



*Interim Financial Report
at September 30, 2008*



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The Enel structure

Enel SpA

Sales

Enel Servizio Elettrico
Enel Energia
Vallenergie

Generation and Energy Management

Enel Produzione
Enel Trade
Enel Trade Hungary
Enel Trade Romania
Nuove Energie
Hydro Dolomiti Enel
Enel Stoccaggi

Infrastructure and Networks

Enel Distribuzione
Enel Rete Gas
Enel Sole
Deval

Engineering and Innovation

Enel Produzione

Iberia and Latin America

Endesa

International

Slovenské elektrárne
Enel Maritza East 3
Enel Operations Bulgaria
Enel Distributie Muntenia
Enel Distributie Banat
Enel Distributie Dobrogea
Enel Energie Muntenia
Enel Energie
Enel Productie (formerly
Global Power Investment)
Enel Romania
Enel Servicii Comune
RusEnergosbyt
SeverEnergia
OGK-5
Enel France
Enelco
Marcinelle Energie

Renewable Energy

Enel Produzione
Enel.si
Enel Latin America
Enel Panama
Enel Panama Holding
(formerly Enel Fortuna)
Inelec
Enel Unión Fenosa Renovables
Enel Green Power Bulgaria
(formerly Enel Maritza East 4)
Enel North America
Blue Line
Enel Erelis
International Windpower
Wind Parks of Thrace
International Wind Parks of Thrace
Hydro Constructional
International Wind Parks of Crete

Services and Other Activities

Enel Servizi
Sfera
Enelpower
Enel.NewHydro
Enel.Factor
Enel.Re

On September 17, 2008, a new organizational structure was implemented with the creation of the “Renewable Energy” Division alongside the existing Divisions. The new Division has the mission of developing and managing operations for the generation of electricity from renewable resources, ensuring their integration within the Group in line with Enel’s strategies. The new Division incorporates the following operations:

- > the non-schedulable hydroelectric plants, the geothermal and solar plants, and the wind plants from the Generation and Energy Management Division;
- > Enel Latin America, Inelec, Enel Panama, Enel Panama Holding (formerly Enel Fortuna), and Enel Unión Fenosa Renovables from the Iberia and Latin America Division;
- > International Wind Parks of Thrace, Wind Parks of Thrace, International Windpower, International Wind Parks of Crete, Hydro Constructional, Enel Green Power Bulgaria (formerly Enel Maritza East 4), Blue Line, Enel North America, and Enel Erelis from the International Division;
- > Enel.si from the Sales Division.

In order to ensure the continuity of the information provided during 2008 and in this Interim Financial Report, the results of the Divisions are presented without taking account of the new structure.

In order to facilitate the assessment of the Group’s performance and financial position, this Report uses a number of “alternative performance indicators” not envisaged in the IFRS-EU accounting standards. In accordance with recommendation CESR/05-178b published on November 3, 2005, the criteria used to calculate these indicators are as follows:

- > *Gross operating margin*: an indicator of Enel’s operating performance, calculated as “Operating income” plus “Depreciation, amortization and impairment losses”.
- > *Net financial debt*: an indicator of Enel’s financial structure, calculated as the sum of “Long-term loans” and “Short-term loans and the current portion of long-term loans”, net of “Cash and cash equivalents” and the current and non-current financial assets (financial receivables and securities other than equity investments) included in “Other current assets” and “Other non-current assets”.
- > *Net assets held for sale*: calculated as the algebraic sum of “Assets held for sale” and “Liabilities held for sale”.
- > *Net capital employed*: calculated as the sum of “Current assets”, “Non-current assets” and “Net assets held for sale”, net of “Current liabilities” and “Non-current liabilities”, excluding the items considered in the definition of net financial debt.

Summary of results

Highlights

3rd Quarter		First nine months	
2008	2007	2008	2007
Income data (millions of euro)			
15,986	9,903	45,302	28,760
3,907	2,249	11,312	6,711
2,899	1,617	8,184	4,751
2,327	705	5,600	2,753
2,131	696	4,982	2,678
Financial data (millions of euro)			
		77,317	79,580 ⁽¹⁾
		51,377	55,791 ⁽¹⁾
		25,940	23,789 ⁽¹⁾
		5,841	3,910
		4,128	2,518
Per share data (euro)			
		0.81	0.43
		3.46	3.17 ⁽¹⁾
Operating data			
70.4	32.0	187.0	95.9
100.2	67.3	296.0	202.1
68.7	43.1	204.5	127.4
1.2	0.5	5.8	2.9
0.4	0.4	2.7	2.2
		76,760	73,500 ⁽¹⁾
Market indicators			
		111.0	67.1
		597.1	335.4
		163.9	76.9
		58.1	24.3
		1.522	1.344
		4.87%	4.24%

(1) At December 31, 2007.

(2) The figure for 2007 has been updated to take account of the more accurate calculation of amounts transported.

(3) Excluding sales to resellers.

(4) Of which 123 at September 30, 2008 (2,614 at December 31, 2007) in units classified as "Held for sale".

(5) Platt's CIF Med index.

(6) API #2 index.

(7) Belgium Zeebrugge index.

In the first nine months of 2008 *revenues* amounted to €45,302 million, up 57.5% on the €28,760 million in the same period of 2007. The increase reflects the contribution from the acquisitions carried out as from the 4th Quarter of 2007, increased revenues on the domestic free market for electricity as a result of increased volumes sold and an increase in the average sales price and greater revenues from the generation activities of the Generation and Energy Management Division.

The *gross operating margin* totaled €11,312 million, compared with €6,711 million in the first nine months of 2007, an increase of €4,601 million or 68.6%, largely attributable to the growth posted by all the Group Divisions, especially the Iberia and Latin America Division and International Division, which reflect the positive contribution from the change in the scope of consolidation with regard to Endesa and OGK-5.

Operating income in the first nine months of 2008 came to €8,184 million, up €3,433 million or 72.3%, essentially benefiting from the results of the new acquisitions and the growth of all of the Group's operational Divisions.

Group net income was €4,982 million, compared with €2,678 million in the first nine months of 2007, a rise of 86.0%. The result reflects the good performance of operations, partially offset by the increase in net financial expense, as well as the positive effects of the reduction in income taxes. The latter change includes the positive impact (€1,510 million) of the adjustment of deferred taxation connected with the realignment of the difference between the statutory reporting values of certain assets reported under property, plant and equipment and the values reported for tax purposes, partly offset by the charge in respect of the associated one-off tax provided for in the 2008 Finance Act and the negative impact of the IRES surcharge (Decree Law 112/08) levied on companies operating in the production and sale of electricity and gas.

Excluding the €218 million attributable to assets held for sale at September 30, 2008 (€1,725 million at December 31, 2007), *net financial debt* at September 30, 2008 totaled €51,377 million, a decrease of €4,414 million compared with December 31, 2007. The decrease is largely attributable to the benefits from the sale of the assets of Endesa Europa and the Viesgo Group to E.On, partially offset by resources used to complete acquisitions in the first nine months of 2008. At September 30, 2008, the debt/equity ratio was 1.98, compared with 2.35 at the end of 2007.

Group *employees* at September 30, 2008 numbered 76,760, an increase of 3,260 compared with the 73,500 employees at the end of 2007. The rise is attributable to the net effect of the change in the scope of consolidation (up 3,891), which mainly regarded the acquisitions of OGK-5 and Electrica Muntenia Sud (now Enel Distributie Muntenia and Enel Energie Muntenia) and the disposals of Viesgo and Endesa Europa, only partially offset by the balance between new hires and terminations (down 631).

Significant events in the 3rd Quarter of 2008

Design deposited for installation of off-shore wind farms

On July 10, 2008, Enel deposited the design for one of the first off-shore wind farms in the Mediterranean. The request for an environmental impact study has been delivered by Enel to the Ministry for the Environment and the Region of Sicily. Italy's first off-shore wind facility will involve the installation of 115 large wind generators with a capacity of between 3 and 5 MW each in the waters of the Gulf of Gela at least 3 nautical miles from the coast, between the towns of Licata (Agrigento), Butera and Gela (Caltanissetta). The project is being pursued through a joint venture between Enel (57%) and Moncada Costruzioni (43%) and will have a total installed capacity of between 345 and 575 MW. Once fully operational, the plant will generate 1,150 million kWh of power. The maximum estimated investment will total about €500 million.

Sale of Hydro Dolomiti Enel

On July 25, 2008, in implementation of the investment agreement signed on April 24, 2008, Enel Produzione SpA sold Dolomiti Energia 51% of Hydro Dolomiti Enel ("HDE") for €333 million. The parties will use HDE for the joint development of the hydroelectric power sector in the Autonomous Province of Trento. The transaction was completed after the conditions established in the agreement were satisfied, namely receipt of:

- > approval of the transaction by the Competition Authority;
- > approval by the Autonomous Province of Trento of the transfer of the hydroelectric concessions (with the exception of the San Floriano plant) to HDE;
- > the extension by the Autonomous Province of Trento of the concessions for major hydroelectric derivations until December 31, 2020, enabling the full implementation of the business plan developed by the parties.

The price of €333 million for 51% of HDE was determined on the basis of the value originally agreed by the parties (€562.7 million), reduced in accordance with the provisions of the agreement to take account of the net financial position of the assets transferred to HDE, the estimated cash flows of the operations transferred by Enel Produzione to HDE between January 1, 2008 (the reference date for valuing HDE) and July 15, 2008 (the effective date of the transfer), and the exclusion of the San Floriano plant. The price will later be adjusted based primarily on the difference between the estimated value of production and the actual value of production of the unit in the 2008-2010 period.

In view of the governance arrangements set out in the agreement, Enel Produzione will exercise a dominant influence over HDE until approval of the Financial Statements for 2010 and will therefore consolidate the results of HDE on a full line-by-line basis until that time.

Acquisition of wind projects in Greece

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On July 28, 2008, Enel signed an agreement with Damco Energy of the Copelouzos Group and International Constructional (Samaras Group) to acquire 30% (with the right to progressively raise its stake up to 80%) of a pipeline of wind projects up to 1,400 MW in Greece for €121 million. These wind projects are located in the windiest areas of Greece, mainly in Thrace, the Peloponnese and Euboea. Enel will also have an option to participate in the development of an additional 180 MW in Bulgaria.

Acquisition of rights to develop wind projects in Brazil

On August 6, 2008, Enel Latin America and Enel Brasil Participações signed a cooperation agreement with SoWiTec do Brasil Energias Alternativas, an affiliate of the German company SoWiTec, to develop wind power projects in Brazil with a total capacity of up to 1,000 MW. Through this agreement Enel has exclusive rights to eight power projects, all at an early stage of development, and will be entitled to acquire the projects once they are completely developed by SoWiTec. The projects have a preliminary capacity of between 56 to 200 MW and are located in the north-eastern part of Brazil, an area with high wind potential.

Acquisition of 10% of PT Bayan Resources

On August 12, 2008, Enel Investment Holding (EIH) acquired 10% (represented by 333,333,500 shares) of PT Bayan Resources (Bayan) for a total of about €138 million in Bayan's initial public offering (IPO) on the Indonesian Stock Exchange, implementing an agreement with Bayan and its shareholders.

The IPO consisted of an offering of 333,333,500 newly issued shares and 500,000,000 vendor shares. The total shares included in the IPO amounted to 25% of the company's post-IPO capital.

The shares acquired by EIH will be subject to a lock-up period of 18 months from the closing date of the IPO. Bayan is the eighth largest coal producing group in Indonesia in terms of production volume in 2007, with integrated coal mining, processing and logistics operations. Enel, one of the company's top five customers by revenues in 2007, has also executed a coal supply agreement with Bayan which provides for the latter to supply a specified amount of coal until December 2019.

Approval of interim dividend for 2008

On September 11, 2008, the Board of Directors of Enel SpA approved the distribution of an interim dividend of €0.20 per share. The interim dividend will be paid as from November 27, 2008, with the ex-dividend date falling on November 24, 2008.

Agreement with Fondo Italiano per le Infrastrutture (F2i) to develop natural gas storage projects

On September 26, 2008, Enel Trade sold 49% of Enel Stoccaggi, a company established on September 19, 2008, to Fondo Italiano per le Infrastrutture (F2i) for about €6 million. Enel Stoccaggi will continue the technical and administrative activities initiated by Enel Trade, which was awarded the concession to convert the Romanengo field into a gas storage facility in a tender called on September 26, 2006 by the Ministry for Economic Development. The concession for the Romanengo field will be transferred to Enel Stoccaggi, following receipt of a positive environmental impact assessment from the Ministry for the Environment. Under the provisions of Legislative Decree 164/2000, the storage concession will have a term of 20 years and may be extended for a total of two further 10-year periods. The conversion of the Romanengo field into a storage facility will lead to the creation of some 300 million cubic meters of storage space, which is scheduled to enter service in 2012. The shareholder agreement between the parties prohibits the transfer of the holdings in Enel Stoccaggi for a period of at least 5 years.

Subsequent events

Agreement with Town of Portoscuso

On October 15, 2008 Enel and the Town of Portoscuso, in Sardinia, signed a Program Agreement for the implementation of new industrial initiatives designed to foster the economic development of the area. The primary initiative envisaged under the accord is the construction of a wind plant with a total capacity of about 90 MW in the town's industrial zone. The facility will comprise 39 wind turbines.

Agreement for the development of hydroelectric power in the Province of Bolzano

On October 23, 2008, Enel Produzione and Società Elettrica Altoatesina (SEL) – which is approximately 94% owned by the Autonomous Province of Bolzano, with the remainder held by the municipalities and district communities of Alto Adige through Selfin Srl – signed a preliminary agreement for the development of the hydroelectric power sector in the Province of Bolzano. Enel Produzione currently holds 12 concessions for major hydroelectric diversions in the area in question with a total capacity of 616 MW, in addition to eight concessions for minor hydroelectric diversions with a total capacity of 17 MW. Considering that both parties will continue to participate in a fully autonomous manner in the administrative procedures currently in progress for the thirty-year issue or renewal of the concessions for major hydroelectric diversions expiring on December 31, 2010, Enel Produzione and SEL have agreed to form a company for the joint operation of the concessions at least until 2040. Enel Produzione and SEL will hold 40% and 60% of the company, respectively. Enel Produzione will contribute the business unit associated with the major hydro diversions in the Province of Bolzano, the value of which is estimated at €340 million, while on January 1, 2011, both the parties will contribute the concessions obtained independently. Following these contributions, the holdings of Enel Produzione and SEL in the new company are to remain at 40% and 60% respectively. Finally, Enel Distribuzione will sell its electricity distribution operations in the Province of Bolzano to SEL for €79 million.

In view of the governance arrangements envisaged in the accord, Enel Produzione will exercise a dominant influence over the new company until December 31, 2013 and will therefore consolidate its results on a full line-by-line basis until that date.

Development in Russia

On October 30, 2008, Eni, Enel and Gazprom agreed further developments in the implementation of their partnership. More specifically, the parties signed accords for the development of the companies ArcticGas and Urengoil, as well as signing agreements committing Gazprom to take a stake in Severenergia, as envisaged in the strategic agreement reached in 2006.

Eni, Enel and Gazprom will immediately begin to work obtaining approval of their development plans and the consequent amendment of mineral extraction licenses. On November 6, 2008, Enel signed two memorandums of understanding, one

with Inter RAO UES regarding possible development projects to enhance the efficiency of the Russian electrical system, the other with the Russian Railways RZhD for the long-term supply of electricity to the latter by RusEnergySbyt on terms indexed to market prices.

Outlook

The expansion of international operations and all the actions undertaken by the operating Divisions indicate that performance in 2008 will outpace that in the previous year. In addition, the operating cash flows generated by the new acquisitions and the Enel Group as a whole will enable the Group to improve its net financial position significantly compared with December 31, 2007.

Also continuing are the completion of the reconversion of power plants to clean coal, the actions to stabilize fuel sourcing and the programs to achieve operational excellence and optimize costs in the various business areas.

Long-term electricity import contracts

Enel has a contract for the import of electricity with Atel (on the Swiss border, expiring on December 31, 2011). The power imported under the contract with Atel is sold to the Single Buyer at a set price and is used to supply the enhanced protection market.

For the 3rd Quarter of 2008, the price was set at €74.53/MWh, while for the 4th Quarter, it will be €79.20/MWh.

Changes in European Community environmental legislation

On December 21, 2007, the European Commission published a proposal for a directive concerning “industrial emissions (integrated pollution prevention and control)”, which is intended to recast the provisions of seven separate directives, including Directive 96/61/EC – the IPPC Directive (Integrative Pollution Prevention and Control) – concerning the limitation of emissions of a number of pollutants coming from combustion and waste incineration plants. The goals of the proposed directive include:

- > to establish, beginning in 2016, binding emission ceilings based on those that are associated with the best available technologies, as described in the best available technologies reference documents (BREFs), thereby significantly limiting the flexibility left to the member states to take account of the technology being used, the geographical location of the plants, and actual local environmental conditions;
- > to extend its field of application to combustion plants with a thermal output of 20 MW or more, compared with the 50 MW threshold of the IPPC Directive.

A debate is currently under way within the European Parliament’s Environment Committee concerning the “Krahmer proposal”, which calls for less stringent emission limits than those of the best available technologies (BATs) and specified in the directive. A number of member states have taken positions on the matter, including Italy, which supports the “Krahmer proposal”, whereas member states such as Germany and the UK have expressed their opposition to the proposal. The proposed directive must be approved by co-decision of the European Parliament and the Council.

Sales Division

Electricity

Liberalization of electricity sales

With regard to the procedures for assigning safeguard services by geographically based auctions, the Authority for Electricity and Gas has, in its Resolution ARG/elt no. 122/08, called for an increase – to twelve from the current six – in the number

of areas involved in the auctions for the period 2009-2010.

The Authority for Electricity and Gas also adopted a number of measures to complete the regulatory framework for the retail network. In particular, with Resolution no. 278/07, the Authority initiated reforms of the rules governing load profiling for customers without hourly meters, establishing – as of April 1, 2008 – hourly treatment of sites with an installed capacity of greater than 55 kW and progressive treatment by time bands (F1, F2 and F3) for sites with a capacity of less than 55 kW. This has made it possible to link the purchasing and dispatching costs incurred by energy sellers to the actual load profiles of the customers served.

Resolutions ARG/elt nos. 36/08 and 135/08 deferred hourly treatment for sites with capacities of less than 55 kW to October 1, 2008, and April 1, 2009, respectively.

End-user rates

With Resolutions ARG/elt nos. 85/08 and 86/08, the Authority for Electricity and Gas set rates for the enhanced protection service for the 3rd Quarter of 2008, increasing rates by 4.3% for residential customers (consumption of 2,700 kWh and committed capacity of 3 kW) and 6.4% for small enterprises (consumption 6,000 kWh and committed capacity of 6 kW). More specifically, the Authority increased the PED component for these customer categories by €6.78/MWh and €12.5/MWh, respectively, while holding the A components (system costs) and the UC1 component unchanged.

With Resolutions ARG/elt nos. 137/08 and 138/08, the Authority set rates for the enhanced protection service for the 4th Quarter of 2008, increasing rates by 0.8% for residential customers (consumption of 2,700 kWh and committed capacity of 3 kW) and 0.5% for small enterprises (consumption of 6,000 kWh and committed capacity of 6 kW). Specifically, the PED component, which covers the costs of purchasing electricity and ancillary services, for these customer categories was increased by €4.6/MWh and €4/MWh, respectively. In addition, system costs were reduced (specifically, the A6 component, covering stranded costs, was eliminated) and the UC1 component, covering equalization costs, was reduced by €2.5/MWh through December 31, 2007.

“Social rates” decree

Following the interministerial decree defining the standards for applying the new social rates for residential customers experiencing financial hardship and for those who use “life-saving” electronic medical equipment, the Authority for Electricity and Gas, with Resolution ARG/elt no. 117/08, defined the procedures for applying the new rates for underprivileged customers (but postponing to a subsequent measure the procedures for applying the subsidies for customers with serious health problems), with the inclusion of an offsetting rate component in electricity billing. The offset granted (from €60 to €135 per year per customer) is to be funded by the new A_s rate component.

