BANCA IMI

Equity Company Note

Enel

2010-14 BP: A Few Key Items, Not Only Disposals

Enel - Key estimates and data					
Y/E December		2009E	2010E	2011E	2012E
Revenues	EUR M	63895.60	54836.78	55602.97	55530.08
EBITDA	EUR M	16019.50	16417.73	16653.56	17557.50
EBIT	EUR M	11006.50	11163.39	11209.65	11992.85
Net income	EUR M	5312.35	4331.17	4288.29	4779.44
Dividend ord.	EUR	0.26	0.28	0.27	0.30
Adj. EPS	EUR	0.44	0.46	0.46	0.51
EV/EBITDA	x	6.14	6.09	6.00	5.68
Adj. P/E	x	9.46	9.00	9.09	8.16

A: actual; E: estimates; Source: Company data and Intesa Sanpaolo Research

- **FY09 results and 2010-14 Business plan presentation**. We expect the new 2010-14 business plan, to be presented on 18 March, to focus on several key items, the most important being: 1) an update on the Enel-Endesa disposal programme and Enel's net debt reduction target; we expect the company to confirm the disposal programme of EUR 7Bn remaining from the last business plan, after the already completed Italian disposals and Endesa's HV grid; 2) the outlook on the international activities performance, which in our view should support company growth; 3) an update on the efficiency programme and on Enel-Endesa synergies; 4) the dividend policy. FY09 preliminary EBITDA and net debt were already released; we expect an EPS09 of around EUR 0.44/share and a dividend of EUR 0.26/share, of which EUR 0.1/share was already announced and paid as an interim dividend.

- **Outlook**. We expect a weak 2010 context for power, with a weak spark spread across the whole sector, in both Spain and Italy. We believe that the most profitable power generators will be those with a cheaper generation mix, effective forward power sales policy and with flexibility in the purchase of power. In fact, we believe that access to the power spot market could support the supply margins, or in other words, the net shortage of electricity could actually be an advantage for the company. This should allow Enel to be broadly resilient to the weak power environment for this year.

- **Estimates and valuation**. Our estimates, are based on conservative assumptions for power generation margins, power sales volumes and the disposal plan. In fact, our base case estimates factor in only EUR 3.3Bn disposals (those already completed, ELAT and Italian gas networks, and the Endesa HV grid disposal): based on which, we expect the EBITDA14E to grow to EUR 18.4Bn broadly on a like-for like basis (above EUR 18.1Bn assuming the EUR 7Bn disposals are completed) and an ordinary 2014E net income of EUR 5.4Bn (EUR 5.3Bn in the case of EUR 7Bn disposals). On the back of our new estimates, our DCF model generates a slightly different target price of EUR 5.20/share (EUR 5.01/share previously). **We maintain our BUY rating**.

- **Key risks**. The company specific risks mainly relate to the completion of the disposal programme. More than 30% of this programme has been completed according to the schedule, and the HV Spanish grid and Enel Green Power minority stake disposals are in the process of being sold in 2010. We believe that this will lower the market's risk perception on the disposals target.

See page 21 for full disclosures and analyst certification

15 March 2010

BUY

Target Price: EUR 5.20
(from EUR 5.00)

Utilities
Company Update

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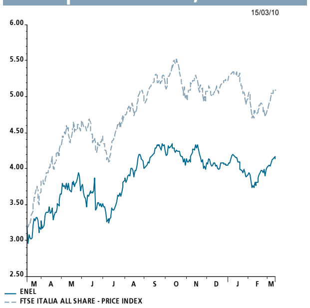
Price performance, -1Y



Source: Thomson Reuters

Data priced on 12.03.2010	
Target price (€)	5.20
Target upside (%)	25.25
Market price (€)	4.15
52-week range (€)	4.4/3
Market cap (€ M)	38976.84
No. of shares (M)	9403.34
Free float (%)	67
Major shareholder (%)	Cassa Dep. e Pres., 17
Reuters	ENEI.MI
Bloomberg	ENEL IM
FTSE It All Shares	23053

