

ENERGY IN TUNE WITH YOU



Report on the 1st Quarter of 2006



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The Enel structure

Corporate Enel SpA

Domestic Generation and Energy Management Division

- > Enel Produzione
- > Enel Trade

Domestic Networks and Infrastructure Division

- > Enel Distribuzione
- > Enel Rete Gas
- > Enel Sole
- > Deval

Domestic Sales Division

- > Enel Distribuzione
- > Enel Gas
- > Enel Energia
- > Enel.si
- > Deval

International Division

- > Enel Viesgo Generación
- > Enel Unión Fenosa Renovables
- > Maritza
- > Enel North America
- > Enel Latin America

- > Enel Viesgo Energía
- > Electrica Banat
- > Electrica Dobrogea
- > Electra de Viesgo Distribución
- > Enel Servicii
- > Enel Viesgo Servicios

Services and Other activities

- > Enel Servizi (formerly Enel Ape)
- > Sfera
- > Dalmazia Trieste
- > Enelpower
- > Enel.NewHydro
- > Enel.Factor
- > Enel.Re

Foreword

The consolidated Report on the 1st Quarter of 2006 has been prepared in compliance with the international accounting standards endorsed by the European Commission and with Consob Regulation no. 11971/1999 and subsequent amendments.

The recognition and measurement criteria adopted in the consolidated financial statements at March 31, 2006, which have not been audited, are consistent with those used to prepare the consolidated financial statements at December 31, 2005 and the consolidated financial statements at March 31, 2005.

The changes in the classification of a number of transactions recognized in the Income Statement in the 1st Quarter of 2006, which mainly regard the management of commodity risk, prompted analogous reclassifications in the figures for the 1st Quarter of 2005 to facilitate comparison.

In addition, following the disposal of equity investments in Wind and Terna, these entities have been deconsolidated as from August 11, and September 15, 2005, respectively. Accordingly, their results for the 1st Quarter of 2005 are reported under discontinued operations.

Significant events in the 1st Quarter of 2006

Sale of stake in Wind

On February 8, 2006, Enel and Weather Investments (Weather), a company controlled by Egyptian businessman Naguib Sawiris, completed the second and final phase of the sale of Wind. Specifically, following the exercise by Weather of the call option provided for in the agreements of May 2005, Enel sold a holding of 6.28% of Wind to a subsidiary of Weather for €328 million in cash. Enel also transferred to Weather its remaining 30.97% stake in Wind – valued at about €1,655 million on the basis of an independent appraisal submitted by Enel as required by law – in exchange for shares representing 20.9% of Weather. Taking account of the 5.2% of Weather acquired in August 2005 in the first phase of the transaction, the transfer gave Enel a total holding of 26.1% in Weather. Following the two phases of the Wind disposal, Weather directly and indirectly holds the entire capital of Wind, as well as a stake of 50% plus one share in Orascom Telecom Holding SAE (one of the largest telephony operators in Africa, the Middle East and Asia). The Enel Group has received from Weather €3,009 million net in cash and a holding of 26.1% of Weather with a value of about €1,960 million (equal to the sum of (i) €305 million paid by Enel for 5.2% of Weather in the first phase of the operation and (ii) about €1,655 million as the appraised value of the 30.97% of Wind transferred on February 8, 2006).

Sale of Carbones Colombianos del Cerrejon

On February 8, 2006, Enel finalized the sale of 100% of Carbones Colombianos del Cerrejon. The company, which engages in exploration, feasibility assessment and extraction activities (the latter at a coal mine in the Guaijra region of Colombia) in mines and mineral deposits, was sold for a total net price of about \$38 million.

Memorandum of understanding with the Russian energy trader RusEnergobytt

On March 2, 2006 Enel signed a memorandum of understanding to acquire a 50% stake for \$105 million in RusEnergobytt (RES), a Russian company active in the energy trading market and controlled by Grigory Berezkin, Chairman of the ESN Group. Once the agreement is finalized, Enel will gain access to the electricity market of the Russian Federation in collaboration with the largest supplier in the Russian power sector, which has been operating in the wholesale and retail markets since 2003. With this transaction Enel strengthens its position in the Russian market, where the Company has operated since 2004, managing the combined-cycle North West Thermal Power Plant (NWTPP) in St. Petersburg under an agreement with RAO UES.

The alliance with RES is part of Enel's European expansion strategy and is intended to position the Company to take advantage of any new opportunities offered by the liberalization of the Russian market.

Disposal of power distribution and sale assets

On March 13, 2006, Enel and Hera SpA signed a preliminary agreement for the disposal of the power grid of 18 municipalities in the province of Modena. The price was set at €107.5 million, on which an advance payment of €17.5 million has been made. The business unit includes more than 3,700 km of network, about 80,000 customers and 42 employees. The transaction marks the completion of the agreement reached in the protocol of understanding signed in February 2005 between Enel and Meta Modena SpA, which has been merged into Hera SpA since January 1, 2006.

On April 11, 2006 the Minister for Productive Activities signed the decree transferring the concession to Hera. The closing of the agreement, which is expected to take place by the end of this year, is subject to approval by the Competition Authority.

Regulatory developments

Electricity imports On December 13, 2005, the Ministry for Productive Activities issued a decree to define the procedures and conditions for importing electricity in 2006, thereby assigning the regulated market 26% of import capacity, in addition to the capacity set aside for long-term contracts as already envisaged for 2005. In implementation of the Ministry's decree, the Authority for Electricity and Gas (the Authority) issued Resolution no. 269/05 governing electricity imports and exports for 2006. In order to fully comply with EU regulations with regard to congestion management, the Authority modified the mechanism for assigning import rights (i.e. the hedging instruments regarding the price differential between the foreign areas and the areas in which the electricity is imported in Italy), eliminating the free pro rata assignment of such rights as applied in 2005. For 2006, import rights are now assigned in a competitive auction, which calls for pro rata reimbursement of auction receipts based on the average annual power of the assignees. The reimbursement to each assignee is subject to a cap equal to 10% of the total proceeds of the auction for the free market.

Long-term electricity import contracts

In December 2005, Italian and French authorities adopted a number of measures regarding the management of long-term contracts for the import of electricity from France and Switzerland held by Enel. The measures concern the modification of the procedures for setting the price of electricity sold by Enel to the Single Buyer and the procedure for allocating foreign interconnection capacity to enable performance of the long-term contracts.

As regards the first point, with a decree dated December 13, 2005, the Ministry for Productive Activities, responding to requests from the Authority and the Single Buyer, modified the criteria for setting the sale price, replacing the price based on the cost of fuel with a maximum price of €66/MWh.

The Authority may also reduce that amount in the event of reductions in fuel costs with respect to the scenarios envisaged at the time the price ceiling was established.

As regards interconnection capacity allocation, with its decision of December 1, 2005 the French regulator (CRE) decided that it would not reserve any capacity for the performance of the long-term import contract, thereby modifying previous practice, which had envisaged the allocation of 50% of the interconnection capacity required to perform long-term contracts to the Italian ISO and 50% to foreign ISOs. Enel has appealed the decision to the French Administrative Court. Pending a decision on the appeal, Enel is selling part of the electricity under the contract abroad.

Summary of results in the 1st Quarter of 2006

| | 1st Quarter | | |
|---|-------------|-----------------------|--------|
| | 2006 | 2005 | Change |
| Income data (millions of euro) | | | |
| Revenues | 10,074 | 8,409 | 19.8% |
| Gross operating margin | 2,107 | 2,017 | 4.5% |
| Operating income | 1,583 | 1,488 | 6.4% |
| Income before minority interests | 875 | 799 | 9.5% |
| Group net income | 842 | 768 | 9.6% |
| Financial data (millions of euro) | | | |
| Net capital employed | 30,892 | 31,728 ⁽⁴⁾ | |
| Net financial debt | 10,544 | 12,312 ⁽⁴⁾ | |
| Shareholders' equity (including minority interests) | 20,348 | 19,416 ⁽⁴⁾ | |
| Cash flow from operations | 1,888 | 1,608 | |
| Capital expenditure on tangible and intangible assets | 500 | 629 | |
| Per share data (euro) | | | |
| Group net income per share | 0.14 | 0.13 | |
| Group shareholders' equity per share in circulation at period-end | 3.23 | 3.10 ⁽⁴⁾ | |
| Operating data | | | |
| Domestic electricity sales on the free and regulated market (TWh) ⁽¹⁾ | 37.5 | 38.5 | |
| Electricity transported on the domestic distribution network (TWh) ⁽¹⁾ | 64.6 | 63.0 | |
| Gas sales (billions of cubic meters) | 2.7 | 2.9 | |
| > of which to end-users (billions of cubic meters) | 2.1 | 2.2 | |
| Net electricity generated by Enel in Italy (TWh) | 28.6 | 28.2 | |
| Employees at period-end (no.) | 51,402 | 51,778 ⁽⁴⁾ | |
| Market indicators | | | |
| Average Brent oil price (\$/b) | 61.8 | 47.5 | |
| Average price of low-sulfur fuel oil (\$/t) ⁽²⁾ | 337.4 | 218.7 | |
| Average price of coal (\$/t fob) ⁽³⁾ | 47.2 | 48.0 | |
| Average dollar/euro exchange rate | 1.202 | 1.311 | |
| Six-month Euribor rate (average for the period) | 2.75% | 2.19% | |

(1) Excluding sales to resellers.

(2) Platt's CIF Med index.

(3) Coal Week International Index for the mix considered by the Authority for Electricity and Gas.

(4) At December 31, 2005.