Rules for the sale of CIP 6 electricity by the Electricity Services Operator

The decree of the Minister for Economic Development of December 15, 2007, confirmed for 2008 the sale of CIP 6 energy on the Power Exchange by the Electricity Services Operator (ESO) and the *pro rata* assignment of such energy to those requesting it, using contracts for differences, based on average annual electricity consumption. For the 3rd Quarter of 2008, the CIP 6 price was set at €68.77/MWh, while that for the 4th Quarter of 2008 was set at €80.40/MWh.

Inquiries and fact-finding investigations

With Resolution VIS no. 68/08, the Authority for Electricity and Gas initiated a fact-finding investigation of a number of potential irregularities in the application of safeguard service regulations. This investigation is in response, in particular, to the recent reports by Exergia (which was awarded the contract for the northern area for the period May-December 2008) to the Authority concerning alleged failures by Enel to fulfill its obligations concerning the transmission of customer information and the assignment of withdrawal points. The investigation is expected to be completed by the end of 2008. Exergia is suing Enel Distribuzione and Enel Servizio Elettrico before the Rome courts for damages.

On October 2, the Competition Authority began proceedings for abuse of dominant position (A/410) against Enel Distribuzione (ED), Enel Servizio Elettrico (ESE) and Enel SpA.

The Authority is claiming that the two Group companies involved in safeguard services from July 2007 to April 2008 blocked the entrance of a competitor (Exergia) into this market. According to Exergia, the information provided by the Enel companies was incorrect, incomplete and, in a number of cases, provided late. These omissions allegedly hindered the Company's activities in the marketplace, thereby resulting in significant losses.

Exergia is also alleging that Enel Distribuzione demanded payment of amounts that were not actually due and, for this reason, did not pay transport fees for services regularly provided by the distributor in the meantime. The proceedings are scheduled to be completed by October 31, 2009.

With regard to the proceedings (PS/91) concerning improper commercial practices against four Enel Group companies (Enel SpA, Enel Energia SpA, Enel Servizio Elettrico SpA and Enel Distribuzione SpA) regarding the transfer of customers from the enhanced protection system to Enel Energia SpA through the activation of connections that customers had not requested as well as the use of an advertising campaign that allegedly obscured the distinction between the enhanced protection market and the free market, on September 4, 2008, the Competition Authority ruled that Enel Energia SpA and Enel SpA had acted in a manner that constituted improper commercial practices, ordering the termination of the campaign and levying fines of €1,100,000 and €100,000, respectively.

On March 18, 2008, the Competition Authority initiated proceedings (PS/1) for alleged improper commercial practices against nine companies, including Enel Energia. The contested practices regard the transparency of the notes contained in the advertising campaigns "EnergiaSicura", "EnergiaPura Casa", "EnergiaPura Bioraria" and "EnergiaSicura Gas". As regards the "EnergiaPura Bioraria" promotion in particular, the Competition Authority argues that there is a lack of clarity concerning the increased charges for electricity use during the daytime. The proceedings are scheduled to be completed by November 13, 2008.

On June 26, 2008, the Competition Authority initiated proceedings for improper commercial practices (PS/1092) against Enel SpA, Enel Energia SpA and Enel Servizio Elettrico SpA. As concerns Enel Servizio Elettrico, the Authority is contesting the increase in the minimum charge threshold to €40 (from the €25 in effect until last year), postponing the billing for consumption of less than that amount to the subsequent two-month billing cycle and thereby concentrating payment related to consumption over a four-month period into a single payment. On October 23, 2008, the Competition Authority issued its final decision without imposing any penalty on the companies.

On June 27, 2008, the start of proceedings for improper commercial practices (PS/1554) was announced in regard to Enel SpA, Enel Servizio Elettrico SpA and

Enel Energia SpA, concerning alleged improper commercial practices in the form of charging past-due interest for late payment by customers for bills received after the actual due date. On October 16, 2008, the Competition Authority issued its final decision, with which it fined Enel Energia SpA and Enel Servizio Elettrico SpA €225,000 and €210,000 respectively.

On August 29, 2008, the start of proceedings for improper commercial practices (PS/491) was announced in relation to Enel Energia SpA, concerning its alleged failure to read and verify metering equipment and the issue of estimated invoices for electricity. The conclusion of the proceedings is scheduled for December 27, 2008.

Gas

End-user rates

With Resolution ARG/gas no. 84/08, the Authority for Electricity and Gas updated the supply prices of natural gas for the 3rd Quarter of 2008, setting the price at €0.757/m³ for residential customers (consumption of 1,400 m³/year), a 4.7% increase over the previous quarter. The raw material component was increased by €0.029/m³ (+11%).

With Resolution ARG/gas no. 141/08, the Authority updated the supply prices of natural gas for the 4th Quarter of 2008, setting the price at €0.801/m³ for residential customers (consumption of 1,400 m³/year), for a 5.8% increase over the previous quarter. The raw material component was increased by €0.038/m³ (+13%).

Following the extensions established by Resolutions ARG/gas nos. 52/08 and 100/08, the updates for raw materials for these quarters, and through September 30, 2009, will be implemented using the methods called for by Resolution no. 79/07. It should also be noted that Resolution ARG/gas no. 89/08 completed the process of renegotiation, on the basis of the criteria established in Resolution no. 79/07, of the natural gas contracts signed under the provisions of Resolution no. 248/04, which was subsequently voided by the administrative courts.

Supplier of last resort

With Resolution ARG/gas no. 127/08, the Authority for Electricity and Gas published the ranking of bids for assignment of the supplier of last resort, which identifies Enel Energia as supplier of last resort for the 2008-2009 gas year for a maximum quantity of gas totaling 30 million cubic meters in the Emilia Romagna, Liguria, Tuscany, Umbria, Marche and upper Lazio macro-area.

With Resolution ARG/gas no. 39/08, the Authority established a surcharge on the wholesale price in order to establish a fund to cover the charges resulting from the difference between the bid price and the price for providing supplier-of-last-resort services established with Resolution no. 138/03.

Inquiries and fact-finding investigations

With Resolution VIS no. 50/08, the Authority for Electricity and Gas closed a formal inquiry, initiated in relation to Enel Energia with Resolution no. 300/07, into the calculation of gas used by small-scale consumers, levying a fine equal to the statutory minimum (about €26,000), as the Authority found violations in just two municipalities and given the fact that Enel Energia had taken steps to rectify the matter.

On August 11, 2008, the Competition Authority initiated proceedings for improper commercial practices (PS/1874) against Enel Energia SpA, concerning failure to read and verify metering equipment and the issue of estimated invoices for gas calculated on the basis of unspecified parameters. The conclusion of the proceedings is scheduled for December 6, 2008.

Essential plants for the security of the electrical system

On July 23, 2008, the Authority for Electricity and Gas published Resolution no. 97/08 requiring generation plants in Sicily and Sardinia to be entered in the list of plants essential for the security of the electrical system. The rules provide for such plants to be subject to administered operation in certain periods of the year in an amount that depends on the security requirements of the system.

The implementation procedures defined by Terna, as communicated on July 31, 2008, were approved with Resolution no. 106/08, and the deadline by which Terna must analyze the existence of situations in Italy that would require actions such as those adopted by Resolution no. 97/08 was extended to September 30, 2008. Enel Produzione has appealed both the Authority's resolutions and the Terna communications.

Gas emergency charges

With Resolution ARG/gas no. 133/08, the Authority for Electricity and Gas approved payment, by December 31, 2008, by the Electricity Equalization Fund of the amount related to charges recognized in relation to the greater costs incurred by Enel Produzione during the 2006 gas emergency. The expected payment to Enel Produzione is to be about €66 million.

Emissions trading

On September 17, 2008, in response to a request by the Italian representatives for further clarification concerning the revised 2008-2012 national allocation plan, the National Committee for the management of Directive 2003/87/EC approved the replies to the request for clarification from the European Commission. The Commission is expected to assess the content in the near future. The aspects that are still awaiting final assessment concern the allocation of allowances for plants falling within the expanded scope of the directive. Final approval of the plan expected by the end of 2008.

As regards the 2008-2012 national allocation plan, in the first nine months of 2008, emissions by Enel Produzione came to 33.4 million metric tons. Considering allowances allocated under the national allocation plan, calculated on a *pro rata* basis, of 33.1 million metric tons for the period, at September 30, 2008, there was a deficit of 0.3 million metric tons.

Obligations to offer imported gas at the Virtual Trading Point (VTP)

With regard to the decree of the Minister for Economic Development of March 19, 2008, which established the sales procedures for importers on the regulated market for gas produced outside the European Union, with Resolution ARG/gas no. 112/08, the Authority for Electricity and Gas established the bid procedures on the VTP for gas subject to supply obligations for months in the period from November 2008 to March 2009 and for annual lots. Enel's share being offered at the VTP is about 6 million cubic meters.

Energy efficiency

On July 3, 2008, Legislative Decree no. 115 implementing Directive 2006/32/EC on energy end-use efficiency and energy services was published in the *Gazzetta Ufficiale*. The Directive repeals Directive 93/76/EEC and provides for, among other things, the extension of the obligations incumbent on electricity and gas distributors to retail energy sales companies, in compliance with the principle of conformity with the general objectives and existing requirements.

The ministerial decree of December 21, 2007, revised and updated the July 2004 decrees on energy efficiency. In particular, it raised the targets to be achieved in 2008 and 2009 and set new energy saving targets for 2010-2012 for both electricity and gas distributors. The overall target for Enel for 2008 was set at 1.2 million tons of oil equivalent (toe), equal to 53% of the total requirement, of which 1,043.2 ktoe to Enel Distribuzione and Deval and 126.7 ktoe to Enel Rete Gas (redetermination of the specific objectives with Resolution EEN no. 8/08 of July 11, 2008). With Resolution EEN no. 31/08, the Authority for Electricity and Gas deferred the deadline for updating the rate contribution for the achievement of the 2009 targets, currently at €100/toe, from September 30 to December 31, 2008.

As part of the process of certifying the energy savings achieved by Enel Distribuzione by distributing compact fluorescent light bulbs, the Authority requested additional documentation, which Enel submitted on September 25, 2008.

Electricity

Administrative and accounting unbundling

With regard to the obligations of administrative and accounting unbundling for electricity and gas companies, on September 23, 2008, with Resolution ARG/com no. 132/08, the Authority for Electricity and Gas published the guidelines for the definition of compliance plans, which must be prepared by the independent directors of companies required to adopt such functional separation. The resolution established the deadlines for compliance with the unbundling provisions, including verification of the requirements of director independence, preparation of the organization and management structure, and definition of the rules of governance.

Distribution rates

Pending a complete review of the regulations on the delivery of connection services, the Authority has, with Resolution ARG/elt no. 136/08, clarified that charges are no longer allowed for adjustments for “deductible power” and that any steps to ensure the compliance of available power for existing supplies must be done by the distributor without charge for the customer.

Connection rules

With Resolution ARG/elt no. 99/08, the Authority unified into a single document the rules for all connections, rationalizing the related procedures and timing. The provisions will apply as from January 1, 2009. Also in relation to connections, the Authority issued a specific measure governing procedures for settling any disputes between power generators and grid operators that should arise when implementing connections and during the provision of the connection service.

Inquiries and fact-finding investigations

Over the summer, Enel provided documentary evidence to the Authority concerning the fulfillment of all commitments undertaken in connection with the formal inquiry (Resolutions nos. 237/06 and 314/07) for the possible imposition of fines on Enel Distribuzione for failing to meet the obligation of making at least one attempt per year to read the meters of customers with committed capacities of up to 30 kW, as required by Resolution no. 200/99.

Gas

Distribution rates

In consideration of the fact that the new regulatory period will be changed from the gas year to the calendar year, the Authority for Electricity and Gas, with Resolution ARG/gas no. 128/08, extended the validity of the gas distribution rates for the 2007-2008 gas year to the 4th Quarter of 2008.

On September 22, 2008, the Authority published its third consultation for the definition of distribution and metering rates for the 2009-2012 regulatory period. The related resolution is expected to be issued in the near future.

Service quality in gas distribution and metering

With Resolution ARG/gas no. 120/08, the Authority established new unified rules concerning the quality of gas distribution and metering services for the 2009-2012 regulatory period. The resolution promotes the convergence of commercial quality standards with the electricity sector and the transition from a voluntary system of incentives to a mandatory system of incentives and penalties for the achievement of service security and quality objectives.

Iberia and Latin America Division

Spain

Resolutions of the Ministry of Industry of April 19, 2007 and May 29, 2007

With regard to the Resolution of the Ministry of Industry of April 19, 2007 (as amended), concerning virtual power plant auctions to be held on a quarterly basis, on September 23, 2008, the sixth auction was held for a total virtual capacity of about 2,230 MWs (six-month equivalent MW) divided into 1,700 MWs of base load power (with a strike price of €42/MWh) and 530 MWs of peak load power (with a strike price of €60/MWh) with delivery beginning in October 2008. Endesa participates in the auction with 50% of the total power to be awarded. A total of 1,910 MWs have been awarded.

With regard to the Resolution of the Ministry of Industry of May 29, 2007, concerning auctions called CESUR (*Compra de Electricidad para el Suministro Ultimo Recurso*), on September 25, 2008, the sixth auction was held. A total of 23 companies were awarded electricity equivalent to 2,000 MW at a price of €72.45/MWh for the quarterly product and 1,000 MW at €72.49/MWh for the six-month product. As regards purchase obligations, in the sixth auction, Endesa was assigned a purchase obligation of 36% of all the power auctioned.

Ministerial Order 3860/07

On December 29, 2007, the Government published Ministerial Order 3860/07 in order to set electricity rates for 2008 and modify a number of significant aspects of the Spanish electricity market, including the *ex ante* specification of the total rate deficit for 2008 at about €4.75 billion (with a ceiling for the 1st Quarter of 2008 of €1.2 billion). As regards rates, and in line with previous measures, as from July 1, 2008, the regulated rate began to be eliminated. The first to be excluded from this type of rating system were high-voltage customers, and as from January 1, 2010, only low-voltage customers will be able to purchase electricity at the regulated rate.

Royal Decree 222/08

On February 15, 2008, Royal Decree 222 was published concerning the 2009-2012 regulatory period for distribution activities. The measures govern the new method for calculating distribution revenues in relation to achievements in terms of new investments, service quality and the reduction of grid losses. Pending the definition of the aspects concerning the measurement of new investments, the decree calls for a transitional mechanism connected with the increase in demand and a typical scaling factor by company. The incentive parameters for service quality and the reduction of losses have not yet been defined.

The decree also increased (with retroactive effect) a number of parameters of rates for renewable electricity.

Ministerial Order 694/08

With regard to the measure of March 15, 2008, publishing the auction rules for financing the *ex ante* rate deficit, on September 30, 2008, the third auction was held for the allocation of about €4 billion, but no award was made due to a lack of bids. The CNE has stated that the lack of bids was attributable to the low levels of liquidity on the markets, which is characterizing the currently challenging financial situation.

Ministerial Order 1857/08

As concerns the updating of electricity rates, with the measure of June 26, 2008, the electricity rates in effect as from July were updated, with an average increase of 5.6%, while an *ex ante* rate deficit was recognized for the period April 1 to September 30, 2008, in the amount of €2.7 billion.

On September 18, 2008, the CNE proposed an increase in end-user rates of between 2.8% and 10%, depending on the situation of generation costs, but the Ministry decided to freeze rates for the 4th Quarter of 2008; therefore, there will be no further increases before January 1, 2009.

Royal Decree 1578/08

With the measure of September 26, 2008, in response to an increase in demand for the development of photovoltaic plants far beyond the Government's expectations, the Ministry of Industry published new rules governing this technology and remuneration for it. These rules have replaced those that were established with Decree 661/07. In particular, the decree defines two specific categories of solar plants and requires that plant owners apply for entry in a specific register. The requests for registration may be submitted in four periods throughout the year and will be processed in the order in which they are received until a ceiling of 400 MW per quarter is reached, with additional power of 160 MW being available for 2009 and 2010. In terms of remuneration, the decree calls for rates that vary between €320 and €340/MWh, depending on the plant category.

Emissions trading

As at September 30, 2008, the estimated emissions produced by Endesa amounted to about 27.6 million metric tons. Allowances granted under the national allocation plan, calculated on a *pro rata* basis for the period, amounted to 20.0 million metric tons. The resulting deficit of about 7.6 million metric tons is entirely covered through the Emissions Trading Scheme mechanisms, taking advantage, first of all, of the option of using credits from Clean Development Mechanism (CDM) projects up to a volume of 42% of the total CO₂ allowances received under the national allocation plan for 2008.

Argentina

System deficit

In July 2008, Administrative Decision 310/08 authorized the appropriation of ARS 1.6 billion (equivalent to \$530 million) to cover generation costs for private-sector electrical companies. These funds are to pass through CAMMESA (*Compañía Administradora del Mercado Eléctrico Mayorista*), which will then transfer the funds to the companies. The Government has also established an emergency plan to enable power generation companies to invest in plant maintenance.

Rate updates

In July 2008, in order to promote efficiency in energy consumption, the Planning Ministry approved an increase from 10% to 30% in electricity rates for medium and large-scale residential customers, i.e. with bimonthly consumption of more than 650 MWh (the first rate increase in seven years), and of 10% for industrial and commercial customers.

Brazil

Rate updates

In July 2008, the revision of rates was completed for the distribution firms Ampla and Coelce, leading to average increases in the price paid by end users of 10.95% and 8.43%, respectively.

Chile

Rate updates

Chile's regulator establishes the nodal price used as the reference parameter in wholesale auctions to cover the needs of customers on the regulated market, updating the price on a half-yearly basis in April and October. However, under certain market conditions, the regulator may intervene on an exceptional basis to modify the nodal price during the course of the six-month period. This became necessary in August when, in response to the change in exchange rate against the US dollar and in prices on the free market (variables to which the nodal price is linked), the regulator updated tariffs with an increase of about 10% in the nodal price in peso terms.

Supply security

On February 26, 2008, in order to avoid scheduled blackouts, the Chilean government approved the "rationing decree", which is to be applied to the SIC interconnected system effective until August 31, 2008. Among its various measures, the decree establishes a campaign for energy savings and flexible use of water

and calls for distributors to reduce nominal voltage in supply to urban areas by up to 10%.

Despite the 4.2% year-on-year decline in demand for electricity on the SIC market for the period March-June 2008 and the fact that the rains from May to June reduced the risk of electricity rationing for the current year, the level of reservoirs remained 27% lower than the average for a normal year.

Given this situation, on July 24, 2008, the government decided to extend the decree's effectiveness. The measures are now to remain in effect until October 31, 2008, with the exception of the reduction in voltage for urban areas, which was suspended on August 31, 2008, as scheduled.

Peru

Incentives for renewable energy

A decree law was issued establishing that renewable energy resources must account for 5% of the nation's total energy consumption over the next 5 years.

Rate updates

The regulatory body Osinergmin issued its proposal for the “*busbar*” price (i.e. the wholesale rate for the sale to distributors of electricity for the regulated market), which is to increase by 3.6% for the period May 2008 to April 2009.

Investment incentives

On September 24, 2008, ProInversion, an agency that promotes private-sector investment, announced that, in November 2008, there will be an auction for the electricity to be generated by 15 hydroelectric plants. The purpose of this auction is to define, *ex ante*, the sales terms for the investors that are to build these 15 plants.

International Division

France

Regulatory and rate issues

On August 16, 2008, new end-user rates were approved, with the following increases: 2% for small customers; 6% for mid-sized customers; and 8% for large-scale users. The “return rate” (TARTAM) was increased by the same amounts. In the 1st Quarter of 2008, the *Commission de régulation de l'énergie* (CRE) organized a consultation on network rates that provides for an extension of the regulatory asset base. The CRE's final proposal for a new rate as at January 1, 2009, is expected to be issued by the end of 2008. An average increase of 10% over the next 4 years is expected in order to cover new network investments.