Performance %			
Absolute		Rel. to FTSE All Sh	
-1M	8.8	-1M	1.8
-3M	1.8	-3M	0.8
-12M	29.5	-12M	-29.5

Source: Intesa Sanpaolo Research estimates and Thomson Reuters

Contents

Power Generation Outlook

Italian activities

Main drivers of Italian power generation market

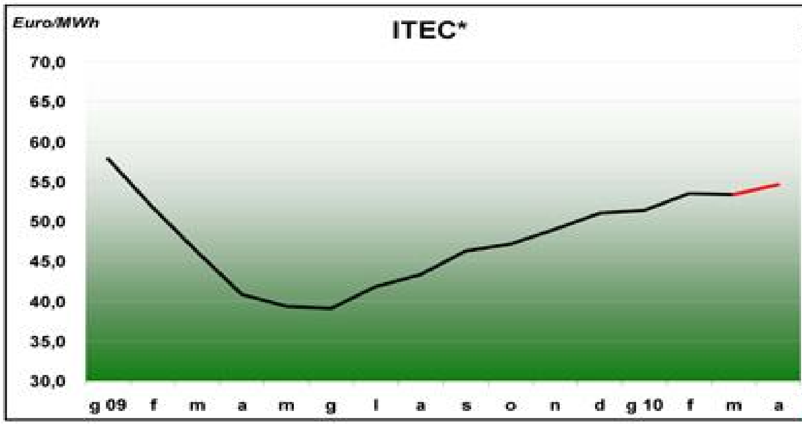
We believe that the following trends will be the main drivers of the Italian power generation market in 2010E:

- GDP recovery. Based on our assumptions of a +0.7% GDP recovery in 2010E, we expect: i) peak hour volumes to increase slightly; ii) domestic electricity demand to slightly recover in 2010E (by approx. 1% yoy in our estimate) after the decline in 2009 (domestic power production dropped by 8.7% yoy, versus a decrease in consumption of approx. 6% yoy);
- Investments for new installed capacity in the last few years have boosted the reserve margin to above 20%, thus we expect a halt to new investments and increasing competition among operators;
- Oil price rebound in 2010E should increase thermoelectric production costs and squeeze power generation margins if demand remains weak; power from renewable sources should moderately support margins, even though volumes could remain under pressure.

We are thus still conservative in our spark spread assumptions in 2010E for the operators, and we think that only a recovery in GDP growth and power consumption could boost margins, although we do not expect this before 2011.

We expect the average 2010E oil price to recover to above USD 70/bbl (Brent price), which represents an approx. 15% increase from the USD 62/bbl average oil price in 2009, at least. This should have a positive impact on the power generation margins from wind and hydroelectric sources, thanks to the higher fuel component of the electricity price.

Thermoelectric variable production costs (EUR/MWh)



Euro/MWh	ITEC
gen-09	57,86
feb-09	51,70
mar-09	46,09
apr-09	40,75
mag-09	39,28
giu-09	39,03
lug-09	41,78
ago-09	43,26
set-09	46,30
ott-09	47,13
nov-09	49,06
dic-09	51,05
gen-10	51,38
feb-10	53,42
mar-10	53,37
apr-10	54,63

Note: forward values in red. Source: Quotidiano Energia

Iberian activities

We expect difficult conditions also for Iberian power generation in 2010 and we see a sharp demand recovery as unlikely. In detail, given the renewable sources contribution and the higher nuclear load factors, we believe that thermal power generation output could remain under pressure. The addition of new capacity would further stress a weak situation.

In addition, thermal power generation margins could also come under pressure due to low spot prices.

Conclusions

Enel to maintain satisfactory margins

In this framework, we also expect a weak spark spread across the whole sector, in both Spain and Italy, and we believe that the most profitable power generators will be those with the cheaper generation mix. In fact, we expect Enel to be able to maintain satisfactory margins thanks to its electricity forward sales policy and the relatively favourable fuel mix in both Italy and Spain. Furthermore, we believe that the access to the power spot market could support the supply margins, or in other words, the net shortage of electricity could actually be an advantage for the company.

