commerce Business to Business incubator has been signed on March 20, 2000.

The agreement provides for the creation of a company held in equal shares by Internet Capital Group (ICG) and Enel that will identify opportunities offered by the market, develop a business plan and launch new Business to Business initiatives that may involve also Enel's suppliers. The incubator will be immediately operational and will have a capital stock of \$10 million. It will be able to rely on ICG's strategic and technological know-how in the Business to Business field, in addition to Enel's strong experience in the utility sector. With this agreement, Enel becomes ICG's preferred partner in Italy and preferred partner in Europe for the utility sector (water, electricity and gas).

European portal for Business to Business Utilities

In May 2000, a group made up by major European utilities, among which Enel, announced a project for the launch of a European procurement exchange portal. The new portal will be managed by a newly created independent company in which participating utility companies will hold an 80% share. The remaining 20% will be offered for underwriting to industrial and technological partners, suppliers and management. The agreement will result in the creation of an electronic market open to customers and suppliers in the utility sector, initially aimed at the electricity and water supply industry. In a first phase, the initiative will focus on on-line auctions. The total expected turnover relating to the acquisition of goods and services on the part of the partners in the new company will amount to about 30 billion euro, and it is estimated that once the activity is underway part of such trading volume will be channeled through the portal, resulting in savings and profit margins.

Enel.Re

In the first half of the year the Enel Group incorporated Enel.Re Limited, an Irish captive reinsurance company based in Dublin, dedicated to the management of risk coverage for Group companies.

Enel.Re has a capital stock of 3 million euro and is controlled by Triple I Two SA, a Luxembourg company controlled by Enel SpA.

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

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

Enel.Re began its reinsurance activities on July 1, 2000, coinciding with the renewal of the main insurance contracts stipulated by the Group, expiring on June 30, 2000. On such date fire and damage property coverage, in addition to liability insurance coverage contracts have been restructured, shifting risk coverage towards the high-end, while assuming as reinsurance lower risks.

Enel.Re currently operates on Property and Liability intermediate risks, in view of a progressive increase in the risk assumption capacity and in the optimization of insurance risks. The change made allowed to increase considerably the scope of insurance coverage and to reduce costs by decreasing significantly the volume of premiums paid by the Group to the market (more than half of total annual premiums has been withheld and will be managed by the Captive Company, for a total amount of about lire 22 billion).

Enel.Factor

At the end of May Enel.Factor was incorporated with a capital stock of lire 10 billion. The company will be active in offering factoring services to Enel Group suppliers. The company is controlled by Enel SpA with a 90% share, while Meliorbanca SpA holds the remaining 10% of the shares (such percentage will rise to 20% once the necessary authorizations have been obtained). With the aim of being able to compete as equal with the main operators in the sector, the company will have a lean structure. Accounting and administration activities will be carried out by Sispa Srl, leader in the sector and part of the Meliorbanca Group. At the end of 1999, Enel Group had more than 70,000 suppliers, representing a total turnover in 1999, excluding fuel supplies, of about lire 9,500 billion. In addition to offering important services to suppliers, Enel.Factor will allow the Group to improve its trade debt management and to enter a low-risk sector with attractive margins. The company is expected to start operations by Fall 2000.

Joint-venture in the real estate and general services field

In the first six months of the year, real estate subsidiary Sei initiated two large projects for the creation of two joint-ventures with American real estate company American Continental Properties (ACP) and Deutsche Bank respectively, with the aim of developing part of the Group's real estate holdings.

In the general services sector, Sei reached an agreement for the creation of a joint-venture with Mitsubishi Electric Europe for the sale of air conditioning equipment and more in general the management of technical services for buildings. A more detailed description of the activities of the new company is reported in the "Real Estate and Services" section.

Operating review

Financial data by segment

Income data by segment

In billions of lire	Generation	Transmission	Distribution and Sale	Other	Parent Company	Adjustments	Total Group
Revenues	10,651	667	13,519	1,797	9,443	(14,054)	22,023
Operating costs	6,717	280	10,617	1,386	8,788	(13,976)	13,812
Gross operating margin	3,934	387	2,902	411	655	(78)	8,211
Depreciation and accruals	1,360	223	1,754	175	67	-	3,579
Operating income/(loss)	2,574	164	1,148	236	588	(78)	4,632

Balance sheet data by segment

In billions of lire	Generation	Transmission	Distribution and Sale	Other	Parent Company	Adjustments	Total Group
Net fixed assets	38,619	7,652	24,602	6,601	36,498	(35,411)	78,561
Net current assets	35	(577)	(3,467)	(264)	(2,353)	189	(6,437)
Gross capital employed	38,654	7,075	21,135	6,337	34,145	(35,222)	72,124
Provisions	6,419	763	4,060	441	559	1,480	13,722
Net capital employed	32,235	6,312	17,075	5,896	33,586	(36,702)	58,402

Generation

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

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

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

The spin-off of Enel Produzione's branch active in energy generation in the Valle d'Aosta Region, to be transferred to the Region as provided by the agreement signed in April 2000, is currently underway.

The tables that follow show main financial data for the first six months of 2000 for each electricity generation company.

Income data

In billions of lire	Enel Produzione	Eurogen	Elettrogen	Interpower	Erga	Netting	Total Electricity Generation Segment
Revenues	6,967	1,398	1,322	566	423	(25)	10,651
Operating costs	4,358	1,014	848	366	156	(25)	6,717
Gross operating margin	2,609	384	474	200	267	-	3,934
Depreciation and accruals	907	103	165	47	138	-	1,360
Operating income	1,702	281	309	153	129	-	2,574

Balance Sheet data

In billions of lire	Enel Produzione	Eurogen	Elettrogen	Interpower	Erga	Netting	Total Electricity Generation Segment
Net fixed assets	27,133	3,253	3,736	1,162	3,336	(1)	38,619
Net current assets	129	(10)	48	(34)	(98)	-	35
Gross capital employed	27,262	3,243	3,784	1,128	3,238	(1)	38,654
Provisions	4,563	551	627	170	508	-	6,419
Net capital employed	22,699	2,692	3,157	958	2,730	(1)	32,235

Revenues recorded by electricity generation companies in the first quarter of 2000 amounted to lire 6,238 billion, while operating income amounted to lire 2,190 billion. The different performance in the two quarters, with a slowdown of revenues and margins in the second quarter, is due to the different calculation method used in determining the price of electricity, based on the time of the day at which electricity is produced, as provided by regulations issued by the Authority. Electricity generation in the second quarter has been carried out at less remunerative time of the day on the average as compared to the first quarter, due also to the reduction of the time band from 4 to 3 in the months of April through September, with the elimination of the most remunerative time band.

Electricity generation and fuel consumption

The time band phenomenon, seasonal by nature, was accompanied by a decrease in the amount of electricity produced in the second quarter (down 2,928 million kWh), and resulted in a reduction in revenues of over 29% as compared with the first quarter of 2000. During the first six months of the year, revenues reported by generation companies amounted to lire 10,651 billion, made up by lire 5,192 billion of energy sold to Enel Distribuzione and Enel Trade, lire 5,359 billion of contributions recognized by the Cassa Conguaglio Settore Elettrico (Electricity Equalization Fund), and for the remainder mainly by services to Group companies. Stranded costs are not yet included among revenues. The cost of fuel used in thermal generation was equal to lire 5,058 billion. The remaining operating costs include lire 903 billion of labor costs, lire 384 billion of services received, water supply fees amounting to lire 114 billion, carbon tax, taxes on pollutant emissions and local taxes for a total of lire 92 billion.

Gross operating margin was equal to lire 3,934 billion.

Depreciation charges for the first six months of 2000 amounted to lire 1,284 billion.

Net electricity generation in the first half of 2000 was equal to 91,654 million kWh, increasing by 4% over the same period in 1999, and breaks down as follows:

In millions of kWh

	1st half 2000		1st half 1999		Change	
Thermal	71,951	78.5%	67,900	77.1%	4,051	6.0%
Hydroelectric	17,548	19.2%	18,171	20.6%	(623)	-3.4%
Geothermal	2,139	2.3%	2,036	2.3%	103	5.1%
Wind and photovoltaic	16	-	16	-	-	-
Total net generation	91,654	100.0%	88,123	100.0%	3,531	4.0%

Higher energy generation allowed the Group to face demand, stable despite the opening up of the market to competition, and to compensate for lower electricity imports resulting partly from the liberalization process. With regards to electricity generation sources, the decline in hydroelectric generation was due to a lower water supply as compared to the first half of 1999.

The following table shows total gross thermal generation by type of fuel employed:

In millions of kWh

	1st half 2000		1st half 1999		Change	
Heavy fuel oil (S>0.5%)	22,654	29.5%	24,182	33.3%	(1,528)	-6.3%
Light fuel oil (S<0.5%)	8,605	11.2%	11,384	15.7%	(2,779)	-24.4%
Total fuel oil	31,259	40.7%	35,566	49.0%	(4,307)	-12.1%
Natural gas	29,262	38.1%	21,623	29.8%	7,639	35.3%
Coal	12,174	15.8%	13,069	18.1%	(895)	-6.8%
Orimulsion	3,818	5.0%	2,047	2.8%	1,771	86.5%
Other fuels	298	0.4%	191	0.3%	107	56.0%
TOTAL GROSS GENERATION	76,811	100.0%	72,496	100.0%	4,315	6.0%

Use of natural gas and orimulsion continued to grow in the first six months of the year, in line with plans. The use of natural gas as an alternative to low or zero Sulphur content fuel oil is constantly growing, resulting in higher efficiency and lower environmental impact at a competitive cost.

Generation plants

In the first six months of 2000 capital expenditure in generation plants amounted to lire 510 billion, as compared with lire 734 billion in the first half of 1999, as shown in the table below:

In billions of lire			
	1st half 2000	1st half 1999	Change
Thermal plants	350	560	(210)
Hydroelectric plants	109	111	(2)
Geothermal plants	50	62	(12)
Other	1	1	-
Total	510	734	(224)

Lower expenditure made in the first half of 2000 are mainly due to lower activity levels, expected to recover in the second part of the year. In such time, work on the environmental upgrade of groups 3 and 4 of the Vado Ligure (Interpower) and of the Fiume Santo (Elettrogen) generation plants, in addition to groups 5 and 6 of the San Filippo del Mela (Eurogen) generation plants will be completed. In addition, work on the conversion of the Ostiglia (Elettrogen) plant to combined-cycle technology should begin, while work for the conversion of the La Spezia (Enel Produzione) plant to combined-cycle technology is underway.

Net efficient generation capacity of Enel Group plants at June 30, 2000 was equal to 55,700 MW as shown in the tables below:

MW	at June 30, 2000	at December 31, 1999
Thermal	38,143	38,648
Hydroelectric	16,888	16,581
Geothermal	641	584
Wind and photovoltaic	28	28
Total	55,700	55,841

Net efficient generation capacity by company

MW	Enel Produzione	Eurogen	Elettrogen	Interpower	Erga	at June 30, 2000
Thermal	24,929	6,242	4,424	2,548	-	38,143
Hydroelectric	14,056	766	1,014	63	989	16,888
Geothermal	-	-	-	-	641	641
Wind and photovoltaic	-	-	-	-	28	28
Total	38,985	7,008	5,438	2,611	1,658	55,700

Personnel and organization

The number of employees at June 30, 2000 and at December 31, 1999 for each of the companies in the generation segment are shown in the table that follows:

No. of employees	at June 30, 2000	at December 31, 1999
Enel Produzione	11,257	11,333
Eurogen	2,107	2,200
Elettrogen	1,758	1,801
Interpower	1,088	1,122
Erga	2,220	2,254
Total	18,430	18,710

Changes incurred include an increase of 213 employees following the above described contributions. The reduction of 493 employees is due to incentives to early retirement implemented in the past years.

Enel Produzione restructured itself around the following four operating areas:

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

Management expectations of operations in 2000

Expected demand for electricity for the second half of the year implies a level of generation in line with the first half of the year. The reintroduction, starting in October, of the most remunerative time band, is expected to generate profits in the second half of the year in line with those registered in the first half, despite lower tariffs applicable in the Summer.

Transmission

Terna is the owner of the national distribution network and is responsible within the Group for the management, maintenance and development of the network based on the guidelines provided by the ISO. The ISO is an entity controlled by the Italian Treasury and is responsible for the transmission and dispatching of electricity, in addition to the unified management of the national transmission network.

Terna main financial data for the first half of 2000 is shown in the tables that follow.

Income data

In billions of lire

Revenues	667
Operating costs	280
Gross operating margin	387
Depreciation and accruals	223
Operating income	164

Balance Sheet data

In billions of lire

Net fixed assets	7,652
Net current assets	(577)
Gross capital employed	7,075
Provisions	763
Net capital employed	6,312

In the first quarter the company reported an operating income equal to lire 95 billion. As in the first quarter, second quarter results refer exclusively to energy transported for the captive market, as transport tariffs for the free market have not yet been set by the ISO. Based on the proposal submitted by Terna currently under evaluation by the ISO, the increase in revenues for the first half of the year is estimated at lire 60 billion. Operating costs are represented mainly by labor costs equal to lire 153 billion, and by services received amounting to lire 120 billion, of which lire 72 billion relating to services received from Group companies.

Capital expenditure and transmission network

Capital expenditure in the first six months of 2000 amounts to lire 208 billion, increasing from lire 160 billion in the same period in 1999. The strong increase is due mainly to work carried out for the Italy-Greece link and the new integrated control system (SCTI).

With reference to the first project, the second section of the underwater cable that will be laid in the second half of the year – about 60 kilometers in length – has been manufactured. This will mark the completion of the direct power line connecting the coast of Apulia and that of Epirus with a 163 kilometers long cable under the Otranto Channel.

At June 30, 2000 Terna's plant and equipment was made up as follows:

	no.	km	no.	km	no.	km
	at June 30, 2000		at December 31, 1999		Change	
Stations	252	-	248	-	4	-
Transformers	542	-	541	-	1	-
Bays	3,587	-	3,582	-	5	-
Lines	-	33,500	-	33,466	-	34
Three-phase lines	-	37,150	-	37,102	-	48

Personnel and organization

At June 30, 2000 Terna employed 3,128 persons, representing a decline of 122 persons over the end of 1999 (3,250 employees), due mainly to incentives to early retirement. In the first half of the year streamlining activities aimed at improving productivity and operating efficiency continued. These were enhanced by the coming into operation of the SAP information system in July 2000 as planned.

Management expectations of operations in 2000

Management expectations of operations for the remaining part of 2000 are for a continuing effort in maximizing revenue, reducing costs through productivity increases and improving the quality of service.

With regards to revenues from energy transport, the ISO is expected to set tariffs for energy transported for the free market in the second half of the year.

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

Distribution and sale of electricity

The distribution and sale of electricity on the captive market is carried out by Enel Distribuzione, while Enel Trade is active in the same field on the free market.

Main financial data for the first six months of 2000 for these two companies is shown in the tables below:

Income data

In billions of lire	Enel Distribuzione	Enel Trade	Total
Revenues	12,517	1,002	13,519
Operating costs	9,655	962	10,617
Gross operating margin	2,862	40	2,902
Depreciation and accruals	1,753	1	1,754
Operating income	1,109	39	1,148

Balance Sheet data

In billions of lire	Enel Distribuzione	Enel Trade	Total
Net fixed assets	24,595	7	24,602
Net current assets	(3,553)	86	(3,467)
Gross capital employed	21,042	93	21,135
Provisions	(4,058)	(2)	(4,060)
Net capital employed	16,984	91	17,075

Captive market

In the first half of 2000 the new tariff system and price schedule for electricity purchases has been introduced. The combined effect of these two variables, coupled with the opening, in the last quarter of 1999, of the market for eligible clients, resulted in the reporting of an operating loss for the first quarter of 2000, more than compensated by a positive operating income in the second quarter.

The different operating performance in the two quarters is connected to the new valuation mechanism introduced for electricity purchases, divided into four time bands, as provided by resolution no. 205/99 of the Authority for Electricity and Gas. Such mechanism determines in fact wide swings in costs at different times of the year for equal volumes of electricity acquired.

Tariff revenues were affected both by the decrease in volume as a result of the opening up of the market, and by the tariff reduction introduced by resolution no. 204/99 of the Authority for Electricity and Gas.

Revenues from the sale of electricity in the first half of 2000 were equal to lire 11,717 billion. The breakdown of sales between medium and low voltage allowed to estimate surplus revenues over maximum revenues admissible by tariffs imposed by the Authority amounting to lire 227 billion. After adjusting for such amount, revenues for the first half of the year amount to lire 11,490 billion and break down by voltage as shown below:

	Billion lire	Million kWh	Lire/kWh	Billion lire	Million kWh	Lire/kWh
	1st half 2000			1st half 1999		
High voltage	571	14,274	40.0	1,025	24,779	41.4
Medium voltage	2,947	37,630	78.3	3,617	39,043	92.6
Low voltage	7,944	51,441	154.4	8,498	49,984	170.0
Total	11,462	103,345	110.9	13,140	113,806	115.5
Sales to Group companies	28					
Total	11,490					

Quantities sold to third parties in the first half of the year amount to 103,345 million kWh, down 9.2% from the first half of 1999. Revenues decrease by 12.8%, following a 4% reduction in average unit prices.

Tariff revenues were affected by:

- a reduction in tariffs introduced for some classes of customers by the Authority for Electricity and Gas resolution no. 204/1999, effective January 1, 2000;
- the electricity market liberalization process;
- the sales breakdown.

The breakdown of sales by voltage level shows a decline in high and medium voltage electricity sales following market liberalization. The strong decline registered by high voltage sales (down 42.4%) is the main indicator of the structural change underway. It is in fact estimated that to date, about 350 high voltage supply contracts, representing a total of about 26 billion kWh in 1999, have been lost to the free market, resulting in a reduction in sales on an annual basis of 52.0%.

Low voltage sales are instead brisk, registering a 2.9% increase over the same period in the previous year. Such growth is due mainly to electricity consumption of small and medium manufacturing firms.

The decline in revenues affected to different extents all classes of customers:

- high voltage revenues were equal to lire 571 billion, of which lire 48 billion due to tariff adjustments introduced by the Authority for Electricity and Gas with regulation 204/99 to compensate for lower revenues from contracts for which special tariffs apply. Total revenues decline by 44.3% on the first six months of 1999 due to lower sales and a 3.4% reduction in the average unit price;
- medium voltage revenues amounted to lire 2,947 billion, declining by 18.5% due to lower sales volume (down 3.6%) and unit price (down 15.4%);
- low voltage revenues, equal to 7,944 billion lire, despite a 2.9% increase in sales volumes, declined by 6.5% due to a lower unit price (down 9.2%).

The average unit price for the captive market declined by 4% due to the higher percentage of low voltage sales.

As mentioned, medium and low voltage revenues are net of adjustments made for tariff constraints.

The breakdown of quantities of energy sold by sector shows the effect of liberalization of the electricity market on the industrial sector, registering a 22.1% reduction in Enel's sales on the same period in the previous year.

In millions of kWh

	1st half 2000	1st half 1999	Change	
Industry	42,084	54,034	(11,950)	-22.1%
Services	27,048	26,185	863	3.3%
Agriculture	1,954	1,861	93	5.0%
Household and general services	27,893	27,709	184	0.7%
Total direct customers	98,979	109,789	(10,810)	-9.8%
Resellers and foreign sales	4,366	4,017	349	8.7%
Sale of electricity to others	103,345	113,806	(10,461)	-9.2%

The consequences of liberalization on the Group have been effectively countered by Enel Trade's activity on the free market, as described more in detail further on. Considering also the sales of such company, the reduction of volumes lost to high voltage is limited to 2,442 million kWh (down 9.9% on the first half of 1999), while medium voltage sales increase by 228 million kWh (up 0.6%).

The remaining revenues for the first half of the year registered by Enel Distribuzione are made up by connection fees, amounting to lire 618 billion, services amounting to lire 153 billion and costs retrieved, contributions for capital expenditure and other income amounting to lire 204 billion.

Operating costs include electricity purchases from generation companies of the Group and from Parent Company Enel SpA (purchases from other domestic and foreign producers) amounting to lire 5,837 billion, labor costs amounting to lire 2,017 billion, services and material consumption amounting to lire 2,256 billion, and lease payments totaling lire 157 billion. Capitalized costs were equal to lire 721 billion.

Free market

The lowering of eligibility thresholds to an annual consumption of 20 million kWh from January 1, 2000, pursuant to the Bersani Decree, allowed new customers to approach the free market and the creation of numerous consortia of consumers. The number of eligible sites registered by the Authority for Electricity and Gas increased from 1,900 at the end of 1999, representing a total consumption of 55 billion kWh, to the current 4,700 eligible sites, with a total potential consumption of 80 billion kWh per year.

With regards to the offer of electricity, in the first half of 2000, the amount of energy available on the free market was represented by energy produced abroad and part of the electricity generated domestically. In this context, Enel Trade managed to offer a balanced mix, having acquired electricity from foreign producers within the limits set by the Authority for Electricity and Gas. In the second half of 2000 such market conditions should continue to hold, allowing Enel Trade to continue along the trend set in the first six months of the year and retaining its leadership position as operator in the free market for electricity.

