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AND ENEL PRODUZIONE DOLOMITI **ENERGIA** SIGN MEMORANDUM OF UNDERSTANDING TO DEVELOP HYDRO POWER IN THE PROVINCE OF TRENTO

- Enel Produzione will sell to Dolomiti Energia 51% of a NewCo for 561 million euros, subject to adjustment, to which it will transfer the hydroelectric operations of the Province of Trento, and to which Enel Rete Gas will transfer 100% of Avisio Energia.
- The agreement is subject to the granting of an extension of at least 10 years of the hydroelectric concessions involved in the deal and approval of the antitrust authorities.
- Conti: "This is an important agreement for the development of an invaluable source of renewable energy, contributing to the fight against climate change and the energy security of the country".

Rome, 14 November 2007 - Enel Produzione SpA and Dolomiti Energia SpA, the latter owned by Tecnofin Trentina SpA (28.07%), Trentino Servizi SpA (24.16%), FT Energia SpA (22%), Fondazione Cassa di Risparmio di Trento e Rovereto (10%) and a number of local Trento utilities and private industrial shareholders, late yesterday evening signed a Memorandum of Understanding ("MoU") for the development of the hydroelectric power sector in the Province of Trento.

"With this agreement", remarked Enel CEO Fulvio Conti, "Enel Produzione and Dolomiti Energia have begun an important collaborative initiative, which will help enhance the development of an invaluable source of renewable hydroelectric energy, which the Province of Trento has in abundance. It is an essential resource, making a real contribution to the fight against climate change and the energy security of the country".

The agreement provides for the sale to Dolomiti Energia of 51% of a NewCo to be formed by Enel Produzione. Before the sale, Enel Produzione will spin off its hydroelectric generation operations in the Province of Trento to the NewCo and Enel Rete Gas SpA will transfer 100% of Avisio Energia SpA, which distributes natural gas in 32 municipalities in the Province of Trento.

The operations being transferred to the NewCo include 14 concessions for major hydroelectric derivations and 22 power plants with a total efficient capacity of 1.4 GW and an annual output of 3.6 TWh, as well as 7 mini-hydro plants (small derivations) with a total efficient capacity of 14 MW with an annual output of about 46 GWh.



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The price for the 51% stake in the NewCo being sold to Dolomiti Energia has provisionally been set at 561 million euros and will be paid in full at the time of the sale. The amount may be adjusted in relation to the actual net financial position of the operations transferred to the NewCo at the sale date, as well as the difference between the estimated value of production and actual production of the unit between 2008 and 2010.

Completion of the transaction is also subject to the official definitive extension of the concessions for major hydroelectric derivations that will be transferred to the NewCo, which are currently scheduled to expire on 31 December 2010, by at least 10 years. This extension, once requested by Enel Produzione and provided for by final regulations, will enable the parties to implement fully the business plan they have developed. The sale of the 51% interest in the NewCo to Dolomiti Energia is also subject to receipt of approval of the transaction from the Italian antitrust authorities.

The agreement also gives Dolomiti Energia a call option to acquire an additional interest in the NewCo from Enel Produzione. The option can be exercised by 31 December 2020 subject to the condition that the duration of the concessions for the major hydroelectric concessions held by the unit being transferred to the NewCo is modified.

Exercise of the call option will entitle Dolomiti Energia to acquire 9% of the NewCo if, at the time the option is exercised, its holding in the NewCo is still 51%; otherwise, the capital underlying the call option will be recalculated on a proportionate basis. The strike price of the call option will be based on the initial price of the 51% stake, provisionally set at 561 million euros, subject to adjustment for any extraordinary capital operations or dividend distributions by the NewCo.

The parties to the transaction have undertaken in the MoU to sign the sale contract within 60 days and agree the final text of the NewCo's bylaws (which will give the two shareholders a reciprocal right of pre-emption) and a shareholders' agreement under which the parties undertake not to transfer their holdings in the NewCo for a period to be agreed.

Under the MoU, until the date of the shareholders' meeting called to approve the financial statements for the 2010 financial year, the NewCo will be governed by a board of directors made up of five members, of which two appointed by Dolomiti Energia (one of whom will be elected chairman) and three by Enel Produzione (one of whom will be elected chief executive officer).

In view of these governance arrangements, for the first three years of the shareholders' agreement Enel Produzione will exercise a dominant influence over the NewCo and, in compliance with the provisions of law and international accounting standards, will therefore consolidate the NewCo on a full line-by-line basis.