In addition, we expect surplus generation capacity and weaker demand to generate increased competition between the operators, leading some operators' less efficient plants to report weaker volumes due to lower load factors.

Enel will likely react to this more competitive environment thanks to the base load production via nuclear and coal-fired plants to improve low fuel cost generation. The regulated business also provides stable cash flows. Nuclear plants in Italy could be an further option, but only in the longer term.

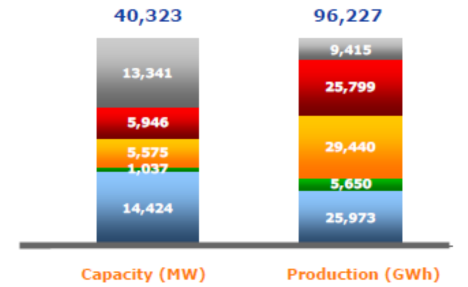
Key Drivers for Enel's Performance

In this section we discuss the main drivers which could place Enel in a relatively better position in the power generation competitive arena both in Italy and globally and in the regulated business.

The power generation mix

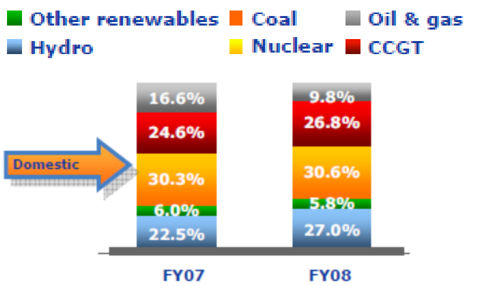
The charts below highlight Enel's high exposure to hydro and renewable sources in Italy; this component accounts for around 33% of the total power generation in 2008 (around 34% in 9M09), which is well above the 18% of the Italian power generation sector as a whole. The hydroelectric power generation component alone stands at around 24%.

Enel – 2008 Capacity and Production mix (Italy)



Source: Company data

Enel - 2008 Production mix (Italy)

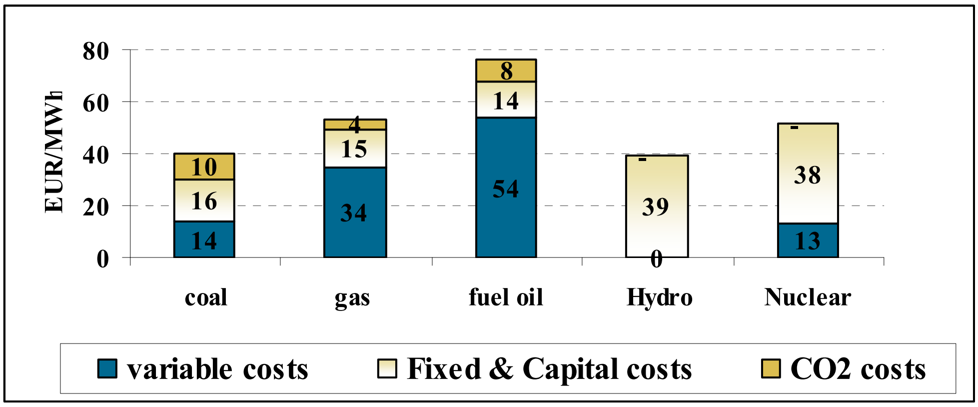


Source: Company data

The power generation fuel costs

The approx. 30% coal-fired power volumes should lower the thermal power generation costs, allowing Enel to dispatch at a relatively high load factor. In fact, we calculate that the high efficiency coal plants will be competitive even against the CCGT plants. Below we show our estimates on power production costs.

Power generation costs



Source: Intesa Sanpaolo Research estimates

Nuclear power would enhance Enel's competitiveness in the power sector, in our view, but this would be effective only in the very long term in Italy.