In the first half of 2000, Enel Trade registered electricity sales amounting to 9,704 million kWh, made up as follows:

In millions of kWh		
	1st half 2000	
High voltage electricity sales	8,063	83%
Medium voltage electricity sales	1,641	17%
Total	9,704	100%

Electricity sales in the second quarter increased by 25% over the first quarter. High voltage consumption increased by 15%, while medium voltage sales increased by 96%. The increase in medium voltage electricity sales was due to the entry on the free market of a large number of consortia of customers.

In millions of kWh			
	1st quarter 2000	2nd quarter 2000	Change
High voltage electricity sales	3,750	4,313	15%
Medium voltage electricity sales	555	1,086	96%
Total	4,305	5,399	25%

In the first half of 2000, revenues from the sale of electricity to eligible clients amounted to lire 998 billion. The table that follows shows the breakdown of sales by voltage:

In billions of lire			
	1st half 2000		Lire/kWh
High voltage	783	78%	97.1
Medium voltage	215	22%	131.0
Total	998	100%	102.8

Sales prices include the fuel component that is not reimbursed by the Electricity Equalization Fund.

Enel Trade's operating costs are represented mainly by electricity purchases amounting to lire 813 billion (of which lire 723 billion from other Group companies and lire 90 billion from foreign suppliers), and transport services received amounting to lire 123 billion.

Service quality

In the first half of 2000, the supply of electricity and support procedures for the captive market have been changed to bring them into line with regulations issued by the Authority for Electricity and Gas setting specific and general quality levels for the sale of electricity. New regulations, extended also to medium voltage customers, set specific and general quality standards for the supply of services. Specific service supply levels refer to the maximum time within which services required by the customer must be supplied, under penalty of the payment of an indemnity in case of lack of compliance. General standards refer to the minimum level of service that must be supplied within the set maximum period of time.

Enel considered such regulations as an opportunity to strengthen its relationships and contacts with its clients. The Company prepared a pamphlet illustrating in a clear and direct language "Customer rights". Starting on July 1, 2000, Enel Distribuzione will apply specific quality standards set and will bring forward the application of a number of general standards to January 1, 2001.

Enel Distribuzione devised a plan for the replacement of electro-mechanical meters currently installed with a system of electronic meters allowing, among other things, the remote reading of electricity consumption. The new meter will allow to perform from a remote location, without having to access the customer's premises, a number of operations such as the activation and deactivation of the energy supply, and to increase or decrease the amount of power supplied. They will also allow to measure consumption more frequently. Through the automation of meter readings, the new system will result in considerable savings in the management of supply contracts, allowing at the same time to offer new services. The project was launched in October 1999 and is currently in its executive phase, with the awarding of design contracts aimed at improving the performance and the cost of hardware and software components.

On June 30, 2000, the Enel Group signed an agreement with the Echelon Corporation, leader in network connection of common use equipment, according to which the two companies will cooperate to achieve the integration of the LonWorks system designed by Echelon and the remote meter reading project elaborated by Enel Distribuzione named "Electronic Meter". Pursuant to the agreement, Enel Distribuzione will integrate also a wide range of Echelon products into its system.

During the first half of the year, Enel Distribuzione developed a project denominated "New multi-utility commercial network", born from the integration of the "Contact center" and "Sales focus" projects, starting its implementation. The objectives of the project are the improvement in customer relationship and the achievement of important cost synergies through a new integrated relationship system and a more flexible organization. The new project includes the creation of the Contact Center in addition to initiatives involving the development of the sales network.

In the context of the free market, in the first six months of 2000 the company launched new services such as the billing for consortia, Data Management services for the monitoring of customer consumption, Energy Management for energy consulting and plant management (post electricity sales services), aiming at developing customer loyalty.

Capital expenditure and distribution network

At June 30, 2000, the distribution network was made up as follows:

	km	no.	km	no.	km	no.
	at June 30, 2000		at December 31, 1999		Change	
High voltage						
Power lines	20,528	-	20,188	-	340	-
Sub-stations	-	1,871	-	1,864	-	7
Medium voltage						
Power lines	329,923	-	328,188	-	1,735	-
Sub-stations and transformers	-	405,623	-	403,507	-	2,116
Low voltage						
Power lines	706,652	-	702,699	-	3,953	-

In line with company strategies, investment in the upgrade of the network and the improvement of electricity service quality and safety continued.

Capital expenditure in distribution networks for the first half of 2000 amounted to lire 1,298 billion, made up as follows:

In billions of lire	1st half 2000	1st half 1999
High voltage	166	213
Medium and low voltage	1,132	1,170
Total	1,298	1,383

Capital expenditure on high voltage networks is not comparable with the previous year since the extent of networks at June 30, 1999 was about 15,000 kilometers higher than at June 30, 2000. As provided by the Bersani Decree and the related regulation issued by the Ministry of Industry, the Distribution Division transferred about 15,000 kilometers of lines to the Transmission Division to allow the subsequent transfer to Terna. Capital expenditure on medium and low voltage networks are basically unchanged despite the significant increase in energy sold. This was due to an increase in operating efficiency achieved on investments made on the low voltage network, compensated by investments made on the medium voltage network. It is on this section of the network in fact that efforts aimed at improving the quality of service have proved more effective.

Personnel and organization

At June 30, 2000, Enel Distribuzione employed 46,269 people, representing a reduction of 1,572 employees as compared to December 31, 1999. The decline is due mainly to early retirement incentives offered in the past years and expected to continue in the second half of the year.

At June 30, 2000, Enel Trade employed 108 persons, as compared to 91 persons at December 31, 1999.

Management expectations of operations in 2000

With regards to the captive market, based on information currently available, management expects the performance for the second half of the year to be in line with the first six months.

The newly opened up market reached only at the end of the first half of 2000 the volume expected. Due to wholesalers' tendency to shift supply towards medium voltage customers, the reduction in quantities sold could concentrate in this section of the market. Overall, it is estimated that customers that have left Enel Distribuzione could determine a loss in sales of around 35 billion kWh per year, of which Enel Trade is expected to retrieve about 20 billion kWh per year.

As already mentioned, the Bersani Decree allows the survival of only one concession for each municipal territory, determining the need to aggregate in those cases in which more than one distributor operates in the same municipality. In such context, Enel Distribuzione entered into negotiations with most of interested parties, among which major local utility companies, with the aim of reaching an agreement by September 30, 2000.

In the second half of 2000 the implementation of the agreement concluded with the Valle d'Aosta Region and the Regional Finance Company for the creation of joint-ventures in the distribution and sale of electricity in the Valle d'Aosta Region continued. Activities will be carried out by a joint company held by Enel SpA with a 51% share and the Valle d'Aosta Region with 49% of the share capital.

Efforts to contain operating costs will benefit also from the reduction in personnel. The implementation of selective turnover and of the early retirement incentive plan introduced in 1999 will have relevant effects already in 2000. The Company intends thus to concentrate its resources around the management of the network and of services to customers. To such end, a deep revision of internal processes and management procedures is presently underway.

With regards to the free market, the foreseeable scenario of the Italian electricity sector points in the short term to a growth in demand from eligible customers in excess of the growth in potential offer for electricity, resulting in an increase in sales prices. This will imply for Enel Trade the renegotiations of current contracts and the need to improve its customer mix. The company will continue to offer innovative services to its customers.

In the first half of 2000, WIND continued to grow at a fast pace, confirming it as one of Europe's fastest growing telecommunications companies.

Market performance

The telecommunications sector has seen the further development of mobile telephony, with a rapid growth in the already large customer base. In the second quarter the fourth operator, Blu, entered the market, widening the range of products offered to customers determining an increase in competition and market dynamism. At June 30, mobile telephony reached about 60% of the population with a market of about 35 million customers, as compared to 30 million customers at the end of 1999, registering a growth of 15% over the same period in the previous year.

The development of fixed telephony continued with WIND and Infostrada as protagonists. The entry of new operators in the local telephony sector determined a further erosion of Telecom Italia's market share, allowing the companies operating in this sector as an alternative to Telecom Italia in the offer of traditional telephony services. At the end of June new operators accounted for 5 million lines, as compared with 3 million lines at the end of 1999, registering a growth of 50% over the same period in 1999.

With regards to Internet access, the growth trend set by the launch in 1999 of free Internet access services offered by a number of operators, providers and portals continued. Main telecommunications operators, among which WIND, launched an Internet access package in addition to formulas allowing unlimited access to the Internet against the payment of a fixed monthly fee. At the end of June market penetration was over 18%, with almost 10 million registered customers, as compared to 4 million at the end of 1999.

Main initiatives and sales performance

Beginning in January 2000, WIND launched, first among operators alternative to Telecom Italia, its local telephony service, which is presently available in about 50 cities.

In March, WIND launched moreover new "light" tariff plans introducing discounts on telephone calls after the third (for mobile telephones) and fourth (for conventional telephones) minutes of conversation.

In May, the company launched "Unico Ricaricabile", the first prepaid package for fixed/mobile telephones, allowing the customer to make phone calls both from fixed and mobile telephones using the same credit for both services.

In the Internet area, WIND launched "Internet light 1088", presently the cheapest tariff available on the Italian market, in addition to "Internet no-stop", allowing WIND subscribers unlimited access to the net against the payment of a fixed monthly fee.

In March, Internet portal www.inwind.it was completely renovated with the introduction of new contents and new services to WIND customers and persons visiting the site. Starting with April, subsidiary IT.net has moreover began the distribution of the new ADSL service, allowing high-speed Internet access using conventional telephone cables. In June, WIND launched its own WAP (Wireless Application Protocol) for the access to content and services from mobile telephones in data transmission mode.

Among new services to businesses, we remind also the launch, in March, of a new private virtual converging (mobile/fixed) network and of a toll-free service that may be accessed nationally or locally. At June 30, 2000, WIND had 4,330,000 active lines, of which about 2,630,000 for mobile telephones, 1,424,000 for fixed telephony and 282,000 Internet users. The increase over December 31, 1999 was about 2,190,000 lines (of which about 1,295,000 mobile, 670,000 fixed and 224,000 Internet), representing a growth of over 100% on the total of 2,143,000 lines at the end of 1999.

WIND's market share in the first half of the year in terms of new lines activated was about 30% both for fixed and mobile telephones. A little more over one year after its launch, WIND is the market leader on fixed telephony growth (with a volume on new

lines activated, comparable to that of Infostrada), while achieving results close to those of TIM in the market for mobile telephones.

Development of infrastructure

In the first half of 2000, the development of WIND's infrastructure and network continued. At the end of June 2000, WIND provided direct coverage for about 60% of Italy's population, having installed radiomobile service in more than 740 municipalities. At the same date, 2,155 base transmitter stations (BTS) were operating, allowing the use of over 106,000 analog channels.

The cities in which WIND offered local telephone service at June 30 were 52, while the free Internet service was available for the whole population and could count on an infrastructure of 42 IP POPs and Frame Relays in about 230 telephone districts.

The development of fiber optic infrastructure continued at a fast pace. At June 30, about 10,500 kilometers of the E-net national fiber optic network were available, while work continues on the construction of urban fiber optic Networks (MAN) in about 13 cities in which about 300 kilometers of trenches have already been excavated.

Corporate development initiatives

In March, WIND concluded with electronics store chain Eldo a joint-venture agreement leading to the creation and startup of Megamind. The new company's mission is that of developing a chain of specialized sales points distributing telecommunications equipment and services, with a multi-brand offer that will include, in addition to WIND products, those of all main Italian fixed and mobile telephony operators.

The agreement is particularly important in light of the increasing pressure of competition accumulating on sales channels. With the development of Megamind, in fact, WIND will be able to gain preferred access to the market, being able to count on Eldo's considerable experience in the rapid development and startup of specialized sales points.

Operations

Results for the first half of 2000 confirm the Company's growth trend. Revenues amount to lire 1,015 billion (lire 795 billion in 1999, of which lire 112 billion in the first half of the year) while operating costs amounted to lire 1,527 billion (lire 1,701 billion in 1999, of which lire 524 billion in the first half). The latter are made up by lire 1,398 billion for the purchase of goods and services (lire 1,496 billion in 1999, of which lire 448 billion in the first half), and lire 129 billion of personnel costs (lire 205 billion in 1999, of which lire 76 billion in the first half of the year). The depreciation expense for the half of the year amounted to lire 207 billion (lire 221 billion for 1999 as a whole).

In the first half of 2000, WIND reported a net loss of lire 744 billion (in 1999 the loss was equal to lire 1,102 billion, of which lire 297 billion in the first six months). Deferred tax credits have prudentially not been recorded for the first half of 2000, while they had been recorded in the first half of 1999.

Capital expenditure in the first half of the year amounts to lire 608 billion (lire 1,141 billion in 1999, of which lire 328 billion in the first half). Due to the growth of the business, total assets increase from about lire 3,000 billion in 1999, to about lire 4,000 billion at June 30, 2000.

WIND's Shareholders' Meeting held on April 20, 2000, called to approve the Financial Statements at December 31, 1999, resolved a capital decrease of lire 862 billion to cover losses accumulated, increasing it further by lire 1,300 billion. As a result of such operations, the capital stock at June 30, 2000 amounts to lire 2,190 billion. At June 30, 2000 WIND shows a positive financial position of lire 249 billion, following also the capital increase. Liquidity has been mainly invested in repurchase agreements and commercial paper.

Subsequent events

In July, WIND concluded with utility companies of Trieste, Udine and Gorizia an agreement for the development of Estel, a company that will be active in the Friuli Venezia Giulia Region in the development of a fiber-optic network allowing to offer companies and households in the area, in addition to fixed telephony and data transmission services, also wide band data transmission such as high-speed Internet access, videoconferencing applications, video on demand, interactive applications and multimedia content offer. Estel will manage the development of the fiber-optic network and the sale of services, while WIND will supply all network services, Information Technology and customer care services necessary to support sales.

On July 31 of this year WIND concluded a syndicated loan amounting to 2.4 billion euro. The operation was well received by the market and closed with requests for about 200% of the amount offered for underwriting. A total of 58 Italian and foreign banks participated in the operation.

The loan is structured in the following way: 2 billion euro are represented by a long-term loan repayable in 9.5 years, while the remaining 400 million euro represent a revolving credit line for the same period.

At the same time, WIND received financing from the European Investment Bank amounting to 570 million euro.

On July 18, 2000, agreements on the new shareholder structure of the Company were signed, as described more in detail in the section on "Events subsequent to June 30, 2000, and management's expectations of operations".

Engineering and contracting

On January 1, 2000, Enel's "Engineering and Contracting" business unit was transferred to subsidiary Enelpower, currently operating also through subsidiary Enelpower UK.

In the first half of 2000, the two companies registered a turnover (including revenues and contract work completion) amounting to lire 481 billion, of which lire 442 billion relating to work carried out for other Enel Group companies, reporting an operating income of lire 41 billion.

The share of work carried out for customers outside the Group is set to grow consistently due to large contracts concluded or about to be concluded. More in detail:

- a contract for the construction of a thermal plant with a capacity of 240MW in Tucuman, Argentina has been signed, and construction started;
- a project for the construction of a hydroelectric plant in Kalivac, Albania, is being finalized;
- the agreement signed by affiliated company Enelco in Greece for the construction and subsequent management of a combined-cycle power plant is currently awaiting the conclusion of bilateral negotiations between Greece and Turkey for the construction of the power line transporting the energy produced;
- at the beginning of July, a consortium led by Enelpower and participated by Fisia Italmimpianti won the contract for the construction of a combined-cycle generation plant at the Jebel Ali (Dubai) desalination plant. Enelpower's share in the contract, for which construction is expected to last 27 months, is equal to lire 800 billion;
- Enelpower UK has been designated as a subcontractor for the contract awarded by Premier Power Ltd. to Ansaldo Energia for the construction of the Ballylumford (Northern Ireland) power plant. Enelpower UK's share in the project amounts to over lire 300 billion. Construction is expected to last about 28 months.

In the first half of the year, five foreign branches have been established (Abu Dhabi, Dubai, Egypt, Libya, Russia) to increase presence in the respective markets.

Among efforts aimed at strengthening operations in South America, in July 2000 Enel's Board of Directors approved the acquisition by Enelpower of a 30% share in Brazilian holding company Inepar Energia. The cost of the investment amounts to lire 170 billion. Proceeds will be used to finance new investments, among which a 1,320 MW coal power plant in Brazil. Inepar Energia is present in the Brazilian market for generation, transmission and distribution of electricity, and in Argentina in the generation sector.

Real estate and services

In the present configuration of the Group, the “Real Estate and Services” sector includes subsidiaries Sei, Dalmazia-Trieste and Conphoebus.

Sei SpA

Following the contribution of Enel's real estate property on November 1, 1999, Sei has become the Group's real estate holding company. In addition, Sei carries out real estate management activities, vehicle logistics, distribution logistics, building management and catering.

In the first half of 2000 revenues were equal to lire 578 billion, of which lire 563 billion from Enel Group companies. These are made up by lire 223 billion of rent payments and lire 113 billion of vehicle leasing payments. The difference refers to building management services, catering and materials logistics.

Operating costs, net of capitalization, were equal to lire 387 billion, of which lire 196 billion of services received, lire 79 billion of leasing payments and rent, lire 78 billion of labor costs, and lire 34 billion for materials and other operating costs.

The gross operating margin was equal to lire 191 billion, while the operating income amounted to lire 102 billion. Depreciation for the first half of the year totaled lire 89 billion.

At June 30, 2000 net assets amounted to lire 4,976 billion, of which lire 4,601 billion relating to buildings. Net capital employed was equal to lire 4,706 billion.

At the same date, the company employed 1,475 employees, representing a reduction of 32 persons on 1999.

Joint-venture

In the first half of 2000, Sei was active in the incorporation of three joint-ventures with major international partners:

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

The new companies' activities will be in line with Sei's strategy that may be summarized as follows:

- evaluation of interesting market opportunities in the context of the businesses managed by the Company (real estate, facility management, distribution logistics and vehicle logistics), in cooperation through joint-ventures with market leaders;
- use of all resources available within the Company for the development of new markets and Group synergies.

Immobiliare Foro Bonaparte will receive from Sei a business unit made up essentially by 42 buildings for a total value of lire 1,050 billion. Subsequently, 51% of the company will be acquired by American Continental Properties Institutional Investors (ACPII), an affiliated company of the ACP Group and other institutional investors. Sei will retain a 49% share in the company and the joint management of its activities. The operation is expected to be completed by the end of the current year.

Immobiliare Rio Nuovo, which will be based in Venice, will receive from Sei a business unit made up by 62 buildings, for a total value of lire 665 billion. A 51% share in the company will subsequently be sold to the Deutsche Bank Group. The transaction will be completed by the beginning of 2001. Deutsche Bank and Sei will use Immobiliare Rio Nuovo as a preferred channel for building, through new acquisitions, a real estate portfolio having a total value of lire 2,500 billion. The stock market listing of the company is planned by 2002.

Conphoebus Technology Service (CTS), will be held by Mitsubishi Electric Europe and Sei in equal shares, and will carry out "global service" (maintenance and cleaning) activities in buildings renovated as open spaces used as offices by Enel Group companies (about 350,000 square meters), and will receive from Mitsubishi the exclusive for the design, certification and startup of all air conditioning equipment installed at all Mitsubishi Electric large customers in Italy, in addition to the supervision of their installation. Such facility management and design activities will allow the company to reach in the next 24 months a turnover of about lire 70 billion. The company's objective is that of assuming the leadership in the facility management and air conditioning equipment design sectors, supplying services to large industrial groups, banks, insurance companies and public offices.

Dalmazia Trieste SpA

The company owns residential property of the Enel Group to be divested. In the first half of the year, revenues, mainly relating to rent, amounted to about lire 15 billion, while the company reported a break even. Capital employed amounts to lire 700 billion, made up almost entirely by fixed assets.

Conphoebus SpA

The company, active in the building air conditioning sector, reported in the first half of the year revenues amounting to lire 5 billion and a break even. Its activities will be merged in the future with those of the joint-venture with Mitsubishi described above.

Water

Enel Group's water sector is headed by Enel.Hydro, the name that former subsidiary Ismes has taken after the restructuring of the Group. In the first half of 2000, Enel.Hydro, in line with its mission of becoming a major operator in the water and environmental and structural engineering sectors in Italy, received from Enel SpA the "Hydraulic and Structural Engineering Business Unit" - PIS (formerly part of its Research Unit) and its "Hydroelectric Engineering Business Unit" (formerly part of its Engineering and Contracting Unit), as a complement to the capabilities already existing in the company.

Operations are organized into three Business Units:

- ISMES: integrated engineering services for structures and environment;
- PIS: studies for the preparation of environmental safety plans and on hydro-geological and seismic safety;
- HYDROELECTRIC ENGINEERING: construction of hydroelectric plants.

A Business Development unit has also been created for the development of the water supply sector.

Revenues for the first half of 2000 (including contract work in progress completed) amounted to lire 117 billion, made up as follows:

- ISMES: lire 17 billion, as compared to revenues reported by the former Ismes in the first half of 1999 amounting to lire 18 billion;
- PIS: lire 8 billion;
- HYDROELECTRIC ENGINEERING: lire 92 billion relating to work commissioned by Enel Group companies.