Revenues in the 1st Quarter of 2006 amounted to €10,074 million, up 19.8% on the year-earlier period. Specifically, revenues for the Domestic Generation and Energy Management Division rose by 21.2%, those of the Domestic Networks and Infrastructure Division by 0.4% and those of the Domestic Sales Division by 14.0%. The revenues of the International Division jumped by 67.7%.

The *gross operating margin* came to €2,107 million, compared with €2,017 million in the 1st Quarter of 2005, an increase of €90 million (4.5%), which was mainly attributable to the strong performance of the International Division.

Operating income in the first Quarter of 2006 amounted to €1,583 million, an increase of €95 million (6.4%).

Net income for the period (Group and minority interests) totaled €875 million, compared with €799 million in the year-earlier period (up 9.5%). Excluding income attributable to discontinued operations, equal to €34 million, the rise in net income for the period came to €110 million, an increase of 14.4%.

Net financial debt amounted to €10,544 million at March 31, 2006, a fall of €1,768 million from the €12,312 million at December 31, 2005, mainly attributable to the liquidity generated by operating cash flow in the first three months of the year as well as financial impact of the sale of 6.28% of Wind. At March 31, 2006 the ratio of debt to equity was 0.52, compared with 0.63 at the end of 2005.

At March 31, 2006 Group *employees* numbered 51,402, a decline of 376 on the 51,778 employees at the end of 2005. The change in the scope of operations (acquisition of Simeo and sale of Carbones Colombianos del Cerrejon) produced a net increase of 8 employees, while the balance of new hires and terminations for the period was a negative 384.

Subsequent events and outlook

Subsequent events

Acquisition of Slovenské Elektrárne (SE)

On April 28, 2006 Enel, in line with the terms of the contract signed on February 17, 2005, acquired 66% of Slovenské Elektrárne (SE), the largest generating company in Slovakia and the second-largest in Central and Eastern Europe. SE has a plant portfolio with a generation capacity of about 7,000 MW (with 83% of the domestic generation capacity) well balanced between thermal, hydro and nuclear, which makes it possible to generate electricity at highly competitive costs. The price for the operation was about €840 million, on which Enel had paid a deposit of €168 million in 2005.

As envisaged in the agreement signed in February 2005, the assets related to a nuclear plant slated for decommissioning in the coming years (EBOV1) and the hydro plant of Gabčíkovo, as well as a nuclear waste treatment plant (VYZ), were separated from the rest of the company before the closing. SE will sell the power generated by the two EBOV1 nuclear units until they are decommissioned in 2006 and 2008 and that produced by the Gabčíkovo hydro plant for 30 years. Enel, the National Property Fund and the Slovak Ministry for the Economy also agreed on the terms of an investment plan aimed at increasing output and enhancing the efficiency and environmental compatibility of Slovenské Elektrárne's power plants, contributing to the economic and social development of Slovakia and boosting company profitability. The plan provides for investment by SE of about €2 billion between 2006 and 2013.

Binding offers

On April 24, 2006 Enel made a binding offer for the purchase of 90% of Paroplynový Cyklus a.s. Bratislava (PPC), a company that owns a combined-cycle cogeneration plant of about 220 MW. The remaining 10% is owned by Slovenské Elektrárne.

On May 9, 2006 Enel made a binding offer for the purchase of Muntenia Sud, a company active in the Romanian electricity distribution sector, where it serves about 1.1 million customers.

Outlook

With the acquisition of Slovenské Elektrárne Enel confirms its strategy of pursuing international growth, operating in a market, Central and Eastern Europe, that is the fastest growing on the European continent.

Enel intends to expand its size and role in the international arena, especially in the European energy market. To achieve this goal, Enel has taken steps to acquire the necessary financial resources to be used in the development initiatives now being assessed.

Domestically, Enel is preparing for the transition to full liberalization of the electricity market, through both innovative electricity and gas offerings targeting the various customer segments and initiatives aimed at taking advantage of synergies in the electricity and gas industries to boost efficiency.

In addition, we are continuing with the optimization of fuel supplies and the transformation of plants, including the completion of combined-cycle conversions and coal transformation and the development of renewable resources, as well as general improvements in the operating efficiency of plants.

The efficiency programs and cost-containment initiatives under way in the various business segments, as well as international growth, will continue to have positive effects in 2006, with results for the year expected to improve.

Results by Division

The results presented in this report take account of the launch, in November 2005, of Enel's new organizational structure, which, in addition to the Domestic Sales Division, the Domestic Networks and Infrastructure Division and the Domestic Generation and Energy Management Division, saw the creation of an International Division that includes all the Group's resources devoted to generation and distribution activities abroad.

The International Division's mission is to support Enel's international growth strategy, which will require a strengthening of skills in research, analysis and identification of opportunities for acquisitions as well as in managing and integrating foreign operations in the electricity and gas markets.

The Domestic Sales Division will operate in the end-user market for electrical power and gas in Italy, developing an integrated package of products and services for the various customer segments and ensuring that commercial services meet quality standards.

The mission of the Domestic Networks and Infrastructure Division is to distribute electricity and gas in Italy, optimizing the management of Enel's networks and ensuring the efficient operation of measurement systems and compliance with technical service quality standards.

The Domestic Generation and Energy Management Division is responsible for generating power at competitive costs while safeguarding the environment.

For the purposes of providing comparable figures, the data for the 1st Quarter of 2005 have been reallocated to the Divisions on the basis of the new organizational arrangements.

Changes in the scope of consolidation

Compared with the 1st Quarter of 2005, the scope of consolidation has changed primarily as a result of the following operations:

- > the acquisition of controlling stakes in Electrica Banat and Electrica Dobrogea (Romanian electricity distribution and sale companies) on April 28, 2005;
- > the disposal of 100% of Wind, of which 62.75% was sold on August 11, 2005 and 6.28% on February 8, 2006. The remaining 30.97% was transferred to Weather Investments, also on February 8, 2006;
- > the sale of 43.85% of Terna, which was carried out in two stages: 13.86% on April 5, 2005 and 29.99% on September 15, 2005, whereupon it was removed from the scope of consolidation;
- > the acquisition of Simeo, a natural gas distribution company, and the acquisition of the business unit of E.On Vendita, a vendor of natural gas in the Sicilian municipalities served by Simeo, an operation finalized on January 31, 2006.

The table below shows electricity generation and demand in the 1st Quarter of 2006 and 2005.

Domestic electricity generation and demand

Domestic electricity flows (source Terna – Rete Elettrica Nazionale SpA, formerly the Independent System Operator, or ISO)

| Millions of kWh | 1st Quarter | | | |
|---|---------------|---------------|--------------|--------------|
| | 2006 | 2005 | Change | |
| Gross electricity generation: | | | | |
| > thermal | 72,229 | 63,422 | 8,807 | 13.9% |
| > hydroelectric | 9,455 | 10,072 | (617) | -6.1% |
| > geothermal and other resources | 2,257 | 1,850 | 407 | 22.0% |
| Total gross electricity generation | 83,941 | 75,344 | 8,597 | 11.4% |
| Auxiliary services consumptions | (3,507) | (3,405) | (102) | -3.0% |
| Net electricity generation | 80,434 | 71,939 | 8,495 | 11.8% |
| Net electricity imports | 7,409 | 13,907 | (6,498) | -46.7% |
| Electricity delivered to the network | 87,843 | 85,846 | 1,997 | 2.3% |
| Consumption for pumping | (2,243) | (2,665) | 422 | 15.8% |
| Electricity demand | 85,600 | 83,181 | 2,419 | 2.9% |

- > *Domestic electricity demand* rose by 2.9% in the 1st Quarter of 2006 with respect to the corresponding period of 2005. In the 1st Quarter of 2006, 91.3% of demand was met through net domestic generation for consumption and 8.7% by net imports (compared with, respectively, 83.3% and 16.7% in the 1st Quarter of 2005);
- > *gross electricity generation* rose by 11.4%, with marked increases in thermal generation (up 13.9%) and generation from alternative resources (up 22.0%). The increases were partly offset by a contraction in generation from hydroelectric installations (down 6.1%) related to a deterioration in water availability;
- > *net electricity imports* dropped by 46.7%, largely in connection with the sharp upsurge in electricity prices in Europe, especially France.

Enel domestic electricity generation and sales

Enel generation and sales (domestic)

| Millions of kWh | 1st Quarter | | | |
|--|-------------|--------|---------|-------|
| | 2006 | 2005 | Change | |
| Net electricity generation | 28,629 | 28,177 | 452 | 1.6% |
| Electricity purchases | 41,331 | 45,810 | (4,479) | -9.8% |
| Sales to wholesalers ⁽¹⁾ | 26,776 | 29,350 | (2,574) | -8.8% |
| Sales on the regulated market ⁽²⁾ | 32,634 | 34,045 | (1,411) | -4.1% |
| Sales on the free market ⁽²⁾ | 4,853 | 4,502 | 351 | 7.8% |
| Electricity transported on Enel's network | 64,564 | 63,017 | 1,547 | 2.5% |

(1) Sales by generation companies and sales to resellers.

(2) Excluding sales to resellers.

- > *Net electricity generation* increased by 1.6%, essentially as a result of the reduced imports and the higher demand of the domestic network;
- > *electricity purchases* fell by 9.8%. The decrease reflects both the fall in imports and the reduction in sales to the regulated market as a consequence of liberalization;
- > *wholesale sales* declined by 8.8% compared with the corresponding period of the previous year, essentially in connection with a contraction of the Group's market share (net electricity generation and imports) from 37.9% in the 1st Quarter of 2005 to 35.7% in the 1st Quarter of 2006.