Forward sales in the market segment and gas exposure

We view this item as crucial for the next few years. We calculate that Enel sold power at around EUR 80/MWh in 2009, booking a material spread on the average power wholesale price, which was in region of EUR 64/MWh in the IPEX. During the 9M09 results conference call in November, management also disclosed that around 94% of the 2010 Italian production was sold at an average price of EUR 75/MWh. We believe that 100% of domestic power production is now hedged. In Italy, the spot price of electricity was never above EUR 75/MWh and range between EUR 72 and 57 per MWh in the first few weeks of this year. The forward price strip are seen below Enel's forward sales price in Italy for all 2010. In fact, according to Consultants' estimates (Alba Soluzioni) 2011 power price should be of around EUR 68/MWh. In addition, we highlight that the exposure to the gas business is limited both in terms of gas sales and gas distribution.

In Spain, Endesa forward sold electricity at an average price in 2009 of approx. EUR 60/MWh. For 2010, Endesa has already hedged 100% of production at a EUR 50-55/MWh price; in 2011, 40% of production has been hedged at a price above the current forward curve.

In Latin America, Enel is more than 70% hedged on 2010. In Slovakia, 2010 production is basically fully hedged at an average price of EUR 54/MWh.

The Regulated business: defensive and efficient

There is no regulatory risk in the electricity distribution business in Italy, until the current regulatory period closes at end-Dec 2011: we expect discussions with the Regulator to get underway in 1H11.

In Spain, the 2009 Decree paved the way to end the generation deficit in 2013. From 1 January 2013 tariff will be sufficient to cover all the costs relating to regulated activities. Excess costs related to non-mainland generation accrued to 31 December 2008 will be assigned to the Deficit Securitisation Fund for the Electricity System, backed by the government.

The regulated business currently accounts for around 47% of Enel's consolidated EBITDA, roughly 50/50 in Italy and slightly lower in Iberia-Latam, supporting the company's performance.

The company is seeking to enhance the efficiency of the business by cost reduction: the cost per user is now in the region of EUR 85 in Italy, to be lowered to EUR 70 by 2013.

The International Activities: Latam and Russia should support growth

As confirmed by 9M09 results, the International activities are driving the company's growth. We also expect this trend to be confirmed by FY09 results and in the longer-term targets. We believe that the most active regions will be Russia and Latin America. For the former, the liberalisation process will be decisive for higher prices and margins while in the second area, GDP growth will play a crucial role.

Outlook and Earnings

Outlook and assumptions

In this section we report our estimates, which we fine-tuned upwards together with the compound effect of lower volumes and higher power prices driven by a rising oil price. Our assumptions and performance outlook are summarised below:

- **Power demand and production in Italy** are expected to reflect a slow recovery of the macroeconomic scenario versus 2009. In detail, we assume that Enel's domestic power generation volumes increase by around 1.6% yoy in 2010E versus our previous assumption for a 1% yoy decrease. We think margins are sustainable in 2010E, thanks to the company's forward sales campaign;

- The oil price in 2010 is expected to recover to around USD 70/bbl versus the value of USD 62/bbl in 2009 while the average Italian electricity 2010E price at the IPEX is expected to increase to EUR 64/MWh (see chart below, source Alba Soluzioni), broadly flat versus last year. We see an **average Enel power sales price** in Italy at around EUR 75/MWh in 2010E versus around EUR 80/MWh in 2009. We expect the thermal spread to be stable across 2010E-14E and in the region of EUR 19-20/MWh, in Italy. For Endesa, we assumed an average generation margin before fixed costs of EUR 20/MWh across the period;

- We still assume a **flat performance for the electricity distribution regulated business and Market division (Network and Sales)** across the period, slightly decreasing versus 2009. The expected yoy decline in 2010E EBITDA should mainly reflect the slightly lower performance in the market division;

- Our 2010E estimates incorporate **the full consolidation of Endesa** for the full year, while for 2009 we assumed that Endesa was fully consolidated from 2H09 and that it was consolidated pro-quota at 67% up to end of June 2009. We left our estimates for the International activities performance broadly unchanged;