The operating income amounts to lire 4 billion.

Water supply sector

In the first half of the year, important initiatives aimed at developing the activity of the company in the sector for the integrated management of water resources, exploiting opportunities offered by the application of the "Galli Law" were launched. Main activities included:

- the incorporation of SICILIA HYDRO (with a 33.5% share) for the development and exploitation of drinking water contained in the Ancipa basin through the restructuring and enlargement of infrastructures aimed at supplying the Enna Province, in Sicily (in addition to 20 other municipalities representing a total of about 250,000 residents served);
- participation in the bidding procedure, still under way, for the awarding of the management of Calabria's regional aqueducts (serving about 1,700,000 people);
- participation in the bidding procedure, still under way, for the awarding of the management of the "Servizio Idrico Integrato del Lazio Meridionale - Latina" (38 municipalities and about 600,000 residents served);
- incorporation of HYDROLAZIO for the purpose of participating in the bidding for the management of the "Servizio Idrico Integrato del Lazio Meridionale - Frosinone" (86 municipalities and about 470,000 residents served). The bidding is expected to take place in Autumn 2000.

In the second half of the year, the company is expected to participate in the following projects:

- creation of a company for the management of the sewage water treatment system of the Trento Province;
- creation of a company for the development and increase of drinking water supply for the cities of Agrigento and Caltanissetta, exploiting the Prizzi and Gammauta basins (ERGA) and the Sosio-Verdura river;

- creation of a company for the exploitation of the Suviana basin (Enel Produzione), to increase the water supply of Bologna and neighboring municipalities (about 700,000 residents);
- evaluation of the opportunity to conclude an agreement with Enel Produzione for the management of water treatment plants located at the company's thermal generation plants.

In the second half of the year the company aims at developing further the water supply sector, while its performance is expected to be in line with the first six months of the year.

Acquedotto Pugliese

The acquisition of the Acquedotto Pugliese is expected to be concluded by the end of the current year. In April 2000, the Apulia Region appealed against the Lazio Regional Court the decree issued by the President of the Council of Ministers dated March 9, 2000 providing for the direct sale of Acquedotto Pugliese to Enel SpA. The Apulia Region questions in the first place the Government's authority on the matter, as regional aqueducts are the exclusive responsibility of regions. Secondly, the Apulia Region claims that the procedure for the sale of the aqueduct is invalid since the Region has not been consulted. The Apulia Region claims further that anti-trust regulations on State subsidies and competition require the matter to be submitted to the European Court of Justice. Analogous claims have been brought against the Constitutional Court, requesting the annulment of the decree jointly with the resolution of the conflict of attribution. Enel has already appeared to the Regional Court as interested party and believes that Apulia Region's claims are unfounded, though there exists no certainty as to the outcome of the court proceedings.

The two previous appeals made by the Apulia Region to the Constitutional Court against the Legislative Decree establishing the transformation of Acquedotto Pugliese into a joint-stock company have been declared not admissible by a ruling dated July 12, 2000.

Personnel and organization

In the first six months of the year Enel.Hydro has undergone deep restructuring involving the streamlining of production processes of its engineering service with the objective of focusing activities on high value added services. A department dedicated to the development of the water business has also been created.

As part of the restructuring process, the workforce has been reduced from 594 employees at December 31, 1999 to 542 at June 30, 2000. The decline in the number of employees is due mainly to incentives to early retirement introduced in the past years.

Other activities

Colombo Gas SpA

The company, purchased in March 2000, operates in the gas distribution sector in 63 municipalities in the provinces of Lecco, Como, Milan, Pavia, Parma and Alessandria. Customers served at June 30, 2000 were 75,327, of which 62 industrial users. Revenues for the six months amounted to lire 55 billion, of which lire 54 billion of methane gas sales (lire 45 of sales to households and lire 9 billion to industrial customers). Quantities sold amounted to 110.5 billion cubic meters (of which 85.4 billion to households and 25.1 billion to industrial customers), increasing by 1.8% over the first six months of 1999. Operating costs amounted to lire 44 billion while depreciation expense was lire 7 billion. The company reported an operating income equal to lire 4 billion.

At June 30, 2000 total assets amounted to lire 128 billion, with a negative net working capital of lire 29 billion. Provisions amounted to lire 17 billion, while net capital employed was equal to lire 82 billion.

At June 30, 2000, the company employed 79 persons, the same number as at the end of 1999.

So.I.e. SpA

Since August 1999, So.I.e. has been in charge of the design, construction and integrated management of public and art lighting for the Enel Group. The public lighting market is undergoing deep changes caused by the introduction of new legislation. Proposed Law 4014 restructuring public services, currently under examination of the Senate, provides for the awarding of such service only through public auctions. In the first six months of 2000, So.I.e. consolidated its leadership in the public and art lighting sector, offering an integrated service that includes the design and construction of energy efficient lighting systems, paying particular attention to urban decor. The company has in fact acquired the management of 35,000 street lights and was awarded with other partners a contract for the installation of public lighting systems for AEM (Milan), for a total amount of lire 19 billion.

Revenues (including contract work in progress) for the first six months of 2000 amounted to lire 77 billion, while operating income for the same period amounted to lire 25 billion. Fixed assets, net of capital grants, amounted at June 30, 2000 to lire 102 billion while net capital employed amounted to lire 25 billion.

At June 30, 2000, the company employed 252 persons, 27 more than at December 31, 1999 due to the increased level of activity.

Enel.si SpA

In the first six months of 2000, Enel.si Servizi Integrati (formerly Se.m.e.) began operating in the post electricity sales sector. Revenues for the period amounted to lire 4 billion, while the company reported a break even. The company will also play a key role in the implementation of Enel Distribuzione's plan for the replacement of current electro-mechanical meters with digital ones.

Enel.FTL SpA

Enel.FTL was incorporated on December 31, 1999 and began operating on June 1, 2000, following the contribution from Enel Produzione of its "Fuel business unit". Enel.FTL's main objective is the exploitation of business opportunities offered by the market taking advantage of experience and know-how acquired by Enel in the sector over several decades, both domestically and internationally.

Enel.FTL is active in:

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

Enel.FTL has a lean and flexible organization (employing about 75 persons at June 30, 2000), most of which transferred to it through the spin-off of the "Fuel business unit" from Enel Produzione. The number of employees is expected to increase by 25 by the end of the year.

In June, its first month of activity, Enel.FTL sold energy products to Enel Group companies and third parties.

With regards to activities involving other Enel Group companies, Enel.FTL meets fuel requirements of Enel's generation plants, achieving through centralized purchase and management, quality, price efficiency and timeliness of supplies.

Fuel supply activities, which in June generated revenues totaling lire 102 billion, will increase in the second half of the year due to the renewal in Enel.FTL's name of a number of purchase contracts originally stipulated by Enel SpA and expiring in the period. Long-term contracts will instead be transferred, where permitted by current domestic and international regulation.

With regards to trading activities with third parties, in June 2000 sale contracts worth over lire 31 billion were concluded.

The company reported a breakeven.

A gradual increase in on-line trading activities is expected in the next few months with the object of developing such activity in the future. The company will devote resources and efforts to the development of trading activities outside the Group.

Enel.it

The company was incorporated on October 15, 1999 and on January 1, 2000 it received from Enel its "Information Technology" business.

Enel.it is in charge of managing and developing all information technology activities of the Enel Group while seeking opportunities on the market, supplying innovative solutions and strategic information technology services. Among the company's major objectives is the provision of support in the Group's evolution in the use of Information & Communication Technologies as a strategic tool aimed at reducing production costs and offering improved services to its customers.

Revenues for the first six months of the year amounted to lire 260 billion, referring almost entirely to other Enel Group companies. Operating costs amounted to lire 150 billion while depreciation charges totaled lire 59 billion. The company recorded an operating income of lire 51 billion.

At June 30, 2000 total assets amounted to lire 566 billion, with a negative net working capital of lire 222 billion. Provisions amounted to lire 93 billion, while net capital employed was equal to lire 251 billion.

At the same date Enel.it employed 1,413 persons. Personnel management is focused on the development of employee's potential, also through training.

Activities under way include:

- the SAP project, aimed at introducing the SAP R/3 information system in the Enel Group;
- the development of Power Line Communication (PLC) technology, allowing remote readings of electricity consumption, telemanagement and remote control functions, in addition to telephone services and Internet access;
- the "Remote training" project which, through the use of joint conventional and satellite technology, will allow to offer innovative services such as on-line and off-line courses in addition to virtual classroom teaching. The service is expected to become available by November 2000;
- the creation of an Internet-intranet portal for Enel SpA, on which it will be possible to carry out e-procurement activities for Business to Business and Business to Consumer, integrating vertical portals of operating companies. The launch of the portal is expected to take place in the second half of 2000;
- the "Energy Management" project, consisting in the acquisition, personalizing and subsequent release on the part of Enel.it of a product allowing to program and optimize energy generation. End customers are Enel Produzione, Eurogen and Elettrogen, with an option offered to Interpower. The release is expected for the second half of 2000;
- the development for Enel Distribuzione of a single national multi-media "virtual" Contact Center (telephone, mail, fax, e-mail, Internet) aimed at acquiring customers and at developing customer loyalty. The first pilot site will become operational at the beginning of 2001;
- the project for the Telemanagement of electronic meters, providing for the supply by Enel.it to Enel Distribuzione of a system for the remote management of meters allowing:
 - the automatic reading of electricity consumption, with the elimination of advance billing;
 - possible customized billing procedures (daily, by time periods);
 - the automatic execution of work orders, originated by customer requests or internal needs (disconnection of morose customers, verification);
 - business opportunities relating to the sale of remote control function services.

Research and Development

Beginning on January 1, 2000, the "System Research" unit has been transferred from Enel SpA to CESI. In the first half of the year the two activities have been integrated, restructuring the organization and strengthening sales and marketing departments.

CESI's objective is that of becoming an international center for research on electricity systems and the supply of specialized services, testing and certification.

Revenues for the first half of the year (including contract work in progress) amounted to lire 116 billion, made up as follows:

- system research: lire 55 billion;
- research carried out for Enel Group companies: lire 32 billion;
- services supplied to third parties: lire 25 billion;
- grants and other income: lire 4 billion.

Operating costs amounted to lire 98 billion, of which lire 55 billion for personnel and the balance for services received and purchases. Depreciation expense for the period amounted to lire 6 billion and the operating income to lire 12 billion.

"System Research" activities are financed through a specific tariff component paid by captive and eligible customers. Such tariff revenue accrues to the "Fund for the financing of research activities" created at the Electricity Equalization Fund by Decree dated January 26, 2000 of the Ministry of Industry. Funds accrued to the fund in the first half of the year have been assigned in full to CESI and are in line with revenues recorded.

System Research has been defined in a complex three-year plan defining specific objectives for the year 2000. These are 49 programs ranging from transport capacity and flexibility of transportation networks to environmental problems (environmental compatibility, electromagnetic fields, hydro-geological risks, etc.), to the diversification of fuels, renewable sources, the development of electrotechnologies.

All research programs started in the last six months. They cover main research and development needs in the field of electricity systems and are, in some cases, linked to European research programs.

At June 30, CESI employed 1,045 persons.

A new "Automation" business unit has been created to carry out research, studies and solutions for problems relating to network automation and generation processes.

Parent Company Enel SpA

Effective on January 1, 2000 Enel made the last transfers of business units to its operating subsidiaries. Businesses transferred were:

- the "Thermal Engineering and Contracting" unit, transferred to Enelpower;
- the "Hydroelectric Engineering and Contracting" unit, transferred to Enel.Hydro;
- the "Information Technology" unit, transferred to Enel.it;
- the "System Research" unit, transferred to CESI;
- the "Water Structures" unit, transferred to Enel.Hydro;
- the "Thermal Research" unit, transferred to Enel Produzione.

The transfer of operating activities to Sei has also been completed.

The book value of businesses transferred amounted to lire 2,042 billion, while that of liabilities transferred amounted to lire 1,846 billion, determining an increase in equity investments in companies receiving the assets of lire 205 billion.

Enel SpA, the Group's Parent Company, is an industrial holding company. It presently defines the strategic objectives for the Group, its subsidiaries and affiliated companies, coordinating their activities. Enel SpA, moreover, manages financial transactions for all Group companies (with the exception of WIND), insurance coverage, personnel (through CESAP), supplies assistance and guidelines on organizational issues and industrial relations, accounting, administrative and tax issues.

The Group's Parent Company manages provisionally purchases of fuel used in thermal electricity generation, in addition to the purchase of electricity from third parties, both in Italy and abroad. Such energy is sold at the price established by the Authority for Electricity and Gas to Enel Distribuzione.

Enel SpA has retained electricity purchase contracts to avoid complex procedures for the transfer of purchase contracts held with domestic producers to Enel Distribuzione, in view of their subsequent transfer to the ISO.

The financial performance of the Group's Parent Company for the first half of 2000 is summarized in the table that follows, obtained by reclassifying and adapting the Parent Company's statutory accounts. In the first half of 1999, Enel SpA operated as an integrated company in the sectors of electricity generation, transmission, distribution and sale, in addition to other activities subsequently transferred to subsidiaries. Financial data for the first half of 1999 is therefore not comparable with data for the first half of 2000.

In billions of lire

Revenues:	
- Sales to Group companies	6,463
- Electricity Equalization Fund contributions	2,631
- Other revenues from Group companies	323
- Other revenues	26
Total revenues	9,443
Operating costs:	
- Personnel	124
- Fuel purchased	5,102
- Electricity purchased	3,378
- Services, leases and rentals	147
- Other costs	37
Total operating costs	8,788
GROSS OPERATING MARGIN	655
Depreciation and accruals	67
OPERATING INCOME	588
- Dividends and tax credit	1,588
- Net financial income/(expense)	(224)
INCOME BEFORE EXTRAORDINARY ITEMS AND TAXES	1,952
- Net extraordinary gains/(losses)	(5)
- Write-down of equity investments made exclusively for tax purposes	(378)
INCOME BEFORE TAXES	1,569
- Income taxes	662
NET INCOME	907

The Group's Parent Company reported in the first half of the year revenues amounting to lire 9,443 billion.

Sales to Group companies, amounting to lire 6,463 billion, refer to the sale of fuel and to the sale to Enel Distribuzione, at the price set by current applicable tariffs, of energy acquired from third parties. Such tariffs are divided into time bands and change widely during the year, determining a reduction in revenues in the summer and a corresponding increase in the winter.

Contributions from the Electricity Equalization Fund, in line with current regulations, refer to energy purchased abroad and from domestic producers.

Other revenues from Group companies include lire 285 billion referring to assistance and consulting fees for services rendered to subsidiaries, and lire 38 billion of charges payable by subsidiaries, resulting from costs relating to retirement benefits of managers of businesses transferred terminating their employment with the company.

Electricity purchase costs reflect prices defined from long-term contracts with foreign suppliers and the remuneration recognized to domestic producers according to agreements in force.

Energy purchases are made up as follows:

	Quantity (Millions of kWh)	Total cost (Billions of lire)	Average unit cost (Lire/kWh)	Quantity (Millions of kWh)	Total cost (Billions of lire)	Average unit cost (Lire/kWh)
	1st half 2000			1st half 1999		
From domestic suppliers	20,384	2,525.7	123.90	16,577	1,895.3	114.33
From foreign suppliers	10,583	824.6	77.92	21,371	1,391.9	65.13
- long-term contracts	10,546	823.3	78.07	15,059	1,174.1	77.97
- annual contracts	37	1.3	36.30	4,933	177.8	36.03
- spot contracts	-	-	-	1,379	40.0	29.04
Total energy purchases for the captive market	30,967	3,350.3	108.19	37,948	3,287.2	86.62
Energy exchanged	-	28.0	-	-	53.0	-
TOTAL	-	3,378.3	-	-	3,340.2	-

Energy purchased in the first half of 2000 from Italian producers amounted to 20,384 million kWh, at an average acquisition price of lire 123.90 per kWh (against lire 114.33 per kWh in the first half of 1999). The increase of 3,807 million kWh (up 23.0%) in the quantity purchased may be attributed to the entry into service, in the second half of 1999 and the first half of 2000 of a number of new generation plants, producing energy under the incentives provided by CIP regulation no. 6/92.

The change in the average unit cost is due to the significant increase in the price component denominated "avoided cost of fuel", increasing from lire 45.91 per kWh to lire 55.40 per kWh, following the increase in the price of fuel to which it is indexed.

Purchases from abroad totaled 10,583 million kWh, declining by 50.5% from 21,371 million kWh of the first half of 1999, due to the fact that, following the liberalization of the market, only long-term purchase contracts have remained in Enel's name.

Energy purchases made through long-term contracts decline from 15,059 million kWh to 10,546 million kWh, mainly due to the expiration of a number of contracts at the end of 1999.

Unit prices for the latter are in line with the first half of 1999, while the average price of electricity acquired outside Italy increased, due to the lack in the first half of 2000 of purchases on the spot market and through annual contracts, characterized by lower unit prices.

Costs incurred for services, leases and rentals refer to amounts charged by Group companies (mainly information technology, lease payments on buildings, general building services and telecommunications) and by others.

Enel's operating income for the first half of 2000 was equal to lire 588 billion.

Dividends received and related tax credits, amounting to lire 1,588 billion, refer to income reported by subsidiaries in 1999. Net financial charges amounted to lire 224 billion, while extraordinary charges totaled lire 5 billion.

The lire 378 billion write-down recorded solely for tax purposes refers to equity investment in WIND Telecomunicazioni and was made to take advantage of tax benefits which would otherwise not be obtainable.

Income taxes, amounting to lire 662 billion, were calculated based on the applicable annual tax rate and consider both current and deferred taxation.

The table below shows the Group Parent Company's reclassified balance sheet at June 30, 2000 and 1999:

In billions of lire	Parent Company	Consolidation Adjustments	Enel SpA Statutory Accounts	Enel SpA Statutory Accounts	
	at June 30, 2000			at Dec. 31, 1999	Change
Fixed assets, net:					
- Tangible and intangible assets	148	(16)	132	468	(336)
- Financial assets	36,349	-	36,349	35,803	546
Total	36,497	(16)	36,481	36,271	210
Net current assets:					
- Trade receivables	39	-	39	87	(48)
- Inventories	2	-	2	435	(433)
- Other assets	4,318	-	4,318	5,670	(1,352)
- Net tax credits	392	258	650	353	297
- Trade payables	(2,678)	-	(2,678)	(3,932)	1,254
- Other liabilities	(4,426)	23	(4,403)	(2,054)	(2,349)
Total	(2,353)	281	(2,072)	559	(2,631)
Gross capital employed	34,144	265	34,409	36,830	(2,421)
Provisions	(558)	(252)	(810)	(1,280)	470
Net capital employed	33,586	13	33,599	35,550	(1,951)
Shareholders' Equity	22,432	13	22,445	24,352	(1,907)
Total financial debt	11,154	-	11,154	11,198	(44)
Total	33,586	13	33,599	35,550	(1,951)

Tangible and intangible assets decrease by 336 billion lire following a decline of lire 432 billion due to contributions of businesses to subsidiaries and an increase of lire 96 billion mainly related to the recording of the share (lire 102 billion) in the extraordinary social security contribution payable following the transfer to INPS of the Electricity Industry Employee Pension Fund. The amount will be paid in three annual installments (2000-2002) and is recorded also under Social Security payables. It will be amortized on a straight line over a period of 20 years.

Financial assets increase by lire 546 billion, mainly due to:

- the value of equity investments received against the contribution of businesses to subsidiaries for a total amount of lire 205 billion;
- the payment of the share in the capital increase of WIND Telecomunicazioni, equal to lire 663 billion, and the recording for tax purposes of the write-down in the value of the lire 378 billion equity investment;
- acquisition of the entire capital stock of Colombo Gas for a total of lire 104 billion;
- capital increases of subsidiaries for a total amount of lire 70 billion;
- collection of receivables from the Electricity Equalization Fund for nuclear related charges amounting to lire 96 billion.

The net working capital is negative by lire 2,072 billion, representing a change of lire 2,631 billion over the value at December 31, 1999, at which date net working capital was positive by lire 559 billion. The change is due mainly to the recording of payables amounting to lire 2,500 billion against the Electricity Equalization Fund following the transfer to the Group Parent Company of such payables and the related cash amount on the part of Enel Distribuzione in the context of the streamlining of intra-Group accounts. The balance with the Electricity Equalization Fund has therefore changed from a net credit of lire 1,336 billion at the end of 1999, to a net debit of lire 781 billion at June 30, 2000.

Trade receivables from Group companies have also decreased considerably.

Provisions decline by lire 470 billion due to contributions (lire 310 billion) and the reversal of the provision for the restructuring of derivative financial instruments, following the closing of part of the operations against which the provision had been accrued (lire 118 billion).

The Shareholders' Equity at June 30, 2000, compared to the end of 1999, includes the payment of lire 2,813 billion of dividends and the net income for the first half of 2000 equal to lire 907 billion.