Slovakia

Emissions trading

The Slovakian Ministry for the Environment published a list with the reallocation of emissions allowances by operator, complying with the European Commission decision granting additional allocations totaling 1.78 million metric tons of CO₂ a year, assigning Slovenské elektrárne (SE) an average of about 5.4 million metric tons of CO₂ a year. Official publication of the final 2008-2012 national allocation

plan is expected shortly, given that – as announced by the Ministry on September 29, 2008 – the allocations published are to be considered merely provisional. For the first nine months of 2008, SE produced an estimated 3.0 million metric tons of emissions, while the allowances assigned by the allocation plan, calculated on a *pro rata* basis for the period, amounted to about 3.9 million tons.

New market rules

On August 12, 2008, URSO issued a decree providing for rules that could neutralize the impact of the export fee, i.e. the surcharge applied to electricity generated in Slovakia and then exported, after January 2008, on the rate component paid by end users to cover system services (in the amount of about €10/MWh).

Regulatory strategy

In order to implement the regulatory strategy published in April 2008, URSO published the following two decrees:

- > one which defines the auction rules (August 27, 2008), effective as of September 10, 2008, based on which SE must, by the end of October, present its own auction rules, which must comply with the principles established by this decree;
- > Decree no. 2/2008 (August 12, 2008), which, among other things, has introduced an RPI-X rate-update mechanism (setting the factor *x* equal to 5%).

Economic interest law

On October 2, 2008, following an appeal SE filed against the measure safeguarding the provision of electricity to residential and small business customers, the Ministry for the Economy amended the decree, limiting the volume of electricity to be sold at regulated prices to no more than 6 TWh.

Bulgaria

Emissions trading

In April 2008, in relation to the 2007 national allocation plan, allowances were proposed in an amount in line with actual emissions, with Enel Maritza East being allocated 4.8 million metric tons. At the end of September 2008, the allocation plan for 2007 was approved. As expected, it had a neutral impact on Enel Maritza East 3. The Bulgarian Government is still waiting to complete the final version of the 2008-2012 allocation plan. Overall, it is expected that the impact of the final allocation will be essentially neutral.

Romania

End-user rates

On June 30, 2008, the new end-user rates were published, with the following increases:

- > for residential customers, a 4.4% increase to be applied in all eight regions;
- > for non-residential customers, the increase will be determined on a regional basis. In the regions where Enel is present, the increases are as follows: Banat and Dobrogea 5.4%; Muntenia 6.5%.

Distribution rates are unchanged, whereas that for ancillary services have been raised by 1 RON/MWh.

Renewable energy law

With regard to the new law to support power generation from renewable energy

resources, in July 2008, the Government approved a new ordinance that incorporates, in advance, a number of elements of the renewable energy incentives law currently being discussed. In particular, it ensures the 15-year duration for green certificates for approved renewable energy plants.

Russia

Opening the market

In July 2008, as part of the gradual opening of the market established by the Russian government, a new milestone was reached, which set the volume of electricity to be sold on the free market at 25% of 2007 volumes. This threshold is in line with the provisions of the government's Decree no. 207 of April 7, 2007, which established the gradual liberalization of the market up to 100% of all non-residential volumes by 2011.

Capacity market

After a number of delays, the launch of the capacity market was established with Decree no. 476 of June 28, 2008. The unregulated sale of capacity will therefore begin in the 2nd Half of 2008, although full implementation of the new rules is planned for 2009. The auction to select capacity with rights to sell on the free market in 2008 was held in July. Each month, the Administrator of Trading System (ATS) is to publish the reference prices for capacity buyers (resellers and large-scale consumers) that have not entered into bilateral capacity purchase agreements. The reference prices for July and August were published on October 6, 2008, and were set at 132,000 and 142,000 rubles per megawatt per month, respectively. The decree calls for the Ministry of Energy to draft rules for the long-term capacity market (starting in 2011). These rules are currently being discussed by the competent bodies.

Price cap for the electricity market

As from January 9, 2008, unregulated prices on the wholesale electricity market are subject to a price cap in the event of excessive price increases. The measure, which was originally scheduled to expire on March 31, 2008, was recently renewed until the end of December 2008 by decision of the ATS. Following the price increases posted in the second half of July, due essentially to maintenance of nuclear plants and the decline in hydroelectric power generation, on July 30, 2008 the Market Council decided to strengthen the price-control mechanism for August 2008 alone. This contributed to the decline in prices on the spot market during the month (down 5% in the European segment compared with July) and the containment of hourly price volatility.

Rates

On September 23, 2008, the Federal Tariff Service approved the changes to the method of indexing regulated power generation rates (both electricity and capacity). The main amendments to the methodology establish that the divergence between the indicators used to index rates and those reflecting actual cost increases (e.g. of fuel) will only be compensated for generators whose overall financial performance is negative.

Electricity and gas production and demand

DOMESTIC ELECTRICITY FLOWS

3rd Quarter				Millions of kWh		First nine months			
2008	2007	Change				2008	2007	Change	
Gross electricity generation:									
66,072	65,715	357	0.5%	- thermal		196,924	194,485	2,439	1.3%
13,446	11,271	2,175	19.3%	- hydroelectric		34,907	31,039	3,868	12.5%
3,196	2,314	882	38.1%	- geothermal and other resources		9,409	7,033	2,376	33.8%
82,714	79,300	3,414	4.3%	Total gross electricity generation		241,240	232,557	8,683	3.7%
(3,170)	(3,132)	(38)	-1.2%	Ancillary services consumption		(9,381)	(9,229)	(152)	-1.6%
79,544	76,168	3,376	4.4%	Net electricity generation		231,859	223,328	8,531	3.8%
8,981	10,614	(1,633)	-15.4%	Net electricity imports		29,474	35,958	(6,484)	-18.0%
88,525	86,782	1,743	2.0%	Electricity delivered to the network		261,333	259,286	2,047	0.8%
(1,835)	(1,694)	(141)	-8.3%	Consumption for pumping		(5,546)	(5,511)	(35)	-0.6%
86,690	85,088	1,602	1.9%	Electricity demand		255,787	253,775	2,012	0.8%

Source: Terna - Rete Elettrica Nazionale (monthly report - September 2008).

- > In the 3rd Quarter of 2008, *domestic electricity demand* increased by 1.9% over the same period of the previous year, in line with the trend for the first nine months of 2008, when demand rose by 0.8% to reach 255.8 TWh as at September 30, 2008. Of this total, 88.5% was met by net domestic electricity generation for consumption (85.8% for the first nine months of 2007), with the remaining 11.5% being met by net electricity imports (14.2% for the first nine months of 2007);
- > *net imports* for the 3rd Quarter and the first nine months of 2008 posted declines of 1.6 TWh and 6.5 TWh, respectively (for the first nine months, imports fell 6.0 TWh and exports rose 0.5 TWh). This performance is essentially the result of the narrowing of the differential between electricity prices in the other European countries and the domestic market;
- > as a result of lower imports and the increase in electricity demand, *gross electricity generation* increased by 4.3% in the 3rd Quarter and by 3.7% in the first nine months of 2008. With regard to the production mix, the first nine months of 2008 were characterized by a significant increase in hydroelectric power generation (up 3.9 TWh), thermal generation (up 2.4 TWh) and alternative resources (up 2.4 TWh).

DOMESTIC DEMAND FOR NATURAL GAS

3rd Quarter				Billions of m ³	First nine months			
2008	2007	Change			2008	2007	Change	
2.1	2.0	0.1	5.0%	Residential and commercial	19.4	17.0	2.4	14.1%
4.2	4.5	(0.3)	-6.7%	Industrial	14.6	14.8	(0.2)	-1.4%
8.8	8.8	-	0.0%	Thermal	25.9	25.0	0.9	3.6%
0.7	0.6	0.1	16.7%	Other ⁽¹⁾	1.7	1.6	0.1	6.2%
15.8	15.9	(0.1)	-0.6%	Total	61.6	58.4	3.2	5.5%

(1) Includes other consumption and losses.

Source: Enel based on data from the Ministry for Economic Development and Snam Rete Gas.

Demand for natural gas in Italy in the 3rd Quarter of 2008 posted a slight decline from the same period of 2007, while there was a 5.5% increase for the first nine months of 2008 due primarily to greater consumption for residential and commercial use connected with the lower temperatures recorded during the first part of 2008 as compared with the same period of 2007.

Enel's electricity and natural gas flows

ENEL'S ELECTRICITY AND NATURAL GAS FLOWS (DOMESTIC)

3rd Quarter					First nine months			
2008	2007	Change			2008	2007	Change	
Electricity (millions of kWh)								
26,645	23,824	2,821	11.8%	Enel's net electricity generation in Italy	73,083	69,862	3,221	4.6%
65,808	64,009	1,799	2.8%	Electricity transported on Enel's domestic distribution network ⁽¹⁾	194,321	192,615	1,706	0.9%
35,123	36,621	(1,498)	-4.1%	Enel's domestic electricity sales ⁽²⁾	104,030	106,543	(2,513)	-2.4%
15,507	10,126	5,381	53.1%	- of which on the free market ⁽²⁾	41,266	28,508	12,758	44.8%
Natural gas (millions of m³)								
362	350	12	3.4%	Gas transported	2,413	2,187	226	10.3%
666	511	155	30.3%	Gas sold to end users	3,951	2,898	1,053	36.3%

(1) The figure for 2007 has been updated to take account of the more accurate calculation of amounts transported.

(2) Excluding sales to resellers.

- > Enel's *net electricity generation* in Italy increased 4.6% for the first nine months, in line with the trend in net generation for the country as a whole. The increase in output is related to hydroelectric (up 2.9 TWh) and thermal (up 0.3 TWh) generation. The increase for the 3rd Quarter came to 11.8% and is largely related to the higher levels of hydroelectric generation (up 1.4 TWh) due to improved water availability and thermal generation (up 1.4 TWh);
- > *electricity transported* for the first nine months of 2008 came to 194.3 TWh, for an increase of 0.9%, which reflects developments in demand on the Italian network;
- > Enel's domestic *electricity sales* during the 3rd Quarter of 2008 totaled 35.1 TWh, falling 1.5 TWh due, essentially, to lower sales on the safeguard market. For the first nine months, the decline was 2.5 TWh, resulting from lower sales on the enhanced protection and safeguard markets (regulated markets), partially offset by higher volumes sold on the free market following the opening of the domestic electricity market beginning in the 2nd Half of 2007;

- > *gas transported* for the first nine months increased by 0.2 billion cubic meters, with the increase due essentially to greater consumption, mainly as a result of the more severe weather conditions during the first part of 2008;
- > *gas sold* increased by 1.1 billion cubic meters, the joint effect of the acquisition of new customers and the lower temperatures noted earlier.

ENEL ELECTRICITY AND NATURAL GAS FLOWS (ABROAD)

3rd Quarter			First nine months			
2008	2007	Change		2008	2007	Change
Electricity (millions of kWh)						
43,775	8,222	35,553	Enel's net electricity generation abroad	113,868	26,028	87,840
34,390	3,241	31,149	Electricity transported on Enel's international distribution network	101,642	9,438	92,204
33,565	6,430	27,135	Enel's international electricity sales ⁽¹⁾	100,474	20,814	79,660
15,404	4,348	11,056	- of which on the free market ⁽¹⁾	41,316	14,509	26,807
Natural gas (millions of m³)						
48	-	48	Gas transported	274	-	274
562	-	562	Gas sold to end users	1,800	-	1,800

(1) Excluding sales to resellers.

- > Enel's *net electricity generation* abroad during the 3rd Quarter and the first nine months of 2008 totaled 43.8 TWh and 113.9 TWh, respectively. For the first nine months of 2008 as compared with the same period of 2007, this represented an increase of 87.8 TWh (49.4 TWh of which from thermal generation, 22.1 TWh from hydroelectric power, and 14.3 TWh from nuclear generation). The latter increase is primarily attributable to the contribution of Endesa (acquired in the 4th Quarter of 2007) of 75.3 TWh and of OGK-5 (consolidated as from the 2nd Quarter of 2008) of 13.0 TWh, which was partially offset by the sale in June 2008 of Enel Viesgo Generación in the amount of 2.8 TWh;
- > *electricity transported* in the 3rd Quarter of 2008 came to 34.4 TWh, whereas for the first nine months of 2008 it totaled 101.6 TWh, increasing essentially as a result of the acquisitions of Endesa (up 91.4 TWh) and Enel Distributie Muntenia (up 1.9 TWh);
- > *electricity sales* abroad during the 3rd Quarter of 2008 and the first nine months of 2008 increased by 27.1 TWh and 79.7 TWh, respectively, due essentially to the change in the scope of consolidation with the addition of Endesa (up 26.7 TWh for the 3rd Quarter and 79.1 TWh for the first nine months of 2008).

Main changes in the scope of consolidation

During the first nine months of 2008, the scope of consolidation changed with respect to the first nine months of 2007 as a result of the following main transactions.

2007

- > acquisition, on February 2, 2007, of the entire capital of the Panamanian company Enel Panama Holding (formerly Enel Fortuna), giving Enel full control of Fortuna, which is fully consolidated;
- > acquisition of 40% of Artic Russia, the direct parent company of SeverEnergiya

and the subsequent acquisition by the latter, on April 4, 2007, of a set of assets in the gas sector. As it is subject to joint control, Artic Russia and SeverEnergia are consolidated on a proportionate basis;

- > acquisition, on July 2, 2007, of 90% of Nuove Energie, a company that builds and operates LNG regasification infrastructures;
- > acquisition, on October 1, 2007, of 100% of three companies (International Windpower, Wind Parks of Thrace and International Wind Parks of Thrace) active in generating electricity from wind power in Greece;
- > acquisition, on October 5, 2007, following the successful completion of the public tender offer, of 42.08% of Endesa; as from that date, taking account of the previous holding in the company (24.97%), Endesa is consolidated on a proportionate basis as it is under joint control;
- > acquisition, on October 24, 2007, of 100% of Blue Line, a Romanian company that holds the rights to develop wind power projects in the region of Dobrogea;
- > acquisition, on December 6, 2007, of 100% of Inelec, a company active in hydroelectric generation in Mexico;

2008

- > acquisition, on March 5, 2008, of 85% of Enel Productie (formerly Global Power Investment), a Romanian company active in the generation of electricity from renewable resources;
- > acquisition, on April 25, 2008, of 50% of Electrica Muntenia Sud (now Enel Distributie Muntenia and Enel Energie Muntenia) and the concurrent subscription of a capital increase approved by the company's shareholders. Following the operation, Enel holds 64.4% of the company. As from the conclusion of the changes in the company's governance arrangements needed to define control on June 4, 2008, the company is consolidated on a line-by-line basis, taking account of the shareholding covered by the put option granted to Electrica at the time of the sale, equal to 23.6% at September 30, 2008;
- > acquisition, on May 19, 2008, of 100% of International Wind Parks of Crete and Hydro Constructional, which operate in Greece in the generation of electricity from renewables;
- > conclusion, on May 28, 2008, of the changes in the governance arrangements of OGK-5, which gave Enel full control as from that date. Enel, acting through the subsidiary Enel Investment Holding, had acquired 59.80% of the Russian company in a series of purchases, of which 22.65% in the public tender completed on March 6, 2008, before selling a minority stake of 4.1% on June 25, 2008. As from May 28, 2008, the company is consolidated on a line-by-line basis;
- > disposal, on June 26, 2008, of the assets specified in the agreements signed between Enel and Acciona on March 26, 2007, and between Enel, Acciona and E.On on April 2, 2007 and March 18, 2008, consisting of:
 - the assets and liabilities held directly or indirectly by Endesa in Italy, France, Poland and Turkey, as well as a number of other assets in Spain (hereinafter "Endesa Europa");
 - the assets and liabilities related to the equity investments held by Enel in Enel Viesgo Generación, Enel Viesgo Servicios and Electra de Viesgo Distribución and the equity investments held by these companies;
- > acquisition, on June 30, 2008, of 80% of Marcinelle Energie, which is building a combined-cycle gas turbine plan in Belgium. The company is consolidated taking account of the put option granted to Duferco at the time of the acquisition;
- > disposal, on July 25, 2008, of 51% of Hydro Dolomiti Enel (HDE), a company established by Enel Produzione on May 12, 2008, for the development, together

with other partners, of hydroelectric power in the Autonomous Province of Trento. Taking account of the governance structure defined by the agreement, Enel Produzione will exercise a dominant influence over HDE until approval of the Financial Statements for the 2010 financial year and will therefore be able to consolidate the company on a line-by-line basis until that time.

The assets transferred to E.On were classified in the Consolidated Financial Statements at December 31, 2007 as "Assets held for sale" and "Liabilities held for sale". Following the disposal, in the condensed balance sheet at September 30, 2008, these items report the assets and liabilities in respect of renewable energy operations held by Endesa, which will be transferred to Acciona Energia, in which Endesa will hold a 49% stake following the transfer.

In the Condensed Consolidated Income Statement, the income or loss, net of the related tax effect, attributable to the assets and liabilities of Endesa Europa were reported under discontinued operations until transferred to E.On, as those assets and liabilities were acquired for the sole purpose of their resale.

During the 3rd Quarter of 2008, activities were also completed to allocate the price related to the acquisition of Nuove Energie, which took place in July 2007. This process resulted in the recognition of definitive goodwill in the amount of €26 million, based on a total value for the transaction of €29 million. Had the allocation of the price paid for the acquisition been finalized on the date of the acquisition, consolidated net income of the Group and revenues for the period would not have undergone significant changes.

As regards other acquisitions carried out during the last year (thus including the acquisitions of Endesa, OGK-5 and Electrica Muntenia Sud), the allocation of the price to the assets acquired and liabilities assumed has not yet been completed. Accordingly, the Income Statement and Balance Sheet figures shown in this Interim Financial Report do not reflect the impact that completion of this process would have.

Results by Division

The results presented in this report reflect the organizational structure in place since December 2007, which, in addition to the “Sales”, “Generation and Energy Management”, “Infrastructure and Networks” and “International” Divisions, includes two new Divisions: “Iberia and Latin America” and “Engineering and Innovation”.

Each of these Divisions, together with the “Parent Company” and the “Services and Other Activities” areas, was considered by management in assessing Group performance.

For the purposes of providing comparable figures, the data related to the corresponding periods of 2007 have been reallocated to the Divisions on the basis of the new organizational arrangements. For this reason, with respect to the information reported at September 30, 2007 and December 31, 2007, the figures for the new Engineering and Innovation Division have been drawn from the results of the Generation and Energy Management Division, while the figures for the new Iberia and Latin America Division have been taken from those of the International Division.

Results by Division for the 3rd Quarter of 2008 and 2007

3RD QUARTER OF 2008 ⁽¹⁾

Millions of euro	Sales	GEM	Eng. & Innov.	Infra. & Net.	Iberia & Latin America	Int'l	Parent Company	Services and Other Activities	Eliminations and adjustments	Total
Revenues from third parties	5,477	4,697	85	477	4,047	1,211	101	24	(133)	15,986
Revenues from other segments	42	1,700	153	1,133	9	49	71	264	(3,421)	-
Total revenues	5,519	6,397	238	1,610	4,056	1,260	172	288	(3,554)	15,986
Net income/(charges) from commodity risk management	228	(127)	-	-	33	23	(7)	-	-	150
Gross operating margin	33	1,384	2	876	1,403	198	(15)	30	(4)	3,907
Depreciation, amortization and impairment losses	59	232	1	239	309	131	14	23	-	1,008
Operating income	(26)	1,152	1	637	1,094	67	(29)	7	(4)	2,899
Net financial income/(expense) and income/(expense) from equity investments accounted for using the equity method	-	-	-	-	-	-	-	-	-	(809)
Income taxes	-	-	-	-	-	-	-	-	-	(237)
Net income from continuing operations	-	-	-	-	-	-	-	-	-	2,327
Net income from discontinued operations	-	-	-	-	-	-	-	-	-	-
Net income (Group and minority interests)	-	-	-	-	-	-	-	-	-	2,327

3RD QUARTER OF 2007 ⁽¹⁾

Millions of euro	Sales	GEM	Eng. & Innov.	Infra. & Net.	Iberia & Latin America	Int'l	Parent Company	Services and Other Activities	Eliminations and adjustments	Total
Revenues from third parties	5,434	3,347	-	118	345	661	151	32	(185)	9,903
Revenues from other segments	15	1,110	263	1,274	-	14	60	242	(2,978)	-
Total revenues	5,449	4,457	263	1,392	345	675	211	274	(3,163)	9,903
Net income/(charges) from commodity risk management	8	(68)	-	-	1	90	(1)	-	-	30
Gross operating margin	76	945	4	975	89	156	(36)	38	2	2,249
Depreciation, amortization and impairment losses	35	233	1	214	32	94	4	19	-	632
Operating income	41	712	3	761	57	62	(40)	19	2	1,617
Net financial income/(expense) and income/(expense) from equity investments accounted for using the equity method	-	-	-	-	-	-	-	-	-	(412)
Income taxes	-	-	-	-	-	-	-	-	-	500
Net income (Group and minority interests)	-	-	-	-	-	-	-	-	-	705

(1) Segment revenues in the above tables include both revenues from third parties and revenue flows between the segments. An analogous approach was taken for other income and costs for the period.