- Our estimates also include the disposal of **Enel's electricity HV transmission grid** for around EUR 1.15Bn, the disposal of **80% of the gas distribution network** in 2009E, for a value of EUR 1.5Bn (for 100%), and **the disposal of the HV Endesa's grid in Spain** (we assume a cash-in of around EUR 1Bn and a relative EBITDA decline of EUR 0.12Bn). The above disposals make up our 'base-case' scenario, while we have a run a sensitivity analysis to further disposals as per the 2009-13 plan (for an additional approx. EUR 7Bn, out of the total EUR 10Bn announced last year to be completed by 2010). Most of this remaining potential disposal value could relate to the sale of the minority stake in Enel Green Power;

- Our current estimates continue to **include the synergies on Endesa's EBITDA** in line with last year's business strategy presentation (around EUR 500M on EBITDA from 2013E onwards). We also include the synergies on capex from the Endesa acquisition (a EUR 230M capex reduction at terminal value in 2013).

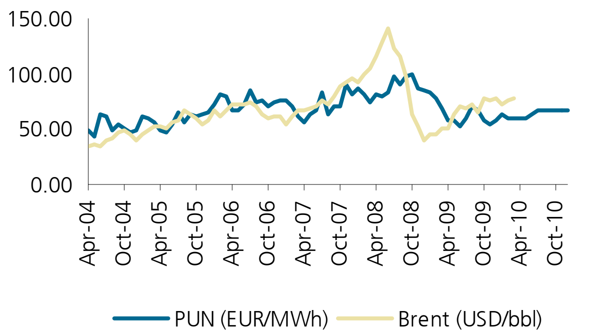
For now our estimates do not include the disposal of a minority stake in Enel Green Power, nor the disposal of the other non-strategic assets.

The charts below show: i) the current prices in the Italian Pool, showing that these are strictly related to the oil price, given the high gas-fuelled portion of the total installed capacity in Italy. Excluding a decoupling of the gas price from the oil price, we expect this trend to be confirmed in the next few years; and ii) power wholesale prices in the recent past versus Enel's avg. power sales price. The second chart highlights how Enel has outperformed the average market prices, thanks in our view to its hedging policy.

Our assumptions on the future power prices in Italy are shown in the same chart; the slight decrease we forecast in 2012-13E is mainly due to the conservative assumptions on the oil price scenario in the very long term. However, we highlight that we continue to assume that this oil and gas price decrease should only have a pass-through effect on the thermal power generation, but will negatively affect the wind and hydroelectric power generation.

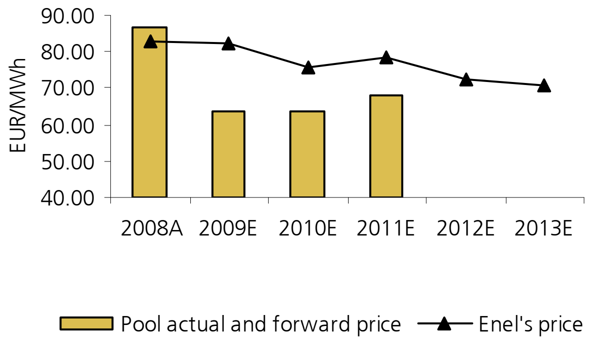
We ran a sensitivity analysis on the latter and we calculate that Enel's EBITDA would move in a range of +/-EUR 250-300M for a +/-USD 10/bbl change in the oil price, before any hedging.

IPEX (PUN) price vs. Brent



Source: actual GME, Alba Soluzioni; estimates Intesa Sanpaolo

IPEX prices vs. Enel's Power prices and assumptions



Source: actual GME, Alba Soluzioni; estimates Intesa Sanpaolo; Note: forward Pool price from Alba Soluzioni

Estimates

For 2010E, due to the deterioration in the power generation context in Italy and abroad, we still expect some weakness in the power generation division's performance, mainly due to flat volumes and slowly recovering prices. We assume margins will be broadly flat for Enel in 2010E (EUR 20/MWh), thus still remaining healthy in Italy, thanks to the forward sales policy at fixed power prices.