Policies for the development of human resources

In line with the system for the management and development of human resources based on qualifications, during the first half of 2000 the survey of professional qualifications that characterize the different professions present in the Enel Group, aimed at defining professional profiles required by each role, continued.

To upgrade current availability of resources to future needs set by the Company's development plans, a system for the planning of human resources based on quantitative (relating to human resource management and development policies: hiring, appointments and promotions, mobility within the company and leave) and qualitative (professional areas/families) data was set up.

Organization

Following the process of separation of activities into companies, corporate governance mechanisms referring to organizational, planning and resource development policies have been defined. In the first half of 2000 reengineering of processes has continued. The introduction of the new SAP information system supporting the main infrastructural processes (administration, control, finance) and core businesses (work programming, maintenance, logistics), represents a strong engine for change and streamlining of processes. The implementation of SAP in the different Group Companies will continue through 2001.

Personnel

At June 30, 2000 the Enel Group had 75,956 employees. The figure does not include WIND Telecomunicazioni's personnel and that of So.gi.n., as these two companies were not included in the area of consolidation at June 30, 2000. Employees at December 31, 1999 were 78,511. The 2,555 decline in the number of employees, down 3.3%, follows mainly early retirement incentives offered in previous years.

The table that follows shows the breakdown of employees by category at June 30, 2000 and 1999:

no. of employees	at June 30, 2000	at Dec. 31, 1999	Change
Managers	760	743	17
Officers	4,817	4,917	(100)
Employees	41,840	43,082	(1,242)
Workers	28,539	29,769	(1,230)
Total	75,956	78,511	(2,555)

The table that follows shows the breakdown of employees by Group company included in the consolidation area at June 30, 2000:

Personnel	at June 30, 2000	
Enel SpA:		
Corporate	590	0.8%
Personnel management (CESAP)	1,212	1.6%
Engineering and Contracting	193	0.3%
Other activities	5	0.0%
Total	2,000	2.6%
Subsidiaries:		
Enel Distribuzione SpA	46,269	60.9%
Enel Produzione SpA	11,257	14.8%
Erga SpA	2,220	2.9%
Eurogen SpA	2,107	2.8%
Elettrogen SpA	1,758	2.3%
Interpower SpA	1,088	1.4%
Total generation	18,430	24.3%
Terna SpA	3,128	4.1%
Sei SpA	1,475	1.9%
Enel.si SpA	28	0.0%
So.i.e. SpA	252	0.3%
Enel Trade SpA	108	0.1%
Enelpower SpA	1,036	1.4%
Enel.it SpA	1,413	1.9%
Enel.FTL SpA	75	0.1%
Enel.Hydro SpA	542	0.7%
CESI SpA	1,045	1.4%
Sfera ScpA	5	0.0%
Colombo Gas SpA	79	0.1%
Conphoebus SpA	71	0.1%
Total other companies	9,257	12.2%
TOTAL GROUP	75,956	100.0%

Industrial relations

In the first six months of the year, industrial relations activities were focused on the dialogue with the unions regarding the new organizational structure of a number of Group Companies (Terna, Enelpower, Enel.Hydro), considering at the same time the complex issue of training programs aimed at the employment of personnel involved in job migration processes within the Group, with the object of enhancing their qualifications and developing their professional skills. In the same period Enel had a series of meetings with electricity sector unions (Assoelettrica and Federelettrica), coordinated by Confindustria (the association of Italian industry) and other unions, aiming at the signing of a new collective labor contract for electricity sector employees. Negotiations are still underway.

59

Enel Group Employees Pension Fund

The first subscription phase for Group employees for participating in the "Enel Group Employees Pension Fund – FOPEN", now 55,500 employees strong, was concluded in the first half of 2000. The Fund's Governing Bodies have been appointed in June, while the Fund has applied for registration and authorization to begin its activity.

Income statement for the first six months of 2000

In millions of euro	In billions of lire	%	In billions of lire	%	In billions of lire	%
1st half 2000	1st half 2000		1st half 1999		Change	
Revenues:						
6,435 - Energy sales	12,460	56.6	13,140	67.3	(680)	-5.2
4,147 - Electricity Equalization Fund contributions	8,029	36.4	5,319	27.3	2,710	50.9
792 - Other revenues	1,534	7.0	1,048	5.4	486	46.4
11,374 Total revenues	22,023	100.0	19,507	100.0	2,516	12.9
Operating costs:						
1,810 - Personnel	3,505	15.9	3,803	19.5	(298)	-7.8
2,612 - Fuel consumption	5,058	23.0	2,625	13.5	2,433	92.7
1,791 - Electricity purchased	3,468	15.7	3,340	17.1	128	3.8
791 - Services, leases and rentals	1,532	7.0	1,038	5.3	494	47.6
436 - Materials and gas for distribution	845	3.8	748	3.8	97	13.0
148 - Other costs	286	1.3	237	1.2	49	20.7
(455) - Capitalized expenses	(882)	-4.0	(933)	-4.8	51	5.5
7,133 Total operating costs	13,812	62.7	10,858	55.7	2,954	27.2
4,241 GROSS OPERATING MARGIN	8,211	37.3	8,649	44.3	(438)	-5.1
Depreciation and accruals:						
1,700 - Depreciation	3,291	14.9	3,108	15.9	183	5.9
149 - Accruals and write-downs	288	1.3	284	1.5	4	1.4
1,849 Total depreciation and accruals	3,579	16.2	3,392	17.4	187	5.5
2,392 OPERATING INCOME	4,632	21.1	5,257	26.9	(625)	-11.9
(269) - Net financial income/(expense)	(522)	-2.4	(588)	-3.0	66	11.2
(197) - Equity investments	(381)	-1.7	(177)	-0.9	(204)	-115.3
INCOME BEFORE						
1,926 EXTRAORDINARY ITEMS AND TAXES	3,729	17.0	4,492	23.0	(763)	-17.0
(21) - Net extraordinary income/(expense)	(41)	-0.2	(693)	-3.6	652	94.1
1,905 INCOME BEFORE TAXES	3,688	16.8	3,799	19.4	(111)	-2.9
(922) - Income taxes	(1,784)	-8.1	(1,590)	-8.2	(194)	-12.2
(1) - Minority interests	(2)	-	1	-	(3)	-
982 NET INCOME	1,902	8.7	2,210	11.2	(308)	-13.9

Revenues

Revenues increase by lire 2,516 billion (up 12.9%) on the first half of 1999. The increase is due to the following items:

- energy sales decrease by lire 680 billion (down 5.2%) due mainly to the tariff reduction introduced on January 1, 2000 for some classes of customers (Authority for Electricity and Gas resolution no. 204/99). Quantities sold decreased by 0.7% on the first half of 1999, following the erosion of Enel's market share due to the entry of new operators, countered by Enel Trade's activity on the free market, and the increase in demand spurred by economic recovery;
- Electricity Equalization Fund contributions increase by lire 2,710 billion (up 50.9%) mainly due to the increase in the average price of fuel to which thermal generation contributions and energy purchase costs are indexed. These were affected also by higher quantities acquired by domestic producers of subsidized electricity pursuant to CIP regulation no. 6/92. Contributions for the first half of 2000 include lire 475 billion referring to the 6 lire contribution per kWh produced and sold on the captive market, pursuant to Authority for Electricity and Gas regulation no. 205/99. Such contribution, effective from January 1, 2000, aims at covering costs incurred in the reorganization of the electricity sector;
- other revenues increase by lire 486 billion (up 46.4%), due to a number of factors, among which transportation fees received (up lire 89 billion), services rendered to WIND (up lire 67 billion), gas sales made by newly acquired company Colombo Gas (up lire 54 billion), sale of energy products made by Enel.FTL (up lire 31 billion), changes in contract work in progress (up lire 112 billion). Such higher revenues are due to the diversification of Group activities underway. An increase in connection fees of lire 65 billion (up 11.7%) was registered following applications for connection to the network and for increases in the power supplied.

Operating costs

Operating costs, net of capitalized expenses, increase by lire 2,954 billion (up 27.2%). The increase is due to a number of factors which are described below:

- personnel costs decline by lire 298 billion (down 7.8%), following a reduction in the average number of employees (down 5.8%), and the decline in the average unit cost (down 2.1%), due mainly to the reduction in social charges effective January 1, 2000 resolved in the 2000 Budget Law in the context of a reorganization of tariffs applicable to the electricity sector;
- fuel consumption grew in the first half of the year by lire 2,433 billion (up 92.7%) due to higher thermal generation and the increase in the average price of energy products. Higher fuel costs relating to energy generated for the captive market are compensated by the increase in contributions from the Electricity Equalization Fund for fuel costs;
- energy purchases increase by lire 128 billion (up 3.8%) despite the decrease in quantities acquired (down 5,037 million kWh), due to higher average unit price of energy acquired resulting from the higher proportion of domestic purchases of subsidized energy pursuant to CIP regulation no. 6/92 (up 23% on the first half of 1999), in addition to the simultaneous reduction in purchases from abroad on the basis of annual and spot contracts, characterized by lower unit prices;

- services received, leases and rentals increase in the first half of the year by lire 494 billion (up 47.6%) mainly due to the net cost of telecommunications services provided by WIND (up lire 252 billion), to higher electricity transportation fees (up lire 211 billion) following the reorganization of the electricity sector, in addition to commissions and expenses relating to dividend payment (up lire 23 billion). The cost of services supplied by WIND is partly compensated by a reduction in other items of the Income Statement, as in the first half of 1999 such services were produced internally;
- cost of materials and gas acquired for distribution increased by lire 97 billion (up 13.0%). Gas purchases for the network are present only in the first half of 2000 following the acquisition of Colombo Gas and amount to lire 40 billion. The increase in raw material purchases, amounting to lire 57 billion, is due to the acquisition by Enel.FTL of fuel destined to be sold to third parties and to the growth registered in the construction of plants for third parties;
- other costs increase by lire 49 billion due to higher local taxes and extraordinary losses resulting from previous years' energy purchases (Authority for Electricity and Gas resolution no. 56/2000).

Gross operating margin

The gross operating margin decreases by lire 438 billion (down 5.1%) due to the following factors:

In billions of lire

Decrease in energy sales	(680)
Higher net cost of energy transportation	(122)
Decrease in labor costs	298
Other changes	66
Total	(438)

The effects that may be traced directly to the new market organization, net of benefits deriving from the increase in the demand for energy, can therefore be quantified in lire 802 billion, offset in part by cost savings and net revenue increases resulting from diversification underway amounting to lire 364 billion.

Operating income

Operating income decreases by lire 625 billion over the first half of 1999 (down 11.9%). The difference registered with the decrease in the gross operating margin is due to lire 183 billion in higher depreciation charges and higher provisions and writedowns amounting to lire 4 billion (up 1.4%). Higher depreciation is mainly due to the charge recorded for the first six months of the year relating to the elimination of the Electricity Sector Pension Fund (lire 107 billion), and to plant and equipment coming into operation in 1999 and the first half of 2000.

Net financial expense

Net financial expense decrease by lire 66 billion (down 11.2%) despite the increase in average net financial debt (up 3.1%) and an increase in interest rates. The decrease is due mainly to the effect of the restructuring of debt and derivatives contracts carried out in the period.

Equity investments

The amount of lire 381 billion refers to the 51% investment in WIND Telecomunicazioni, and reflects the valuation of the same on equity. The corresponding amount at June 30, 1999 was equal to lire 177 billion. The net income for the first half of 2000 of the affiliated company does not take into account the deferred tax credit on the company's loss that has prudentially not been recorded.

Extraordinary items

Extraordinary items declined drastically from an extraordinary loss of lire 693 billion in the first half of 1999 to an extraordinary loss of lire 41 billion in the first half of 2000. The amount refers to extraordinary items of various nature, capital gains on the disposal of assets and charges relating to early retirement incentives.

Income before taxes

Income before taxes decreases by lire 111 billion (down 2.9%) due to the following factors:

In billions of lire

Decrease in operating income	(625)
Decrease in net financial expense	66
Equity investment in WIND	(204)
Decrease in net extraordinary expense	652
Total	(111)

Income taxes

Income taxes increase by lire 194 billion (up 12.2%), representing an effective tax rate of 48.4%. In the first half of 1999 the effective tax rate was equal to 41.9% due to lire 581 billion of previous years' tax credits included as extraordinary income. Excluding such non-recurrent amount, the effective tax credit for the first six months of 1999 would have been equal to 49.4%.

Financial flows for the first half of 2000 are shown in the statement of cash flows below:

In billions of lire

	1st half 2000	1st half 1999
CASH FLOW FROM OPERATIONS		
Net income	1,902	2,210
Depreciation	3,291	3,108
Write-down of assets	384	180
Net change in provisions	95	1,328
Net change in employee termination indemnity provision	79	143
Capital gains/losses	9	20
Interest income	(100)	(215)
Interest charges	622	803
Income taxes	1,784	1,009
Cash generated by operations before changes in net working capital	8,066	8,586
(Increase)/Decrease:		
Inventories	(497)	(53)
Receivables	82	(19)
Accrued income and prepaid expenses	(310)	(292)
Net current receivables from Electricity Equalization Fund	(1,045)	1,094
Payables	(885)	202
Accrued liabilities and deferred income	347	314
Cash generated by operations	5,758	9,832
Interest received	100	145
Interest paid	(553)	(1,013)
Income taxes paid	(1,343)	-
Cash generated by current operating activities	3,962	8,964
CASH FLOW FROM INVESTMENTS		
Investments in fixed assets	(2,250)	(2,444)
Investments in financial assets and other investments	(910)	2
Disposal of fixed assets	77	36
Other changes in fixed assets	90	97
Cash employed in investing activities	(2,993)	(2,309)
CASH FLOW FROM FINANCING ACTIVITIES		
Change in medium- and long-term debt	(1,468)	(6,604)
Change in short-term debt	2,965	133
Dividends paid	(2,813)	-
Other changes	(1)	(1)
Cash employed in financing activities	(1,317)	(6,472)
CASH FLOW GENERATED (EMPLOYED)	(348)	183
BEGINNING CASH BALANCE	1,027	2,854
ENDING CASH BALANCE	679	3,037

Cash flow from operations

In the first half of 2000, operations generated a cash flow equal to lire 3,962 billion, against lire 8,964 billion in the first half of 1999. The decline of about lire 5,000 billion is due to the following factors:

- cash flow generated by operations before changes in net working capital declined by lire 520 billion, in line with the decline in the gross operating margin;
- net receivables from the Electricity Equalization Fund determine a lire 2,139 billion difference with the first half of 1999 due to the retrieval in such period of thermal charge receivables relating to previous years, in addition to the increase in receivables registered in 2000 relating to the increase in contributions receivable for the first half of the year;
- the remaining components of net working capital accounted for about lire 1,415 billion of the reduction, mainly due to the higher value of inventories following fuel price increases and larger contract work in progress, in addition to a reduction in payables to suppliers and others as a result of seasonal factors;
- income taxes and interest expense increased by lire 928 billion, mainly due to the different timing of income tax payments, following the restructuring of the Group into separate companies.

It is to be noted that the cash flow from operations in the second half of 1999 was about lire 4,500 billion, against a gross operating margin of about lire 8,700 billion.

Cash flow from investments

Higher investments by lire 684 billion over the first half of 1999 are due almost entirely to the payment for the share in the capital increase of WIND amounting to lire 663 billion.

Cash flow from financing activities

Financing activities included the repayment of medium- and long-term debt amounting to lire 1,860 billion and new financing amounting to lire 665 billion, in addition to a lire 279 billion increase in own bonds (the balance is accounted for by foreign exchange differences). Short-term debt increased by lire 2,965 billion, due also to the payment of lire 2,813 billion of dividends made on June 22, 2000.

Cash flow generated in the half-year and cash balance

The above described flows determined a reduction of lire 348 billion in the beginning cash balance which decreases from lire 1,027 billion at the end of 1999 to lire 679 billion at June 30, 2000.

Financial debt

In billions of lire

	at June 30, 2000	at Dec. 31, 1999	Change
Medium and long-term debt:			
- Bonds	13,230	14,598	(1,368)
- Medium- and long-term loans	7,069	6,890	179
- Bonds held and discounting on interest on zero-coupon issues	(1,068)	(789)	(279)
Total	19,231	20,699	(1,468)
Short-term bank loans	5,982	3,003	2,979
Short-term loans from unconsolidated subsidiaries	729	743	(14)
Total	6,711	3,746	2,965
Cash at banks and marketable securities	(679)	(1,027)	348
TOTAL FINANCIAL DEBT	25,263	23,418	1,845

Balance sheet at June 30, 2000

In millions of euro In billions of lire

	at June 30, 2000	at Dec. 31, 1999	Change
Fixed assets, net:			
39,727 - Tangible and intangible	76,922	73,534	3,388
846 - Financial	1,639	1,442	197
40,573 Total	78,561	74,976	3,585
Net current assets:			
3,102 - Trade receivables	6,007	5,687	320
1,536 - Other assets and net receivables from Electricity Equalization Fund	2,975	1,773	1,202
1,261 - Inventories	2,441	1,944	497
(2,920) - Suppliers	(5,654)	(6,258)	604
(813) - Net taxes payable	(1,575)	(1,745)	170
(5,490) - Other liabilities	(10,631)	(5,748)	(4,883)
(3,324) Total	(6,437)	(4,347)	(2,090)
37,249 Gross capital employed	72,124	70,629	1,495
(7,087) Provisions	(13,722)	(13,162)	(560)
30,162 Net capital employed	58,402	57,467	935
17,107 Group's Shareholders' Equity	33,123	34,034	(911)
8 Minority Interests	16	15	1
13,047 Total financial debt	25,263	23,418	1,845
30,162 Total	58,402	57,467	935

Net fixed assets increase by lire 3,585 billion.

Tangible and intangible assets increase by lire 3,388 billion due to the recording of the extraordinary charge due upon the elimination of the Electricity Industry Employee Pension Fund (estimated at lire 4,168 billion, net of amortization for the six months) partially offset by the surplus generated between depreciation and investments for the period. Financial assets increase by lire 197 billion, following WIND's capital increase (lire 663 billion), net of the share in the loss reported by the company amounting to lire 381 billion, and the collection of long-term receivables accounting for the difference.

Net current assets at June 30, 2000 was negative by lire 6,437 billion, as compared to lire 4,347 billion at the end of 1999. The change of lire 2,090 billion is due to the balance between the estimated amount payable to INPS as extraordinary contribution mentioned above, equal to lire 4,275 billion (to be paid in three annual installments), and the increase due to other components amounting to lire 2,185 billion. In such context, the most important factor was represented by receivables from the Electricity Equalization Fund, in addition to inventories and trade payables, as already described in the comment to cash flows.

The Group **Shareholders' Equity** decreases by lire 911 billion as the balance between the net income for the six months (lire 1,902 billion) and dividends distributed to shareholders in June 2000 amounting to lire 2,813 billion.

Total financial debt at June 30, 2000 amounted to lire 25,263 billion, representing 0.76 of Shareholders' Equity as compared with 0.69 at the end of 1999.

Net capital employed at June 30, 2000 was equal to lire 58,402 billion, 57% of which represented by Shareholders' Equity and 43% by net financial debt.

Events subsequent to June 30, 2000
and management's expectations of operations

WIND

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

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

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

The transaction was carried out on the basis of a market value of WIND equal to 11 billion euro, and a resulting investment for Enel equal to about 600 million euro for a 5.6% share in the company.

Following such agreement legal action regarding WIND promoted by Enel, WIND and France Télécom against Deutsche Telekom, including the arbitration panel set up by Enel SpA in Geneva at the International Chamber of Commerce, past shareholders' agreements and non competition clauses applying to Deutsche Telekom have been abandoned.

Vajont dam litigation settlement

Following long and difficult negotiations, on July 27, 2000 a global agreement has been signed at the Prime Minister's Office according to which the Italian State, Enel and Montedison, liable for the damages caused by the Vajont dam disaster occurred on October 9, 1963, defined their reciprocal claims resulting from the catastrophe.

The agreement – allowing to close all litigation pending among the parties involved – established the division in equal shares of responsibilities for the disaster among the three subjects liable for damages, quantifying conventionally expenses already borne by these with reference to such damages at a total of lire 900 billion.

Keeping into account damages and payments assigned to Enel, the conclusion of the agreement resulted in the payment on the part of Montedison, upon the final settlement, of lire 115.8 billion in favor of Enel SpA.

The agreement underwritten is expected to favor a quick definition of a number of minor suits still pending, promoted by individuals for damages suffered, and by a number of public entities and agencies, whose damages will be paid in equal shares by the three parties liable.

Sei - Deutsche Bank agreement

An agreement was concluded in July between Sei and the Deutsche Bank Group for the creation of a real estate company, Immobiliare Rio Nuovo, based in Venice to which Sei will contribute a business owning 62 buildings valued at lire 665 billion. Subsequently, 51% of the capital stock of the new company will be sold to the Deutsche Bank Group. The operation will be completed by the beginning of 2001. Deutsche Bank and Sei will use the new company as a preferred channel for building, through new acquisitions, a real estate portfolio having a total value of lire 2,500 billion. The stock market listing of the company is planned by 2002.