With reference to total sales to end-users, Enel's market share in the 1st Quarter of 2006 was around 47% (compared with around 50% in the 1st Quarter of 2005). More specifically:

- > *sales on the regulated market* fell by 4.1% as a result both of the liberalization of the market and of the sale of the Group's distribution network in the province of Trento in the 2nd Half of 2005;
- > *sales on the free market* totaled 4,853 million kWh, a rise of 7.8% compared with the 1st Quarter of 2005 thanks mainly to the effects of liberalization;
- > *total electricity transported on Enel's network* in the 1st Quarter of 2006 shows an increase of 2.5% compared with the 1st Quarter in the previous year, broadly in line with developments in domestic electricity demand.

Results by Division for the 1st Quarters of 2006 and 2005

Results by Division for the 1st Quarter of 2006 ⁽¹⁾

| Millions of euro | Continuing operations | | | | | | | TOTAL | |
|--|---|--------------------------------------|----------------|---|----------------|------------------------------|---------|--------|--------|
| | Domestic Generation and Energy Management | Domestic Networks and Infrastructure | Domestic Sales | Services and Other Internat. activities | Parent Company | Eliminations and adjustments | Total | | |
| Revenues | 4,360 | 1,375 | 5,637 | 607 | 236 | 307 | (2,448) | 10,074 | 10,074 |
| Gross operating margin | 920 | 846 | 51 | 176 | 40 | 68 | 6 | 2,107 | 2,107 |
| Depreciation and amortization and impairment losses | 233 | 194 | 25 | 49 | 20 | 3 | - | 524 | 524 |
| Operating income by Division | 687 | 652 | 26 | 127 | 20 | 65 | 6 | 1,583 | 1,583 |
| Net financial income/(expense) and income/(expense) from investments accounted for using the equity method | - | - | - | - | - | - | - | (131) | (131) |
| Income taxes | - | - | - | - | - | - | - | 577 | 577 |
| Net income (Group and minority interests) | - | - | - | - | - | - | - | 875 | 875 |
| Operating assets | 16,848 | 16,540 | 6,410 | 4,305 | 2,014 | - | (1,507) | 44,610 | 44,610 |
| Operating liabilities | 4,082 | 3,783 | 5,866 | 766 | 1,166 | - | (1,303) | 14,360 | 14,360 |
| Capital expenditure | 151 | 288 | 9 | 37 | 15 | - | - | 500 | 500 |

Results by Division for the 1st Quarter of 2005 ⁽¹⁾

| Millions of euro | Continuing operations | | | | | | | Discontinued operations | | | | | TOTAL |
|--|---|--------------------------------------|----------------|-----------|-------------------------------|----------------|------------------------|-------------------------|-----------------------|----------|------------------------|-------|--------|
| | Domestic Generation and Energy Management | Domestic Networks and Infrastructure | Domestic Sales | Internat. | Services and Other activities | Parent Company | Eliminat. and adjustm. | Total | Transmission Networks | Telecom. | Eliminat. and adjustm. | Total | |
| Revenues | 3,597 | 1,369 | 4,945 | 362 | 295 | 270 | (2,429) | 8,409 | 255 | 1,162 | (89) | 1,328 | 9,737 |
| Gross operating margin | 911 | 850 | 81 | 106 | 45 | 35 | (11) | 2,017 | 182 | 393 | - | 575 | 2,592 |
| Depreciation and amortization and impairment losses | 267 | 180 | 19 | 40 | 21 | 2 | - | 529 | 41 | 320 | - | 361 | 890 |
| Operating income by Division | 644 | 670 | 62 | 66 | 24 | 33 | (11) | 1,488 | 141 | 73 | - | 214 | 1,702 |
| Net financial income/(expense) and income/(expense) from investments accounted for using the equity method | - | - | - | - | - | - | - | (189) | - | - | - | (106) | (295) |
| Income taxes | - | - | - | - | - | - | - | 534 | - | - | - | 74 | 608 |
| Net income (Group and minority interests) | - | - | - | - | - | - | - | 765 | - | - | - | 34 | 799 |
| Operating assets ⁽²⁾ | 16,714 | 15,708 | 6,219 | 4,282 | 2,945 | - | (2,017) | 43,851 | - | - | - | - | 43,851 |
| Operating liabilities ⁽²⁾ | 3,888 | 3,567 | 5,242 | 813 | 2,392 | - | (1,533) | 14,369 | - | - | - | - | 14,369 |
| Capital expenditure | 130 | 309 | 6 | 39 | 18 | - | - | 502 | 30 | 97 | - | 127 | 629 |

(1) Revenues include revenues from third parties and revenues from other Divisions of the Group. The same method was used for costs in the period.

(2) At December 31, 2005.

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

Millions of euro

| | at March 31, 2006 | at Dec. 31, 2005 |
|--|-------------------|------------------|
| Total assets (consolidated financial statements) | 51,300 | 50,502 |
| Financial assets and cash and cash equivalents | 3,196 | 3,203 |
| Tax assets | 3,494 | 3,448 |
| Sector assets | 44,610 | 43,851 |
| <i>> of which:</i> | | |
| - Domestic Generation and Energy Management | 16,848 | 16,714 |
| - Domestic Networks and Infrastructure | 16,540 | 15,708 |
| - Domestic Sales | 6,410 | 6,219 |
| - International | 4,305 | 4,282 |
| - Services and Other activities | 2,014 | 2,945 |
| - Parent Company and other adjustments | (1,507) | (2,017) |
| Total liabilities (consolidated financial statements) | 30,952 | 31,086 |
| Financial liabilities and loans | 12,657 | 13,819 |
| Tax liabilities | 3,935 | 2,898 |
| Sector liabilities | 14,360 | 14,369 |
| <i>> of which:</i> | | |
| - Domestic Generation and Energy Management | 4,082 | 3,888 |
| - Domestic Networks and Infrastructure | 3,783 | 3,567 |
| - Domestic Sales | 5,866 | 5,242 |
| - International | 766 | 813 |
| - Services and Other activities | 1,166 | 2,392 |
| - Parent Company and other adjustments | (1,303) | (1,533) |

Domestic Generation and Energy Management

The Division includes electricity generation and energy-related activities.

In the context of the reorganization of the Division that began in 2004, Enel Produzione acquired the engineering and construction unit serving the Enel Group from Enelpower on January 1, 2006.

The activities of the Domestic Generation and Energy Management Division are as follows:

> generation and sale of electricity:

- electricity generation in Italy through Enel Produzione;
- trading on international and domestic markets through Enel Trade;

> supply and sale of energy products through Enel Trade:

- procurement of energy products for all Group activities (electricity generation, trading, sale of natural gas to end-users);
- sale of natural gas to distributors;
- trading on international markets;

> engineering and construction through Enel Produzione.

Regulatory issues

Single Buyer auctions

In May 2005, Enel exercised long-term options attached to the “one-way” contracts for differences with the Single Buyer for 2005 to extend the validity of the contracts until December 31, 2006 and December 31, 2007 for 6,660 MW and 5,550 MW respectively. Between October and November 2005, the Single Buyer held three more auctions for “two-way” contracts for differences in order to cover the risk of price fluctuations on the energy market for both the Single Buyer and the contract counterparties for 2006. Enel Produzione was awarded 2,200 MW of power for all hours of the year at the first auction and a further 1,100 MW for 833 hours of the 1st Quarter of 2006 at the next two auctions.

Energy from CIP 6 plants

The decree of the Ministry for Productive Activities of December 5, 2005, entrusted the ISO with the pro rata assignment through contracts for differences on the basis of average annual power consumption of CIP 6 energy for 2006 to those requesting it, based on a similar mechanism to the one adopted in 2005. The decree assigned 40% of the CIP 6 energy to the Single Buyer, as in 2005. Based on the instructions of the Ministry for Productive Activities, the ISO assigned a total of 5,600 MW of CIP 6 energy, of which 3,360 MW to the free market (406 MW to Enel), and 2,240 MW to the regulated market. The strike price is €55.5 per MW for all hours in 2006.

Emission Trading

As regards the Emission Trading Scheme (ETS), which was established to foster the reduction of greenhouse gas emissions, on February 23, 2006 the Ministry for the Environment issued Decree DEC/RAS/074/2006 regarding the allocation and issuance of CO₂ allowances for the period 2005-2007 pursuant to Directive 2003/87/EC.

In addition to allocating emissions allowances, the decree also defined a number of other issues associated with the transposition of Directive 2003/87/EC. In particular, it established the national registry of emissions and emissions allowances and regulated the transfer, return and cancellation of allowances.

The legislative framework for the transposition of Directive 2003/87/EC is still not complete, however. The issue of the legislative decree implementing the enabling authority, already approved by the Council of Ministers, is still pending.

Until the EU directives are fully transposed into Italian law, the Ministry for the Environment acts as the "Competent National Authority".

The gas emergency

In early 2006 gas supplies to Italy came under severe strains, making protracted recourse to national reserves necessary and causing concern about the security of gas supplies. The situation was caused by an increase in demand in Italy and reductions in the flow of imported gas.

On January 25, 2006 the Council of Ministers issued a decree, subsequently ratified with Law 108 of March 8, 2006, containing temporary measures for the reduction of gas consumption. The measures envisaged in the decree included a number of changes to operating conditions at thermal power plants in order to contain the consumption of gas for electricity generation. Specifically, these included:

- > the authorization for the restart, until March 31, 2006, of oil-fired plants with a power capacity of more than 300 MW that were not in service owing to the restrictions contained in the related ministerial authorizations. The measures enable third-party generation plants with a capacity of about 2,000 MW to re-enter service;
- > the possibility to suspend, until March 31, 2006, emissions restrictions on oil-fired plants. This suspension permits the operation of oil and multifuel plants and regards the Enel power plants at Montalto di Castro, Piombino, Rossano Calabro, Termini Imerese, Caviglia and Livorno.