32 Results by Division for the first nine months of 2008 and 2007

FIRST NINE MONTHS OF 2008 ⁽¹⁾

Millions of euro	Sales	GEM	Eng. & Innov.	Infra. & Net.	Iberia & Latin America	Int'l	Parent Company	Services and Other Activities	Eliminations and adjustments	Total
Revenues from third parties	16,537	11,597	85	1,339	12,402	3,109	286	90	(143)	45,302
Revenues from other segments	121	5,665	693	3,573	15	171	223	752	(11,213)	-
Total revenues	16,658	17,262	778	4,912	12,417	3,280	509	842	(11,356)	45,302
Net income/(charges) from commodity risk management	395	(181)	-	-	50	(31)	(7)	-	-	226
Gross operating margin	324	3,405	7	2,884	3,839	778	(36)	111	-	11,312
Depreciation, amortization and impairment losses	201	670	2	708	1,108	356	17	66	-	3,128
Operating income	123	2,735	5	2,176	2,731	422	(53)	45	-	8,184
Net financial income/(expense) and income/(expense) from equity investments accounted for using the equity method	-	-	-	-	-	-	-	-	-	(2,228)
Income taxes	-	-	-	-	-	-	-	-	-	582
Net income from continuing operations	-	-	-	-	-	-	-	-	-	5,374
Net income from discontinued operations	-	-	-	-	-	-	-	-	-	226
Net income (Group and minority interests)	-	-	-	-	-	-	-	-	-	5,600
Operating assets	8,399	18,151	90	19,540	50,069 ⁽²⁾	14,289	1,274	2,056	(5,049)	108,819
Operating liabilities	5,820	4,372	335	5,653	9,070 ⁽³⁾	4,584	1,531	1,392	(4,287)	28,470
Capital expenditure	27	815	-	1,032	1,550	652	6	46	-	4,128

(1) Segment revenues in the above tables include both revenues from third parties and revenue flows between the segments. An analogous approach was taken for other income and costs for the year.

(2) Of which €1,528 million at September 30, 2008 (€8,792 million at December 31, 2007) regarding units classified as "Held for sale".

(3) Of which €269 million at September 30, 2008 (€2,147 million at December 31, 2007) regarding units classified as "Held for sale".

(4) At December 31, 2007.

FIRST NINE MONTHS OF 2007 ⁽¹⁾

Millions of euro	Sales	GEM	Eng. & Innov.	Infra. & Net.	Iberia & Latin America	Int'l	Parent Company	Services and Other Activities	Eliminations and adjustments	Total
Revenues from third parties	16,032	8,856	-	453	956	2,073	484	119	(213)	28,760
Revenues from other segments	37	3,311	644	3,680	3	44	176	701	(8,596)	-
Total revenues	16,069	12,167	644	4,133	959	2,117	660	820	(8,809)	28,760
Net income/(charges) from commodity risk management	(73)	2	-	-	4	68	(1)	-	-	-
Gross operating margin	191	2,850	8	2,757	274	600	(101)	135	(3)	6,711
Depreciation, amortization and impairment losses	173	697	2	634	90	292	12	60	-	1,960
Operating income	18	2,153	6	2,123	184	308	(113)	75	(3)	4,751
Net financial income/(expense) and income/(expense) from equity investments accounted for using the equity method	-	-	-	-	-	-	-	-	-	(324)
Income taxes	-	-	-	-	-	-	-	-	-	1,674
Net income (Group and minority interests)	-	-	-	-	-	-	-	-	-	2,753
Operating assets ⁽⁴⁾	8,269	17,835	120	17,611	59,113 ⁽²⁾	8,385	1,228	1,609	(3,929)	110,241
Operating liabilities ⁽⁴⁾	6,138	4,807	307	4,319	9,897 ⁽³⁾	3,712	1,221	1,354	(3,083)	28,672
Capital expenditure	24	781	-	1,001	302	369	5	36	-	2,518

(1) Segment revenues in the above tables include both revenues from third parties and revenue flows between the segments. An analogous approach was taken for other income and costs for the year.

(2) Of which €1,528 million at September 30, 2008 (€8,792 million at December 31, 2007) regarding units classified as "Held for sale".

(3) Of which €269 million at September 30, 2008 (€2,147 million at December 31, 2007) regarding units classified as "Held for sale".

(4) At December 31, 2007.

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

Millions of euro

	at Sept. 30, 2008	at Dec. 31, 2007
Total assets	127,369	123,748
Financial assets, cash and cash equivalents	10,790	8,234
Tax assets	7,760	5,273
Segment assets	108,819	110,241
- of which:		
Sales	8,399	8,269
Generation and Energy Management	18,151	17,835
Engineering and Innovation	90	120
Infrastructure and Networks	19,540	17,611
Iberia & Latin America ⁽¹⁾	50,069	59,113
International	14,289	8,385
Parent Company	1,274	1,228
Services and Other Activities	2,056	1,609
Eliminations and adjustments	(5,049)	(3,929)
Total liabilities	101,429	99,959
Loans and other financial liabilities	64,647	65,299
Tax liabilities	8,312	5,988
Segment liabilities	28,470	28,672
- of which:		
Sales	5,820	6,138
Generation and Energy Management	4,372	4,807
Engineering and Innovation	335	307
Infrastructure and Networks	5,653	4,319
Iberia & Latin America ⁽²⁾	9,070	9,897
International	4,584	3,712
Parent Company	1,531	1,221
Services and Other Activities	1,392	1,354
Eliminations and adjustments	(4,287)	(3,083)

(1) Of which €1,528 million at September 30, 2008 (€8,792 million at December 31, 2007) regarding units classified as "Held for sale".

(2) Of which €269 million at September 30, 2008 (€2,147 million at December 31, 2007) regarding units classified as "Held for sale".

Sales

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

- > Enel Servizio Elettrico and Vallenergie (the operations of the latter are limited to the Valle d'Aosta region) for the sale of electricity on the enhanced protection market;
- > Enel Energia for the sale of electricity on the free and safeguard markets and the sale of natural gas to end users;
- > Enel.si, which is responsible for engineering and franchising.

Operations

ELECTRICITY SALES

3rd Quarter				Millions of kWh	First nine months			
2008	2007	Change			2008	2007	Change	
Free market:								
9,504	4,831	4,673	96.7%	- mass market customers	23,129	12,299	10,830	88.1%
6,003	5,295	708	13.4%	- business customers ⁽¹⁾	18,137	16,209	1,928	11.9%
15,507	10,126	5,381	53.1%	Total for free market	41,266	28,508	12,758	44.8%
19,616	26,495	(6,879)	-26.0%	Greater enhanced protection and safeguard markets ⁽²⁾	62,764	78,035	(15,271)	-19.6%
35,123	36,621	(1,498)	-4.1%	TOTAL	104,030	106,543	(2,513)	-2.4%

(1) Supplies to large customers and large-scale power users (annual consumption greater than 1 GWh).

(2) Sales on the safeguard market are included in the free market beginning on May 1, 2008 (for 2,900 million kWh, of which 1,876 million kWh in the 3rd Quarter of 2008).

Electricity sold on the free market in the first nine months of 2008 amounted to 41.3 TWh, an increase of 12.8 TWh with respect to the corresponding period of the previous year, largely as a result of the increased openness of the market, which led, conversely, to a fall in the volume of sales on the enhanced protection and safeguard markets (down 15.3 TWh). The decline in the volume of sales on the regulated markets in the 3rd Quarter of 2008 reflects the allocation of a number of safeguard market customers to other suppliers through auctions held on a geographical basis beginning on May 1, 2008.

NATURAL GAS SALES

3rd Quarter				Millions of m ³	First nine months			
2008	2007	Change			2008	2007	Change	
202	167	35	21.0%	Mass market customers ⁽¹⁾	2,045	1,639	406	24.8%
464	344	120	34.9%	Business customers	1,906	1,259	647	51.4%
666	511	155	30.3%	Total	3,951	2,898	1,053	36.3%

(1) Includes residential customers and microbusinesses.

Gas sales in the first nine months of 2008 totaled 3,951 million cubic meters, an increase of 1,053 million cubic meters compared with the corresponding period of 2007; the increase in the 3rd Quarter was 155 million cubic meters. Sales were boosted by the favorable climatic conditions, with temperatures in the early months of 2008 considerably lower than in the corresponding period of 2007, and by the increase in mass-market customers.

Performance

3rd Quarter			Millions of euro	First nine months		
2008	2007	Change		2008	2007	Change
5,519	5,449	70	Revenues	16,658	16,069	589
228	8	220	Net income/(charges) from commodity risk management	395	(73)	468
33	76	(43)	Gross operating margin	324	191	133
(26)	41	(67)	Operating income	123	18	105
			Operating assets	8,399	8,269 ⁽¹⁾	130
			Operating liabilities	5,820	6,138 ⁽¹⁾	(318)
			Employees at period-end (no.)	4,603	4,772 ⁽¹⁾	(169)
			Capital expenditure	27	24	3

(1) At December 31, 2007.

Performance in the 3rd Quarter

Total *revenues* in the 3rd Quarter of 2008 came to €5,519 million, an increase of €70 million with respect to the 3rd Quarter of 2007 (+1.3%), which was largely the result of an increase of €76 million in revenues from gas sales generated mainly by growth both in the number of customers and in volumes (an increase of 155 million cubic meters).

The *gross operating margin* amounted to €33 million, a decline of €43 million or 56.6% compared with €76 million in the 3rd Quarter of 2007. The fall is ascribable to:

- > the negative effects of the measurement of hedging instruments used for commodity risk management, as well as higher operating costs of €58 million not directly attributable to products sold;
- > a fall of €26 million in the margin on gas sales to end users, despite an increase in the volume of sales;
- > a decline of €14 million in the margin on electricity sales to the regulated markets, mainly as a result of a fall in sale volumes;
- > a €55 million increase in the electricity margin on the free market, essentially related to the higher volumes sold and the gains achieved from commodity risk management.

The *operating result* showed a loss of €26 million, a deterioration of €67 million with respect to the corresponding period of the previous year. The result reflects not only the decline in the gross operating margin, but also higher depreciation, amortization and impairment losses on trade receivables (€26 million).

Performance in the first nine months

Revenues totaled €16,658 million in the first nine months of 2008, an increase of €589 million or 3.7% over the same period of 2007, due to the following factors:

- > an increase of €412 million in revenues on the gas market mainly in connection with an increase in sales volumes (up 1,053 million cubic meters), thanks to lower temperatures in the 1st Quarter of 2008 and the rise in the average number of customers;
- > an increase of €140 million in revenues from electricity sales, mainly as a result of the larger volume of sales to the free market and a rise in average sale prices, which more than made up for the fall in sales to the enhanced protection and

The *gross operating margin* amounted to €324 million, an increase of €133 million compared with €191 million in the first nine months of 2007 (up 69.6%).

The increase is ascribable to:

- > an increase of €101 million in the margin on sales of electricity to the regulated market, mainly accounted for by the containment of operating costs, an increase of €31 million in the electricity margin, the positive impact (€19 million) of prior-year items relating to the purchase and sale of electricity in previous financial years, and the recognition in 2007 of a charge relating to a fine of €12 million levied with Resolution no. 66/07;
- > an increase of €137 million in the margin on electricity sales to the free market, mostly as a result of higher sales volumes, the improved margins on the customer portfolio and the positive performance of commodity risk management;
- > a decrease of €23 million in the margin on gas sales to end users, which were impacted by higher average provisioning and transport costs, which more than offset the increase in volumes sold;
- > an increase of €82 million in operating costs not directly attributable to products, mainly in connection with the commercial unit responsible for managing electricity and gas customers in the free market, the negative effect of the measurement of hedging instruments used for commodity risk management, and other prior-year items.

Operating income, after depreciation, amortization and impairment losses in the amount of €201 million (€173 million for the same period of the previous year), came to €123 million, increasing by €105 million compared with the first nine months of 2007.

Capital expenditure

Capital expenditure totaled €27 million, up €3 million compared with the first nine months of 2007.

Generation and Energy Management

The Generation and Energy Management Division operates in the field of electricity generation and energy products. Its main activities are as follows:

- > the generation and sale of electricity:
 - electricity generation in Italy, through Enel Produzione and Hydro Dolomiti Enel (the operations of the latter are limited to the Province of Trento);
 - trading on international and domestic markets, through Enel Trade;
- > the supply and sale of energy products, through Enel Trade:
 - provisioning for all of the Group's needs;
 - the sale of natural gas to distributors;
- > the development of projects for the storage of natural gas, through Enel Stoccaggi.

Operations

NET ELECTRICITY GENERATION (DOMESTIC)

3rd Quarter				Millions of kWh	First nine months			
2008	2007	Change			2008	2007	Change	
17,922	16,499	1,423	8.6%	Thermal	48,918	48,606	312	0.6%
7,367	5,945	1,422	23.9%	Hydroelectric	19,880	17,015	2,865	16.8%
1,285	1,286	(1)	-0.1%	Geothermal	3,940	3,901	39	1.0%
71	94	(23)	-24.5%	Other resources	345	340	5	1.5%
26,645	23,824	2,821	11.8%	Total net generation	73,083	69,862	3,221	4.6%

In the first nine months of 2008, net electricity generation was 73.1 TWh, an increase of 4.6% compared with the corresponding period of 2007. In particular, hydroelectric output rose by 16.8% thanks to improved water availability, especially in the 2nd and 3rd Quarters of 2008 (with an increase of 23.9% in the 3rd Quarter).

CONTRIBUTION TO GROSS THERMAL GENERATION

3rd Quarter						Millions of kWh	First nine months					
2008		2007		Change			2008		2007		Change	
468	2.5%	668	3.8%	(200)	-29.9%	High-sulfur fuel oil (S>0.25%)	1,736	3.3%	1,882	3.6%	(146)	-7.8%
785	4.1%	685	3.9%	100	14.6%	Low-sulfur fuel oil (S<0.25%)	2,337	4.5%	2,840	5.5%	(503)	-17.7%
1,253	6.6%	1,353	7.7%	(100)	-7.4%	Total fuel oil	4,073	7.8%	4,722	9.1%	(649)	-13.7%
9,727	51.1%	9,232	52.4%	495	5.4%	Natural gas	24,614	47.3%	24,856	48.0%	(242)	-1.0%
7,926	41.7%	6,931	39.3%	995	14.4%	Coal	23,061	44.3%	21,995	42.4%	1,066	4.8%
123	0.6%	104	0.6%	19	18.3%	Other fuels	284	0.6%	254	0.5%	30	11.8%
19,029	100.0%	17,620	100.0%	1,409	8.0%	Total	52,032	100.0%	51,827	100.0%	205	0.4%

As regards the fuel mix used in gross thermal generation, the two periods under examination saw an increase in coal-powered generation, which was partly offset by the reduced use of fuel oil and natural gas.

Coal generation refers in particular to the increased availability, with respect to 2007, of the Brindisi Sud and Fusina plants, whose greater output also made up for the reduced utilization of smaller capacity plants. The decline in generation using natural gas reflects the lower operating levels required for the traditional

oil/gas plants, whose lower output was partly made up for by a significant increase in output from combined-cycle plants following the entry into service of the revamped section 6 of the Termini Imerese plant as part of the new structure of the Group, as well as by an increased use of plants located in northern Italy. Generation from fuel oil declined as a result of the reduced competitiveness of traditional plants, which impacted negatively on low-sulfur fuel oil.

Performance

3rd Quarter			Millions of euro	First nine months		
2008	2007	Change		2008	2007	Change
6,397	4,457	1,940	Revenues	17,262	12,167	5,095
(127)	(68)	(59)	Net income/(charges) from commodity risk management	(181)	2	(183)
1,384	945	439	Gross operating margin	3,405	2,850	555
1,152	712	440	Operating income	2,735	2,153	582
			Operating assets	18,151	17,835 ⁽¹⁾	(316)
			Operating liabilities	4,372	4,807 ⁽¹⁾	(435)
			Employees at period-end (no.)	8,262	8,432 ⁽¹⁾	(170)
			Capital expenditure	815	781	34

(1) At December 31, 2007.

Performance in the 3rd Quarter

Revenues in the 3rd Quarter of 2008 came to €6,397 million, an increase of €1,940 million (up 43.5%) over the same period of 2007, the leading causes of which were the following:

- > an increase of €657 million sales of electricity for the free market, as a result of an increase in the volumes sold directly to resellers operating in the same market (up 3.3 TWh) and higher electricity sales to the Sales Division (up 2.3 TWh);
- > an increase of €634 million in revenues from sales on the Power Exchange, essentially attributable to the rise in average sales prices and the increase in quantities sold (0.8 TWh);
- > the recognition in the 3rd Quarter of 2008 of the capital gain of €323 million made on the sale of 51% of Hydro Dolomiti Enel;
- > an increase of €236 million in revenues from energy trading on international markets, a reflection of the increase in the volumes traded (up 0.6 TWh);
- > an increase of €82 million in revenues from fuel trading, resulting from a €71 million increase in gas sales and an €11 million increase in the sales of other fuels.

The *gross operating margin* totaled €1,384 million, an increase of €439 million (up 46.5%) compared with €945 million in the 3rd Quarter of 2007. The increase is largely attributable to the positive impact on income of the sale of 51% of Hydro Dolomiti Enel for €323 million and to an improved margin on power generation resulting both from higher average sales prices and from a shift in the generation mix, with a significant increase in hydroelectric output. The effect was partially offset by the loss on commodity risk management.

Operating income came to €1,152 million, an increase of €440 million (up 61.8%) compared with the 3rd Quarter of 2007, which is substantially consistent with the scale of the increase in the gross operating margin.

Performance in the first nine months

Revenues in the first nine months of 2008 amounted to €17,262 million, an increase of €5,095 million (up 41.9%) with respect to the corresponding period of 2007.

The increase can be attributed to the following factors:

- > an increase of €2,589 million in electricity sales to the free market, mainly as a result of higher electricity sales to the Sales Division (up 16.4 TWh), as well as an increase in the volumes sold directly to resellers operating in the same market (up 7.8 TWh);
- > an increase of €1,068 million in revenues from sales on the Power Exchange, mainly as an effect of the increase in average sale prices, which more than made up for a fall in volumes sold (down 1.4 TWh);
- > an increase of €624 million in revenues from energy trading on international markets, reflecting the increase in the volumes traded (up 2.5 TWh);
- > an increase of €500 million in revenues from fuel trading resulting from a €462 million increase in revenues from gas sales, essentially relating to an increase in the quantities traded (up 0.7 billion cubic meters) and a rise in unit sales prices, as well as a €38 million increase in sales of other fuels;
- > the recognition in 2008 of the capital gain made on the sale of 51% of Hydro Dolomiti Enel for €323 million.