The full consolidation of Endesa from 2H09 and the good performance of the International activities supported EBITDA in 2009E, and should continue to be one of the main drivers of growth going forward.

Endesa - Consolidated P&L

EUR M	2009A	2010E	2011E	2012E	2013E	2014E
EBITDA	7,228	6,483	6,736	7,051	7,449	7,519
D&A	-2,182	-2,291	-2,405	-2,454	-2,454	-2,454
EBIT	5,052	4,193	4,331	4,598	4,996	5,065
Net income	2,726	2,518	2,689	2,955	3,336	3,543
Group	2,395	2,140	2,285	2,512	2,836	3,011
Minorities	331	378	403	443	500	531

E: estimates; Source: Company data and Intesa Sanpaolo Research

Enel - Old EBITDA estimates (2008A-13E)

EUR M	2008A	2009E	2010E	2011E	2012E	2013E
EBITDA	14,318	16,026	16,217	16,605	17,555	17,973
Domestic PowerGen & Mkt	3,113	2,902	3,217	3,263	3,577	3,466
Intl Activities (incl. Endesa)	5,691	7,533	8,315	8,621	9,227	9,569
Greenpower	1,187	1,163	1,225	1,222	1,212	1,357
Networks & Sales	4,273	4,010	3,462	3,500	3,539	3,578
Services & Others	99	298	31	25	21	16
Holding	9	16	23	29	35	41
Adjustments	-55	-55	-55	-55	-55	-55
EBIT	9,541	11,013	10,817	11,067	12,023	12,398

NA Not available. A: actual; E: estimates; Source: Company data and Intesa Sanpaolo Research.

Enel - New P&L estimates (2009A/E-14E) (base case, EUR 3.3Bn disposals)						
EUR M	2009A/E	2010E	2011E	2012E	2013E	2014E
EBITDA	16,020	16,418	16,654	17,558	18,013	18,431
EBITDA breakdown						
Domestic PowerGen	3,100	3,105	3,132	3,295	3,185	3,617
Intl Activities	1,499	1,659	1,633	1,976	1,980	1,999
Iberia Latam	5,942	6,483	6,736	7,051	7,449	7,519
Greenpower	1,186	1,240	1,249	1,238	1,386	1,240
Networks	3,653	3,662	3,700	3,719	3,728	3,768
Market	361	271	204	278	281	285
Holding/Services&Others	279	-2	-1	1	2	4
D&A	-5,013	-5,254	-5,444	-5,565	-5,638	-5,622
EBIT	11,007	11,163	11,210	11,993	12,375	12,809
Financial costs	-2,702	-2,658	-2,649	-2,600	-2,528	-2,326
others	970	0	0	0	0	0
Pre-tax income	9,274	8,505	8,561	9,393	9,847	10,483
Taxes	-2,630	-2,849	-2,911	-3,194	-3,348	-3,564
Tax rate (%)	28	34	34	34	34	34
Net Income (contd oper., pre-minor.)	6,645	5,656	5,650	6,199	6,499	6,919
Adjusted Net Income	4,121	4,331	4,288	4,779	4,997	5,371

A: actual; E: estimates; Source: Company data and Intesa Sanpaolo Research. Note: Revenues and EBITDA already reported

Enel - New balance sheet estimates (2009A/E-14E) (base case, EUR 3.3Bn disposals)						
EUR M	2009A/E	2010E	2011E	2012E	2013E	2014E
Assets	101,619	102,556	104,663	107,049	108,703	106,687
Working Capital	-8,446	-5,580	-5,596	-5,255	-5,133	-5,086
Gross Invested Capital	93,173	96,976	99,066	101,794	103,569	101,601
Severance Fund	-2,921	-2,932	-2,943	-2,954	-2,965	-2,976
Net Invested Capital	90,252	94,044	96,123	98,840	100,604	98,625
Net Equity	30,655	32,514	34,203	36,410	38,539	40,912
Net Debt	50,820	51,428	50,456	49,547	47,679	41,779