The decree also made provision for recovering any higher costs that generators incur to guarantee the security of the natural gas system, and instructed the Authority for Electricity and Gas to develop a reimbursement procedure.

On March 31, 2006, the Ministry for Productive Activities, acting in concert with the Ministry for the Environment, adopted a decree that establishes the procedures for the return to normal service of the Montalto di Castro power plant. The decree also established the emission limits applicable during the temporary period of operation until August 31, 2006.

Domestic Generation and Energy Management

| Millions of euro | 1st Quarter | | |
|----------------------------------|-------------|-----------------------|--------|
| | 2006 | 2005 | Change |
| Revenues | 4,360 | 3,597 | 763 |
| Gross operating margin | 920 | 911 | 9 |
| Operating income | 687 | 644 | 43 |
| Net capital employed | 12,354 | 12,669 ⁽¹⁾ | (315) |
| Operating assets | 16,848 | 16,714 ⁽¹⁾ | 134 |
| Operating liabilities | 4,082 | 3,888 ⁽¹⁾ | 194 |
| Employees at end of period (no.) | 9,697 | 9,000 ⁽¹⁾ | 697 |
| Capital expenditure | 151 | 130 | 21 |

(1) At December 31, 2005.

Net electricity generation

| Millions of kWh | 1st Quarter | | | |
|-----------------|---------------|---------------|------------|-------------|
| | 2006 | 2005 | Change | |
| Thermal | 21,661 | 20,918 | 743 | 3.6% |
| Hydroelectric | 5,524 | 5,913 | (389) | -6.6% |
| Geothermal | 1,300 | 1,244 | 56 | 4.5% |
| Other resources | 144 | 102 | 42 | 41.2% |
| Total | 28,629 | 28,177 | 452 | 1.6% |

In the 1st Quarter of 2006, net electricity generation totaled 28,629 million kWh, an increase of 1.6% with respect to the corresponding period of the previous year. Thermal generation increased by 743 million kWh, while hydroelectric generation diminished by 389 million kWh, mainly as a result of lower generation from pumping. The decrease was partly offset for by a rise in geothermal generation (up 56 million kWh) and generation from other resources (up 42 million kWh) as a result of the entry into service of new wind plants.

Contributions to gross thermal generation

| Millions of kWh | 1st Quarter | | | |
|-------------------------------|---------------|---------------|---------------|---------------|
| | 2006 | | 2005 | |
| High-sulfur fuel oil (S>0.5%) | 4,295 | 18.6% | 1,495 | 6.7% |
| Low-sulfur fuel oil (S<0.5%) | 3,664 | 15.9% | 3,821 | 17.3% |
| <i>Total fuel oil</i> | <i>7,959</i> | <i>34.5%</i> | <i>5,316</i> | <i>24.0%</i> |
| Natural gas | 7,193 | 31.1% | 9,481 | 42.7% |
| Coal | 7,913 | 34.2% | 7,351 | 33.1% |
| Other fuels | 42 | 0.2% | 40 | 0.2% |
| TOTAL | 23,107 | 100.0% | 22,188 | 100.0% |

The fuel mix used in thermal generation saw a sharp decrease in natural gas and a rise in the use of fuel oil, especially oil with a medium sulfur content.

The reduced use of natural gas for electricity generation and the consequent increased use of fuel oil is related to the above-mentioned decree of the Ministry for Productive Activities, which sought to address the gas shortage in the period by specifying modifications to the operations of thermal power plants to reduce the consumption of gas for electricity generation.

Operating performance *Revenues* in the first Quarter of 2006 amounted to €4,360 million, an increase of €763 million (21.2%) compared with the corresponding period of the previous year, primarily as a result of the following factors:

- > a €555 million increase in revenues from the sale of electricity by Enel Trade, essentially as a result of trading on international markets, where sales increased by around 6 TWh;
- > a €292 million increase in sales on the Power Exchange both as a result of rises in domestic wholesale prices and the recovery of the higher costs incurred during the gas shortage, as specified in the ministerial decree mentioned above;
- > revenues of €92 million deriving from the settlement agreements with Siemens (€51 million) and the recognition of prior years' regulatory items between Terna - former ISO (€41 million);
- > lower net revenues of €162 million relating to the valuation at fair value of "one-way" contracts for differences with the Single Buyer as a result of the divergence of projected electricity prices on the Power Exchange with respect to the expected prices of the products used as benchmarks in the contracts.

The *gross operating margin* came to €920 million, an increase of €9 million (1.0%) compared with the €911 million of the year-earlier period. The increase is largely due to the improvement in net income from electricity sales, partly offset by the costs relating to the deficit in CO₂ allowances in the 1st Quarter of this year and the adjustment to prices at March 31, 2006 of the allowance deficit for

2005 (€86 million overall). Note that the values for the 1st Quarter of 2005 did not include charges for emissions, which could not be calculated owing to the absence of the National Plan for the allocation of CO₂ allowances.

The lower revenues for 2006 caused by the fair value valuation of the "one-way" contracts for differences negotiated with the Single Buyer were mostly offset by an increase in the margin on electricity and fuel trading on international markets, the benefits associated with the settlement with Siemens, and revenues from the recognition of prior-year items with Terna.

Operating income came to €687 million, an increase of €43 million (6.7%) with respect to the 1st Quarter of 2005 (€644 million). It was boosted by lower amortization, depreciation and impairment losses in the amount of €34 million.

Domestic Networks and Infrastructure

The Domestic Networks and Infrastructure Division is responsible for operating the electricity and gas distribution networks.

The activities are carried out by:

- > Enel Distribuzione and Deval (whose operation are limited to the Valle d'Aosta region) for the distribution of electricity destined for the free and regulated markets;
- > Enel Rete Gas for the distribution of gas;
- > Enel Sole for public and artistic lighting.

Domestic Networks and Infrastructure

| Millions of euro | 1st Quarter | | |
|----------------------------------|-------------|-----------------------|---------|
| | 2006 | 2005 | Change |
| Electricity | | | |
| Revenues | 1,261 | 1,241 | 20 |
| Gross operating margin | 775 | 763 | 12 |
| Operating income | 599 | 602 | (3) |
| Gas | | | |
| Revenues | 114 | 128 | (14) |
| Gross operating margin | 71 | 87 | (16) |
| Operating income | 53 | 68 | (15) |
| Total | | | |
| Revenues | 1,375 | 1,369 | 6 |
| Gross operating margin | 846 | 850 | (4) |
| Operating income | 652 | 670 | (18) |
| Net capital employed | 10,178 | 11,809 ⁽¹⁾ | (1,631) |
| Operating assets | 16,540 | 15,708 ⁽¹⁾ | 832 |
| Operating liabilities | 3,783 | 3,567 ⁽¹⁾ | 216 |
| Employees at end of period (no.) | 25,516 | 25,769 ⁽¹⁾ | (253) |
| Capital expenditure | 288 | 309 | (21) |

(1) At December 31, 2005.

Operating performance *Revenues* in the 1st Quarter of 2006 amounted to €1,375 million, an increase of €6 million (0.4%) compared with the corresponding period of the previous year, primarily as a result of the following factors:

- > an increase of €20 million in revenues from the electricity network thanks mainly to the higher volumes of electricity transported;
- > a decrease of €14 million in revenues from the gas network relating to the decline of €4 million in revenues from transport and the recognition in the 1st Quarter of 2005 of non-recurring revenues amounting to €10 million.

The *gross operating margin* totaled €846 million, down €4 million (0.5%), attributable to:

- > an increase of €12 million in income from the electricity network thanks to the higher volumes of electricity distributed and the containment of operating costs, especially labor costs;
- > a decrease in net income from the gas network of €16 million following the drop in revenues mentioned above.

Operating income, after amortization, depreciation and the recognition of impairment losses for a total of €194 million (€180 in the corresponding period of the previous year), came to €652 million, down €18 million (2.7%) compared with the 1st Quarter of 2005.

Domestic Sales

The Domestic Sales Division is responsible for commercial activities, with the objective of creating an integrated package of electricity and gas products and services for end-users. The activities are carried out by:

- > Enel Distribuzione and Deval (whose operations are limited to the Valle d'Aosta region) for the sale of electricity on the regulated market;
- > Enel Energia, which sells electricity on the free market;
- > Enel Gas, which sells natural gas to end-users;
- > Enel.si, which is responsible for engineering and franchising.

Domestic Sales

| Millions of euro | 1st Quarter | | |
|----------------------------------|-------------|----------------------|--------|
| | 2006 | 2005 | Change |
| Electricity | | | |
| Revenues | 4,888 | 4,300 | 588 |
| Gross operating margin | 10 | 18 | (8) |
| Operating income | (11) | 1 | (12) |
| Gas | | | |
| Revenues | 749 | 645 | 104 |
| Gross operating margin | 41 | 63 | (22) |
| Operating income | 37 | 61 | (24) |
| Total | | | |
| Revenues | 5,637 | 4,945 | 692 |
| Gross operating margin | 51 | 81 | (30) |
| Operating income | 26 | 62 | (36) |
| Net capital employed | 409 | 1,000 ⁽¹⁾ | (591) |
| Operating assets | 6,410 | 6,219 ⁽¹⁾ | 191 |
| Operating liabilities | 5,866 | 5,242 ⁽¹⁾ | 624 |
| Employees at end of period (no.) | 5,866 | 5,994 ⁽¹⁾ | (128) |
| Capital expenditure | 9 | 6 | 3 |

(1) At December 31, 2005.