The *gross operating margin* came to €3,405 million, an increase of €555 million (up 19.5%) compared with €2,850 million in the first nine months of 2007.

In addition to including the positive effect of the sale of Hydro Dolomiti Enel, the increase is essentially due to an improvement in the margin on generation brought about by a change in the generation mix, which saw a significant increase in the use of hydro generation thanks to favorable water availability, in an environment of rising prices for both fuel and electricity. The results were partly offset by the loss on commodity risk management.

Operating income came to €2,735 million, showing an increase of €582 million (up 27.0%) with respect to the first nine months of 2007. This increase is largely the result of the larger gross operating margin and was further boosted by a reduction in depreciation expense (down €27 million) largely as a result of the full depreciation of a number of plants.

Capital expenditure

Capital expenditure came to €815 million, €812 million of which for generation plants. The main investments in the nine-month period concerned the continuation of projects on thermal plants in the amount of €526 million (including the coal conversion of the Torrevaldaliga Nord plant for €408 million), the refurbishing and repowering of various hydroelectric plants for €104 million, the construction and completion of new wind plants for €85 million and new drilling and development work at geothermal generation plants for €65 million.

The mission of the Engineering and Innovation Division is to serve the Group by managing the engineering processes related to the development and construction of power plants, ensuring achievement of the quality, temporal and financial objectives set for it. The Division also coordinates and supplements the Group's research activities, ensuring the scouting, development and leveraging of innovation opportunities in all Group business areas, with a special focus on the development of major environmental initiatives.

Performance

3rd Quarter			Millions of euro	First nine months		
2008	2007	Change		2008	2007	Change
238	263	(25)	Revenues	778	644	134
2	4	(2)	Gross operating margin	7	8	(1)
1	3	(2)	Operating income	5	6	(1)
			Operating assets	90	120 ⁽¹⁾	(30)
			Operating liabilities	335	307 ⁽¹⁾	28
			Employees at period-end (no.)	975	881 ⁽¹⁾	94

(1) At December 31, 2007.

Performance in the 3rd Quarter

Revenues in the 3rd Quarter of 2008 came to €238 million, a decrease of €25 million or 9.5% over the same period of 2007. The decline is mainly attributable to the gradual reduction in activities performed for the Generation and Energy Management Division as a result of the completion of the Torrealvaldiga Nord plant, partly offset by an increase in revenues from EnelViesgo Generación (today E.On España), mainly in relation to the Escatron plant.

The *gross operating margin* amounted to €2 million in the 3rd Quarter of 2008, a fall of €2 million.

Performance in the first nine months

Revenues in the first nine months of 2008 came to €778 million, an increase of €134 million or 20.8% over the same period of 2007. The increase refers mainly to the increase in the Division's work with:

- > EnelViesgo Generación (today E.On España) in the amount of €78 million in relation work on developing the thermal plants at Escatron, Algeciras and Puente Nuevo;
- > the Generation and Energy Management Division for €37 million, which includes €43 million in higher revenues from the reconversion of the Torrealvaldiga Nord plant to coal;
- > the International Division for €19 million, mainly relating to the development of the combined cycle plant in Greece (€11 million), the feasibility studies for a number of plants in Russia (€3 million) and work under way at the thermal plant in Bulgaria (€4 million).

The *gross operating margin* amounted to €7 million in the first nine months of 2008, a result substantially in line with that for the corresponding period of the previous year.

Infrastructure and Networks

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

The activities are carried out by:

- > Enel Distribuzione and Deval (the operations of the latter are limited to the Valle d'Aosta region) for the distribution of electricity;
- > Enel Rete Gas for the distribution of gas;
- > Enel Sole for public and artistic lighting.

Operations

TRANSPORT OF ELECTRICITY AND NATURAL GAS

3rd Quarter				First nine months			
2008	2007	Change		2008	2007	Change	
65,808	64,009	1,799	2.8%	194,321	192,615	1,706	0.9%
Electricity transported on Enel's distribution network (millions of kWh) ⁽¹⁾							
Gas transported (millions of cubic meters):							
236	242	(6)	-2.5%	1,949	1,752	197	11.2%
126	108	18	16.7%	464	435	29	6.7%
362	350	12	3.4%	2,413	2,187	226	10.3%
For Enel Group companies							
For third parties							
Total gas transported							

(1) The figure for 2007 has been updated to take account of the more accurate calculation of amounts transported.

The volume of electricity transported in the first nine months of 2008 rose by 0.9% compared with the same period of 2007, which is in line with the trend in demand for electricity on the domestic grid, which rose most sharply in the 3rd Quarter. The increase in the volume of gas transported, around 10.3%, is ascribable to increased demand from end users, which in part reflected the different climatic conditions in Italy in the early months of 2008, during which average temperatures fell with respect to the same period of the previous year.

3rd Quarter			Millions of euro	First nine months		
2008	2007	Change		2008	2007	Change
Electricity						
1,574	1,348	226	Revenues	4,722	3,920	802
876	963	(87)	Gross operating margin	2,802	2,646	156
661	772	(111)	Operating income	2,165	2,080	85
Gas						
36	44	(8)	Revenues	190	213	(23)
-	12	(12)	Gross operating margin	82	111	(29)
(24)	(11)	(13)	Operating income	11	43	(32)
Total						
1,610	1,392	218	Revenues	4,912	4,133	779
876	975	(99)	Gross operating margin	2,884	2,757	127
637	761	(124)	Operating income	2,176	2,123	53
			Operating assets	19,540	17,611 ⁽¹⁾	1,929
			Operating liabilities	5,653	4,319 ⁽¹⁾	1,334
			Employees at period-end (no.)	21,973	22,710 ⁽¹⁾	(737)
			Capital expenditure	1,032	1,001	31

(1) At December 31, 2007.

Performance in the 3rd Quarter

Revenues in the 3rd Quarter of 2008 totaled €1,610 million, an increase of €218 million compared with the corresponding period of 2007 (up 15.7%) due to the following factors:

- > an increase of €226 million in revenues from the electricity network, €235 million of which resulting from new regulations on the transmission of electricity introduced by Decree Law 73/07 and related measures subsequently issued by the Authority for Electricity and Gas, under which the cost component for transport activities is to be paid to distribution companies;
- > a decrease of €8 million in revenues from the gas distribution network, essentially associated with the recognition in the 3rd Quarter of 2007 of capital gains from the sale of a number of local gas distribution networks.

The gross operating margin totaled €876 million, a decrease of €99 million or 10.2% due to:

- > a decline of €87 million in the margin on the electricity network, of which a decrease of €59 million in the margin on transport, largely reflecting the effects of the recognition in the 3rd Quarter of 2007 of €51 million for electricity metering services, as well as an increase in other operating costs;
- > a decrease of €12 million in the margin of the gas distribution network due primarily to the same factors mentioned above in relation to revenues.

Operating income, net of depreciation, amortization and impairment losses totaling €239 million (€214 million in the 3rd Quarter of 2007), amounted to €637 million, a decrease of €124 million or 16.3% with respect to the same period of 2007.

Performance in the first nine months

Revenues in the first nine months of 2008 totaled €4,912 million, an increase of €779 million compared with the corresponding period of 2007 (up 18.8%) due to the following factors:

- > an increase of €802 million in revenues from the electricity network, most of which (€700 million) relate to the new rules for the transmission of electricity already mentioned in the note on revenues for the 3rd Quarter, a rise in the volumes transported (up 1.7 TWh) and the positive contribution of prior-year items referring to transport in previous financial years;
- > a decline of €23 million in revenues from the gas distribution network, essentially a reflection of the recognition in the 1st Half of 2007 of positive prior-year items referring to transport for the 2004-2006 period (€35 million), the effects of which were partially offset by the increase in volumes transported and the unit transport rates. Another factor was the capital gain recognized in the 3rd Quarter of 2007 on the sale of a number of local gas distribution networks.

The *gross operating margin* totaled €2,884 million, an increase of €127 million or 4.6% due to:

- > an improvement of €156 million from the electricity network, essentially composed of an increase of €8 million in the electricity margin, mainly attributable to an increase in the volumes transported, a recalculation of electricity items for 2005 and 2006 following the realignment of withdrawal points on the high-voltage network (€134 million), and a reduction in operating costs mainly attributable to human resource management;
- > a decrease of €29 million in the margin of the gas distribution network, due primarily to the effect of prior-year items related to transport for 2004, 2005 and 2006 and capital gains made on the sale of a number of local gas distribution networks as already mentioned in the section on revenues, which was partially offset by the increase in the margin associated with the rise in quantities transported.

Total *operating income*, after depreciation, amortization and impairment losses in the amount of €708 million (€634 million for the first nine months of 2007, the increase being attributable to the higher depreciation costs of the electricity distribution networks), came to €2,176 million, an increase of €53 million over the same months of 2007 (up 2.5%).

Capital expenditure

Capital expenditure in the first nine months of 2008 amounted to €1,032 million, which includes €856 million related to work on the electricity distribution network aimed primarily at enhancing service quality, and €58 million in investments for the natural gas distribution network.

The Iberia and Latin America Division focuses on developing Enel's presence and coordinating its operations in the electricity and gas markets of Spain, Portugal and Latin America, formulating growth strategies in the related regional markets. The Division's chief geographical areas of operation are:

- > the Iberian peninsula, where the Division is engaged in power generation (Enel Unión Fenosa Renovables) in Spain;
- > Latin America, where it is engaged in generating power from renewable resources (Enel Latin America, Enel Panama Holding – formerly Enel Fortuna, Enel Panama and Inelec).

In 2008, the figures for the Division also include the performance and financial data pertaining to the Endesa Group, which operates in Spain, Portugal and Latin America (especially Chile, Colombia, Brazil, Argentina and Peru) in the generation, distribution and sale of electricity and gas, as well as other activities connected with its core business, and those pertaining to Enel Viesgo Generación, Enel Viesgo Servicios, Electra de Viesgo Distribución and the equity investments held by these firms up to the date they were sold to E.On and consequently deconsolidated.

To facilitate a comparative analysis of the two periods, and considering the different period of consolidation for Endesa, the Division results attributable to Endesa are reported separately.

Operations

NET ELECTRICITY GENERATION

3rd Quarter		Millions of kWh			First nine months			
2008		2007	Change		2008		2007	Change
	<i>of which Endesa</i>					<i>of which Endesa</i>		
13,349	13,349	1,156	12,193	Thermal	39,454	38,605	3,138	36,316
4,152	4,152	-	4,152	Nuclear	13,624	13,624	-	13,624
9,106	8,197	961	8,145	Hydroelectric	24,646	21,658	2,948	21,698
517	364	124	393	Wind power	1,817	1,327	451	1,366
73	42	30	43	Other resources	221	123	87	134
27,197	26,104	2,271	24,926	Total net generation	79,762	75,337	6,624	73,138

Net generation for the Iberia and Latin America Division in the first nine months of 2008 totaled 79,762 million kWh, an increase of 73,138 million kWh on the same period of 2007. This increase includes 75,337 million kWh for Endesa, which is essentially made up of 44,549 million kWh for the Iberian peninsula (of which 25,222 million kWh from thermal generation and 13,624 million kWh from nuclear generation) and 30,322 million kWh for Latin America (of which 17,374 million kWh from hydroelectric generation and 12,934 million kWh from thermal generation). The change for the period is also attributable to the 271 million kWh increase in hydroelectric power generation in the Republic of Panama, due primarily to the favorable water availability, as well as the 169 million kWh increase in Mexico related to the Inelec acquisition. The increases were partially offset by a decline in net generation by the other Spanish companies (2,738 million kWh), largely associated with the shutdown (from January 1, 2008) of the Puente Nuevo power plant for restructuring work, the deterioration in water availability in Spain during the 1st Half of 2008 compared with the corresponding period of the previous year and the sale of Enel Viesgo Generación in June 2008.

3rd Quarter					Millions of kWh		First nine months				
2008			2007	Change			2008		2007	Change	
		<i>of which: Endesa</i>									
1,581	8.7%	1,581	-	-	1,581	High-sulfur fuel oil (S>0.25%)	4,578	8.3%	4,578	-	4,578
146	0.8%	146	-	-	146	Low-sulfur fuel oil (S<0.25%)	392	0.7%	392	-	392
1,727	9.5%	1,727	-	-	1,727	Total fuel oil	4,970	9.0%	4,970	-	4,970
5,770	31.9%	5,770	-	-	5,770	Natural gas	16,014	28.9%	15,855	9	0.3%
5,588	30.9%	5,588	1,285	100.0%	4,303	Coal	16,943	30.4%	16,160	3,482	99.7%
4,327	23.9%	4,327	-	-	4,327	Nuclear fuel	14,196	25.6%	14,196	-	14,196
693	3.8%	693	-	-	693	Other fuels	3,361	6.1%	3,361	-	3,361
18,105	100.0%	18,105	1,285	100.0%	16,820	TOTAL	55,484	100.0%	54,542	3,491	100.0%

The fuel mix used in thermal generation in the first nine months of 2008 was heavily influenced by the consolidation of Endesa.

ELECTRICITY SALES TO END USERS

3rd Quarter					Millions of kWh		First nine months			
2008			2007	Change			2008		2007	Change
		<i>of which Endesa</i>								
Free market:										
9,215	9,215	246	8,969	-	Iberian peninsula	23,674	23,244	607	23,067	
1,522	1,522	-	1,522	-	Latin America	3,500	3,500	-	3,500	
10,737	10,737	246	10,491		Total free market	27,174	26,744	607	26,567	
Regulated market:										
9,614	9,614	927	8,687	-	Iberian peninsula	34,567	32,553	2,965	31,602	
6,362	6,362	-	6,362	-	Latin America	19,844	19,844	-	19,844	
15,976	15,976	927	15,049		Total regulated market	54,411	52,397	2,965	51,446	
26,713	26,713	1,173	25,540		TOTAL	81,585	79,141	3,572	78,013	
18,829	18,829	1,173	17,656	-	- of which Iberian peninsula	58,241	55,797	3,572	54,669	
7,884	7,884	-	7,884	-	- of which Latin America	23,344	23,344	-	23,344	

Electricity sales to end users by the Iberia and Latin America Division in the first nine months of 2008 totaled 81,585 million kWh, an increase of 78,013 million kWh over the same period of 2007. The contribution of the consolidation of Endesa, equal to 79,141 million kWh, is essentially composed of 55,797 million kWh in sales in the Iberian peninsula (of which 32,553 million kWh on the regulated market and 23,244 million kWh on the free market), and 23,344 million kWh in sales in Latin America (of which 19,844 million kWh on the regulated market and 3,500 million kWh on the free market).

The result was impacted by a fall of €1,129 million in sales by the other Spanish companies, essentially in connection with the sale of Enel Viesgo Distribución and Enel Viesgo Energía.

3rd Quarter				Millions of euro	First nine months			
2008		2007	Change		2008		2007	Change
	<i>of which Endesa</i>					<i>of which Endesa</i>		
4,056	3,956	345	3,711	Revenues	12,417	11,426	959	11,458
33	33	1	32	Net income/(charges) from commodity risk management	50	39	4	46
1,403	1,336	89	1,314	Gross operating margin	3,839	3,702	274	3,565
1,094	1,039	57	1,037	Operating income	2,731	2,837	184	2,547
				Operating assets ⁽²⁾	50,069		59,113 ^{(1) (2)}	(9,044)
				Operating liabilities ⁽³⁾	9,070		9,897 ^{(1) (3)}	(827)
				Employees at period-end (no.) ⁽⁴⁾	18,261		20,226 ^{(1) (4)}	(1,965)
				Capital expenditure ⁽⁵⁾	1,550		302	1,248

(1) At December 31, 2007.

(2) Of which €1,528 million at September 30, 2008 (€8,792 million at December 31, 2007) regarding units classified as "Held for sale".

(3) Of which €269 million at September 30, 2008 (€2,147 million at December 31, 2007) regarding units classified as "Held for sale".

(4) Of which 123 at September 30, 2008 (2,614 at December 31, 2007) in units classified as "Held for sale".

(5) Does not include capital expenditure by units classified as "Held for sale" in the amount of €678 million in the first nine months of 2008 (€0 in the 1st Half of 2007).

Performance in the 3rd Quarter

Revenues in the 3rd Quarter of 2008 show an increase of €3,711 million, which reflects the combined effect of the consolidation of Endesa (up €3,956 million) and the lower revenues generated by other companies in the Division (down €245 million). In particular:

- > Endesa revenues in the 3rd Quarter of 2008 amounted to €3,956 million, divided between the Iberian peninsula (€2,632 million) and Latin America (€1,324 million). Specifically, the revenues from the Iberian peninsula derive from generation activities in the amount of €1,588 million and electricity distribution and sales in the amount of €466 million. The revenues for Latin America include €841 million in revenues from the distribution and sale of electricity;
- > the decrease in revenues from other companies in the Division is associated (in the amount of €283 million) with the sale to E.On of Enel Viesgo Generación, Enel Viesgo Servicios and Electra de Viesgo Distribución along with the equity holdings of these three companies and with the acquisition of Inelec (€8 million). The adverse impact of the net change in the scope of consolidation was partly offset by an increase of €20 million in revenues in the Republic of Panama and the rest of Latin America and by an increase of €10 million in revenues from Enel Unión Fenosa Renovables.

The gross operating margin totaled €1,403 million, up €1,314 million with respect to the 3rd Quarter of 2007, €1,336 million of which is related to the positive effect of the Endesa consolidation, which was partially offset by a €22 million decrease in the gross operating margin of the other companies of the Division. More specifically:

- > the gross operating margin attributable to the consolidation of Endesa breaks down between the Iberian Peninsula (€785 million) and Latin America (€551 million). The gross operating margin from the Iberian peninsula was mostly derived from generation activities (€385 million) and the distribution and sale of electricity (€262 million). The gross operating margin for Latin America includes electricity generation in the amount of €336 million;
- > the gross operating margin of the other companies of the Division declined by €22 million due primarily to the net change in the scope of consolidation

associated with the sales to E.On (down €54 million) and the acquisition of Inelec (up €5 million). The negative impact was softened by improved margins achieved by the Panamanian and other Latin American companies (up €17 million) and by Unión Fenosa Renovables (up €6 million).

Operating income for the 3rd Quarter of 2008 totaled €1,094 million, up €1,037 million with respect to the same period of 2007. This performance can be attributed to the acquisition and consolidation of Endesa (€1,039 million), which was partially offset by a decline in operating income for the other companies in the Division (down €2 million).

Operating income attributable to Endesa included €587 million from the Iberian peninsula and €452 million from Latin America. The operating income from the Iberian peninsula was mainly accounted for by generation activities (€314 million) and the distribution and sale of electricity (€165 million). Operating income for Latin America mainly refers to electricity generation (€285 million).

Performance in the first nine months

Revenues in the first nine months of 2008 show an increase of €11,458 million, which reflects the combined effect of the consolidation of Endesa (up €11,426 million) and higher revenues generated by the other companies in the Division (up €32 million). More specifically:

- > Endesa revenues in the first nine months of 2008 amounted to €11,426 million and consist of revenues from the Iberian peninsula in the amount of €7,236 million and those from Latin America in the amount of €4,190 million. For the most part, the revenues from the Iberian peninsula derive from generation activities in the amount of €4,321 million and electricity distribution and sales in the amount of €1,409 million. Revenues from Latin America included those from the distribution and sale of electricity (€2,477 million) and generation activities (€1,713 million);
- > the higher revenues of other companies in the Division reflect stronger sales in the Republic of Panama and the rest of Latin America (up €44 million), mainly because of favorable water conditions, and the inclusion of Inelec in the scope of consolidation (€15 million). These factors were partially offset by lower electricity sales by the Spanish companies in connection with the deconsolidation and sale to E.On of Enel Viesgo Generación, Enel Viesgo Servicios and Electra de Viesgo Distribución, along with their equity investments, net of an increase in revenues from fuel trading activities by Enel Viesgo Generación until the date of its deconsolidation.