Sei - Mitsubishi Electric agreement

In July, Sei concluded an agreement with Mitsubishi Electric Europe for the creation of a joint-venture that will operate in the sector of building air conditioning equipment design sectors and that of heating & cooling services for buildings.

Agreements concluded by Enelpower

At the beginning of July, the consortium led by Enelpower participated by Fisia Italimpianti won the contract for the construction of a combined-cycle generation plant and a desalination plant in Jebel Ali (Dubai). Enelpower's share in the contract, for which construction is expected to last 27 months, is equal to lire 800 billion.

Among efforts aimed at strengthening operations in South America, in July 2000 Enel's Board of Directors approved the acquisition by Enelpower of a 30% share in Brazilian holding company Inepar Energia. The cost of the investment amounts to lire 170 billion that will be used to finance new investments, among which a 1,320 MW coal-fueled power plant in Brazil. Inepar Energia is present in the Brazilian market for generation, transmission and distribution of electricity, and in Argentina in the generation sector.

Acquisition of Camigas

In July 2000, Colombo Gas acquired Camigas, a company operating directly and through its subsidiaries, in 11 municipalities of the Lombardy and Veneto regions, in the gas distribution sector. In 1999 Camigas Srl and its subsidiaries distributed a total of 45 million cubic meters of gas, of which about 89% to households and 11% to industrial customers, to about 19,500 clients.

Management's expectations of operations

Demand for electricity in the second half of 2000 represents one of the main factors that will influence the economic performance of the Group together with the development of the free market that reached expected volumes only at the end of the first six months. According to the current tariff structure and based on expected growth in the demand for electricity and the breakdown by voltage experienced in the first half of the year, the expected performance for the second half of the year is in line with that registered in the first half.

Group companies will continue to pursue the growth in their non-captive customer base, both in Italy and abroad, as done in the past with success. The effort to contain operating costs through the streamlining of operating processes and the improvement in the quality of service will continue. The Group will intensify its diversification effort aiming at transforming itself into a multi-utility company expanding in the telecommunications, gas and water sectors.

Other information

Transactions with unconsolidated subsidiaries

In the first half of 2000, the Enel Group concluded transactions with unconsolidated subsidiaries, in particular WIND Telecomunicazioni, and So.g.i.n.

The tables that follow include a list of such transactions for the first half of 2000.

Balance Sheet

In billions of lire	Receivables	Payables
	at June 30, 2000	
WIND Telecomunicazioni SpA	74	379
So.g.i.n. SpA	5	715
Total	79	1,094

Income Statement

In billions of lire	Costs	Revenues
	1st half 2000	
WIND Telecomunicazioni SpA	283	122
So.g.i.n. SpA	11	4
Total	294	126

Transactions with WIND Telecomunicazioni

Group companies' payables and costs relating to WIND Telecomunicazioni refer to the outsourcing contract according to which WIND supplies telecommunications services to Enel group companies. The contract provides for remuneration according to costs incurred in supplying the services. Payables at June 30, 2000 include VAT balances transferred to Enel SpA according to the "Group's VAT" accounting procedure.

Receivables and revenues refer mainly to the fifteen-year contract concluded with WIND for the use of Enel's fiber-optic network running alongside its power lines, providing for a compensation determined according to an appropriate remuneration for the investment made. Receivables and revenues refer also to the supply of electricity, the lease of buildings and maintenance services.

Transactions with So.g.i.n.

Group companies' receivables and revenues refer to the supply of electricity and the lease of buildings to So.g.i.n.

Payables and costs refer instead to the current account held by So.g.i.n. with Enel.

Consolidated Financial Statements and notes

Consolidated Balance Sheet

In billions of lire

ASSETS	at June 30, 2000	at Dec. 31, 1999	at June 30, 1999
SHARE CAPITAL NOT PAID-IN	-	-	-
FIXED ASSETS			
Intangible assets	4,486	123	102
Tangible assets	72,436	73,411	74,979
Financial assets	1,639	1,442	2,977
Total fixed assets	78,561	74,976	78,058
CURRENT ASSETS			
Inventories	2,441	1,944	1,158
Receivables	11,670	10,359	8,310
Short-term investments	1,009	774	979
Cash and cash equivalents	679	979	2,316
Total current assets	15,799	14,056	12,763
ACCRUED INCOME AND PREPAID EXPENSES	560	254	585
TOTAL ASSETS	94,920	89,286	91,406

In billions of lire

LIABILITIES AND SHAREHOLDERS' EQUITY	at June 30, 2000	at Dec. 31, 1999	at June 30, 1999
SHAREHOLDERS' EQUITY			
Capital stock	12,126	12,126	12,126
Legal reserve	2,425	2,425	354
Other reserves	6,092	6,092	12,585
Retained earnings	10,578	8,850	8,851
Net income	1,902	4,541	2,210
<i>Total Shareholders' Equity</i>	<i>33,123</i>	<i>34,034</i>	<i>36,126</i>
Minority interests	16	15	12
Total	33,139	34,049	36,138
PROVISIONS FOR RISKS AND CHARGES	10,647	10,166	11,027
EMPLOYEE TERMINATION INDEMNITY	3,075	2,996	4,582
ACCOUNTS PAYABLE			
Bonds	13,230	14,598	11,771
Bank debt	13,051	9,893	9,333
Other payables	20,297	16,625	17,366
Total accounts payable	46,578	41,116	38,470
ACCRUED LIABILITIES AND DEFERRED INCOME	1,481	959	1,189
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	94,920	89,286	91,406
COMMITMENTS			
Guarantees given	40	40	54
Other	176,819	168,861	163,139
Total commitments	176,859	168,901	163,193

Consolidated Income Statement

In billions of lire

	1st half 2000	1st half 1999	1999
REVENUES			
Sales and services	21,544	19,243	39,845
Change in contract work in progress	142	30	53
Capitalized expenses	882	933	1,930
Other revenues	337	234	686
Total revenues	22,905	20,440	42,514
OPERATING COSTS			
Raw materials and fuels	9,628	6,736	14,877
Services received	1,306	782	2,006
Leases and rentals	226	256	512
Personnel	3,505	3,803	7,402
Depreciation and amortization	3,291	3,108	6,201
Write-downs	87	65	183
Change in inventories	(257)	(23)	(212)
Accruals to provisions for risks and charges	150	125	387
Other accruals	51	94	182
Other operating costs	286	237	550
Total operating costs	18,273	15,183	32,088
Operating income	4,632	5,257	10,426
FINANCIAL INCOME AND EXPENSE			
Investment income	1	-	-
Other financial income	99	215	356
Interest and other financial charges	622	803	1,487
Total financial income/(expense)	(522)	(588)	(1,131)
EQUITY INVESTMENTS	(381)	(177)	(439)
EXTRAORDINARY ITEMS			
Extraordinary income	47	633	1,066
Extraordinary expense	88	1,326	1,563
Total extraordinary items	(41)	(693)	(497)
Income before taxes	3,688	3,799	8,359
Income taxes	1,784	1,590	3,820
Income before minority interests	1,904	2,209	4,539
Minority interests	(2)	1	2
NET INCOME	1,902	2,210	4,541

Notes to the Financial Statements

Form and content of the consolidated Financial Statements

The financial statements and related notes to the accounts at June 30, 2000 have been prepared in accordance with Regulations issued by Consob, approved by resolution no. 11971 dated May 14, 1999 and amended with resolution no. 12475 dated April 6, 2000. The area of consolidation includes the Group's Parent Company, Enel SpA, and the companies on which it holds the majority of the voting rights, pursuant to article 2359 of the Italian Civil Code. Newly incorporated subsidiaries Enel.Factor and Enel.Re have not been included in the consolidation due to the fact that they were not operative during the first half of the year. Though owned by Enel SpA at June 30, 2000, So.g.i.n. has been excluded from the area of consolidation since, pursuant to the "Bersani Decree", its shares will have to be transferred free of charge to the Italian Treasury. As in the past, WIND Telecomunicazioni, in which Enel held at June 30, 2000 a 51% share, has been valued in the consolidated financial statements at equity in view of the limitations to the exercise of control contained in the company's By-laws. These are in the process of being amended following the agreement reached in July 2000, as described further on.

With respect to the 1999 financial statements, subsidiaries Enelpower, Enelpower UK Ltd, Enel.it, Enel.FTL, Enel.si and Sfera became operational and were included in the consolidation. Colombo Gas, acquired in March 2000 has also been included in the consolidation.

A list of companies included in the consolidation is enclosed.

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

Some of the items included under heading "revenues" in the Income Statement for the first six months of 1999 have been reclassified to make such statements consistent with the Income Statement for the first six months of 2000 which reflects the Group's new operating structure.

Statutory accounts of Parent Company Enel SpA are enclosed, pursuant to article 81, comma 2, paragraph b) of the mentioned Consob Regulation.

Consolidation principles

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

- The difference between the acquisition cost of equity investments and the related share in the Shareholders' Equity acquired is recorded as an adjustment to specific asset or liability items, based on the valuation made at the time at which the share was purchased or at which control was acquired, in case the latter is due to subsequent equity acquisitions. Residual negative amounts are recorded under "Consolidation Reserve" in the consolidated shareholders' equity. Positive differences are recorded under intangible assets and amortized over a period generally equal to five years or a different period deemed more representative of the underlying company's economic situation.
- Minority interests in the income and Shareholders' Equity of consolidated companies are recorded in the Income Statement and under Shareholders' Equity in the Balance Sheet.
- Relevant unrealized gains and losses from transactions between Group companies as well as debit and credit items, costs and revenues generated between consolidated companies are eliminated.
- Dividends distributed between Group companies are eliminated.
- Adjustments made to the financial statements of individual companies to eliminate tax related entries with the aim of bringing them into line with accounting principles consistently applied within the Group, and all other consolidation adjustments, keep into account, when applicable, of deferred taxes, recorded in the tax provision.

Accounting principles

The valuation criteria used in the preparation of the Financial Statements at June 30, 2000 are consistent with those used in the Financial Statements at December 31, 1999. These criteria are in line with those provided for in article 2426 of the Italian Civil Code, integrated by the accounting principles adopted by the Italian accounting profession. The most significant criteria are illustrated below.

Intangible assets

Intangible assets are recorded at cost, and include the non-amortized balance of investments whose economic life spans over several years. Depreciation is calculated on a straight line over the expected useful life of the assets.

Tangible assets

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

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

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

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

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

(*) Excluding assets in concession

The above rates are reduced by half for assets acquired during the year.

Financial assets

Equity investments in unconsolidated subsidiaries and in other companies have been valued at the acquisition or underwriting cost, adjusted where necessary for permanent impairment in value. Investments in consolidated companies, excluded from the consolidation area due to the existence of limitations in the control, are valued at equity.

Inventories

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

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

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

Receivables and financial assets

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

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

Accruals and deferrals

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

Provisions for risks and charges

Provisions for retirement benefits

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

Income Taxes

Provisions for income taxes include provisions for deferred taxes on income; accordingly they include:

- deferred tax liabilities, excluding those relating to reserves for which the application of the tax is suspended, which are recorded when due and according to the amount of taxes payable;
- tax prepayments, according to the amount expected to be recovered in the future.

Income taxes payable for the six-month period are recorded among tax liabilities according to expected income taxes payable by the Group pursuant to current tax regulations.

Other Provisions for risks and charges

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

Provisions for employee termination indemnity

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

Accounts payable

Accounts payable are recorded at face value.

Capital grants

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

Other grants

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

Revenues

Revenues from the sale of electricity are calculated on the basis of criteria consistent over time according to consumption measured by meter readings carried out at set intervals, including amounts not yet billed at June 30. Calculations are based on tariffs established by the Italian Authority for Electricity and Gas, applicable at the date of the financial statements. Revenues from other services and the sale of goods are recorded in the financial statements at the time at which the service is supplied or the transfer of ownership of the goods.

Translation of amounts denominated in foreign currencies

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

At the closing date of the financial statements, amounts denominated in foreign currencies are adjusted to current exchange rates, and differences are recorded in the Income Statement among financial income and expenses, keeping into accounts of hedging positions.

Net gains arising from the translation of foreign currency long-term payables and receivables are prudentially not considered.

Interest rate and currency hedging instruments

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

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

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

Balance Sheet - Assets

Fixed assets

Intangible assets - Lire 4,486 billion

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

In billions of lire		Increase	Changes in Consolidation Area	Amortization	Other Changes	
	at Dec. 31, 1999					at June 30, 2000
Incorporation costs	4	1	-	(1)	-	4
Industrial patents and intellectual property	30	3	-	(10)	-	23
Patents, concessions and licenses	-	-	4	-	-	4
Goodwill	-	-	117	(3)	-	114
Work in progress and advances	40	81	-	-	(2)	119
Other:						
- Extraordinary contribution for Electricity Industry Pension Fund	-	4,275	-	(107)	-	4,168
- Software development	39	5	-	(10)	-	34
- Other	10	14	-	(6)	2	20
Total other	49	4,294	-	(123)	2	4,222
TOTAL	123	4,379	121	(137)	-	4,486

The most significant change for the first six months of 2000 refers to the extraordinary contribution due pursuant to Law no. 488, December 23, 1999 (2000 Budget Law) relating to the elimination of the Pension Fund for the employees of Enel and other private electricity companies. While awaiting the issue of regulations for its implementation, the contribution due by Enel Group is estimated to be lire 4,275 billion, equal to 95% of the total amount set by the Budget Law. The amount will be payable in three annual installments (2000-2002) and is offset by amounts payable to social security agencies. As allowed by the Budget Law, the contribution will be expensed over a period of 20 years. The resulting amortization expense for the first six months of 2000, equal to lire 107 billion, corresponds to 2.5% of the total expense.

The acquisition of Colombo Gas resulted in the recording of goodwill amounting to lire 117 billion, of which lire 38 billion already included in the subsidiary's assets. Goodwill refers to the concessions for the distribution of gas held by the subsidiary. Such amounts are therefore depreciated over a period that does not exceed 20 years, keeping into account the average residual life of the concessions.

The increase in "work in progress and advances" refers to work carried out on a number of projects among which the introduction of the SAP information system within the Group, the creation of a chart management system for the electricity distribution network (Sigraf) and the implementation of an innovative remote training program.

Tangible assets - Lire 72,436 billion

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

In billions of lire		Investments	Coming into Service	Changes in Consolidation Area	Net Divestments	Depreciation	Other Changes	
	at Dec. 31, 1999							at June 30, 2000
Land and buildings	13,353	87	48	6	(4)	(305)	-	13,185
Plant and machinery	52,664	1,634	340	73	(74)	(2,765)	-	51,872
Industrial and commercial equipment	258	14	-	-	(1)	(31)	17	257
Other assets	380	26	2	-	(6)	(53)	3	352
Total fixed assets	66,655	1,761	390	79	(85)	(3,154)	20	65,666
Work in progress and advances	6,756	489	(390)	-	-	-	(85)	6,770
TOTAL	73,411	2,250	-	79	(85)	(3,154)	(65)	72,436

Revaluations made pursuant to the Law and to adjustments introduced by Law no. 292/1993 to the gross value of assets at June 30, 2000 are as follows:

In billions of lire	
Land and buildings	6,212
Plant and machinery	20,439
Plant and equipment under construction	27
TOTAL	26,678

The table that follows shows percentage accumulated depreciation on gross asset values at June 30, 2000 as compared with the same at December 31, 1999.

(%)	at June 30, 2000	at Dec. 31, 1999
Land and buildings	33.0	31.7
Plant and machinery	59.5	58.2
Industrial and commercial equipment	76.7	75.9
Other assets	81.9	80.2
Total fixed assets	56.4	55.2

The breakdown of tangible assets by category of use at June 30, 2000 is shown below:

In billions of lire	Gross Value	Accumulated Depreciation	Net Value
Generating plants: ¹			
- thermal	17,514	6,624	10,890
- hydroelectric	43,021	22,870	20,151
- geothermal	2,947	1,436	1,511
- alternative sources	122	22	100
Total generating plants	63,604	30,952	32,652
Power lines and transformer stations	11,886	5,444	6,442
Electricity and gas distribution networks	64,152	43,891	20,261
Land and buildings	6,610	1,481	5,129
Other plant and equipment	4,537	3,355	1,182
Total assets	150,789	85,123	65,666
Contract work in progress and advances	6,770	-	6,770
TOTAL	157,559	85,123	72,436

⁽¹⁾ Amounts include the value of industrial property

Generating plants include assets in concession, mainly relating to hydroelectric generation, for a total book value of about lire 5,900 billion. The Bersani Decree set the expiration date for concession for the exploitation of large water bodies held by Enel SpA at year 2029.

At such date, all water collection and regulation works, in addition to high pressure and drainage pipes, shall therefore be returned free of charge to the State in good working order.

The same Decree allows the Valle d'Aosta Region and the Autonomous Provinces of Trento and Bolzano to set a different date for the expiration of such concessions. Such term has not yet been set by the Valle d'Aosta Region, while the Trento and Bolzano Provinces set the expiration of water concessions at 2010. Depreciation of assets in concession is therefore calculated on the shorter between the remaining term of the concession and the residual useful life of the asset.

Investments for the first six months of 2000 are listed below:

In billions of lire		
	1st half 2000	1st half 1999
Generating plants:		
- hydroelectric	109	111
- thermal	350	560
- geothermal	50	62
- alternative sources	1	1
Total generating plants	510	734
Power lines and transformer stations	208	160
Distribution networks	1,298	1,383
Land, buildings and equipment	234	167
TOTAL INVESTMENTS	2,250	2,444

Amounts included in the column “changes in the consolidation area” refer to fixed assets belonging to Colombo Gas, acquired by Enel SpA in March 2000.

Depreciation expense for the first half of 2000, as in previous years, have been calculated applying rates representative of the useful economic life of the assets. Effective January 1, 2000, the depreciation rate for central and peripheral computing units and computer area networks increased from 20% to 34% in accordance with the stronger pace of evolution. Such change resulted in the first half of the year in higher depreciation by about lire 20 billion.

Financial assets - Lire 1,639 billion

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

In billions of lire			
	at June 30, 2000	at Dec. 31, 1999	Change
Investment in subsidiaries:			
- WIND Telecomunicazioni SpA	736	454	282
- Enel.Factor SpA	9	-	9
- Enel.Re Ltd	6	-	6
- CISE Tecnologie Innovative Srl	1	1	-
- Other	-	3	(3)
<i>Total investment in subsidiaries</i>	<i>752</i>	<i>458</i>	<i>294</i>
Investments in affiliated companies and other companies	19	9	10
Total equity investments	771	467	304
Other receivables:			
- receivables from Social Security Institutions as contributions relief (Law no. 151/93)	379	362	17
- withholding taxes on employee termination indemnity (Law no. 662/96)	325	345	(20)
- loans to employees and other receivables	163	171	(8)
Total other receivables	867	878	(11)
Receivables from the Electricity Equalization Fund for nuclear related charges, net of lire 390 billion accrued to provision for doubtful accounts	-	96	(96)
Fixed-income securities	1	1	-
TOTAL	1,639	1,442	197

The increase in [equity investments](#) is to be attributed primarily to WIND Telecomunicazioni, as the balance of a lire 663 billion increase due to the underwriting of the capital increase resolved by WIND's Extraordinary Shareholders' Meeting on April 20, 2000, and a lire 381 billion decrease due to the recording of the Enel Group's share in the loss reported by the company for the first six months of the year.

The increase in equity investments in affiliated companies is due mainly to recently acquired Colombo Gas' affiliates.

[Receivables from the Electricity Equalization Fund for nuclear related charges](#) at June 30, 2000, show a zero balance due to the payment of lire 96 billion by the Fund. The provision for doubtful accounts amounting to lire 390 billion accrued by Enel SpA in 1997 following Resolution no. 58/1998 dated June 12, 1998 in which the Authority for Electricity and Gas questioned the criteria for calculating reimbursements in a number of issues, continues to be accrued. Such Resolution has been appealed by Enel SpA to the Lombardy Regional Court (TAR), whose ruling no. 612 dated February 18, 1999 accepted a considerable part of the Company's claims, recognizing Enel's right to receive an amount equal to lire 278 billion (excluding interest), leaving the remaining lire 112 billion to be borne by Enel. The above ruling of the Lombardy TAR has however been upheld by Enel SpA to the State Council, with a request for the recognition of the full amount and a rapid hearing of the case.

In view of the uncertainty regarding the outcome of the legal proceedings, Enel has deemed it prudent not to alter accruals previously recorded in the financial statements until the final settlement of the issue.

As a result, the amount, inclusive of interest, of lire 309 billion paid by the Electricity Equalization Fund in the first half of 2000 against the payment of the above mentioned contributions recognized by the TAR, has been recorded as an advance under "other payables" in the liabilities section.

Current assets

Inventories - Lire 2,441 billion

Inventories are detailed below:

In billions of lire		
	at June 30, 2000	at Dec. 31, 1999
Fuel for thermal generation	1,080	876
Materials, equipment and other stocks	473	380
Total	1,553	1,256
Civil buildings to be sold	622	622
Contract work in progress	205	66
Advances	61	-
TOTAL	2,441	1,944

The increase in the value of inventories of fuel used in thermal generation is due to higher international oil prices. Such inventories are carried at the average weighted cost, resulting in value slightly lower than their market value at June 30, 2000.