Rate issues

Resolution no. 61/06

The Authority for Electricity and Gas (the Authority) issued Resolution no. 61/06 increasing electricity rates for the period April-June 2006 by an average of around €8 per MWh (up an average of 6.9% after tax). The increase involved the price component that covers the costs of purchasing electricity, which rose by an average of around 10%. The Authority's action is intended to make up for the shortfall arising from the price adjustment made for the 1st Quarter of 2006 with Resolution no. 299/05 of December 30, 2005, which turned out to be inadequate compared with the actual increase in the cost of purchasing power from the Single Buyer.

Electricity sales

| Millions of kWh | 1st Quarter | | | |
|-----------------------------------|---------------|---------------|----------------|--------------|
| | 2006 | 2005 | Change | |
| Sales on regulated market: | | | | |
| > high-voltage | 1,233 | 1,260 | (27) | -2.1% |
| > medium-voltage | 4,438 | 5,045 | (608) | -12.0% |
| > low-voltage | 26,963 | 27,740 | (777) | -2.8% |
| Total regulated market | 32,634 | 34,045 | (1,411) | -4.1% |
| Sales on free market: | | | | |
| > high-voltage | 262 | 312 | (50) | -16.0% |
| > medium-voltage | 1,411 | 1,504 | (93) | -6.2% |
| > low-voltage | 446 | 156 | 290 | 185.9% |
| Total free market | 2,119 | 1,972 | 147 | 7.4% |
| TOTAL | 34,753 | 36,017 | (1,264) | -3.5% |

Sales on the regulated market in the 1st Quarter of 2006 totaled 32,634 million kWh, a fall of 1,411 million kWh with respect to the corresponding period of the previous year (34,045 million kWh) caused both by greater market liberalization and by the disposal of the distribution network in the province of Trento on July 1, 2005.

The volume of electricity sold on the free market rose by 147 million kWh in the period (up 7.4%). Including sales by Enel Trade to end-users amounting to 2,734 million kWh, the Group's domestic free market sales to final customers in Italy amounted to 4,853 million kWh in the first three months of the year, up 7.8% on the corresponding period of the previous year (4,502 million kWh).

The volumes of gas sold and the number of customers are shown below:

| | 1st Quarter | | |
|--|------------------|------------------|----------------|
| | 2006 | 2005 | Change |
| Sales of gas (millions of cubic meters) | | | |
| Enel Group networks | 1,660 | 1,698 | (38) |
| Third-party networks | 435 | 481 | (46) |
| Total sales of gas | 2,095 | 2,179 | (84) |
| Customers (no.) | | | |
| Enel Group networks | 1,938,245 | 1,958,613 | (20,368) |
| Third-party networks | 267,175 | 38,861 | 228,314 |
| Total customers | 2,205,420 | 1,997,474 | 207,946 |

Operating performance *Revenues* in the 1st Quarter of 2006 amounted to €5,637 million, an increase of €692 million (14.0%) compared with the corresponding period of the previous year, primarily as a result of the following factors:

- > an increase of €588 million in revenues from the sale of electricity, mainly relating to the increase in the portion of revenues destined for covering the cost of generation that is reflected in rates (€260 million) and equalization payments for electricity purchases (€282 million) caused by the increase in the portion of revenues destined for covering the cost of generation that is not yet reflected in rates;
- > an increase of €104 million in revenues from gas sales caused by the rise in the unit prices, which more than made up for the decline in the volume of sales.

The *gross operating margin* totaled €51 million, down €30 million (37.0%) compared with the total of €81 million in the 1st Quarter of 2005, essentially as a result of:

- > an €8 million decrease in the margin on electricity sales;
- > a €22 million decrease in the margin on natural gas sales, largely the result of the application of Resolution no. 298/05 by the Authority for Electricity and Gas, which changed the criteria used for adjusting the price of gas supplies with reference to raw material costs (€44 million).

Operating income came to €26 million, down €36 million (58.1%) with respect to the 1st Quarter of 2005, taking account of amortization, depreciation and impairment losses totaling €25 million (€19 million in the corresponding period of 2005).

International

All the resources used in international activities relating to electricity generation, distribution and sales are concentrated in the International Division.

The chief areas of operation are:

- > Spain, where the Division is engaged in generation (Enel Viesgo Generación and Enel Unión Fenosa Renovables), and distribution and support services (Enel Viesgo Energía, Electra de Viesgo Distribución and Enel Viesgo Servicios);
- > the Balkans, where it is engaged in generating activities in Bulgaria (Maritza), and distribution and support services in Romania (Electrica Banat, Electrica Dobrogea and Enel Servicii, which were brought into the scope of consolidation in the second Quarter of 2005);
- > the Americas, where it is engaged in generating power from renewable resources (Enel North America and Enel Latin America).

International

| Millions of euro | 1st Quarter | | |
|----------------------------------|-------------|----------------------|--------|
| | 2006 | 2005 | Change |
| Revenues | 607 | 362 | 245 |
| Gross operating margin | 176 | 106 | 70 |
| Operating income | 127 | 66 | 61 |
| Net capital employed | 3,571 | 3,587 ⁽¹⁾ | (16) |
| Operating assets | 4,305 | 4,282 ⁽¹⁾ | 23 |
| Operating liabilities | 766 | 813 ⁽¹⁾ | (47) |
| Employees at end of period (no.) | 5,051 | 5,024 ⁽¹⁾ | 27 |
| Capital expenditure | 37 | 39 | (2) |

(1) At December 31, 2005.

Net electricity generation

| Millions of euro | 1st Quarter | | | |
|------------------|--------------|--------------|--------------|--------------|
| | 2006 | 2005 | Change | |
| Thermal | 2,266 | 2,673 | (407) | -15.2% |
| Hydroelectric | 796 | 667 | 129 | 19.3% |
| Other resources | 300 | 263 | 37 | 14.1% |
| Total | 3,362 | 3,603 | (241) | -6.7% |

Net generation abroad amounted to 3,362 million kWh, down 6.7% on the 1st Quarter of 2005 mostly as a result of a drop in the output of Enel Viesgo Generación, which was partly made up for by increased generation by Enel North America.

Sale and transport of electricity

| | Millions of kWh | | | Millions of kWh | | |
|----------------|---------------------------------|------------------------------|--------------|---------------------------------|------------------------------|--------------|
| | Transported for the free market | Sold on the regulated market | Total | Transported for the free market | Sold on the regulated market | Total |
| | 1st Quarter 2006 | | | 1st Quarter 2005 | | |
| High-voltage | 327 | 498 | 825 | 94 | 405 | 499 |
| Medium-voltage | 483 | 386 | 869 | 189 | 52 | 241 |
| Low-voltage | 94 | 1,355 | 1,449 | 54 | 487 | 541 |
| Total | 904 | 2,239 | 3,143 | 337 | 944 | 1,281 |

The electricity distributed and sold by the International Division increased by 1,862 million kWh, largely due to the inclusion of the Romanian companies in the scope of consolidation in the 2nd Quarter of 2005.

Operating performance *Revenues* rose by €245 million (67.7%) from €362 million to €607 million. The increase is essentially related to the acquisition of the two Romanian distribution companies (€135 million) and the rise in sales prices in the pool on the part of the Spanish companies (€68 million) and reimbursements paid to Maritza in connection with disputes over project delays (€33 million).

The *gross operating margin* totaled €176 million, up €70 million or 66.0% with respect to the corresponding period of the previous year, with the Romanian companies contributing €29 million, Maritza €32 million and the American companies €15 million to the total rise. The increase was partially offset by a decline of €6 million in the margin of the Spanish companies essentially due to charges in respect of their CO₂ allowance deficit (€17 million, of which €12 million consisted of the adjustment of the deficit of allowances for 2005 to prices at March 31, 2006).

Operating income therefore came to €127 million, an increase of €61 million (92.4%) with respect to the corresponding period of the previous year, of which €19 million derives from the consolidation of the Romanian companies, €32 million from Maritza and €13 million from the American companies. The increases were partially offset by a fall of €3 million in the operating income of the Spanish companies.

Parent Company and Other activities

Parent Company and Other activities

| Millions of euro | 1st Quarter | | |
|--------------------------------------|-------------|----------------------|---------|
| | 2006 | 2005 | Change |
| Parent Company | | | |
| Revenues | 307 | 270 | 37 |
| Gross operating margin | 68 | 35 | 33 |
| Operating income | 65 | 33 | 32 |
| Employees at end of period (no.) | 603 | 569 ⁽¹⁾ | 34 |
| Capital expenditure | - | - | - |
| Services and Other activities | | | |
| Revenues | 236 | 295 | (59) |
| Gross operating margin | 40 | 45 | (5) |
| Operating income | 20 | 24 | (4) |
| Net capital employed | 841 | 629 ⁽¹⁾ | 212 |
| Operating assets | 2,014 | 2,945 ⁽¹⁾ | (931) |
| Operating liabilities | 1,166 | 2,392 ⁽¹⁾ | (1,226) |
| Employees at end of period (no.) | 4,669 | 5,422 ⁽¹⁾ | (753) |
| Capital expenditure | 15 | 18 | (3) |

(1) At December 31, 2005.

Parent Company

As an industrial holding company, the Parent Company Enel SpA defines strategic targets for the Group and coordinates the activities of its subsidiaries and associates.

In addition, Enel SpA manages treasury operations and insurance risk coverage, providing assistance and guidelines on organizational, personnel management and industrial relations, accounting, administrative, tax, legal and corporate matters.

Moreover, the Parent Company retains title to long-term electricity import contracts.

Operating performance

Revenues in the first three months of 2006 came to €307 million, up €37 million (13.7%) from the year-earlier period. The increase mainly reflects the higher revenues from electricity sales caused by a rise in the average unit price, and the income deriving from the recognition in profit of the gain recognized directly in equity in 2005 produced by the measurement at fair value of the Terna bonus shares, the rights to which were exercised in January 2006.