The *gross operating margin* totaled €3,839 million, up €3,565 million with respect to the first nine months of 2007, €3,702 million of which is related to the Endesa consolidation, partially offset by a €137 million decrease in the gross operating margin of the other companies of the Division. More specifically:

- > the gross operating margin attributable to the consolidation of Endesa breaks down into €2,238 million from the Iberian Peninsula and €1,464 million from Latin America. The gross operating margin from the Iberian peninsula was largely produced by generation activities (€1,165 million) and the distribution and sale of electricity (€759 million). The largest share of the gross operating margin for Latin America is accounted for by electricity generation in the amount of €840 million;
- > the gross operating margin of the other companies of the Division decreased by €137 million owing largely to the negative impact (€109 million) of the sale

of formerly consolidated companies to E.On, as described above, and to the net change in the scope of consolidation with the deconsolidation of these companies and the consolidation of Inelec (resulting in a net decrease of €79 million, which also includes the lower margin realized in the 1st Half of the year). The negative effects mentioned above were mitigated by improved margins realized by the Panamanian and other Latin American companies (up €32 million) and by Enel Unión Fenosa Renovables (up €16 million).

Operating income for the first nine months of 2008 totaled €2,731 million, up €2,547 million with respect to the same period of 2007. This performance is essentially attributable to the acquisition and consolidation of Endesa (€2,837 million), which was partially offset by a decline in operating income for the other companies in the Division (down €290 million). The latter decline includes an adjustment of €168 million recognized in the 1st Quarter of 2008 in the value of net assets held for sale of the Viesgo Group to be transferred to E.On, as well as a loss of €109 million that was recognized at the time of the sale.

Of total Endesa operating income, €1,672 million was attributable to the Iberian peninsula and €1,165 million to Latin America. The gross operating margin from the Iberian peninsula was mostly derived from generation activities (€909 million) and the distribution and sale of electricity (€496 million). The gross operating margin for Latin America relates mostly to electricity generation, in the amount of €686 million.

Capital expenditure

Capital expenditure totaled €1,550 million, €1,400 million of which is attributable to Endesa, and shows an increase of €1,248 million with respect to the first nine months of 2007. Endesa's capital expenditure is related primarily to work on the electricity distribution network (€669 million) and thermal plants (€424 million). Capital expenditure in the first nine months of 2008 for the other companies of the Division refers mainly to the work by Enel Unión Fenosa Renovables on its renewable energy plants.

International

The mission of the International Division is to support Enel's strategies for international growth, as well as to manage and integrate the foreign businesses not included in the Iberian and Latin American Division, monitoring and developing business opportunities that should present themselves on the electricity and gas markets.

The chief geographical areas of operation for this Division are:

- > central Europe, where the Division is active in energy sales, wind generation and plant development in France (Enel France and Enel Erelis), power generation in Slovakia (Slovenské elektrárne) and development of thermal capacity in Belgium (Marcinelle Energie);
- > southeastern Europe, with power generation and support activities in Bulgaria (Enel Maritza East 3, Enel Green Power Bulgaria – formerly Enel Maritza East 4 – and Enel Operations Bulgaria) and Romania (Enel Productie – formerly Global Power Investment), electricity distribution, sales and support activities in Romania (Enel Distributie Banat, Enel Distributie Dobrogea, Enel Energie, Enel Distributie Muntenia, Enel Energie Muntenia, Enel Romania, and Enel Servicii Comune), development of thermal plants (Enelco) and management of wind and hydroelectric plants in Greece (International Windpower, Wind Parks of Thrace, International Wind Parks of Thrace, International Wind Parks of Crete and Hydro Constructional) and Romania (Blue Line);
- > Russia, with upstream activities in the gas industry (SeverEnergia), energy trading and sales (RusEnergosbyt), and power generation and sales (OGK-5) in the Russian Federation;
- > North America, where it is engaged in generating power from renewable resources (Enel North America).

Operations

NET ELECTRICITY GENERATION

3rd Quarter					First nine months			
2008	2007	Change		Millions of kWh	2008	2007	Change	
11,677	1,704	9,973	-	Thermal	17,944	4,811	13,133	-
3,505	3,149	356	11.3%	Nuclear	11,325	10,681	644	6.0%
1,150	1,010	140	13.9%	Hydroelectric	4,048	3,620	428	11.8%
197	30	167	-	Wind power	624	128	496	-
49	58	(9)	-15.5%	Other resources	165	164	1	0.6%
16,578	5,951	10,627	178.6%	Total net generation	34,106	19,404	14,702	75.8%

Net generation for the International Division for the first nine months of 2008 totaled 34,106 million kWh, an increase of 14,702 million kWh compared with the equivalent period of 2007. The growth was especially pronounced in the 3rd Quarter, which saw an increase of 10,627 million kWh.

This performance is largely ascribable to the change in the scope of consolidation with the acquisition of OGK-5 in the 2nd Quarter of 2008 (up 12,963 million kWh in the first nine months, of which 10,181 million kWh in the 3rd Quarter of 2008), an increase of 924 million kWh in generation in Slovakia (of which 644 million kWh from nuclear power), an increase of 179 million kWh in Bulgaria thanks to the expansion of the Maritza plant, and an increase of 477 million kWh in North

CONTRIBUTION TO GROSS THERMAL GENERATION

3rd Quarter					Millions of kWh	First nine months				
2008		2007		Change		2008		2007		Change
74	0.5%	-	-	74	High-sulfur fuel oil (S>0.25%)	86	0.3%	-	-	86
6,002	36.9%	-	-	6,002	Natural gas	7,289	23.0%	-	-	7,289
6,388	39.2%	1,962	36.3%	4,426	Coal	12,072	38.0%	5,541	32.3%	6,531
3,812	23.4%	3,436	63.7%	376	Nuclear fuel	12,277	38.7%	11,611	67.7%	666
16,276	100.0%	5,398	100.0%	10,878	Total	31,724	100.0%	17,152	100.0%	14,572

Gross thermal generation reflects the consolidation of OGK-5, which generated 13,669 million kWh, of which 7,289 million kWh from natural gas, 6,294 million kWh from coal and 86 million kWh from fuel oil.

As regards the mix of fuels used by the other companies of the International Division in thermal generation for the first nine months of 2008, Enel Maritza East 3 increased its coal consumption and Slovenské elektrárne increased its use of nuclear fuel as they increased output.

ELECTRICITY SALES

3rd Quarter				Millions of kWh	First nine months			
2008	2007	Change			2008	2007	Change	
Free market:								
312	174	138	79.3%	- Romania	660	496	164	33.1%
230	104	126	121.2%	- France	731	288	443	153.8%
4,125	3,824	301	7.9%	- Russia	12,751	13,118	(367)	-2.8%
4,667	4,102	565	13.8%	Total free market	14,142	13,902	240	1.7%
Regulated market:								
2,133	1,107	1,026	92.7%	- Romania	4,591	3,197	1,394	43.6%
52	48	4	8.3%	- Russia	156	143	13	9.1%
2,185	1,155	1,030	89.2%	Total regulated market	4,747	3,340	1,407	42.1%
6,852	5,257	1,595	30.3%	TOTAL	18,889	17,242	1,647	9.6%
2,445	1,281	1,164	90.9%	- of which Romania	5,251	3,693	1,558	42.2%
230	104	126	121.2%	- of which France	731	288	443	153.8%
4,177	3,872	305	7.9%	- of which Russia	12,907	13,261	(354)	-2.7%

Electricity sales by the International Division rose by 1,647 million kWh in the first nine months of 2008 and by 1,595 million kWh in the 3rd Quarter. The rise in sales reflects the consolidation of Enel Energie Muntenia, which took place in the 2nd Quarter of 2008 and contributed 1,621 million kWh to the total (of which 1,229 million kWh in the 3rd Quarter) and the expansion of sales (up 443 million kWh) by Enel France on the French market. The increases were offset by a fall in sales on the Russian market relating to a change in the composition of customers.

Operations

3rd Quarter			Millions of euro	First nine months		
2008	2007	Change		2008	2007	Change
1,260	675	585	Revenues	3,280	2,117	1,163
23	90	(67)	Net income/(charges) from commodity risk management	(31)	68	(99)
198	156	42	Gross operating margin	778	600	178
67	62	5	Operating income	422	308	114
			Operating assets	14,289	8,385 ⁽¹⁾	5,904
			Operating liabilities	4,584	3,712 ⁽¹⁾	872
			Employees at period-end (no.)	17,456	11,528 ⁽¹⁾	5,928
			Capital expenditure	652	369	283

(1) At December 31, 2007.

The following table reports performance in the first nine months of 2008 by geographical area, with comparative figures for the same period of 2007:

Millions of euro	Revenues			Gross operating margin			Operating income		
	First nine months			First nine months			First nine months		
	2008	2007	Change	2008	2007	Change	2008	2007	Change
Central Europe	1,629	1,108	521	548	426	122	297	200	97
South-eastern Europe	695	524	171	160	139	21	103	90	13
Russia	894	439	455	35	12	23	6	8	(2)
North America	62	46	16	35	23	12	16	10	6
Total	3,280	2,117	1,163	778	600	178	422	308	114

Performance in the 3rd Quarter

Revenues in the 3rd Quarter of 2008 increased by €585 million (up 86.7%), from €675 million to €1,260 million. The increase is mainly a reflection of the consolidation of OGG-5 and Electrica Muntenia Sud (now Enel Distributie Muntenia and Enel Energie Muntenia) for a total of €454 million. The 3rd Quarter result also benefited from higher revenues from Slovenské elektrárne (up €63 million) and Enel France (up €40 million), the combined effect of an increase in quantities produced and sold and higher average sales prices in their respective markets.

The *gross operating margin* totaled €198 million, up €42 million or 26.9% compared with the 3rd Quarter of 2007. The increase essentially comprises €50 million from the change in the scope of consolidation (€30 million of which relating to OGG-5 and €19 million to Electrica Muntenia Sud). The result was partially offset by a fall of €7 million in the operating margin of the Bulgarian companies owing to lower output in the 3rd Quarter of 2008.

Operating income for the 3rd Quarter of 2008 came to €67 million, an increase of €5 million or 8.1% over the same period of 2007 attributable to the growth in the gross operating margin, which was partially offset by the increase in depreciation, amortization and impairment losses in the amount of €37 million, €19 million of which related to the change in the scope of consolidation.

Performance in the first nine months

Revenues in the first nine months of 2008 increased by €1,163 million (up 54.9%), from €2,117 million to €3,280 million. The increase mainly regards higher revenues of €381 million in Slovakia, basically the result of higher volumes produced and a rise in average sales prices, an increase of €140 million in revenues from the sale of electricity by Enel France, and the change in the scope of consolidation, which contributed €584 million to the increase, largely accounted for by OGK-5 (€404 million) and Electrica Muntenia Sud (€165 million).

The *gross operating margin* amounted to €778 million, a rise of €178 million or 29.7% compared with the first nine months of 2007. The increase comprises €67 million from the change in the scope of consolidation (€37 million relating to OGK-5 and €24 million to Electrica Muntenia Sud), €67 million from Slovenské elektrárne, €55 million from Enel France, essentially associated with higher volumes sold and increased average sale prices. These gains were offset by a decrease of €11 million in the margin of the other Romanian companies.

Operating income in the first nine months of 2008 came to €422 million, an increase of €114 million or 37.0% with respect to the corresponding period of 2007, net of higher depreciation, amortization and writedowns totaling €64 million, of which €32 million refers to the change in the scope of consolidation, €24 million to Slovenské elektrárne and €6 million to the coming on line of the Enel North America plants of Smoky Hills and Snyder in 2008.

Capital expenditure

Capital expenditure came to €652 million, €546 million of which for generation plants. Expenditure for generation plants included €255 million for work on plants using geothermal or other renewable resources, primarily concentrated in North America, €188 million for thermal plants in Bulgaria, Russia and Greece, and €77 million for nuclear plants in Slovakia.

Parent Company, Services and Other Activities

3rd Quarter			Millions of euro	First nine months		
2008	2007	Change		2008	2007	Change
Parent Company						
172	211	(39)	Revenues	509	660	(151)
(15)	(36)	21	Gross operating margin	(36)	(101)	65
(29)	(40)	11	Operating income	(53)	(113)	60
			Operating assets	1,274	1,228 ⁽¹⁾	46
			Operating liabilities	1,531	1,221 ⁽¹⁾	310
			Employees at period-end (no.)	734	728 ⁽¹⁾	6
			Capital expenditure	6	5	1
Services and Other Activities						
288	274	14	Revenues	842	820	22
30	38	(8)	Gross operating margin	111	135	(24)
7	19	(12)	Operating income	45	75	(30)
			Operating assets	2,056	1,609 ⁽¹⁾	447
			Operating liabilities	1,392	1,354 ⁽¹⁾	38
			Employees at period-end (no.)	4,496	4,223 ⁽¹⁾	273
			Capital expenditure	46	36	10

(1) At December 31, 2007.

Parent Company

In its capacity as an industrial holding company, the Group parent Enel SpA defines strategic targets for the Group and coordinates activities of subsidiaries. In addition, Enel SpA manages central treasury operations and insurance risk coverage, providing assistance and guidelines on organization, personnel management and labor relations, accounting, administrative, fiscal, legal, and corporate matters. Enel also has a contract with Atel for the import of electricity on the Swiss border; the contract with EdF for the French border expired on December 31, 2007.

Performance in the 3rd Quarter

Revenues in the 3rd Quarter of 2008 came to €172 million, a decrease of €39 million or 18.5% compared with the same period of the previous year. The fall in revenues stems mainly from a decrease of €71 million in sales on the free market in France following the termination of the import contract with EdF, the negative effect of which was mitigated by an increase in revenues generated by the activities of the holding company on behalf of Group companies.

The *gross operating margin* for the 3rd Quarter of 2008 came to a negative €15 million, an improvement of €21 million that was largely accounted for by an increase of €17 million in the electricity margin.

The *operating loss* came to €29 million, an improvement of €11 million compared with the 3rd Quarter of 2007 (when the loss was €40 million), and reflects higher depreciation, amortization and impairment losses totaling €10 million.

Performance in the first nine months

Revenues in the first nine months of 2008 came to €509 million, a decrease of €151 million compared with the same period of the previous year (down 22.9%). The decrease relates mainly to a fall in revenues from the sale of electricity, essentially as a result of the interruption of sales on the free market in France (down €213 million), which was partly offset by the revenues from increased service activities carried out by the holding company for Group companies, as well as activities in support of international acquisitions.

The *gross operating margin* in the first nine months of 2008 was a negative €36 million, an improvement of €65 million that was largely accounted for by an increase of €48 million in the electricity margin thanks to a change in the mix of sales and sourcing for the two periods and lower charges for green certificates and congestion fees.

The *operating loss* came to €53 million, an improvement of €60 million compared with the first nine months of 2007 (a loss of €113 million), including a decline of €5 million in depreciation, amortization and impairment losses substantially in connection with the transfer of software to Enel Servizi as part of the disposal of “purchasing” operations.

Services and Other Activities

The primary purpose of the Services and Other Activities area is to provide competitive services to the companies of the Group, such as real estate and facility management services, IT services, personnel training and administration, general administrative services, and factoring and insurance services. On January 1, 2008, Enel Servizi acquired the “purchasing” units of Enel SpA, Enel Distribuzione and Enel Produzione.

Performance in the 3rd Quarter

Revenues for the Services and Other Activities area in the 3rd Quarter of 2008 came to €288 million, compared with the €274 million of the 3rd Quarter of 2007. The increase of €14 million or 5.1% comprises a €9 million increase in revenues from staff services (related primarily to the newly acquired “purchasing” operations) and higher capital gains from the sale of buildings not used in operations in the amount of €7 million. These factors were partially offset by a decrease of €2 million in revenues from engineering and construction activities.

The *gross operating margin* for the 3rd Quarter of 2008 amounted to €30 million, a fall of €8 million or 21.1% compared with the corresponding period of 2007, mainly as a result of an increase in other operating costs connected (notably personnel costs), and partly offset by the sale of non-operational real estate assets, as mentioned above.

Operating income in the 3rd Quarter amounted to €7 million, down €12 million from the 3rd Quarter of 2007.

Performance in the first nine months

Revenues for the Services and Other Activities area in the first nine months of 2008 came to €842 million, compared with the €820 million in the corresponding period of the previous year. The rise of €22 million or 2.7% reflects the €37 million increase in revenues from staff services (related primarily to the newly acquired

“purchasing” operations), partially offset by lower revenues from engineering and construction activities (down €15 million).

The *gross operating margin* in the first nine months of 2008 amounted to €111 million, a fall of €24 million or 17.8% compared with the corresponding period of 2007, mainly as a result of an increase in operating costs (notably personnel costs) and lower margins in connection with reduced engineering and construction activities.

Operating income in the first nine months of 2008 amounted to €45 million, down €30 million compared with the same period of 2007.

Condensed Consolidated Income Statement

3rd Quarter				Millions of euro	First nine months			
2008	2007	Change			2008	2007	Change	
15,986	9,903	6,083	61.4%	Total revenues	45,302	28,760	16,542	57.5%
12,229	7,684	4,545	59.1%	Total costs	34,216	22,049	12,167	55.2%
150	30	120	-	Net income/(charges) from commodity risk management	226	-	226	-
3,907	2,249	1,658	73.7%	GROSS OPERATING MARGIN	11,312	6,711	4,601	68.6%
1,008	632	376	59.5%	Depreciation, amortization and impairment losses	3,128	1,960	1,168	59.6%
2,899	1,617	1,282	79.3%	OPERATING INCOME	8,184	4,751	3,433	72.3%
342	293	49	16.7%	Financial income	1,503	1,132	371	32.8%
1,173	707	466	65.9%	Financial expense	3,780	1,459	2,321	-
(831)	(414)	(417)	100.7%	Total financial income/(expense)	(2,277)	(327)	(1,950)	-
22	2	20	-	Share of income/(expense) from equity investments accounted for using the equity method	49	3	46	-
2,090	1,205	885	73.4%	INCOME BEFORE TAXES	5,956	4,427	1,529	34.5%
(237)	500	(737)	-	Income taxes	582	1,674	(1,092)	-65.2%
2,327	705	1,622	-	Income from continuing operations	5,374	2,753	2,621	95.2%
-	-	-	-	Income from discontinued operations	226	-	226	-
2,327	705	1,622	-	NET INCOME FOR THE PERIOD (shareholders of the Parent Company and minority interests)	5,600	2,753	2,847	103.4%
196	9	187	-	Attributable to minority interests	618	75	543	-
2,131	696	1,435	-	Attributable to shareholders of the Parent Company	4,982	2,678	2,304	86.0%
				Earnings per share attributable to shareholders of the Parent Company (euro) ⁽¹⁾	0.81	0.43	0.38	88.4%

(1) Diluted earnings per share attributable to shareholders of the Parent Company are equal to basic earnings per share attributable to shareholders of the Parent Company.

Condensed Consolidated Balance Sheet ⁶¹

Millions of euro

	at Sept. 30, 2008	at Dec. 31, 2007	Change
ASSETS			
Non-current assets			
- Property, plant and equipment and intangible assets	61,382	57,374	4,008
- Goodwill	24,351	26,274	(1,923)
- Equity investments accounted for using the equity method	414	1,972	(1,558)
- Other non-current assets ⁽¹⁾	10,178	7,719	2,459
Total	96,325	93,339	2,986
Current assets			
- Trade receivables	12,977	11,576	1,401
- Inventories	2,386	1,726	660
- Cash and cash equivalents	4,702	1,234	3,468
- Other current assets ⁽²⁾	9,381	7,640	1,741
Total	29,446	22,176	7,270
Assets held for sale	1,598	8,233	(6,635)
TOTAL ASSETS	127,369	123,748	3,621
LIABILITIES AND SHAREHOLDERS' EQUITY			
- Equity attributable to the shareholders of the Parent Company	21,427	19,631	1,796
- Equity attributable to minority interests	4,513	4,158	355
Total	25,940	23,789	2,151
Non-current liabilities			
- Long-term loans	49,703	52,155	(2,452)
- Other provisions and deferred tax liabilities	13,752	13,686	66
- Other non-current liabilities	5,111	5,004	107
Total	68,566	70,845	(2,279)
Current liabilities			
- Short-term loans and current portion of long-term loans	9,391	8,014	1,377
- Trade payables	9,567	9,622	(55)
- Other current liabilities	13,315	7,361	5,954
Total	32,273	24,997	7,276
Liabilities held for sale	590	4,117	(3,527)
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	127,369	123,748	3,621

(1) Of which long-term financial receivables equal to €1,316 million at September 30, 2008 (€1,339 million at December 31, 2007).