Civil buildings held for sale refer to Dalmazia Trieste and are recorded at market, based on an expert survey carried out at the end of 1999.

The growth in contract work in progress and of advances is due to the development of activities carried out for third parties recorded by most Group companies, particularly CESI in system research and Enelpower for new initiatives on international markets.

Receivables - Lire 11,670 billion

The balance is made up as follows:

In billions of lire		
	at June 30, 2000	at Dec. 31, 1999
Trade receivables	6,007	5,687
Subsidiaries and affiliated companies	80	196
Electricity Equalization Fund	4,221	2,828
Other	1,362	1,648
TOTAL	11,670	10,359

Trade receivables refer mainly to the supply of electricity, services and interest on overdues. The increase is to be traced mainly to higher sales and new payment terms set by the Authority. Receivables include the provision for doubtful accounts, equal to lire 455 billion (lire 410 billion at December 31, 1999).

Receivables from subsidiaries and affiliated companies refer mainly to WIND Telecomunicazioni (lire 74 billion) and So.g.i.n. (lire 5 billion).

Receivables from the Electricity Equalization Fund include amounts due to the Group as contributions for the acquisition and generation of energy. They compare with payables to the same amounting to lire 2,912 billion. The net amount receivable is therefore equal to lire 1,309 billion, against lire 264 billion at December 31, 1999. The increase is due mainly to the increase in contributions relating to the cost of fuels, in addition to the lire 6 per kWh contribution for electricity sold on the captive market recognized from January 1, 2000 to producers in the transitional period to the establishment of a free market.

Other receivables decrease from the end of 1999 by lire 286 billion, due almost entirely to VAT receivable which at June 30, 2000 had a zero balance, as compared to a balance of lire 265 billion at December 31, 1999.

Other components do not register relevant changes and refer to receivables from suppliers for advances and other transactions, tax receivables on previous years' indirect tax refunds, receivables from employees and social security institutions.

Short-term investments - Lire 1,009 billion

The balance is made up as follows:

In billions of lire	at June 30, 2000	at Dec. 31, 1999
Enel bonds held	1,009	726
Other bonds	-	48
TOTAL	1,009	774

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

Cash and cash equivalents - Lire 679 billion

It includes cash at banks amounting to lire 621 billion, referring mainly to funds in transit (lire 908 billion at December 31, 1999), post office deposits amounting to lire 55 billion (lire 69 billion at Dec. 31, 1999), and cash amounting to lire 3 billion.

Accrued income and prepaid expenses

Accrued income and prepaid expenses - Lire 560 billion

The item breaks down as follows:

In billions of lire

	at June 30, 2000	at Dec. 31, 1999
Accrued income:		
- financial receivables	1	3
- operating receivables	65	18
Total	66	21
Prepaid expenses:		
- financial expenses	116	120
- operating expenses	378	113
Total	494	233
TOTAL	560	254

Changes in accrued income and prepaid expenses are due to normal swings during the year. Operating receivables include lire 47 billion from WIND Telecomunicazioni representing lease payments for the first six months of the year relating to the use of the fiber-optic network. The strong growth of operating expenses from December 31, 1999 is due mainly to 14th monthly salary payment made to employees and related charges.

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

In billions of lire	Maturing by Dec. 31, 2000	Falling due between Jan. 1, 2001 and Dec. 31, 2004	Falling due beyond Dec. 31, 2004	Total
LONG-TERM RECEIVABLES				
From third parties	282	343 ¹	242 ¹	867
Total	282	343	242	867
CURRENT RECEIVABLES				
Trade receivables	5,763	324	-	6,087
Electricity Equalization Fund	4,221	-	-	4,221
Others	1,355	7	-	1,362
Total	11,339	331	-	11,670

⁽¹⁾ Refers mainly to the amount receivable from INPS (social security) for relief on previous years' contributions and tax receivables on tax advances paid on employee termination indemnity.

Balance Sheet - Liabilities and Shareholders' Equity

Shareholders' Equity

Changes for the first six months of the year are shown below:

In billions of lire	Capital Stock	Legal Reserve	Other Reserves	Retained Earnings	Net Income	Total
At Dec. 31, 1999	12,126	2,425	6,092	8,850	4,541	34,034
Appropriation of 1999 earnings:						
- accrued to reserves	-	-	-	1,728	(1,728)	-
- dividends	-	-	-	-	(2,813)	(2,813)
Net income	-	-	-	-	1,902	1,902
AT JUNE 30, 2000	12,126	2,425	6,092	10,578	1,902	33,123

The Group's Parent Company's [capital stock](#) is unchanged from December 31, 1999 and is represented by 12,126,150,379 ordinary shares of par value lire 1,000 each. At June 30, 2000, according to the Shareholders' Register and information available, there do not appear to be shareholders with a share higher than 2% of the capital stock of the Company other than the Italian Treasury.

[Other reserves](#) are made up by:

- Reserve as per Law no. 292/1993, amounting to lire 6,036 billion, that includes the residual amount of value adjustments made upon the transformation of Enel from a Public Agency to a Joint-Stock Company. In case of distribution of dividends from such reserve no tax credit is applicable;
- Other reserves, amounting to lire 56 billion, include consolidation reserves arising upon the preparation of the first consolidated financial statements.

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

In billions of lire	Net income 1st half 2000	Shareholders' Equity at June 30, 2000	Net income 1st half 1999	Shareholders' Equity at Dec. 31, 1999
Balance in the Parent Company's statutory accounts	907	22,445	2,448	24,352
Tax entries relating to the Parent Company	(9)	(16)	594	41
Prepaid taxes recorded in the 1998 consolidated financial statements and in the 1999 statements of the Parent Company	-	-	(829)	-
Effects of consolidation of subsidiaries' financial statements	1,047	10,779	(3)	9,683
Elimination of Group companies' net incomes	(40)	(82)	-	(42)
Other consolidation adjustments	(3)	(3)	-	-
BALANCE IN THE CONSOLIDATED FINANCIAL STATEMENTS	1,902	33,123	2,210	34,034

Provisions for risks and charges

Changes occurred in the provisions in the first six months of 2000 are shown in the table that follows:

In billions of lire		Accruals	Uses of Provisions	Changes in Consolidation Area	
	at Dec. 31, 1999				at June 30, 2000
Retirement benefits provision	2,041	87	(98)	-	2,030
Tax provision:					
- deferred taxes on current value of contributions relief (Law no. 151/1993)	130	-	-	-	130
- deferred taxes on consolidation adjustments	6,073	426	-	-	6,499
- other deferred taxes	3	-	(3)	14	14
- prepaid taxes	(1,232)	-	(51)	-	(1,283)
Total	4,974	426	(54)	14	5,360
Other:					
- legal disputes and other contingencies	2,408	367	(103)	-	2,672
- restructuring of financial instruments	180	-	(118)	-	62
- early retirement incentives	563	52	(92)	-	523
Total	3,151	419	(313)	-	3,257
TOTAL PROVISIONS FOR RISKS AND CHARGES	10,166	932	(465)	14	10,647

Accruals to the [provision for retirement benefits](#) refer to pension contributions for retiring managers amounting to lire 51 billion, and the indemnity in lieu of notice accrued during the first half of the year by personnel currently employed, equal to lire 36 billion.

In addition to deferred tax liabilities on consolidation adjustments, the [tax provision](#) includes tax prepayments on accruals to provisions. Accruals against deferred taxes refer basically to the elimination of accelerated depreciation. The lire 14 billion increase in "other deferred taxes" is due to the acquisition of Colombo Gas. The reduction in prepaid taxes results mainly from changes in the provision for legal disputes, the provision for the restructuring of financial instruments and that for early retirement incentives.

The [provision for legal disputes and other contingencies](#) covers potential liabilities arising from current legal proceedings and legal disputes, based on the advice provided by internal and external legal advisors, without taking into consideration the effect of proceedings for which a favorable outcome is expected or those for which an adverse outcome may not be quantified. For these, we refer to the note on "Off Balance Sheet items". The provision includes moreover amounts relating to potential charges resulting from the possible divestment or change in use of assets relating to suspended investment projects or other projects.

Accruals for the first half of the year amounted to lire 367 billion and include lire 227 billion relating to estimated excess tariff revenues with respect to maximum admissible revenues set by the Authority for Electricity and Gas. Due to its nature, such estimated amount has been recorded as a reduction in revenues from the sale of electricity. The remaining accrual refers to risks and charges of various nature, connected mainly to the operation of plant.

Uses refer mainly to charges incurred following the final abandonment of suspended projects.

The [provision for the restructuring of financial instruments](#) has been reversed to meet costs resulting from flows generated by operations that had not expired at June 30, 2000 and transactions expiring or unwound in the first six months of the year.

[Provision for early retirement incentives](#) consists of accruals relating to the costs connected with the temporary offer made to employees as an incentive to early retirement as part of the Group's reorganization process.

Employee termination indemnity

Changes for the first six months of the year are shown in the table below:

In billions of lire

Balance at December 31, 1999	2,996
Accruals	282
Uses and other changes	(203)
BALANCE AT JUNE 30, 2000	3,075

The provision includes all amounts accrued by personnel upon retirement in accordance with applicable legislation, net of advances paid to employees for "medical expenses", the "first-time purchase of a home" and the "purchase of Enel shares".

Accounts payable

Accounts payable break down as follows:

In billions of lire

	at June 30, 2000	at Dec. 31, 1999
Bonds	13,230	14,598
Bank loans:		
- medium- and long-term loans	7,069	6,890
- short-term loans	5,982	3,003
Total	13,051	9,893
Total financial debt	26,281	24,491
Other debt	20,297	16,625
TOTAL	46,578	41,116

[Medium- and long-term debt](#) amounted at June 30, 2000 to lire 20,299 billion, made up as follows:

In billions of lire

	at June 30, 2000	at Dec. 31, 1999
Bonds	13,230	14,598
Bank debt	7,069	6,890
TOTAL	20,299	21,488

The reduction of lire 1,189 billion during the first six months of the year is due to lire 1,860 billion of repayments, new loans extended amounting to lire 665 billion and exchange rate differences amounting to lire 6 billion. Repayments referred to loans expiring and early repayments made to improve the risk/cost ratio of debt.

Bonds include issues guaranteed by the Italian State amounting to lire 4,034 billion (lire 5,402 billion at the end of 1999). Pursuant to article 2362 of the Italian Civil Code, the balance of lire 9,196 billion is in any case guaranteed by the Italian State as the sole shareholder of Enel at the time of the issue.

The Company obtained in the first six months of the year a Aa3 rating from Moody's and a AA- rating from Standard & Poor's, allowing it to maintain a high credit rating.

The table that follows shows the breakdown of medium- and long-term debt by type of instrument (bonds issued and loans) and interest rate (fixed and floating rate).

In billions of lire	Maturity	Portion expiring in				Portion expiring beyond 2000			Total
		at June 30, 2000	2000	2001	2002	2003	2004	Subsequent years	
Bonds:									
- listed-fixed rate	2003-2008	4,872	-	-	500	500	1,936	1,936	4,872
- listed-floating rate	2000-2001	3,434	731	2,703	-	-	-	-	2,703
- unlisted-fixed rate	2005	148	-	-	-	-	-	148	148
- unlisted-floating rate	2001-2020	4,019	-	32	44	35	40	3,868	4,019
- fixed rate EU agencies	2000-2010	702	85	104	103	104	74	232	617
- floating rate EU agencies	2003-2009	55	7	9	8	8	5	18	48
Total bonds		13,230	823	2,848	655	647	2,055	6,202	12,407
Bank loans:									
- fixed rate	2001-2006	145	3	109	8	9	8	8	142
- floating rate	2001-2006	4,608	216	403	463	1,702	1,191	633	4,392
- fixed rate EU agencies	2000-2009	1,714	350	535	354	153	88	234	1,364
- floating rate EU agencies	2004-2014	602	53	95	95	95	108	156	549
Total		7,069	622	1,142	920	1,959	1,395	1,031	6,447
TOTAL		20,299	1,445	3,990	1,575	2,606	3,450	7,233	18,854

Unlisted floating rate bonds include lire 1,009 billion relating to "1994-2019 Special series reserved to personnel" repurchased by Enel and recorded under "Short-term investments" in the Balance Sheet.

At June 30, 2000, floating rate debt accounted for 63% of total long-term debt outstanding. At the same date, derivative instruments aimed at reducing the exposure to fluctuations in interest rates held by the Group amounted to a total nominal value of lire 9,631 billion, of which lire 7,041 billion of interest rate swaps and lire 2,590 billion of interest rate collars.

Keeping into account such hedging positions, the total exposure to interest rate fluctuations can be estimated at about 44% of outstanding debt.

The fair value at June 30, 2000 of interest hedging instruments is positive and amounts to lire 45 billion. Such value includes lire 28 billion of accrued liabilities recorded in the Balance Sheet and the residual balance of the Provision for the restructuring of financial instruments amounting to lire 62 billion.

The table that follows shows the breakdown of debt by currency and the average rate of interest at June 30, 2000:

In billions of lire		
	at June 30, 2000	Average interest rate
Italian lire	12,166	5.01%
Euro	7,083	4.86%
Deutsche marks	131	7.84%
French francs	152	9.87%
Belgian francs	128	9.05%
Dutch guilders	150	8.35%
Total euro currencies	19,810	5.07%
US dollars	60	8.64%
British pounds	49	9.95%
Swiss francs	159	6.85%
Danish kroner	7	10.55%
Yen	214	5.57%
Total non-euro currencies	489	6.88%
TOTAL	20,299	5.11%

Short-term bank debt, equal to lire 5,982 billion, includes among other things the use of revolving credit lines amounting to lire 999 billion and 18-month loans amounting to lire 1,983 billion, both concluded in June with the aim of financing, among other things, the payment of lire 2,813 billion in dividends.

Other payables - Lire 20,297 billion

Other payables are made up as follows:

In billions of lire		
	at June 30, 2000	at Dec. 31, 1999
Advances	555	1,972
Trade payables	5,654	6,258
Payables to subsidiaries and affiliated companies	1,106	1,076
Tax payables	1,853	2,272
Social security payables	4,901	771
Payables to Electricity Equalization Fund	2,912	2,564
Other payables	3,316	1,712
TOTAL	20,297	16,625

Advances - Lire 555 billion

The marked reduction in advances is due to the conversion, provided for by Authority for Electricity and Gas resolution no. 200/99, into deposits of advances paid on the supply of electricity received from customers who do not have their bill debited directly from their bank accounts. Amounts converted into deposits are recorded among other payables. At June 30, 2000 the amount includes, in addition to advances received from third parties for connections or other work, exclusively advances paid by customers debited directly at the bank, which shall be returned to them in August 2000.

Trade payables - Lire 5,654 billion

Trade payables include payables for the supply of electricity, fuel and equipment, in addition to those relating to contract work and other services carried out by June 30, 2000. They decrease by lire 604 billion due to swings in activity at different times of the year.

Payables to subsidiaries and affiliated companies - Lire 1,106 billion

These relate mainly to payables to unconsolidated Group companies So.g.i.n. (lire 715 billion) and WIND Telecomunicazioni (lire 379 billion). Payables to So.g.i.n. are of a financial nature and relate to the current account held by the company with Enel SpA.

Taxes payables - Lire 1,853 billion

Taxes payables are made up as follows:

In billions of lire	at June 30, 2000	at Dec. 31, 1999
VAT payables	418	880
Withholding taxes	192	191
Revenue tax and electricity surtax	149	191
Income taxes	1,056	1,001
Other	38	9
TOTAL	1,853	2,272

The amount of income taxes payable at June 30, 2000 reflects the estimated amount payable for income taxes in the first six months of the year.

Social Security payables - Lire 4,901 billion

The increase of lire 4,130 billion is due mainly to the expected amount due as extraordinary contribution pursuant to the 2000 Budget Law for the Electricity Industry Employee Pension Fund suppressed by the Law. As already illustrated in the comment to "Intangible assets", the charge, estimated at lire 4,275 billion, will be paid in three annual installments in years 2000-2002, and expensed over 20 years.

Accrued liabilities and deferred income

Other payables - Lire 3,316 billion

The increase of lire 1,604 billion is to be attributed essentially to the conversion of advances paid on the supply of electricity received from customers who do not have their bill debited directly from their bank accounts into deposits, as already described in the comment to item "advances". The amount includes also payables to personnel and employee associations amounting to lire 393 billion, in addition to interest payable amounting to lire 59 billion. As already shown in the comment to item "Payables to Electricity Equalization Fund for nuclear related charges", such amount includes the amount of lire 309 billion paid by the Electricity Equalization Fund in the first half of 2000 against charges recognized by the Lombardy Regional Court with a ruling that has been appealed by Enel.

Accrued liabilities and deferred income - Lire 1,481 billion

The table that follows shows a breakdown and changes occurred in the first six months of the year:

In billions of lire	at June 30, 2000	at Dec. 31, 1999
Accrued liabilities:		
- accrued interest	412	237
- operating payables	282	3
Total	694	240
Deferred income:		
- deferred interest	17	19
- deferred operating income	770	700
Total	787	719
TOTAL	1,481	959

Financial liabilities are affected by the concentration of expiration dates of medium- and long-term debt in the second half of the year.

Operating components reflect elements that were not present at the closing date of fiscal year 1999, such as accrued liabilities for 13th monthly salary payments, water derivation fees and contributions to employee associations.

The increase in deferred income is due mainly to contributions for plant construction received from third parties for activities carried out mainly by Enel Distribuzione and So.I.e.

The table that follows shows the breakdown of accrued liabilities and deferred income by maturity.

In billions of lire	Maturing by Dec. 31, 2000	Falling due between		Total
		Jan. 1, 2001 and Dec. 31, 2004	Falling due beyond Dec. 31, 2004	
Bonds	823	6,205	6,202	13,230
Bank loans	6,603	5,416	1,032	13,051
Other payables	16,963	3,324	10	20,297
Total	24,389	14,945	7,244	46,578

Commitments

Guarantees given and other commitments - Lire 176,859 billion

Commitments include amounts relating to deposits, guarantees, risks and other commitments assumed by the Group, as shown below:

In billions of lire	at June 30, 2000	at Dec. 31, 1999
Guarantees given:		
Guarantees against loans granted to ELCOGAS SA	40	40
Total	40	40
Other:		
Commitments to suppliers of:		
- electricity	108,902	112,115
- thermal fuel	61,009	47,996
- sundry supplies	4,869	5,318
- contract work	1,618	2,634
Commitments of forward currency purchases	160	240
Commitments of forward currency sales	161	265
Sundry guarantees to lending institutions	100	100
Third party securities received as surety	-	155
Third party securities held in safe custody	-	38
Total	176,819	168,861
TOTAL	176,859	168,901

Commitments to purchase electricity break down as follows:

In billions of lire	Domestic suppliers	Foreign suppliers	Total
Period:			
July 1, 2000-2004	35,903	7,422	43,325
2005-2009	34,481	4,167	38,648
2010-2014	15,803	1,038	16,841
2015 and beyond	10,088	-	10,088
TOTAL	96,275	12,627	108,902

Commitments to domestic suppliers refer to the acquisition of electricity pursuant to CIP Resolution no. 6/1992.

Commitments for the purchase of fuel break down as follows:

In billions of lire	Natural Gas	Fuel Oil	Coal	Logistics	Orimulsion	Gasoil	Total
Period:							
July 1, 2000-2004	16.495	1.962	263	156	22	38	18.936
2005-2009	13.968	459	-	-	-	-	14.427
2010-2014	13.968	-	-	-	-	-	13.968
2015 and beyond	13.678	-	-	-	-	-	13.678
TOTAL	58,109	2,421	263	156	22	38	61,009

Amounts have been calculated according to parameters and exchange rates in force at the closing of the first six months of the year. The price of such supplies is in fact variable and for the most part denominated in foreign currency.

Off Balance Sheet items

Litigation

In the section that follows we describe the main legal disputes in which the Group is involved, concerning mainly nuclear energy abandonment costs, tariffs and environmental issues.

Discontinued Nuclear Operations

The legal dispute with the Authority for Electricity and Gas relating to the annulment of Resolution no. 58, dated June 12, 1998 is still under way. With such resolution the Authority for Electricity and Gas questions the criteria adopted by CIP to calculate reimbursements in favor of Enel of charges relating to the abandonment of nuclear power generation. The Authority has subsequently verified the existence of ground for the reimbursement of all costs claimed by Enel SpA, with the exception of some items, for a total amount of lire 390 billion. In view of such position, in the financial statements closed at December 31, 1997, Enel had accrued the same amount to the provision for doubtful accounts.

The Lombardy Regional Court, with its Ruling no. 612 dated February 18, 1999, gave a favorable opinion to most of Enel's requests, recognizing the latter's right to receive a sizable part of the reimbursements withheld, amounting to lire 278 billion, leaving the difference of lire 112 billion to be borne by the Company.

The ruling of the Lombardy Regional Court has been upheld by Enel SpA, which has requested a rapid discussion of the issue. In view of the uncertainty regarding the legal proceedings, the ruling being appealed, Enel has deemed it prudent not to alter accruals previously recorded in the financial statements against risks regarding the outcome of the litigation until its settlement.