The *gross operating margin* in the 1st Quarter of 2006 amounted to €68 million, an increase of €33 million compared with the corresponding period of the previous year. The increase is largely the result of the gain on the Terna shares and the margin on electricity sales, which increased by €6 million.

Operating income totaled €65 million, up €32 million with respect to the €33 million posted a year earlier.

Services and Other activities

The Services and Other activities area provides competitive services to the various Enel Divisions. The area includes Real Estate, Engineering and Construction, Facility Management, Information Technologies, Personnel Training and Administration, Administrative Services, Factoring and Insurance Services, and Water activities, which are gradually being divested.

In connection with the project to centralize services and staff functions in a single company (Enel Servizi, formerly Enel Ape), compared with the situation at March 31, 2005, on April 1, 2005, Enel Servizi acquired the "Administration" units of the Parent Company, Enel Distribuzione and Enel Produzione. After the operation, Enel Servizi acquired 957 employees.

As of January 1, 2006, Enel Produzione acquired the business unit involved in engineering and construction activities for Group power plants from Enelpower.

Operating performance

Revenues from the Services and Other activities area in the first three months of 2006 came to €236 million, compared with €295 million in the corresponding period of the previous year. The contraction is essentially the result of the sale to Enel Produzione of the engineering and construction unit (a decrease of €107 million), which was offset by higher revenues for staff services delivered by Enel Servizi thanks to its acquisitions of these operations in the 2nd Quarter of 2005 (an increase of €48 million).

The *gross operating margin* in the first three months of 2006 came to €40 million, a decline of €5 million (11.1%) compared with the 1st Quarter of 2005, essentially due to the smaller contribution of Enelpower, whose services for third parties are limited to the completion of works in progress.

Operating income for the 1st Quarter of 2006 came to €20 million, a decline of €4 million compared with the 1st Quarter of 2005.

CONSOLIDATED FINANCIAL STATEMENTS

Condensed Consolidated Income Statement

| Millions of euro | 1st Quarter | | | |
|---|---------------|--------------|--------------|--------------|
| | 2006 | 2005 | Change | |
| TOTAL REVENUES | 10,074 | 8,409 | 1,665 | 19.8% |
| TOTAL COSTS | 7,967 | 6,392 | 1,575 | 24.6% |
| GROSS OPERATING MARGIN | 2,107 | 2,017 | 90 | 4.5% |
| Depreciation, amortization and impairment losses | 524 | 529 | (5) | -0.9% |
| OPERATING INCOME | 1,583 | 1,488 | 95 | 6.4% |
| - Net financial income/(expense) and income/(expense) from investments accounted for using the equity method | (131) | (189) | 58 | 30.7% |
| INCOME BEFORE TAXES | 1,452 | 1,299 | 153 | 11.8% |
| - Income taxes | 577 | 534 | 43 | 8.1% |
| INCOME FROM CONTINUING OPERATIONS | 875 | 765 | 110 | 14.4% |
| INCOME FROM DISCONTINUED OPERATIONS | - | 34 | (34) | - |
| NET INCOME FOR THE PERIOD (shareholders of the Parent Company and minority interests) | 875 | 799 | 76 | 9.5% |
| Attributable to minority interests | 33 | 31 | 2 | 6.5% |
| Attributable to shareholders of the Parent Company | 842 | 768 | 74 | 9.6% |
| Earnings per share (euro) | 0.14 | 0.13 | 0.01 | 7.7% |
| Diluted earnings per share (euro) | 0.14 | 0.13 | 0.01 | 7.7% |

Condensed Consolidated Balance Sheet

Millions of euro

| | at March 31, 2006 | at Dec. 31, 2005 | Change |
|---|-------------------|------------------|--------------|
| ASSETS | | | |
| Non-current assets: | | | |
| > property plant and equipment and intangible assets | 32,399 | 32,370 | 29 |
| > investments accounted for using the equity method | 1,753 | 1,797 | (44) |
| > other non-current assets ⁽¹⁾ | 3,314 | 3,589 | (275) |
| Total | 37,466 | 37,756 | (290) |
| Current assets: | | | |
| > trade receivables and inventories | 9,278 | 9,200 | 78 |
| > cash and cash equivalents | 1,357 | 476 | 881 |
| > other current assets ⁽²⁾ | 3,199 | 3,070 | 129 |
| Total | 13,834 | 12,746 | 1,088 |
| TOTAL ASSETS | 51,300 | 50,502 | 798 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | |
| Shareholders' equity: | | | |
| > equity attributable to the shareholders of the Parent Company | 19,945 | 19,057 | 888 |
| > equity attributable to minority interests | 403 | 359 | 44 |
| Total | 20,348 | 19,416 | 932 |
| Non-current liabilities: | | | |
| > long-term loans | 10,960 | 10,967 | (7) |
| > provisions and deferred tax liabilities | 6,478 | 6,393 | 85 |
| > other non-current liabilities | 184 | 280 | (96) |
| Total | 17,622 | 17,640 | (18) |
| Current liabilities: | | | |
| > short-term loans and current portion of long-term loans | 1,334 | 2,296 | (962) |
| > trade payables | 6,326 | 6,610 | (284) |
| > other current liabilities and income tax payable | 5,670 | 4,540 | 1,130 |
| Total | 13,330 | 13,446 | (116) |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | 51,300 | 50,502 | 798 |

(1) Of which long-term financial receivables: €90 million at March 31, 2006 and €63 million at December 31, 2005.

(2) Of which short-term financial receivables: €303 million at March 31, 2006 and €412 million at December 31, 2005.

Condensed Consolidated Statement of Cash Flows

| Millions of euro | 1st Quarter | | |
|---|--------------|--------------|-------------|
| | 2006 | 2005 | Change |
| Cash flow from operating activities (A) | 1,888 | 1,608 | 280 |
| <i>> of which discontinued operations</i> | - | 323 | (323) |
| Investments in property, plant and equipment and intangible assets | (500) | (629) | 129 |
| Investments in entities (or business units), less cash and cash equivalents acquired | (55) | (175) | 120 |
| Disposals of entities (or business units), less cash and cash equivalents sold | 372 | - | 372 |
| (Increase)/Decrease in other investing activities | 2 | - | 2 |
| Cash flows from (investing)/disinvesting activities (B) | (181) | (804) | 623 |
| <i>> of which discontinued operations</i> | - | (127) | 127 |
| Change in net financial debt | (874) | (884) | 10 |
| Increases in share capital and reserves due to the exercise of stock options | 54 | 119 | (65) |
| Cash flow from financing activities (C) | (820) | (765) | (55) |
| <i>> of which discontinued operations</i> | - | (195) | 195 |
| Increase/(Decrease) in cash and cash equivalents (A+B+C) | 887 | 39 | 848 |
| <i>> of which discontinued operations</i> | - | 1 | (1) |
| Cash and cash equivalents at beginning of the period | 508 | 363 | 145 |
| <i>> of which discontinued operations</i> | - | 133 | (133) |
| Cash and cash equivalents at end of the period | 1,395 | 402 | 993 |
| <i>> of which discontinued operations</i> | - | 134 | (134) |

Statement of Changes in Equity

| Millions of euro | Share capital and reserves attributable to shareholders of the Parent Company | | | | | | | | Equity attributable to shareholders of the Parent Company | Equity attributable to minority interests | Total equity |
|--|---|-----------------------|---------------|--------------------|-------------------|---|---|-----------------------|---|---|---------------|
| | Share capital | Share premium reserve | Legal reserve | Statutory reserves | Retained earnings | Translation of financial statements in currencies other than euro | Reserve from measurement of financial instruments | Net income for period | | | |
| At January 1, 2005 | 6,104 | 208 | 1,453 | 2,215 | 7,583 | 2 | (229) | 617 | 17,953 | 1,113 | 19,066 |
| Exercise of stock options | 20 | 103 | - | - | (4) | - | - | - | 119 | - | 119 |
| Other changes | - | - | - | - | 4 | - | - | - | 4 | - | 4 |
| Allocation of net income from the previous year | - | - | - | - | 617 | - | - | (617) | - | - | - |
| Net income for period recognized in equity | - | - | - | - | - | 19 | 23 | - | 42 | 2 | 44 |
| Net income for period recognized in income statement | - | - | - | - | - | - | - | 768 | 768 | 31 | 799 |
| At March 31, 2005 | 6,124 | 311 | 1,453 | 2,215 | 8,200 | 21 | (206) | 768 | 18,886 | 1,146 | 20,032 |

| Millions of euro | Share capital and reserves attributable to shareholders of the Parent Company | | | | | | | | Equity attributable to shareholders of the Parent Company | Equity attributable to minority interests | Total equity |
|--|---|-----------------------|---------------|--------------------|-------------------|---|---|-----------------------|---|---|---------------|
| | Share capital | Share premium reserve | Legal reserve | Statutory reserves | Retained earnings | Translation of financial statements in currencies other than euro | Reserve from measurement of financial instruments | Net income for period | | | |
| At January 1, 2006 | 6,157 | 511 | 1,453 | 2,215 | 5,953 | 40 | 2 | 2,726 | 19,057 | 359 | 19,416 |
| Exercise of stock options | 10 | 64 | - | - | (20) | - | - | - | 54 | - | 54 |
| Other changes | - | - | - | - | (48) | - | - | - | (48) | - | (48) |
| Allocation of net income from the previous year | - | - | - | - | 2,726 | - | - | (2,726) | - | - | - |
| Net income for period recognized in equity | - | - | - | - | - | (1) | 41 | - | 40 | 11 | 51 |
| Net income for period recognized in income statement | - | - | - | - | - | - | - | 842 | 842 | 33 | 875 |
| At March 31, 2006 | 6,167 | 575 | 1,453 | 2,215 | 8,611 | 39 | 43 | 842 | 19,945 | 403 | 20,348 |