(2) Of which short-term financial receivables equal to €1,629 million at September 30, 2008 (€1,704 million at December 31, 2007) and securities equal to €70 million at September 30, 2008 (€101 million at December 31, 2007).

Condensed Consolidated Statement of Cash Flows

Millions of euro	First nine months		
	2008	2007	Change
Cash flows from operating activities (A)	5,841	3,910	1,931
Investments in property, plant and equipment and intangible assets	(4,806)	(2,518)	(2,288)
Investments in entities (or business units) less cash and cash equivalents acquired	(1,369)	(12,702)	11,333
Disposals of entities (or business units) less cash and cash equivalents sold	6,920	-	6,920
(Increase)/Decrease in other investing activities	(58)	188	(246)
Cash flows from (investing)/disinvesting activities (B)	687	(15,032)	15,719
Change in net financial debt	(1,054)	14,131	(15,185)
Dividends paid	(2,116)	(1,798)	(318)
Increase in share capital and reserves due to the exercise of stock options	9	41	(32)
Cash flows from financing activities (C)	(3,161)	12,374	(15,535)
Impact of exchange rate fluctuations on cash and cash equivalents (D)	(21)	(8)	(13)
Increase/(Decrease) in cash and cash equivalents (A+B+C+D)	3,346	1,244	2,102
Cash and cash equivalents at the start of the period	1,463	572	891
Cash and cash equivalents at the end of the period	4,809 ^{(1) (2)}	1,816	2,993

(1) Of which short-term securities equal to €70 million at September 30, 2008 (€47 million at September 30, 2007).

(2) Of which cash and cash equivalents of assets held for sale equal to €37 million.

Statement of Recognized Income and Expenses for the Period

Millions of euro	First nine months	
	2008	2007
Effective portion of change in the fair value of cash flow hedges	58	104
Change in the fair value of financial investments available for sale	(127)	44
Exchange rate differences	(111)	(54)
Net income for period recognized in equity	(180)	94
Net income for period recognized in Income Statement	5,600	2,753
Total recognized income and expenses for the period	5,420	2,847
Attributable to:		
- shareholders of the Parent Company	4,857	2,771
- minority interests	563	76

Accounting policies and measurement criteria

The Interim Financial Report at September 30, 2008 has been prepared in conformity with the international accounting standard governing the preparation of interim financial reports (IAS 34) and in compliance with Article 154-ter, paragraph 5, of Legislative Decree 58 of February 24, 1998.

The recognition and measurement criteria adopted in preparing the Interim Financial Report at September 30, 2008, which has not been audited, are consistent with those used to prepare the Consolidated Financial Statements at December 31, 2007 and the Consolidated Financial Statements at September 30, 2007.

In rare circumstances, the amendments to IAS 39 and IFRS 7 (endorsed by the European Commission with Regulation (EC) no. 1004/2008 of October 15, 2008), which enter force as from July 1, 2008, permit the reclassification of certain financial instruments recognized as held for trading, modifying the applicable measurement criteria.

The adoption of the amendment had no impact on this Interim Financial Report as the Group did not elect to make any reclassifications.

Operating performance and financial position

Group operating performance

Revenues

3rd Quarter			Millions of euro	First nine months		
2008	2007	Change		2008	2007	Change
14,114	9,260	4,854	Electricity sales and transport and contributions from Electricity Equalization Fund and similar bodies	39,991	26,200	13,791
485	213	272	Gas sold and transported to end users	2,192	1,206	986
1,387	430	957	Other services, sales and revenues	3,119	1,354	1,765
15,986	9,903	6,083	Total	45,302	28,760	16,542

In the 3rd Quarter of 2008 revenues from **electricity sales and transport and contributions from Electricity Equalization Fund and similar bodies** amounted to €14,114 million, up €4,854 million or 52.4% on the same period of 2007.

This increase is connected primarily with the following factors:

- > a €3,393 million increase in revenues from foreign operations, €2,900 million of which related to Endesa, €309 million to the consolidation of OGK-5 from the end of May 2008 and €257 million related to international energy trading;
- > a total increase of €687 million in revenues from sales on the Power Exchange, mainly attributable to the rise in average electricity prices and volumes sold, and to increased revenues on sales to the Single Buyer, essentially associated with bilateral contracts entered into by the generation companies as from 2008;
- > higher contributions from the Electricity Equalization Fund and similar bodies in the amount of €373 million, largely attributable to the consolidation of Endesa;
- > an increase of €295 million in revenues from the transport and sale of electricity in Italy. More specifically, the rise in revenues from the free market of €682 million as a result of larger volumes sold and higher average sales prices was partially offset by a decrease in revenues from the enhanced protection and safeguard markets in the amount of €387 million owing to lower volumes. The adverse impact of this development was only partially compensated by higher average prices attributable to the component covering generation costs;
- > an increase of €130 million in revenues from sales to wholesalers essentially due to a rise in volumes sold to resellers and higher average prices.

In the first nine months of 2008 revenues from **electricity sales and transport and contributions from Electricity Equalization Fund and similar bodies** amounted to €39,991 million, up €13,791 or 52.6% over the same period of 2007. This increase is connected primarily with the following factors:

- > a €10,262 million increase in revenues from foreign operations, of which €8,836 million due to the consolidation of Endesa, €682 million to international energy trading, €382 million to the consolidation of OGK-5 and €376 million to increased revenues from Slovenské elektrárne thanks to larger sales volumes and higher average prices;

- > a €1,217 million increase in revenues from sales on the Power Exchange, attributable to the rise in average prices partially mitigated by a decline in volumes and to revenues on sales to the Single Buyer, essentially associated with bilateral contracts;
- > a €990 million increase in revenues from the transport and sale of electricity in Italy. More specifically, revenues from the free market rose by €1,333 million as a result of larger volumes sold and higher average sales prices. This was partially offset by a decrease in revenues from the enhanced protection and safeguard markets in the amount of €343 million as a result of a decline in volumes, the impact of which was partially offset by the rise in average prices attributable to the component covering generation costs;
- > higher contributions from the Electricity Equalization Fund and similar bodies in the amount of €862 million, largely attributable to the consolidation of Endesa;
- > an increase of €506 million in revenues from sales to wholesalers essentially due to a rise in volumes sold to resellers and higher average prices.

Revenues from **gas sold and transported to end users** rose by €272 million in the 3rd Quarter and €986 million in the first nine months (up 81.8%). The change in the 3rd Quarter is largely accounted for by the consolidation of Endesa (€205 million), while the rise in the first nine months involved €607 million in respect of the contribution from Endesa and €379 million in respect of an increase in revenues on the domestic market, mainly due to the rise in volumes sold thanks to colder weather in the 1st Quarter of 2008 and the increase in the average number of customers.

Other services, sales and revenues came to €1,387 million in the 3rd Quarter of 2008, up €957 million on the corresponding period of 2007. In the first nine months of the year, such revenues totaled €3,119 million, an increase of €1,765 million. The rise is mainly attributable to the following factors:

- > the recognition of capital gains amounting to €323 million on the sale of 51% of Hydro Dolomiti Enel in July 2008;
- > an increase of €277 million in the 3rd Quarter (€854 million in the first nine months) in revenues mainly associated with lease income, connection fees and other contributions connected with the consolidation of Endesa;
- > an increase of €179 million in revenues from the sale of fuels for trading in the 3rd Quarter (€330 million in the first nine months), attributable to an increase of €187 million (€341 million for nine months) in revenues from fuel trading by the Spanish companies, partially offset by a contraction of €8 million (€11 million in the first nine months) in revenues on the domestic market;
- > an increase of €88 million in the 3rd Quarter (€91 million in the first nine months) in engineering and construction work for third-party customers.

Costs

3rd Quarter			Millions of euro	First nine months		
2008	2007	Change		2008	2007	Change
6,252	4,709	1,543	Electricity purchases	18,142	13,315	4,827
2,293	933	1,360	Consumption of fuel for electricity generation	5,499	2,517	2,982
450	212	238	Purchase of fuel for trading and natural gas for resale to end users	1,987	931	1,056
288	221	67	Materials	632	496	136
1,042	646	396	Personnel	2,975	2,130	845
1,559	1,066	493	Services, leases and rentals	4,255	3,067	1,188
(5)	5	(10)	Charges for CO ₂ emissions	49	4	45
652	143	509	Other operating expenses	1,558	339	1,219
(302)	(251)	(51)	Capitalized costs	(881)	(750)	(131)
12,229	7,684	4,545	Total	34,216	22,049	12,167

Costs for **electricity purchases** increased by €1,543 million in the 3rd Quarter of 2008 (up 32.8%) and by €4,827 million in the first nine months (up 36.3%). The rise is primarily attributable to the combined effect of the increase in volumes purchased for the domestic free market and the rise in average purchase prices, as well as increased electricity purchases by the foreign companies, of which €596 million for Endesa in the 3rd Quarter (€2,216 million in the first nine months).

Costs for **consumption of fuel for electricity generation** amounted to €2,293 million in the 3rd Quarter of the year, up €1,360 million on the year-earlier period. The change reflected the consolidation of Endesa in the amount of €812 million and the effects of the rise in the average unit cost of fuels and volumes used in thermal generation on the domestic market. In the first nine months, these costs came to €5,499 million, up €2,982 million, essentially due to the contribution of Endesa (€2,116 million) and the increase of unit fuel costs on the domestic market. The adverse effects of the latter were partly offset by the improvement in the fuel mix for thermal generation.

Costs for the **purchase of fuel for trading and natural gas for resale to end users** came to €450 million in the 3rd Quarter of 2008, an increase of €238 million on the same period of 2007. They totaled €1,987 million in the first nine months, up €1,056 million. The changes reflect the consolidation of Endesa (€124 million in the 3rd Quarter, €424 million in the first nine months) as well as increased costs for the purchase of gas for end users, which were correlated with developments in revenues in the two periods.

Personnel costs in the 3rd Quarter of 2008 amounted to €1,042 million, a rise of 396 million or 61.3%, mainly due to the change in the scope of consolidation and greater costs for early retirement incentives. In the first nine months of 2008, personnel costs totaled €2,975 million, an increase of €845 million compared with the year-earlier period (up 39.7%). Excluding the impact of the change in the scope of consolidation, which was mainly attributable to Endesa, and other non-recurring items, such as the cost for early retirement incentives, personnel costs fell by €48 million or 2.3%, with the average workforce contracting by 7.5%.

Costs for **services, leases and rentals** in the 3rd Quarter of 2008 came to €1,559 million, a rise of €493 million or 46.2% on the same period of 2007, mainly due to the contribution of Endesa.

Costs in the first nine months of the year amounted to €4,255 million, an increase of €1,188 million on the corresponding period of the previous year (up 38.7%). The rise includes the impact of the consolidation of Endesa in the amount of €1,241 million, largely associated with costs for transport, maintenance and repairs, professional and consulting services as well as other services and expenses.

Net charges for CO₂ emissions showed net income of €5 million in the 3rd Quarter, compared with net charges of €49 million in the first nine months, up €45 million on the first nine months of 2007.

The result for the first nine months essentially regards purchases of allowances during the period to cover the shortfall between amounts produced compared with amounts assigned by the respective national allocation plans, as well as the end-period measurement of the residual allowance deficit at the average provisioning prices at the same date.

Other operating expenses came to €652 million in the 3rd Quarter of 2008, up €509 million compared with the 3rd Quarter of 2007, mainly as a result of the consolidation of Endesa. In the first nine months, such expenses totaled €1,558 million, an increase of €1,219 million attributable to Endesa (€945 million) and the loss of €109 million on the disposal of Enel's assets in respect of the Viesgo Group to E.On at the end of June 2008.

Net income/(charges) from commodity risk management showed net income of €150 million in the 3rd Quarter of 2008 (compared with €30 million in the 3rd Quarter of 2007) and €226 million in the first nine months (compared with zero in the corresponding period of the previous year). Net income in the 3rd Quarter of 2008 included €120 million in respect of net unrealized gains on changes in the fair value of outstanding derivatives positions at the end of the period and €30 million in realized gains during the same period. The net income generated by commodity risk management in the first nine months of 2008, equal to €226 million, were composed of net unrealized gains in respect of fair value changes amounting to €71 million and realized gains of €155 million.

Depreciation, amortization and impairment losses increased by €376 million in the 3rd Quarter of 2008, essentially due to increased depreciation, amortization and impairment losses associated with the consolidation of Endesa (€297 million), while in the first nine months they rose by €1,168 million. In addition to the contribution of Endesa (€865 million) the latter also reflected the adjustment recognized in the 1st Quarter of 2008 (€168 million) of the net Enel assets being sold to E.On to their estimated value as determined by the overall appraisal conducted by the investment banks at the end of that period.

Operating income in the 3rd Quarter of 2008 came to €2,899 million, up €1,282 million or 79.3% on the 3rd Quarter of 2007. In the first nine months it totaled €8,184 million, a rise of €3,433 million or 72.3% compared with the year-earlier period, largely attributable to the recent acquisitions.

Net financial expense came to €831 million in the 3rd Quarter of 2008, an increase of €417 million on the corresponding period of 2007. In the first nine

months of this year, net financial expense totaled €2,277 million, an increase of €1,950 million on the first nine months of 2007.

The rise in the first nine months is essentially attributable to the increase of €1,616 million in net interest and other expense caused by the rise in average debt following the acquisitions carried out as from the 2nd Quarter of 2007. This increase was also accompanied by the effect of the recognition in the first nine months of 2007 of dividends distributed by Endesa in the amount of €301 million (prior to the initial consolidation of the company), as well as financial income from the exercise of an option for physical settlement contained the share swaps carried out during the first phase of the acquisition of Endesa (€144 million).

The result of **investments accounted for using the equity method** in the 3rd Quarter of 2008 was a positive €22 million, up €20 million on the year-earlier period as a result of the contribution of Endesa. In the first nine months of the year, the figure came to €49 million, an increase of €46 million on the corresponding period of the previous year, which in addition to the consolidation of Endesa (€27 million) also reflects the impact of the equity method measurement of OGK-5 until the completion, at the end of May 2008, of the implementation of governance arrangements, which as from that date gave Enel full control.

Income taxes for the 3rd Quarter of 2008 showed a net credit of €237 million, compared with a liability of €500 million in the 3rd Quarter of 2007. The tax charge for the first nine months of the year was an estimated €582 million, giving an effective tax rate of 9.8% compared with 37.8% in the first nine months of 2007. The result is attributable to the effects (€1,510 million) of the adjustment of deferred taxation following the realignment of the difference between the statutory reporting values of property, plant and equipment pertaining to Enel Produzione and the values reported for tax purposes (Law 244/07), net of the charge in respect of the associated one-off capital gains tax and the effects on deferred taxation of the application of the IRES surcharge for the energy sector to specific Italian companies (Decree Law 112/08) and the benefits deriving from the proceeds on partially tax-exempt disposals.

Analysis of the Group's financial position

Non-current assets – €96,325 million

Property, plant and equipment and intangible assets, including investment property, increased by €4,008 million to €61,382 million at September 30, 2008. This rise was due essentially to capital expenditure for the period in the amount of €4,128 million and to the change in the scope of consolidation following acquisitions in the first nine months of 2008 concerning, primarily, OGK-5 (€1,844 million) and Electrica Muntenia Sud (now Enel Distributie Muntenia and Enel Energie Muntenia, for €368 million). These increases were partially offset by depreciation, amortization and impairment losses in the amount of €2,707 million.

Goodwill totaled €24,351 million, down €1,923 million. This change primarily reflects the reduction in the first nine months of the year in total goodwill related to the Endesa acquisition in the amount of €4,236 million, €4,162 million of which was related to the completion of the Endesa Europa sale to E.On in June 2008. This decline was partially offset by the effects of the acquisitions made in the first nine months of 2008 connected mainly with OGK-5 (€1,538 million) and Electrica Muntenia Sud (€599 million). The goodwill resulting from the

differences in the first nine months of 2008 between the cost of the equity investments and the value of the assets acquired net of liabilities assumed was recognized on a provisional basis pending allocation pursuant to IFRS 3 - Business combinations. In particular, the provisional goodwill related to the Endesa acquisition was reduced in order to take account of the fair value measurement of the assets related to Endesa Europa, which were sold to E.ON on June 26, 2008. *Equity investments accounted for using the equity method* came to €414 million, down €1,558 million from the previous year. In particular, the balance at December 31, 2007, included €1,652 million in respect of the 37.15% stake in OGK-5. The successful outcome of Enel's public tender for the Russian power company and the subsequent completion of the governance reorganization process resulted in Enel taking control of and consolidating the company during the first nine months of 2008. This decline was partially offset by the recognition of the 30% stake in a series of wind energy projects in Greece totaling €121 million in the 3rd Quarter of 2008.

Other non-current assets amounted to €10,178 million and include:

Millions of euro			
	at Sept. 30, 2008	at Dec. 31, 2007	Change
Deferred tax assets	5,394	3,439	1,955
Non-current financial assets	2,334	2,212	122
Receivables due from Electricity Equalization Fund and similar bodies	1,584	1,356	228
Other long-term receivables	866	712	154
Total	10,178	7,719	2,459

The change of €2,459 million is mainly due to an increase of €1,955 million in deferred tax assets which includes the recognition of deferred tax items resulting from the realignment of the consolidated and tax values of certain assets under property, plant and equipment of Enel Produzione for which the tax liability was discharged under the provisions of Law 244/07. The increase is also due to the recognition of taxation for the period, relating mainly to the measurement of financial instruments.

Current assets – €29,446 million

The increase of €1,401 million in *trade receivables* is mainly connected with the increase in receivables for electricity sales on the domestic free market due largely to the growth in the number of customers served during the period.

Inventories amounted to €2,386 million, an increase of €660 million, mainly due to the higher value of fuel inventories largely resulting from the increase in average prices.

Other current assets came to €9,381 million and break down as follows:

Millions of euro			
	at Sept. 30, 2008	at Dec. 31, 2007	Change
Current financial assets	3,190	2,414	776
Tax receivables	1,905	1,146	759
Receivables due from Electricity Equalization Fund and similar bodies	2,340	2,281	59
Receivables due from others	1,946	1,799	147
Total	9,381	7,640	1,741

"Current financial assets" amounted to €3,190 million, up €776 million largely as the result of the increase in financial assets in respect of derivatives (€976 million), net of the reduction in the current portion of long-term financial receivables (€267 million).

"Tax receivables" at September 30, 2008, totaled €1,905 million. They regard income tax receivables of €977 million, receivables for excise taxes and surcharges of €431 million and receivables for indirect taxes and duties of €497 million.

Assets held for sale – €1,598 million

They regard the assets to be sold in respect of the renewable energy resources held by Endesa.

Equity attributable to the shareholders of the Parent Company – €21,427 million

Share capital at September 30, 2008, consisted of 6,185,727,733 ordinary shares with a par value of €1.00 each.

The main changes for the first nine months of 2008 concerned net income for the period (€4,982 million), the exercise of 1,359,880 stock options granted under the 2003 and 2004 stock option plans (€9 million) and the payment of the balance of the dividend for 2007 (€1,794 million) of €0.29 per share. Additionally, on September 11, 2008, the Board of Directors authorized the distribution of an interim dividend of €0.20 per share for 2008, equal to a total of €1,237 million, which will be paid starting November 27, 2008, with the ex dividend date falling on November 24, 2008.