Legal proceedings regarding tariffs

A number of industrial customers who consume large amounts of electricity have questioned the legitimacy of the method with which CIP and subsequently the Authority for Electricity and Gas determined electricity tariffs in the past.

At the present time, all decisions taken, including recent ones, have confirmed the legitimacy of measures appealed. In case of a repeal of measures taken on tariff setting, which could give rise to claims for the reimbursement of amounts paid to Enel for the supply of electricity, the latter's economic position would be unchanged, since any repeal of tariffs would have to be followed by the issue by the Authority of new tariff regulations that compensate Enel for the amounts lost.

ATEL arbitration

Since 1986 Enel SpA has three contractual agreements with Swiss company ATEL for the supply of electric energy. Following the devaluation of the Italian lira that took place after the signing of the contract, the setting by the Authority of limits to refunds that may be obtained against long-term energy import contracts providing for a minimum amount of energy supplied and the liberalization of the Italian electricity market, Enel SpA deemed that the terms of the contracts were no longer balanced. Enel SpA has therefore requested ATEL to review the terms of the contracts towards a more equitable position, as provided by the contracts themselves.

Having ATEL formulated proposals that Enel SpA deems unsatisfactory and not appropriate to balance the positions of the parties, as provided by such contracts, Enel SpA promoted arbitration proceedings, to be based in Geneva and according to the rules set by the Paris International Chamber of Commerce, requesting the termination of all contracts in force with ATEL and the reimbursement of all amounts paid by Enel SpA over a fair tariff since 1997 according to the new tariffs determined by the arbitration panel, or, subordinately, requesting changes to be made to the said contracts to bring them into line with equitable terms, and requiring ATEL to repay all amounts paid by Enel SpA since March 1997 over the new tariffs determined by the arbitration panel.

The arbitration is still in progress, but Enel SpA believes its outcome may not have a negative effect beyond the lack of a reduction in current contract tariffs.

WIND - Deutsche Telekom

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

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

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

The transaction was carried out on the basis of a market value of WIND equal to 11 billion euro, and a resulting investment for Enel equal to about 600 million euro for a 5.6% share in the Company.

Following such agreement legal action regarding WIND promoted by Enel, WIND and France Télécom against Deutsche Telekom, including the arbitration panel set up by Enel SpA in Geneva at the International Chamber of Commerce, past shareholders' agreements and non competition clauses applying to Deutsche Telekom have been abandoned.

Environmental issues

Environmental issues refer to the installation and operation of electrical equipment and are therefore common to Enel Distribuzione and Terna which replaced Enel SpA in the relevant relationships.

The matter may therefore be discussed jointly for the two companies for which the most important environmental issues are those relating to the effect of exposure to electric and magnetic fields generated by equipment installed.

The two Companies have replaced Enel SpA in a number of civil and administrative legal proceedings in which the relocation or change in operating procedures for electrical lines is requested on the basis of their alleged harmfulness, despite the fact that the equipment has been installed in application of current norms.

Only in a limited number of cases have claims for health related damages due to electromagnetic fields been filed.

Only sporadically have there been pronouncements unfavorable to the Group. All of these have been appealed so that at the present date there have not been final sentences against the Group, while no health damage claim has ever been accepted.

Given the increased sensitivity of public opinion on the subject, however, recourse to legal action requesting the suspension or modification of plant operation by residents in the areas in which these are located who lament health problems allegedly caused by power lines, is increasing.

With reference to Enel Distribuzione, there have also been complaints on the part of private individuals concerning magnetic fields generated by medium and low-voltage power cabins located inside buildings, which are however always built in line with induction limits set by current legislation.

Legal proceedings concerning urban planning, landscape and environmental issues relating to the construction and operation of power plants and transmission and distribution lines are also pending.

An evaluation of such proceedings based on indications given by legal advisors, makes the Group deem as remote the possibility of negative outcomes, though for a limited number of cases this cannot be ruled out completely. In case of negative pronouncements consequences could consist in the possible payment of damages, costs related to work required on electrical equipment and the temporary unavailability of the same. At present such charges may not be quantified and are therefore not included in the "Provision for legal disputes and other contingencies".

The Italian Parliament is currently discussing the introduction of a new law regulating electromagnetic fields and introducing new exposure limits, "attention thresholds" and "environmental quality" objectives. The new regulation applies to both low-frequency infrastructure, such as transmission and distribution lines and sub-stations, and high-frequency infrastructure, such as those used for telephony, including mobile telephone services. Regulations under discussion include moreover a twelve-year program for the upgrade of the whole national network to new exposure standards. The law presently drafted assigns also to the Authority for Electricity and Gas the task of determining criteria, terms and conditions for the retrieval through tariffs of costs incurred by the owners of the transmission and distribution lines and sub-stations, will incur in implementing the said plan. The Authority has submitted to the Italian Parliament an estimate of the cost arising from the implementation of the said stricter measures and its effect on electricity tariffs.

Foreign currency options

In the first six months of the year the Group concluded currency option contracts with the aim of managing currency risks relating to the US dollar and the Swiss Franc, the two non-euro currencies in which fuel and electricity purchases are denominated. At June 30, 2000 the Group had entered into option transactions for a total underlying value of lire 760 billion, having a negative current value of about lire 34 billion.

Income Statement

Revenues

Total revenues increased by lire 2,465 billion over the first half of 1999 and are made up as follows:

In billions of lire			
	1st half 2000	1st half 1999	Change
Revenues from sales and services:			
- energy sales	12,460	13,140	(680)
- Electricity Equalization Fund contributions	8,029	5,319	2,710
- connection fees	619	554	65
- other sales and services	436	230	206
Total	21,544	19,243	2,301
Changes in contract work in progress	142	30	112
Capitalized expenses	882	933	(51)
Other revenues	337	234	103
TOTAL	22,905	20,440	2,465

Revenues from energy sales break down as follows:

	In billions of lire	Millions of kWh	Lire/kWh (average)	In billions of lire	Millions of kWh	Lire/kWh (average)
	1st half 2000			1st half 1999		
High voltage	1,354	22,337	60.6	1,025	24,779	41.4
Medium voltage	3,162	39,271	80.5	3,617	39,043	92.6
Low voltage	7,944	51,441	154.4	8,498	49,984	170.0
TOTAL	12,460	113,049	110.2	13,140	113,806	115.5

In the first half of 2000, revenues from the sale of electricity were affected by lower tariffs introduced on January 1, 2000 for a number of classes of customers by Authority for Electricity and Gas Resolution no. 204/1999, and by lower quantities sold as a result of the opening up of the market, offset by the growth in domestic demand for electricity. Revenues from the sale of electricity for the Group, net of lire 227 billion representing estimated excess revenues over the limit set by the Authority, amount to lire 12,460 billion, down 5.2% over the same period in the previous year.

Average revenues from high and medium voltage sales on the free market carried out by Enel Trade include also the portion of the tariff received against the cost of fuel, resulting in an increase in the unit price from lire 41.4 per kWh to lire 60.6 per kWh for high voltage sales.

Contributions from the Electricity Equalization Fund are made up as follows:

In billions of lire			
	1st half 2000	1st half 1999	Change
Contributions for thermal generation of electricity for the captive market	4,553	2,780	1,773
Contributions for net foreign purchases	813	863	(50)
Contributions for energy purchases from domestic producers and incentives to generation from renewable sources	2,188	1,676	512
Contribution for generation of electricity for the captive market (resolution no.205/99)	475	-	475
TOTAL	8,029	5,319	2,710

The comparison with the corresponding period in the previous year shows an overall increase of about 51% due mainly to contributions for thermal electricity generation, increasing by lire 1,773 billion (up 63.8%) due to the increase in the price of fuels.

Contributions for the purchase of electricity from domestic producers and incentives to generation from renewable sources increase by 30%, due to both higher amounts of electricity acquired and the increase in contributions for fuel prices.

Moreover, as provided by Authority resolution no. 205/99, beginning with January 1, 2000, a contribution of lire 6 per kWh of electricity destined to the captive market is recognized against transition costs for the reorganization of the electricity sector. In the first half of 2000 such contributions amounted to lire 475 billion.

Connection fees increase sharply from lire 554 billion in the first half of 1999 to lire 619 billion in the first half of 2000 due to customers request for new connections and increases in power supplied.

Revenues from other sales and services increase mainly due to the diversification in the Group's activities. Revenues from the sale of gas to third parties (lire 54 billion) made by Colombo Gas, a company acquired in March 2000, and from the sale of fuel to third parties (lire 31 billion) made by Enel.FTL, a company that became operational in the first half of the year, were registered for the first time.

A second relevant element was represented by services supplied to unconsolidated subsidiaries (almost entirely referring to WIND), amounting to lire 71 billion, against lire 4 billion in the first half of 1999.

The other growth factor is represented by revenues from energy transport fees, amounting to lire 106 billion, as compared with lire 17 billion for the same period in the previous year.

Changes in contract work in progress, increasing from the first six months of 1999 by lire 112 billion, reflect the development of the activity carried out for third parties, involving the majority of Group companies.

Capitalized expenses declined from the first half of 1999 by lire 51 billion due to lower capital expenditure affected by the concentration of these in the second half of 2000.

Other revenues increase by lire 103 billion due to growth in various components, among which sales of materials (increasing from lire 6 billion to lire 35 billion), the occasional sale of fuel by Enel SpA for a total of lire 36 billion, damage compensation (increasing from lire 64 billion to lire 92 billion) and extraordinary gains (growing from lire 17 billion to lire 32 billion).

Operating costs

Operating costs increase by 20.4% over the first half of 1999, as shown in the table that follows:

In billions of lire			
	1st half 2000	1st half 1999	Change
Raw materials and fuels:			
- purchases of fuel for thermal generation	5,374	2,638	2,736
- energy purchases	3,468	3,340	128
- purchases of materials	786	758	28
Total	9,628	6,736	2,892
Services	1,306	782	524
Leases and rentals	226	256	(30)
Personnel	3,505	3,803	(298)
Tangible asset depreciation	3,154	3,094	60
Intangible asset amortization	137	14	123
Write-downs	87	65	22
Change in inventories	(257)	(23)	(234)
Accruals to provisions for risks and charges	201	219	(18)
Other operating costs	286	237	49
TOTAL OPERATING COSTS	18,273	15,183	3,090

The increase in the [acquisition of thermal fuel](#), whose cost has more than doubled over the first half of 1999, reflects the higher thermal generation in the first six months of the year and the increase registered in the average purchase price.

[Energy purchases](#) increase by lire 128 billion despite the decrease in quantities purchased (down 5,037 million kWh) due to the increase in the average purchase price resulting from the higher proportion of electricity acquired from domestic producers (up 23% over the first half of 1999), in addition to the simultaneous reduction of foreign purchases on spot and annual contracts, characterized by lower unit prices.

The increase in the cost of [purchases of materials](#) is due to the increase in the activity carried out on behalf of third parties.

The increase in the cost of [services](#), equal to lire 524 billion, can be attributed mainly to telecommunications services supplied by WIND (up lire 282 billion), higher electricity transport fees (up lire 211 billion) following the new structure of the electricity sector, in addition to commissions and expenses relating to the payment of dividends (up lire 23 billion). These are in line with Monte Titoli clearing house tariffs for financial brokerage. The cost of services supplied by WIND are compensated by the reduction in other cost items in the Income Statement, in particular the cost of personnel and depreciation, as in the first half of 1999 such activities were carried out internally.

Expenses for [leases and rentals](#) decrease by lire 30 billion, due to the transfer of leases for radio transmitters included in such item in the first half of 1999 to WIND and included in the amount paid for the supply of telecommunications services supplied by the latter.

The [cost of personnel](#) decreases by lire 298 billion (down 7.8%), following a decline in the average number of employees (down 5.8%) and the reduction in the average unit cost (down 2.1%), reflecting the reduction in social contribution, effective January 1, 2000, pursuant to the 2000 Budget Law as part of the streamlining of general tariffs for the electricity sector.

The table that follows shows the average number of employees by category as compared with the previous year, and the total number of employees at June 30, 2000:

	Average number of employees			Employees
	1st half 2000	1st half 1999	Change	at June 30, 2000
Managers	759	864	(105)	760
Officers	4,798	5,230	(432)	4,817
Employees	42,083	44,238	(2,155)	41,840
Workers	28,829	30,859	(2,030)	28,539
TOTAL	76,469	81,191	(4,722)	75,956

[Tangible asset depreciation](#) increases mainly due to the coming into service of plant in 1999 and the first half of 2000.

[Intangible asset amortization](#) increases by lire 123 billion mainly due to the amount due for the six-month period relating to the contribution for the suppressed Electricity Industry Employee Pension Fund, in addition to higher amortization charges relating to the development of software, amortized over three years.

[Write-downs and accruals to provisions for risks and charges](#) increase by lire 4 billion, representing the balance of higher accruals to the risk and doubtful account provisions and the discontinuation of accruals to the provision for nuclear related charges, following the transfer of the activity to So.g.i.n. (not consolidated in view of its transfer to the Italian Treasury).

[Other operating costs](#), amounting to lire 286 billion, increase by lire 49 billion due to higher local taxes and extraordinary losses on the settlement of energy purchases made in previous years (Authority resolution no. 56/2000).

Financial income/(expense)

Financial income/(expense) breaks down as follows:

In billions of lire	1st half 2000	1st half 1999	Change
Financial income	100	215	(115)
Interest and other financial charges	(622)	(803)	181
TOTAL	(522)	(588)	66

Net financial charges decrease by lire 66 billion (down 11.2%) despite the increase in net financial debt (up 3.1%) and higher interest rates. The decline is due mainly to the effect of the restructuring of the debt and of the portfolio of derivative products.

Equity investments

Equity investments - Lire (381) billion

The item refers to the share of the Group in the loss registered for the first half of the year by WIND Telecomunicazioni, valued on equity.

Extraordinary items

Extraordinary items - Lire (41) billion

Extraordinary income amounts to lire 47 billion and include mainly capital gains on the sale of assets (lire 22 billion) and other gains (lire 22 billion).

Extraordinary expense relates to early retirement incentives offered to personnel in the context of the reorganization of the Group amounting to lire 64 billion, and extraordinary losses equal to lire 24 billion.

Income taxes

Income taxes - Lire 1,784 billion

The average tax rate amounts to 48.4% on income before taxes, as compared with 41.9% in the first half of 1999. In 1999 extraordinary gains referring to previous years' tax prepayments not subject to taxation amounting to lire 581 billion were recorded. Net of such gains, the average tax rate for the first six months of 1999 would be equal to 49.4%.

Consolidated Financial Statements in Euro

Consolidated Balance Sheet in Euro

In millions of euro

ASSETS	at June 30, 2000	at Dec. 31, 1999	at June 30, 1999
SHARE CAPITAL NOT PAID-IN	-	-	-
FIXED ASSETS			
Intangible assets	2,317	63	53
Tangible assets	37,410	37,913	38,723
Financial assets	846	745	1,537
Total fixed assets	40,573	38,721	40,313
CURRENT ASSETS			
Inventories	1,261	1,004	598
Receivables	6,027	5,350	4,292
Short-term investments	521	400	506
Cash and cash equivalents	351	506	1,196
Total current assets	8,160	7,260	6,592
ACCRUED INCOME AND PREPAID EXPENSES	289	131	302
TOTAL ASSETS	49,022	46,112	47,207

In millions of euro

LIABILITIES AND SHAREHOLDERS' EQUITY	at June 30, 2000	at Dec. 31, 1999	at June 30, 1999
SHAREHOLDERS' EQUITY			
Capital stock	6,263	6,263	6,263
Legal reserve	1,253	1,253	183
Other reserves	3,146	3,146	6,500
Retained earnings	5,463	4,570	4,571
Net income	982	2,345	1,141
<i>Total Shareholders' Equity</i>	<i>17,107</i>	<i>17,577</i>	<i>18,658</i>
Minority interests	8	9	6
Total Shareholders' Equity	17,115	17,586	18,664
PROVISION FOR RISKS AND CHARGES	5,499	5,250	5,695
EMPLOYEE TERMINATION INDEMNITY	1,588	1,547	2,366
ACCOUNTS PAYABLE			
Bonds	6,833	7,539	6,079
Bank loans	6,740	5,109	4,820
Trade payables and other payables	10,482	8,586	8,969
Total accounts payable	24,055	21,234	19,868
ACCRUED LIABILITIES AND DEFERRED INCOME	765	495	614
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	49,022	46,112	47,207
COMMITMENTS			
Guarantees given	21	21	28
Other	91,319	87,209	84,254
Total commitments	91,340	87,230	84,282

Consolidated Income Statement in Euro

In millions of euro

	1st half 2000	1st half 1999	1999
REVENUES			
Sales and services	11,127	9,938	20,578
Change in contract work in progress	73	15	27
Capitalized expenses	455	482	997
Other revenues	174	121	355
Total revenues	11,829	10,556	21,957
OPERATING COSTS			
Raw materials and fuels	4,972	3,479	7,683
Services received	674	404	1,036
Leases and rentals	117	132	264
Personnel	1,810	1,964	3,824
Depreciation and amortization	1,700	1,605	3,203
Write-downs	45	34	94
Change in inventories	(133)	(12)	(110)
Accrual to provisions for risks and charges	78	65	200
Other accruals	26	49	94
Other operating costs	148	122	284
Total operating costs	9,437	7,842	16,572
Operating income	2,392	2,714	5,385
FINANCIAL INCOME AND EXPENSE			
Investment income	1	-	-
Other financial income	51	111	184
Interest and other financial charges	321	415	768
Total financial income/(expense)	(269)	(304)	(584)
EQUITY INVESTMENTS	(197)	(91)	(227)
EXTRAORDINARY ITEMS			
Extraordinary income	24	327	550
Extraordinary expense	45	685	808
Total extraordinary items	(21)	(358)	(258)
Income before taxes	1,905	1,961	4,316
Income taxes	922	821	1,973
Income before minority interests	983	1,140	2,343
Minority interests	(1)	1	2
NET INCOME	982	1,141	2,345

Attachments

List of companies included in the consolidation area using the line-by-line method at June 30, 2000

Company name	Registered office	Activity	Capital stock	Currency	% ownership		Held by	%
			at June 30, 2000					
Parent Company: Enel SpA	ROME	Holding Company	12,126,150,379,000	Lire				
Subsidiaries: CESI - Centro Elettrotecnico Sperimentale Italiano Giacinto Motta SpA	MILAN	Research and testing	17,100,000,000	Lire	57.92	Enel SpA		57.92
Colombo Gas SpA	LECCO	Gas distribution	26,500,000,000	Lire	100.00	Enel SpA Triple I Two SA IPEF II Holdings n. 2 SA		26.03 40.11 33.86
Conphoebus SpA	CATANIA	Research and engineering services	1,506,000,000	Lire	100.00	Enel SpA		100.00
Dalmazia Trieste SpA	ROME	Real estate management	7,809,520,000	Lire	100.00	Enel SpA Sei SpA		98.76 1.24
Elettroambiente SpA	ROME	Electricity generation from waste	500,000,000	Lire	100.00	Enel SpA		100.00
Elettrogen SpA	ROME	Electricity generation	278,900,000,000	Lire	100.00	Enel SpA		100.00
Enel Distribuzione SpA	ROME	Electricity distribution	12,299,500,000,000	Lire	100.00	Enel SpA		100.00
Enel.FTL SpA	ROME	Fuel logistics	50,000,000,000	Lire	100.00	Enel SpA Enel Produzione SpA CISE Tecnologie Innovative Srl		99.19 0.80 0.01
Enel.Hydro SpA	SERiate (BG)	Engineering, water systems	18,780,000,000	Lire	100.00	Enel SpA		100.00
Enel.it SpA	ROME	Information technology	140,400,000,000	Lire	100.00	Enel SpA CISE Tecnologie Innovative Srl		99.99 0.01
Enel Produzione SpA	ROME	Electricity generation	13,465,600,000,000	Lire	100.00	Enel SpA		100.00
Enel.si - Servizi integrati SpA	ROME	Engineering and energy related services	10,000,000,000	Lire	100.00	Enel SpA CISE Tecnologie Innovative Srl		99.00 1.00