Operating performance and financial position

Analysis of the Group operating performance

Revenues

| Millions of euro | 1st Quarter | | |
|--|---------------|--------------|--------------|
| | 2006 | 2005 | Change |
| Sale and transport of electricity and contributions from the Electricity Equalization Fund | 8,798 | 7,148 | 1,650 |
| Sale of natural gas to end-users | 750 | 641 | 109 |
| Net revenues/(charges) from commodity risk management | (177) | 22 | (199) |
| Other services, sales and revenues | 703 | 598 | 105 |
| Total | 10,074 | 8,409 | 1,665 |

In the 1st Quarter of 2006, revenues from the “Sale and transport of electricity and contributions from the Electricity Equalization Fund” totaled €8,798 million, an increase of €1,650 million compared with the 1st Quarter of 2005 (23.1%). The increase is ascribable to the following principal factors:

- > an increase of €539 million in revenues from the transport and sale of electricity on the regulated market, largely resulting from the higher revenues obtained from the rate increases introduced to cover generating costs (€260 million) and from equalization payments to cover generating costs that had not yet been reflected in rates (€282 million);
- > an increase of €512 million in revenues from abroad (from €538 million at the end of the 1st Quarter of 2005 to €1,050 million at the end of the 1st Quarter of 2006), of which €334 million relating to international electricity trading and €167 million to Group distribution companies abroad (€130 million of which refers to Electrica Banat and Electrica Dobrogea, the two Romanian companies acquired in the 2nd Quarter of 2005);
- > an increase of €292 million in revenues mainly from sales on the Power Exchange;
- > an increase of €296 million in revenues from electricity transport and sale on the free market. The increase is largely a reflection of higher prices and volumes of energy sold.

In the 1st Quarter of 2006, revenues from the “Sale of natural gas to end-users” rose by €109 million (17.0%) mainly attributable to the higher rates that were introduced following the increase in the cost of gas, which more than offset a decline in sale volumes.

“Net revenues/(charges) from commodity risk management” in the 1st Quarter of 2006 amounted to €177 million. In the 1st Quarter of 2005, net revenues of €22 million had been recognized. Specifically, the charges in the 1st Quarter of 2006 included €138 million in realized losses and €39 million in the fair value measurement of positions still open at the end of the period, mainly regarding “Contracts for differences” with the Single Buyer.

“Other services, sales and revenues” rose by €105 million in the 1st Quarter of 2006 with respect to the corresponding period of the previous year (from €598 million to €703 million, or 17.6%).

The increase mostly refers to the benefit from the implementation of the settlement agreements with Siemens that included a provision for the adjustment of the prices charged in supply contracts then in force (€51 million), as well as to the income from the recognition of prior-year items with Terna - former ISO (€41 million).

Costs

| Millions of euro | 1st Quarter | | |
|--|--------------|--------------|--------------|
| | 2006 | 2005 | Change |
| Electricity purchases from third parties | 4,484 | 3,512 | 972 |
| Consumption of fuel for electricity generation | 1,212 | 903 | 309 |
| Fuel purchases for trading and natural gas for resale to end-users | 693 | 570 | 123 |
| Materials | 138 | 174 | (36) |
| Personnel | 662 | 671 | (9) |
| Services, leases and rentals | 747 | 696 | 51 |
| Other operating expenses | 224 | 102 | 122 |
| Capitalized costs | (193) | (236) | 43 |
| Total | 7,967 | 6,392 | 1,575 |

“Electricity purchases from third parties” rose by €972 million (27.7%), mainly in reflection of the higher average cost of power, partly offset by a reduction in the quantity purchased in the period.

“Consumption of fuel for electricity generation” totaled €1,212 million, an increase of €309 million (34.2%) due to the sharp rise in the unit cost of fuel and the increase in thermal electricity generation.

“Fuel purchases for trading and natural gas for resale to end-users” came to €693 million in the 1st Quarter of 2006, an increase of €123 million (21.6%) compared with the corresponding period of the previous year. The increase is almost entirely due to the higher price of natural gas for resale to end-users.

Costs for “Materials” fell by €36 million (20.7%), mainly owing to the reduced use of materials by the Domestic Networks and Infrastructure Division as the digital metering project entered its final phase.

“Personnel” costs amounted to €662 million, a decline of €9 million (1.3%) with respect to the corresponding period of the previous year. Excluding the effect of significant changes in the scope of consolidation, personnel costs in the period declined by €16 million (2.4%) compared with the year-earlier period, while the average number of employees declined by 5.1%.

Costs for "Services, leases and rentals" were €747 million, a rise of €51 million (7.3%) with respect to the 1st Quarter of 2005, mainly as a result of the higher costs of electricity and gas wheeling (€40 million).

"Other operating expenses" came to €224 million, an increase of €122 million, mainly as a result of the recognition of charges for the deficit of CO₂ emissions allowances under Emission Trading Scheme amounting to 2.3 million metric tons in the 1st Quarter of 2006 (€103 million, including the adjustment of deficit for 2005 to prices current at March 31, 2006).

"Capitalized costs", totaling €193 million, show a fall of €43 million with respect to the 1st Quarter of 2005 (down 18.2%), mainly as a result of the reduction for the Domestic Generation and Energy Management Division and the Domestic Networks and Infrastructure Division.

Depreciation, amortization and impairment losses remained substantially unchanged with respect to the 1st Quarter of 2005.

Operating income came to €1,583 million for the 1st Quarter of 2006, an increase of €95 million compared with the 1st Quarter of 2005 (6.4%).

The factors that contributed to the change in operating income are outlined in the analysis of the results by Division.

In the 1st Quarter of 2006, **net financial expenses and the expenses from investments accounted for using the equity method** fell by €58 million (30.7%), thanks mainly to the lower average net financial debt in the Quarter.

Income taxes for the period amounted to €577 million, equal to 39.7% of income before tax. Income taxes for the same period of 2005 equaled €534 million, representing 41.1% of income before tax.

Analysis of the Group's financial position

Non-current assets – €37,466 million

Property, plant and equipment and intangible assets at the end of the 1st Quarter of 2006 showed an increase of €29 million with respect to December 31, 2005, largely as a result of the positive balance between capital expenditure and depreciation and amortization in the Domestic Networks and Infrastructure Division.

Investments accounted for using the equity method totaled €1,753 million, inclusive of the 26.1% stake in Weather carried at €1,686 million.

Other non-current assets totaled €3,314 million and are composed of €1,670 million in deferred tax assets, €940 million in receivables from the Electricity Equalization Fund due after March 31, 2007, and €505 million from *non-current financial assets*. Non-current financial assets include €223 million arising from the fair value recognition of the 5.02% investment in Terna, €168 million for the deposit made for the acquisition of 66% of Slovenské Elektrárne and €90 million in long-term financial receivables.

Current assets – €13,834 million

Other current assets break down as follows:

Millions of euro

| | at March 31, 2006 | at Dec. 31, 2005 | Change |
|--|-------------------|------------------|------------|
| Current financial assets | 389 | 569 | (180) |
| Tax receivables | 763 | 789 | (26) |
| Receivables from the Electricity Equalization Fund | 1,019 | 816 | 203 |
| Receivables due from others | 1,028 | 896 | 132 |
| Total | 3,199 | 3,070 | 129 |

The increase of €129 million in other current assets is mainly attributable to the increase in receivables from the Electricity Equalization Fund in consequence of the application of the equalization mechanism for electricity purchases. The increase was partially offset by a decline in current financial assets and especially a fall in receivables from factoring operations.

Equity attributable to shareholders of the Parent Company – €19,945 million

At March 31, 2006, *equity attributable to the shareholders of the Parent Company* totaled €19,945 million. The main changes reflect the net income for the period as reported in the income statement (€842 million) and the exercise of 9,964,216 options granted under the terms of the stock option plans for 2002, 2003 and 2004 (€54 million).

At March 31, 2006, share capital consisted of 6,167,035,862 ordinary shares with a par value of €1 each.

Non-current liabilities – €17,622 million

Long-term loans at the end of the 1st Quarter of 2006 totaled €10,960 million, substantially unchanged compared with the end of 2005. In detail, bank loans totaled €2,743 million, bonds €8,063 million and debts to other lenders €154 million.

Provisions came to €6,478 million and consist of provisions for risks and charges (€1,338 million), termination indemnities and other employee benefits (€2,651 million) and deferred tax liabilities (€2,489 million).

Current liabilities – €13,330 million

Short-term loans decreased by €962 million compared with the end of 2005, from €2,296 million to €1,334 million.

Trade payables at the end of the 1st Quarter of 2006 totaled €6,326 million and mainly regard payables for the supply of electricity, fuel, materials and sundry services.

Other current liabilities and tax payables amounted to €5,670 million, up €1,130 million compared with December 31, 2005. The increase is mainly a reflection of the higher estimate of taxes for the period (€529 million), an increase in payables to the Electricity Equalization Fund (€277 million) and a rise in deferred liabilities (€117 million).