Millions of euro	Share capital and reserves attributable to the shareholders of the Parent Company									Equity attributable to the shareholders of the Parent Company	Equity attributable to minority interests	Total equity
	Share capital	Share premium reserve	Legal reserve	Other reserves	Retained earnings	Translation of Financial Statements in currencies other than euro	Reserve from measurement of financial instruments ⁽¹⁾	Reserves from acquisition of minority interests	Net income for the period			
at December 31, 2006	6,176	607	1,453	2,245	5,934	81	163	-	1,801	18,460	565	19,025
Exercise of stock options	7	35	-	(1)	-	-	-	-	-	41	-	41
Stock option charges	-	-	-	4	-	-	-	-	-	4	-	4
Change in scope of consolidation	-	-	-	-	-	-	-	-	-	-	94	94
Allocation of net income from the previous year	-	-	-	-	1,801	-	-	-	(1,801)	-	-	-
Dividend distribution	-	-	-	-	(1,793)	-	-	-	-	(1,793)	(5)	(1,798)
Interim dividend for 2007	-	-	-	-	-	-	-	-	(1,237)	(1,237)	-	(1,237)
Net income for the period recognized in equity	-	-	-	-	-	(51)	144	-	-	93	1	94
Net income for the period recognized on Income Statement	-	-	-	-	-	-	-	-	2,678	2,678	75	2,753
at September 30, 2007	6,183	642	1,452	2,248	5,942	30	307	-	1,441	18,246	730	18,976
at December 31, 2007	6,184	651	1,453	2,250	5,942	(82)	493	-	2,740	19,631	4,158	23,789
Exercise of stock options	2	7	-	-	-	-	-	-	-	9	-	9
Stock option charges	-	-	-	4	-	-	-	-	-	4	-	4
Change in scope of consolidation	-	-	-	-	-	-	(33)	-	-	(33)	114	81
Allocation of net income from the previous year	-	-	-	-	2,740	-	-	-	(2,740)	-	-	-
Dividend distribution	-	-	-	-	(1,794)	-	-	-	-	(1,794)	(322)	(2,116)
Interim dividend for 2008	-	-	-	-	-	-	-	-	(1,237)	(1,237)	-	(1,237)
Other changes	-	-	-	-	-	-	-	(10)	-	(10)	-	(10)
Net income for the period recognized in equity	-	-	-	-	-	(57)	(68)	-	-	(125)	(55)	(180)
Net income for the period recognized on Income Statement	-	-	-	-	-	-	-	-	4,982	4,982	618	5,600
at September 30, 2008	6,186	658	1,453	2,254	6,888	(139)	392	(10)	3,745	21,427	4,513	25,940

(1) The balance at December 31, 2007 includes €35 million in respect of "assets held for sale" sold to E.ON at the end of June 2008.

Non-current liabilities – €68,566 million

Long-term loans amounted to €49,703 million, consisting of bonds in the amount of €20,497 million, as well as bank loans and other financing in euro and other currencies in the amount of €29,206 million.

Other provisions and deferred tax liabilities came to €13,752 million at September 30, 2008 and include provisions for risks and charges of €6,870 million, deferred tax liabilities totaling €3,965 million and provisions for post-employment and other employee benefits in the amount of €2,917 million.

Other non-current liabilities amounted to €5,111 million, an increase of €107 million, attributable to the increase of €45 million in financial liabilities and of €62 million in other liabilities.

Current liabilities – €32,273 million

Short-term loans and the current portion of long-term loans increased by €1,377 million, going from €8,014 million at the end of 2007 to €9,391 million at September 30, 2008, mainly due to new issues of commercial paper for €1,043 million.

Millions of euro			
	at Sept. 30, 2008	at Dec. 31, 2007	Change
Payables due to customers	1,586	1,537	49
Payables due to Electricity Equalization Fund and similar bodies	2,215	1,241	974
Current financial liabilities	2,328	1,561	767
Social security contributions payable and payables to employees	484	748	(264)
Tax payables	3,843	1,015	2,828
Interim dividend	1,237	-	1,237
Other	1,622	1,259	363
Total	13,315	7,361	5,954

The change for the period, equal to €5,954 million, is mainly attributable to the following factors:

- > the €974 million increase in payables due to Electricity Equalization Fund and similar bodies relating primarily to the payables due from Endesa in respect of the Spanish electrical system;
- > the €767 million increase in current financial liabilities which reflects the rise in payables connected with derivatives of €838 million;
- > the €2,828 million increase in tax payables which, in addition to the remaining debt in respect of the one-off capital gains tax pursuant to Law 244/07, includes the estimated current income taxes for the period, equal to €1,916 million.

Liabilities held for sale – €590 million

They regard the liabilities to be sold in respect of the renewable energy resources held by Endesa.

Net capital employed and related funding

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

Millions of euro

	at Sept. 30, 2008	at Dec. 31, 2007	Change
Net non-current assets:			
- property, plant and equipment and intangible assets	61,382	57,374	4,008
- goodwill	24,351	26,274	(1,923)
- equity investments accounted for using the equity method	414	1,972	(1,558)
- other net non-current assets/(liabilities)	(1,643)	(2,063)	420
Total	84,504	83,557	947
Net current assets:			
- trade receivables	12,977	11,576	1,401
- inventories	2,386	1,726	660
- net receivables due from Electricity Equalization Fund and similar bodies	125	1,040	(915)
- other net current assets/(liabilities)	(5,758)	(2,566)	(3,192)
- trade payables	(9,567)	(9,622)	55
Total	163	2,154	(1,991)
Gross capital employed	84,667	85,711	(1,044)
Provisions:			
- post-employment and other employee benefits	(2,917)	(2,920)	3
- provisions for risks and charges and net deferred taxes	(5,441)	(7,327)	1,886
Total	(8,358)	(10,247)	1,889
Net assets held for sale	1,008	4,116	(3,108)
Net capital employed	77,317	79,580	(2,263)
Total shareholders' equity	25,940	23,789	2,151
Net financial debt	51,377	55,791	(4,414)

Net capital employed went from €79,580 million at December 31, 2007 to €77,317 million at September 30, 2008, and is financed by shareholders' equity (Group and minority interests) in the amount of €25,940 million and net financial debt of €51,377 million. With regard to the latter figure, the debt-to-equity ratio as at September 30, 2008 is 1.98 (compared with 2.35 at December 31, 2007).

Net financial debt

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Millions of euro

	at Sept. 30, 2008	at Dec. 31, 2007	Change
Long-term debt:			
- bank loans	27,599	28,343	(744)
- bonds	20,497	22,365	(1,868)
- preference shares	972	966	6
- other loans	635	481	154
<i>Long-term debt</i>	<i>49,703</i>	<i>52,155</i>	<i>(2,452)</i>
Long-term financial receivables and securities	(1,316)	(1,339)	23
Net long-term debt	48,387	50,816	(2,429)
Short-term debt:			
Bank loans:			
- short-term portion of long-term debt	591	461	130
- drawings on revolving credit facilities	49	20	29
- other short-term bank debt	364	1,260	(896)
<i>Short-term bank debt</i>	<i>1,004</i>	<i>1,741</i>	<i>(737)</i>
Bonds (short-term portion)	3,092	2,033	1,059
Other loans (short-term portion)	236	235	1
Commercial paper	4,936	3,893	1,043
Other short-term financial payables	123	112	11
<i>Other short-term debt</i>	<i>8,387</i>	<i>6,273</i>	<i>2,114</i>
Long-term financial receivables (short-term portion)	(1,135)	(1,402)	267
Factoring receivables	(269)	(205)	(64)
Other short-term financial receivables	(225)	(97)	(128)
Cash and cash equivalents	(4,772)	(1,335)	(3,437)
<i>Cash and cash equivalents and short-term financial receivables</i>	<i>(6,401)</i>	<i>(3,039)</i>	<i>(3,362)</i>
Net short-term financial debt	2,990	4,975	(1,985)
NET FINANCIAL DEBT	51,377	55,791	(4,414)
Financial debt of "Assets held for sale"	218	1,725	(1,507)

Net financial debt amounted to €51,377 million at September 30, 2008, a decrease of €4,414 million from December 31, 2007.

The decrease is largely attributable to the benefits of the completion of the sale of the assets of Endesa Europa and Viesgo to E.On (€6,773 million), partially offset by the borrowing needs in respect of the completion of the acquisition of control of OGK-5 (€818 million), as well as the acquisition of 64.4% of Electrica Muntenia Sud (€827 million).

The net financial debt of assets held for sale amounted to €218 million at September 30, 2008 and is entirely accounted for by the net financial debt of the renewables operations of Endesa to be transferred to Acciona Energia. The change of €1,507 million in the period is essentially attributable to the deconsolidation of the debt connected with the Endesa Europa and Viesgo assets sold to E.On. Net long-term financial debt decreased by €2,429 million, the balance of a €2,452 million decline in gross long-term financial debt and a €23 million reduction in long-term financial receivables.

In particular, bank debt in the amount of €27,599 million includes the drawings of €18,657 million by Enel SpA and Enel Finance International on the 36- and 60-month tranches of the syndicated credit line in the original amount of €35 billion signed on April 10, 2007 for the sole purchase of financing the acquisition of Endesa and the subsequent restructuring of its debt.

Net short-term financial debt, in the amount of €2,990 million at September 30, 2008, fell by €1,985 million compared with the end of 2007, as the net result of a decrease in short-term bank debt of €737 million, the increase in other loans of €2,114 million and greater cash and cash equivalents and short-term financial receivables of €3,362 million.

Other short-term loans in the amount of €8,387 million include the issues of commercial paper by Enel Finance International, Endesa Internacional BV and Endesa Capital SA in the amount of €4,936 million, as well as bonds maturing within one year in the amount of €3,092 million, primarily accounted for by €1 billion in respect of the public fixed-rate note issued by Enel SpA in 1998 and about €2 billion in respect of bond issues by the Endesa Group.

Cash and cash equivalents and short-term financial receivables amounted to €6,401 million, up €3,362 million due essentially to the cash and cash equivalents related to the completion of the sale of the Endesa and Enel assets to E.On, which was completed at the end of June.

Cash flows

Cash flows from operating activities were a positive €5,841 million in the first nine months of 2008, up €1,931 million compared with the corresponding period of the previous year. The improvement in gross operating income, due in part to the consolidation of Endesa, including the effects of discontinued operations, was only partially offset by the increased use of cash related to the change in net current assets in the two reference periods.

Cash flows from (investing)/disinvesting activities generated funds in the amount of €687 million in the first nine months of 2008, compared with cash absorption of €15,032 million in the same period of 2007.

In particular, investments in property, plant and equipment and intangible assets, in the amount of €4,806 million, increased by €2,288 million due essentially to investments made by the companies included in the change in the scope of consolidation and increased investments in plants powered by renewable resources. Investments in entities and business units came to €1,369 million, down €11,333 million from the same period of 2007, and are shown net of cash and cash equivalents acquired (€499 million di euro). These include the acquisition of OGK-5 for €815 million (net of the €3 million in cash at the acquisition date) as the effect of the payment to complete the tender offer in the amount of €993 million, net of amounts received for the virtually simultaneous resale of a 4.10% stake in that company for €175 million. The other transactions concluded during the period primarily include the acquisition of a 64.4% stake in Electrica Muntenia Sud for €334 million (net of €493 million in cash at the acquisition date) and 30% of a number of wind-based energy projects in Greece for €121 million. The first nine months of 2007 essentially included the acquisition of a 24.97% stake in Endesa for €10,320 million, the acquisition of a 29.99% stake in OGK-5 for €1,340 million, of Enineftegaz for €674 million and of Enel Fortuna for €125 million. In the first nine months of 2008 the disposal of entities or business units, net of

cash and cash equivalents sold, generated cash flows of €6,920 million, primarily related to the sale of Endesa Europa to E.On in June 2008 in the amount of €5,880 million (net of €191 million in cash at the date of sale) and the sale of Viesgo in the amount of €702 million as well as the sale of 51 % of Hydro Dolomiti Enel for €333 million in the 3rd Quarter of the year.

The *cash flows from operating activities* in the amount of €5,841 million and the *cash flows from investing activities* in the amount of €687 million covered, during the first nine months of 2008, financing needs of €3,161 million, mainly connected with dividends paid in the amount of €2,116 million. The surplus is reflected in the increase in cash and cash equivalents, which reached €4,809 million at September 30, 2008 (including that pertaining to net assets held for sale in the amount of €37 million), compared with €1,463 million at the end of 2007. The surplus was also affected by exchange rate losses of €21 million.

Other information

Related parties

As the main operator in the field of 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 (Terna), the Single Buyer, the Electricity Services Operator, and the Market Operator (each of which is controlled either directly or indirectly by the Ministry for the Economy and Finance).

Fees for the transport of electricity payable to Terna and certain charges paid to the 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.

In particular, companies of the Sales Division acquire electricity from the Single Buyer and settle the contracts for differences related to the allocation of CIP 6 energy with the Electricity Services Operator, in addition to paying Terna fees for the use of the national transmission network. Companies that are a part of the Generation and Energy Management Division, in addition to paying fees for the use of the national transmission network to Terna, buy electricity from the Market Operator and sell electricity to the Market Operator, on the Power Exchange and to the Single Buyer.

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

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

The following table summarizes the relationships:

	Balance sheet		Income statement	
Millions of euro	Receivables	Payables	Revenues	Costs
	at Sept. 30, 2008		First nine months of 2008	
In respect of continuing operations				
Single Buyer	315	1,449	412	6,266
Market Operator	1,519	1,088	5,856	4,965
Terna	470	680	1,590	1,710
Electricity Services Operator	105	257	355	1
Eni	2	235	458	1,217
Italian Post Office	-	31	8	126
Other	1	1	2	3
In respect of assets held for sale				
Single Buyer	-	-	33	-
Market Operator	-	-	162	45
Terna	-	-	146	52
Electricity Services Operator	-	-	2	-
Eni	-	-	-	288
Total	2,412	3,741	9,024	14,673

The following table shows transactions with associated companies outstanding at September 30, 2008 and carried out during the first nine months of the year. 79

Millions of euro	Balance sheet		Income statement	
	Receivables	Payables	Revenues	Costs
	at Sept. 30, 2008		First nine months of 2008	
CESI	1	14	-	7
La Geo	11	-	-	6
Other companies	13	14	5	6
Total	25	28	5	19

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 value the assets involved in the transaction and provide financial, legal or technical advice.

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 Sept. 30, 2008
Sureties granted to third parties	1,388
Commitments to suppliers for:	
- electricity purchases	35,245
- fuel purchases	75,435
- various supplies	3,620
- tenders	1,354
- other	1,709
Total	117,363
TOTAL	118,751

Guarantees granted to third parties amounted to €1,388 million and include €706 million in commitments relating to the sale of real estate assets, in connection with the regulations that govern the termination of leases and the related payments, for a period of six years and six months from July 2004. The value of such guarantees is reduced annually by a specified amount.

Commitments for electricity amounted to €35,245 million at September 30, 2008, of which €13,701 million refers to the period October 1, 2008-2012, €6,918 million to the period 2013-2017, €7,128 million to the period 2018-2022 and the remaining €7,498 million beyond 2022.

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 September

30, 2008 was €75,435 million, of which €32,070 million refers to the period October 1, 2008-2012, €28,875 million to the period 2013-2017, €11,812 million to the period 2018-2022, and the remaining €2,678 million beyond 2022. Other commitments include €349 million in respect of those under the cooperation agreement with EdF of November 30, 2007 for the construction of the Flamanville nuclear plant. The amount represents Enel's share of 12.5% of the cost of construction of the plant, which is scheduled to begin in 2012.

Contingent liabilities and assets

Since June 30, 2008, the following main changes have occurred in contingent assets and liabilities.

As regards environmental litigation, which mainly regards the installation and operation of the electrical plant of Enel Distribuzione, on August 11, 2008, the Court of Cassation (the supreme court of appeal) issued a ruling concerning a 380 kW transmission line (Forlì-Fano) no longer owned by Enel that, in conflict with current scientific knowledge in this area, accepted the existence of a causal relationship between the headaches suffered by a number of parties and exposure to electromagnetic fields.

As regards the claim for damages in respect of the losses that Enelpower is alleged to have caused to the Inepar Group for breach of an agreement concerning a number of projects to be pursued in Brazil, the arbitration tribunal called upon to decide the matter was convened at the Arbitration Chamber of Paris. The damages requested, originally about \$114 million in unspecified losses, were subsequently increased and specified by Inepar Energia and Inepar Industria e Costrucoes, who asked for Enelpower to pay \$427 million (of which \$10 million for breach of contract and \$417 million in damages). Enelpower, in firmly rejecting the claim, offered its defense and filed a counterclaim for reimbursement of costs already incurred in respect of the agreement and damages for the harm caused to its image. Enelpower's legal counsel considers the claims for damages to be unfounded and the possibility that they might be accepted to be remote, while the claim for breach of contract presents some risk.

Non-EU foreign subsidiaries

As of the date the Board of Directors approved this Interim Financial Report, namely November 11, 2008, the Enel Group has completed activities to ensure compliance with the regulations concerning subsidiaries established and regulated under the law of non-EU countries (hereinafter, "non-EU foreign subsidiaries") laid down by Consob in Articles 36 and 39(2) of the Market Rules (approved with Resolution no. 16191 of October 29, 2007 as amended by Resolution no. 16530 of June 25, 2008). In particular:

- > in application of the parameter concerning material significance for consolidation purposes introduced with Article 36(2) of the Market Rules with effect from July 1, 2008, ten non-EU foreign subsidiaries have been identified within the Enel Group to which the regulations apply. Specifically, these are: 1) Ampla Energia e Servicos SA (a Brazilian company belonging to the Endesa Group); 2) Chilectra SA (a Chilean company belonging to the Endesa Group); 3) Compania Electrica Cono Sur SA (a Panamanian company belonging to the Endesa Group, removed from the Company Register

- on September 26, 2008 following completion of the liquidation process begun on September 1, 2008); 4) Empresa Nacional de Electricidad – Endesa Chile SA (a Chilean company belonging to the Endesa Group); 5) Endesa Brasil SA (a Brazilian company belonging to the Endesa Group); 6) Endesa Capital Finance LLC (a US company belonging to the Endesa Group); 7) Enersis SA (a Chilean company belonging to the Endesa Group); 8) Inversiones Codensa SA (a Colombian company belonging to the Endesa Group); 9) Investluz SA (a Brazilian company belonging to the Endesa Group); and 10) OGK-5 OJSC (a Russian company over which full control was acquired by Enel Investment Holding BV at the end of May 2008);
- > the Balance Sheet and Income Statement for 2007 of all the above companies, as included in the reporting package used for the preparation of the Enel Group's Consolidated Financial Statements for 2007 were made available to the public by Enel SpA (pursuant to Article 36(1a) of the Market Rules). For OGK-5 OJSC alone, the Financial Statements indicated above are dated as at June 30, 2008, in view of the fact that the company was consolidated as from the end of May 2008;
 - > the articles of association and the composition and powers of the corporate bodies of the above companies were obtained by Enel SpA and will be made available for Consob, in updated form, where the latter should so request for supervisory purposes (pursuant to Article 36(1b) of the Market Rules);
 - > Enel SpA has ensured that all the above companies:
 - (i) provide the auditor of the Parent Company, Enel SpA, with the information necessary to perform the annual and interim audits of the Parent Company (pursuant to Article 36(1ci) of the Market Rules);
 - (ii) use an administrative and accounting system appropriate for regular reporting to the management and the auditor of the Parent Company, Enel SpA, of the Income Statement, Balance Sheet and financial data necessary for the preparation of the Consolidated Financial Statements of the Enel Group (pursuant to Article 36(1cii) of the Market Rules).

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

The manager responsible for the preparation of the Company's financial reports, Luigi Ferraris, declares, pursuant to Article 154-bis, paragraph 2, of the Consolidated Law on Financial Intermediation, that the accounting information contained in the Interim Financial Report at September 30, 2008 corresponds with that contained in the accounting documentation, books and records.

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Enel

Società per azioni

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137, Viale Regina Margherita

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of Rome no. 00811720580

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