Company name	Registered office	Activity	Capital stock	Currency	% ownership		Held by	% ownership
			at June 30, 2000					
Enel Trade SpA	MILAN	Sale of electricity	5,000,000,000	Lire	100.00	Enel SpA	100.00	
Enelpower SpA	MILAN	Engineering and contracting	25,200,000,000	Lire	100.00	Enel SpA CISE Tecnologie Innovative Srl	99.99 0.01	
Enelpower UK Ltd	UNITED KINGDOM	Electrical engineering	1,000	GBP	100.00	Enelpower SpA	100.00	
Erga SpA	PISA	Electricity generation from renewable sources	1,221,216,000,000	Lire	100.00	Enel SpA Enel.Hydro SpA	99.92 0.08	
Eurogen SpA	ROME	Electricity generation	205,480,978,000	Lire	100.00	Enel SpA	100.00	
Interpower SpA	ROME	Electricity generation	189,177,516,000	Lire	100.00	Enel SpA	100.00	
IPEF II Holdings n. 2 SA	LUXEMBOURG	Finance	214,975,000	LUF	99.99	Enel SpA	99.99	
Sei SpA	ROME	Real estate management and general services	2,446,854,729,000	Lire	100.00	Enel SpA Enel.Hydro SpA	99.99 0.01	
Sfera - Società consortile per la formazione e le risorse aziendali per azioni	ROME	Human resources	2,000,000,000	Lire	100.00	Enel SpA Enel Produzione SpA Terna SpA Enel Distribuzione SpA Enelpower SpA Erga SpA Sei SpA Enel.Hydro SpA	45.00 10.00 10.00 10.00 10.00 5.00 5.00 5.00	
So.I.e. - Società luce elettrica SpA Gruppo Enel	ROME	Public lighting systems	9,200,000,000	Lire	100.00	Enel SpA CISE Tecnologie Innovative Srl	99.98 0.02	
Terna SpA	ROME	Ownership and maintenance of transmission network	4,072,100,000,000	Lire	100.00	Enel SpA	100.00	
Triple I Two SA	LUXEMBOURG	Finance	6,237,390	Euro	99.99	Enel SpA	99.99	

List of companies included in the consolidation area using the equity method at June 30, 2000

Company name	Registered office	Activity	Capital stock	Currency	% ownership		Held by	%
			at June 30, 2000					
WIND Telecomunicazioni SpA	ROME	Telecommunications	2,189,964,813,000	Lire	51.00		Enel SpA	51.00

List of equity investments in unconsolidated subsidiaries at June 30, 2000

Company name	Registered office	Activity	Capital stock	Currency	% ownership		Held by	%
			at June 30, 2000					
CISE Tecnologie Innovative Srl	SEGRATE (MI)	Research and testing	1,200,000,000	Lire	100.00		Enel SpA	100.00
Enel.Factor SpA	ROME	Factoring	10,000,000,000	Lire	90.00		Enel SpA	90.00
Enel.Re Ltd	DUBLIN (Ireland)	Re-insurance	3,000,000	Euro	99.99		Triple I Two SA	99.99
So.g.i.n. - Società Gestione Impianti Nucleari per azioni	ROME	Decommissioning of nuclear plants, closing of nuclear fuel cycle	30,200,000,000	Lire	100.00		Enel SpA	100.00
Consorzio Siciltech	PALERMO	Small and medium size business development in Sicily	10,000,000	Lire	99.00		Enel.Hydro SpA	99.00
So.I.e. Milano H Srl	ROME	Supply and construction of public lighting systems	20,000,000	Lire	70.00		So.I.e. SpA	70.00

List of equity investments in affiliated companies at June 30, 2000

Company name	Registered office	Activity	Capital stock	Currency	% ownership		Held by	% ownership
			at June 30, 2000					
SOTACARBO Società Tecnologie Avanzate Carbone SpA	PORTOSCUSO (CA)	Coal utilization technology development	9,000,000,000	Lire	25.00		Enel SpA	25.00
Istedil SpA	GUIDONIA (RM)	Building safety technologies	2,000,000,000	Lire	50.00		Enel.Hydro SpA	50.00
Consorzio Isas	MATERA	Training and other services	10,000,000	Lire	46.25		Enel.Hydro SpA	46.25
Consorzio Corarc	SERiate (BG)	Scientific research coordination	100,000,000	Lire	50.00		Enel.Hydro SpA	50.00
Consorzio Progetto Torre di Pisa	PISA	Coordination of studies for the restoration of the Tower of Pisa	60,000,000	Lire	24.98		Enel.Hydro SpA	24.98
Consorzio Qseal	MILAN	Software quality certification	4,000,000	Lire	25.00		Enel.Hydro SpA	25.00
Consorzio Tema (under liquidation)	BRINDISI	–	45.500.000	Lire	43.96		Enel.Hydro SpA	43.96
Consorzio Mitelwa (under liquidation)	VERTEMATE CON MINOPRIO (CO)	–	50,000,000	Lire	30.00		Enel.Hydro SpA	30.00
SIET SpA	PIACENZA	Studies, projects and research in the thermal field	2,184,480,000	Lire	41.55		Enel.Hydro SpA	41.55
Idroenergia Consorzio	ROME	Desalination plants	100,000,000	Lire	50.00		Enel.Hydro SpA	50.00
Consorzio Gestione Centro Iside	PRIGNANO CIL. (SA)	–	200,000,000	Lire	29.00		Enel.Hydro SpA	29.00
Enelpower Contractor and Development Saudi Arabia Ltd	SAUDI ARABIA	Power plant construction, management and maintenance	5,000,000	SR	40.00		Enelpower SpA	40.00
Enelco SA	GREECE	Power plant construction, management and maintenance	200,000,000	GRD	50.00		Enelpower SpA	50.00
TIM - Tecno Idro Meteo Scpa (under liquidation)	ROME	–	2,354,000,000	Lire	34.00		Enel.Hydro SpA CISE Tecnologie Innovative Srl	17.00 17.00
Hydro Lazio Srl	BOLOGNA	Water sector	20,000,000	Lire	50.00		Enel.Hydro SpA	50.00
Lario Distribuzione Gas SpA	LECCO	Gas distribution	2,000,000,000	Lire	50.00		Colombo Gas SpA	50.00
Sicilia Hydro SpA	ENNA	Water sector	200,000,000	Lire	33.50		Enel.Hydro SpA	33.50

List of relevant equity investments held by Enel at June 30, 2000 pursuant to art. 120 of Legislative Decree no. 58, Feb. 24, 1998

(reporting pursuant to article 126 of CONSOB Resolution no. 11971 dated May 14, 1999)

Company name	Registered office	Activity	Capital stock	Currency	Held by	%
CESI - Centro Elettrotecnico Sperimentale Italiano Giacinto Motta SpA	MILAN	R&D and testing	17,100,000,000	Lire	Enel SpA	57.92
CISE Tecnologie Innovative Srl	MILAN	R&D	1,200,000,000	Lire	Enel SpA	100
Colombo Gas SpA	LECCO	Gas distribution	26,500,000,000	Lire	Enel SpA Triple I Two SA IPEF II Holdings n.2 SA	26.03 40.11 33.86
Conphoebus SpA	CATANIA	Research and engineering services	1,506,000,000	Lire	Enel SpA	100
Dalmazia Trieste SpA	ROME	Real estate management	7,809,520,000	Lire	Enel SpA Sei SpA	98.76 1.24
Elettroambiente SpA	ROME	Electricity generation from waste	500,000,000	Lire	Enel SpA	100
Elettrogen SpA	ROME	Electricity generation	278,900,000,000	Lire	Enel SpA	100
Enel Distribuzione SpA	ROME	Electricity distribution	12,299,500,000,000	Lire	Enel SpA	100
Enel.Factor SpA	ROME	Factoring	10,000,000,000	Lire	Enel SpA	90
Enel.FTL SpA	ROME	Fuel purchase and logistics	50,000,000,000	Lire	Enel SpA Enel Produzione SpA CISE Srl	99.19 0.80 0.01
Enel.Hydro SpA	SERiate (BG)	Engineering, water systems	18,780,000,000	Lire	Enel SpA	100
Enel.it SpA	ROME	Information technology	140,400,000,000	Lire	Enel SpA CISE Srl	99.99 0.01
Enel Produzione SpA	ROME	Electricity generation	13,465,600,000,000	Lire	Enel SpA	100
Enel.Re Ltd	DUBLIN (Ireland)	Re-insurance	3,000,000	Euro	Triple I Two SA	99.99
Enel.si - Servizi integrati (former Se.m.e.) SpA	ROME	Engineering and energy sector services	10,000,000,000	Lire	Enel SpA CISE Srl	99 1
Enel Trade SpA	MILAN	Sale of electricity	5,000,000,000	Lire	Enel SpA	100
Enelco SA	ATHENS (Greece)	Construction, management and maintenance of plants	200,000,000	GRD	Enelpower SpA	50
Enelpower SpA	MILAN	Engineering and contracting	25,200,000,000	Lire	Enel SpA CISE Srl	99.99 0.01
Enelpower Contractor and Development Saudi Arabia Ltd	RIYADH (Saudi Arabia)	Construction, management and maintenance of plants	5,000,000	SR	Enelpower SpA	40
Enelpower UK Ltd	LONDON (UK)	Electrical engineering	1,000	GBP	Enelpower SpA	100
Erga - Energie Rinnovabili Geotermiche ed Alternative SpA	PISA	Electricity generation from renewable sources	1,221,216,000,000	Lire	Enel SpA Enel.Hydro SpA	99.92 0.08
Eurogen SpA	ROME	Electricity generation	205,480,978,000	Lire	Enel SpA	100
HydroLazio Srl	BOLOGNA	Water sector	20,000,000	Lire	Enel.Hydro SpA	50
Insula SpA	VENICE	Urban maintenance for the city of Venice	4,000,000,000	Lire	Enel.Hydro SpA	12

Company name	Registered office	Activity	Capital stock	Currency	Held by	%
International Multimedia University SpA	GUALDO TADINO (PG)	Long-distance training	1,200,000,000	Lire	Enel.Hydro SpA	13.04
Interpower SpA	ROME	Electricity generation	189,177,516,000	Lire	Enel SpA	100
IPEF II Holdings n. 2 SA	LUXEMBOURG	Finance	214,975,000	LUF	Enel SpA	99.99
Istedil - Istituto Sperimentale per l'Edilizia SpA	GUIDONIA (RM)	Technology, safety, construction	2,000,000,000	Lire	Enel.Hydro SpA	50
IT-net SpA	ROME	Network information systems	1,000,000,000	Lire	WIND SpA	99
Lario Distribuzione Gas SpA	LECCO	Gas distribution	2,000,000,000	Lire	Colombo Gas SpA	50
Megamind SpA	ROME	Distribution	200,000,000	Lire	Mondo WIND Srl	30
Mondo WIND Srl	ROME	Sale of telecommunication products and services	190,000,000	Lire	WIND SpA IT-net SpA	99 1
Sei SpA	ROME	Real estate management and general services	2,446,854,729,000	Lire	Enel SpA Enel.Hydro SpA	99.99 0.01
Sfera - Società consortile per la formazione e le risorse aziendali ScpA	ROME	Personnel training and relocation	2,000,000,000	Lire	Enel SpA Enel Produzione SpA Enel Distribuzione SpA Terna SpA Enelpower SpA Erga SpA Sei SpA Enel.Hydro SpA	45 10 10 10 10 5 5 5
Sicilia Hydro SpA	ENNA	Water sector	200,000,000	Lire	Enel.Hydro SpA	33.50
SIET - Società Informazioni Esperienze Termoidrauliche SpA	PIACENZA	Studies, projects and research in the thermal sector	2,184,480,000	Lire	Enel.Hydro SpA	41.55
So.g.i.n. - Società Gestione Impianti Nucleari SpA	ROME	Decommissioning of nuclear plants, closing of nuclear fuel cycle	30,200,000,000	Lire	Enel SpA	100
So.l.e. - Società luce elettrica SpA Gruppo Enel	ROME	Public lighting systems	9,200,000,000	Lire	Enel SpA CISE Srl	99.98 0.02
So.l.e. Milano H Srl	ROME	Construction of public lighting systems	20,000,000	Lire	So.l.e. SpA	70
SOTACARBO - Società Tecnologie Avanzate Carbone SpA	PORTOSCUSO (CA)	Development of technologies for the use of coal	9,000,000,000	Lire	Enel SpA	25
Terna - Trasmissione Elettricità Rete Nazionale SpA	ROME	Ownership and maintenance of transmission network	4,072,100,000,000	Lire	Enel SpA	100
TIM - Tecno Idro Meteo ScpA (under liquidation)	ROME	–	2,354,000,000	Lire	Enel.Hydro SpA CISE Srl	17 17
Triple I Two SA	LUXEMBOURG	Finance	6,237,390	Euro	Enel SpA	99.99
WIND Telecomunicazioni SpA	ROME	Telecommunications	2,189,964,813,000	Lire	Enel SpA	51

Balance Sheet

In billions of lire

ASSETS	at June 30, 2000	at Dec. 31, 1999	at June 30, 1999
SHARE CAPITAL NOT PAID-IN	-	-	-
FIXED ASSETS			
Intangible assets	103	68	100
Tangible assets	29	400	60,794
Financial assets	53,607	54,088	3,361
Total fixed assets	53,739	54,556	64,255
CURRENT ASSETS			
Inventories	2	435	1,130
Receivables	5,561	6,570	10,187
Short-term investments	1,009	774	978
Cash and cash equivalents	84	696	2,310
Total current assets	6,656	8,475	14,605
ACCRUED INCOME AND PREPAID EXPENSES	460	313	577
TOTAL ASSETS	60,855	63,344	79,437

In billions of lire

LIABILITIES AND SHAREHOLDERS' EQUITY	at June 30, 2000	at Dec. 31, 1999	at June 30, 1999
SHAREHOLDERS' EQUITY			
Capital stock	12,126	12,126	12,126
Legal reserve	2,425	2,425	354
Other reserves	6,112	6,112	12,605
Retained earnings	875	637	637
Net income	907	3,052	2,448
Total Shareholders' Equity	22,445	24,352	28,170
PROVISIONS FOR RISKS AND CHARGES	2,243	2,491	7,282
EMPLOYEE TERMINATION INDEMNITY	81	285	4,541
ACCOUNTS PAYABLE			
Bonds	13,230	14,598	11,771
Bank loans	12,851	9,583	9,193
Other payables	9,404	11,643	17,327
Total accounts payable	35,485	35,824	38,291
ACCRUED LIABILITIES AND DEFERRED INCOME	601	392	1,153
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	60,855	63,344	79,437
COMMITMENTS			
Guarantees given	180	180	185
Other	169,370	160,366	163,106
Total commitments	169,550	160,546	163,291

Income Statement

In billions of lire

	1st half 2000	1st half 1999	1999
REVENUES			
Sales and services	4,300	18,459	31,470
Change in contract work in progress	-	25	427
Capitalized expenses	-	932	1,450
Other revenues	5,143	999	2,625
Total revenues	9,443	20,415	35,972
OPERATING COSTS			
Raw materials and fuels	8,485	6,733	14,994
Services received	127	802	1,712
Leases and rentals	20	266	433
Personnel	124	3,758	5,724
Depreciation and amortization	5	4,322	6,639
Write-downs	8	65	146
Change in inventories	1	(24)	(113)
Accruals to provisions for risks and charges	5	125	288
Other accruals	49	94	180
Other operating costs	31	235	391
Total operating costs	8,855	16,376	30,394
Operating income	588	4,039	5,578
FINANCIAL INCOME AND EXPENSE			
Investment income	1,588	-	-
Other financial income	538	216	571
Interest and other financial charges	762	799	1,498
Total financial income/(expense)	1,364	(583)	(927)
EQUITY INVESTMENTS	(378)	(13)	(475)
EXTRAORDINARY ITEMS			
Extraordinary income	24	1,490	2,118
Extraordinary expense	29	1,325	1,271
Total extraordinary items	(5)	165	847
Income before taxes	1,569	3,608	5,023
Income taxes	662	1,160	1,971
NET INCOME	907	2,448	3,052

Enel SpA Financial Statements in Euro

Balance Sheet in Euro

In millions of euro

ASSETS	at June 30, 2000	at Dec. 31, 1999	at June 30, 1999
SHARE CAPITAL NOT PAID-IN	-	-	-
FIXED ASSETS			
Intangible assets	53	35	52
Tangible assets	15	207	31,397
Financial assets	27,686	27,934	1,736
Total fixed assets	27,754	28,176	33,185
CURRENT ASSETS			
Inventories	1	225	584
Receivables	2,872	3,393	5,261
Short-term investments	521	400	505
Cash and cash equivalents	43	359	1,193
Total current assets	3,437	4,377	7,543
ACCRUED INCOME AND PREPAID EXPENSES	238	162	298
TOTAL ASSETS	31,429	32,715	41,026

In millions of euro

LIABILITIES AND SHAREHOLDERS' EQUITY	at June 30, 2000	at Dec. 31, 1999	at June 30, 1999
SHAREHOLDERS' EQUITY			
Capital stock	6,263	6,263	6,263
Legal reserve	1,252	1,252	183
Other reserves	3,157	3,157	6,510
Retained earnings	452	329	329
Net income	468	1,576	1,264
Total Shareholders' Equity	11,592	12,577	14,549
PROVISIONS FOR RISKS AND CHARGES	1,158	1,286	3,761
EMPLOYEE TERMINATION INDEMNITY	42	147	2,345
ACCOUNTS PAYABLE			
Bonds	6,833	7,539	6,079
Bank loans	6,637	4,949	4,748
Other payables	4,857	6,014	8,949
Total accounts payable	18,327	18,502	19,776
ACCRUED LIABILITIES AND DEFERRED INCOME	310	203	595
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	31,429	32,715	41,026
COMMITMENTS			
Guarantees given	93	93	96
Other	87,472	82,822	84,237
Total commitments	87,565	82,915	84,333

Income Statement in Euro

In millions of euro

	1st half 2000	1st half 1999	1999
REVENUES			
Sales and services	2,221	9,533	16,253
Change in contract work in progress	-	13	220
Capitalized expenses	-	481	749
Other revenues	2,656	516	1,356
Total revenues	4,877	10,543	18,578
OPERATING COSTS			
Raw materials and fuels	4,381	3,477	7,744
Services received	66	414	884
Leases and rentals	10	137	224
Personnel	64	1,941	2,956
Depreciation and amortization	3	2,232	3,428
Write-downs	4	34	76
Change in inventories	1	(12)	(59)
Accruals to provisions for risks and charges	3	65	149
Other accruals	25	49	93
Other operating costs	16	121	202
Total operating costs	4,573	8,458	15,697
Operating income	304	2,085	2,881
FINANCIAL INCOME AND EXPENSE			
Investment income	820	-	-
Other financial income	278	112	295
Interest and other financial charges	394	413	774
Total financial income/(expense)	704	(301)	(479)
EQUITY INVESTMENTS	(195)	(7)	(245)
EXTRAORDINARY ITEMS			
Extraordinary income	12	770	1,094
Extraordinary expense	15	684	657
Total extraordinary items	(3)	86	437
Income before taxes	810	1,863	2,594
Income taxes	342	599	1,018
NET INCOME	468	1,264	1,576

**Report on the Independent Auditors
on the Review of the Half-Year Report
(Translation from the original issued in Italian)**

Arthur Andersen SpA

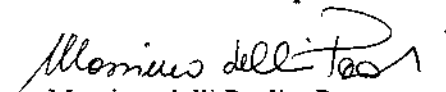
Via Campania 47
00187 Roma

To the Shareholders of
Enel S.p.A.:

1. We have performed a review of the consolidated financial statements and the related notes to the financial statements included in the half-year report as of June 30, 2000 of Enel S.p.A. and subsidiaries. We have also checked the part of the report related to the information on operations (Report on operations) with the sole purpose of verifying the consistency thereof with the rest of the half-year report.
2. Our review was made in accordance with the criteria for reviews recommended by the Italian Regulatory Commission for Companies and the Stock Exchange ("CONSOB") under Resolution No. 10867 of July 31, 1997. Our review consists principally of applying analytical procedures to financial data, assessing the consistent application of accounting principles and making certain inquiries of persons responsible for financial and accounting matters. Our review does not include performing audit procedures such as compliance tests and substantive tests of assets and liabilities and is significantly less in scope than an audit conducted in accordance with generally accepted auditing standards. As a consequence, unlike the auditors' report accompanying the year-end consolidated financial statements, we do not express an opinion on the half-year report.
3. With regard to the comparative information related to the annual consolidated financial statements and to the prior year half-year report, reference should be made to our reports issued respectively on May 2, 2000 and on September 2, 1999.
4. Based on our review, we are not aware of any material modifications or additions that should be made to the consolidated financial statements and related notes to the financial statements identified in paragraph 1. of this report for them to be in conformity with the standards and procedures set out by the CONSOB regulation related to half-year report as approved by Resolution No. 11971 of May 14, 1999, and subsequent amendments and additions.

Rome, Italy,
September 28, 2000

Arthur Andersen SpA



Massimo delli Paoli – Partner

Note: The half-year report has been translated into English from the original version in Italian. It has been prepared in accordance with the CONSOB regulation related to interim reports, interpreted and integrated by the accounting principles established or adopted by the Italian Accounting Profession. Certain accounting practices applied by the

Graphic design

Tatjana Besekau & Skate
2, Via G. B. Martini - Rome

Publishing service

GI Grafica Internazionale
18, Via Rubicone - Rome

Coordination:

Claudio Polito

Proof-reading

Paola Urbani, Loredana Lattanzi

Printed by

Arti Grafiche Tilligraf SpA
182, Via del Forte Bravetta - Rome

Cover:

Drawing by Tullio Pericoli - *"Senza titolo", 1985*

Printed in November 2000

Printed on Fedrigoni Freelife Kendo® paper



Freelife Kendo® recycled paper is made up of 80% secondary fibers of pure cellulose and of 20% alternative raw materials obtained from fast-growth kenaf and bamboo plants.

Publication not for sale