Net capital employed and related funding

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

Millions of euro

| | at March 31, 2006 | at Dec. 31, 2005 | Change |
|--|-------------------|------------------|----------------|
| Net non-current assets: | | | |
| > property, plant and equipment and intangible assets | 30,828 | 30,795 | 33 |
| > goodwill | 1,571 | 1,575 | (4) |
| > investments accounted for using the equity method | 1,753 | 1,797 | (44) |
| > other net non-current assets | 1,370 | 1,469 | (99) |
| Total | 35,522 | 35,636 | (114) |
| Net current assets: | | | |
| > trade receivables and inventories | 9,278 | 9,200 | 78 |
| > net receivables from Electricity Equalization Fund | 336 | 410 | (74) |
| > other current assets/(liabilities) | (2,580) | (2,292) | (288) |
| > trade payables | (6,326) | (6,610) | 284 |
| Total | 708 | 708 | - |
| Gross capital employed | 36,230 | 36,344 | (114) |
| Provisions: | | | |
| > termination indemnities and other employee benefits | (2,651) | (2,662) | 11 |
| > provisions for risks and charges, current and net deferred tax liabilities | (2,687) | (1,954) | (733) |
| Total | (5,338) | (4,616) | (722) |
| Net capital employed | 30,892 | 31,728 | (836) |
| Total shareholders' equity | 20,348 | 19,416 | 932 |
| Net financial debt | 10,544 | 12,312 | (1,768) |

Net capital employed fell from €31,728 million at December 31, 2005 to €30,892 million at March 31, 2006, and is 66% funded by shareholders' equity attributable to the Group and minority interests amounting to €20,348 million and 34% by net financial debt of €10,544 million. The debt-to-equity ratio at March 31, 2006 was 0.52 (0.63 at December 31, 2005).

Net financial debt

Millions of euro

| | at March 31, 2006 | at Dec. 31, 2005 | Change |
|--|-------------------|------------------|----------------|
| Long-term debt: | | | |
| > bank loans | 2,743 | 2,782 | (39) |
| > bonds | 8,063 | 8,043 | 20 |
| > other loans | 154 | 142 | 12 |
| Long-term debt | 10,960 | 10,967 | (7) |
| > Long-term financial receivables | (90) | (63) | (27) |
| Net long-term debt | 10,870 | 10,904 | (34) |
| Short-term debt: | | | |
| > bank loans: | | | |
| - short-term portion of long-term debt | 308 | 399 | (91) |
| - other short-term bank debt | 349 | 970 | (621) |
| Short-term bank debt | 657 | 1,369 | (712) |
| > bonds (short-term portion) | 485 | 487 | (2) |
| > other loans (short-term portion) | 15 | 49 | (34) |
| > commercial paper | 102 | 275 | (173) |
| > other short-term financial loans | 75 | 116 | (41) |
| Other short-term debt | 677 | 927 | (250) |
| > long-term financial receivables (short-term portion) | - | (3) | 3 |
| > factoring receivables | (258) | (374) | 116 |
| > financial receivables from associates | (7) | (3) | (4) |
| > cash and cash equivalents | (1,395) | (508) | (887) |
| Net short-term debt | (326) | 1,408 | (1,734) |
| NET FINANCIAL DEBT | 10,544 | 12,312 | (1,768) |

Net financial debt fell by €1,768 million, of which €34 million attributable to long-term debt and €1,734 million to short-term debt.

The reduction is mainly attributable to the operating cash flow generated by Enel during the first three months of 2006 and the sale of 6.28% of Wind to a subsidiary of Weather for €328 million. The net short-term financial position at March 31, 2006 was positive in the amount of €326 million. Compared with December 31, 2005, short-term debt with banks was down by €621 million and commercial paper in issue fell by €173 million, while cash and cash equivalents and short-term financial receivables increased by €887 million. In April 2006, €671 million in cash and cash equivalents were used to complete the acquisition of 66% of Slovenské Elektrárne.

Cash flows

Cash flows from operating activities in the 1st Quarter of 2006 came to a positive €1,888 million, compared with €1,608 million in the year-earlier period. The increase of €280 million primarily reflects the increased contribution of the change in net working capital, partly offset by a decline in the cash flow associated with the lower gross operating margin caused by the deconsolidation of Terna and Wind.

Cash flow from investing activities absorbed €181 million in the 1st Quarter of 2006, compared with €804 million in the corresponding period of the previous year.

Investments in property, plant and equipment and intangible assets, which came to €500 million, fell by €129 million, mainly as a result of the deconsolidation of Terna and Wind.

Investments in companies and business units in the amount of €55 million relate to the acquisitions in the gas industry for a total of €40 million and the additional price adjustment of €15 million for the acquisition of the Romanian companies. Cash flows from investing activities in the 1st Quarter of 2005 had mainly consisted of the deposit made for the purchase of a 66% stake in Slovenské Elektrárne.

The disposal of companies and business units in the period generated cash flows of €372 million.

The disinvestments consisted mainly of the disposal of 6.28% of Wind to a Weather subsidiary for €328 million and the sale of the equity investment in Carbones Colombianos del Cerrejon for €26 million.

Cash requirements for financing activities, connected with the reduction in net financial debt of €874 million and investments totaling €181 million, were financed with cash flow from operating activities in the amount of €1,888 million and an increase in share capital and reserves in relation to the exercise of stock options in the amount of €54 million. The surplus is reflected in the increase in cash and cash equivalents of €887 million.

Other information

Related parties

As the entity responsible for the generation, transport and distribution of electricity in Italy, Enel provides services to a number of State-controlled companies. In the current regulatory framework, Enel concludes transactions with Terna – Rete Elettrica Nazionale, the Single Buyer, the ISO and the Market Operator (each of which is entirely controlled either directly or indirectly by the Ministry for the Economy and Finance).

Fees for the transport of electricity payable to Terna and certain charges paid to the Market Operator are determined by the Authority for Electricity and Gas.

Transactions relating to purchases and sales of electricity concluded with the Market Operator on the Power Exchange and with the Single Buyer are settled at market prices.

Companies in the Domestic Sales Division acquire electricity from the Single Buyer and the ISO, in addition to paying Terna fees for the use of the National Transmission Network (NTN). Companies that are part of the Domestic Generation and Energy Management Division, in addition to paying fees for the use of the NTN to Terna, acquire from and sell electricity to the Market Operator on the Power Exchange and sell electricity to the Single Buyer.

Enel also acquires fuel for generation and gas distribution and sale from ENI, a company controlled by the Ministry for the Economy and Finance.

The table summarizes the relationships:

| Millions of euro | Balance Sheet | | Income statement | |
|---------------------|-------------------|--------------|-------------------------|--------------|
| | Receivables | Payables | Costs | Revenues |
| | at March 31, 2006 | | First three months 2006 | |
| Single Buyer | 462 | 2,244 | 2,976 | 290 |
| ISO | 212 | 286 | 10 | 84 |
| Market Operator | 1,136 | 239 | 362 | 1,834 |
| Italian Post Office | - | 27 | 31 | 4 |
| ENI | 1 | 147 | 483 | 11 |
| Terna | 308 | 379 | 480 | 465 |
| Total | 2,119 | 3,322 | 4,341 | 2,688 |

All transactions with related parties are concluded on normal market terms and conditions.

In compliance with the Enel Group's rules of corporate governance, transactions with related parties are carried out in accordance with criteria of procedural and substantive propriety.

With a view to assuring substantive propriety – in order to ensure fairness in transactions with related parties, and to account for the special nature, value or other characteristics of a given transaction – the Board of Directors may ask independent experts to appraise the assets involved in the transaction and provide financial, legal or technical advice.

Transactions with associated companies outstanding at March 31, 2006 and carried out during the 1st Quarter of this year regard Cesi, with which the Group reports receivables of €4 million, payables of €9 million and costs of €1 million.

Contractual commitments and guarantees

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

Millions of euro

| | at March 31, 2006 | at Dec. 31, 2005 | Change |
|--|-------------------|------------------|----------------|
| Sureties given in favor of third parties | 1,122 | 1,244 | (122) |
| Commitments to suppliers for: | | | |
| > electricity purchases | 4,474 | 4,013 | 461 |
| > fuel purchases | 50,101 | 51,647 | (1,546) |
| > various supplies | 4,063 | 4,111 | (48) |
| > tenders | 306 | 204 | 102 |
| > other | - | 3 | (3) |
| Total | 58,944 | 59,978 | (1,034) |
| TOTAL | 60,066 | 61,222 | (1,156) |

Guarantees granted to third parties amounted to €1,122 million and include €744 million in commitments relating to the sale of real estate assets in connection with regulations on the termination of leases, in addition to rent receivable for a period of six years and six months from July 2004. The value of such guarantees is reduced annually by a specified amount.

Commitments for electricity mainly regard imports from France, Switzerland and Germany, which at March 31, 2006 amounted to €4,474 million, of which €4,147 million refers to the period 2006-2010 and €327 million to the period 2011-2015. The increase during the period is attributable to the new commitments undertaken by Enel Trade with the French company EdF.

Commitments for the purchase of fuels are determined with reference to the parameters and exchange rates applicable at the end of the period (given that fuel prices vary and are mainly set in foreign currencies). The total at March 31, 2006 was €50,101 million, of which €17,890 million refers to the period 2006-2010, €17,217 million to the period 2011-2015, €13,426 million to the period 2016-2020 and €1,568 million to subsequent years.

Contingent liabilities and assets

No significant new contingent liabilities or assets emerged during the 1st Quarter of 2006 compared with the situation already described in the consolidated financial statements at December 31, 2005. As regards the suspension of work on the construction of maritime infrastructure for the reconversion of the Torrevadalis Nord thermal plant to coal ordered by the President of the Region of Lazio on February 10, 2006, Enel immediately appealed the measure to the Lazio Regional Administrative Court. With separate measures of March 28, and March 31, 2006, the Region also denied authorization for the planned dredging of the sea floor and confirmed the suspension of the works ordered on February 10. Enel also appealed these additional measures, asking for an injunction blocking their enforcement. In an order issued at a hearing on April 20, 2006, the Lazio Regional Administrative Court found that the Region had no authority in this field and granted the suspension of the part of the measures preventing the continuation of dredging operations, within the limits established by the environmental impact assessment issued previously.

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