A: actual; E: estimates; Source: Company data and Intesa Sanpaolo Research. Note: Net debt already reported

Enel - New cash flow statement estimates (2009A/E-14E) (base case, EUR 3.3Bn disposals)						
EUR M	2009A/E	2010E	2011E	2012E	2013E	2014E
NFP BOY	-49,967	-50,820	-51,428	-50,456	-49,547	-47,679
Net Income	6,492	5,656	5,650	6,199	6,499	6,919
D&A	5,013	5,254	5,444	5,565	5,638	5,622
WC change	-559	-2,866	17	-342	-122	-47
Operating cash flow	10,945	8,044	11,111	11,422	12,015	12,494
Capex	-5,434	-7,180	-7,540	-7,940	-7,280	-3,595
Dividend	-3,031	-2,472	-2,599	-2,573	-2,868	-2,998
Acquis. / Disposals / Others	-11,310	1,000	0	0	0	0
Equity changes	7,978	0	0	0	0	0
NFP EOY	-50,820	-51,428	-50,456	-49,547	-47,679	-41,779

A: actual; E: estimates; Source: Company data and Intesa Sanpaolo Research. Note: Net debt already reported

2010-14 BP: More Details on Disposals

We expect the new 2010-14 business plan, to be presented on 18 March, will focus on several key items, including:

- An update on the Enel-Endesa's disposal program and Enel's net debt reduction target;
- The power generation outlook, in Italy and Spain and for the International activities, with a particular focus on international activities performance;
- An update on the efficiency program and on Enel-Endesa synergies;
- The dividend policy.

Disposals: we expect the company to give more disclosure on the asset disposals in the pipeline, which should amount to around EUR 7Bn, according to the former plan. The deadline for the disposal plan was 2010, which we expect to be confirmed. The HV electricity grid (ELAT) disposal has already been finalised for an EV of around EUR 1.15Bn. The gas pipeline disposal was also completed for a positive effect of EUR 1.2Bn on net debt. The EUR 7Bn disposals plan should mainly relate to:

- Non-strategic assets (around EUR 4Bn), which would include Endesa's HV grid for a value of around EUR 1Bn;
- Enel Green Power, for which the company recently indicated a value above EUR 3Bn for a 30% equity stake; this value excludes any changes of perimeter, such as the possible contribution of Endesa's renewable assets to EGP.

Domestic power generation: the 2009-13 plan provided an update on the impact of the macroeconomic scenario in terms of prices and volumes for power generation and forward sales. From the new plan we expect: i) an update from 2010 onwards; and ii) coal fired production to increase from the current 31% to 40% of total power generation in Italy as early as 2010E, in line with the 2009-13 plan guidance;

Domestic electricity distribution: we expect the company to confirm the efficiency programme, with an approximate 20% reduction in operational costs across the period to obtain a EUR 70/customer cash cost in 2013E;

International activities and Endesa: we believe that the company: i) will broadly confirm the synergies with Endesa at EUR 1Bn in 2012, of which EUR 0.55Bn at the EBITDA level and the remainder from capex; these indications were already included in our previous estimates; and ii) will probably provide an update on the Russian business;

Total capital expenditure: the company announced 2009-13E capex of around EUR 32.6Bn assuming Endesa's full consolidation. We expect the capex plan to be confirmed for the 2010-14 period, with approx. 50% of capex allocated to growth and the remainder to maintenance; the company has flexibility on spending according to needs of financial solidity;

Dividend policy: as far as the 2010E-14E dividend policy is concerned, we expect the company to confirm a 60% dividend payout on ordinary income for the period.

Clearly all the above are sensitive for Enel's financials in the next five years and specifically for the debt service and balance sheet solidity. Net debt reduction should be confirmed at EUR 45Bn in 2010E, and below EUR 40Bn in 2014E, with a net debt/EBITDA ratio below 2.5x by the end of the period.

Enel – Summary of BP targets

	2009-13 plan	Our 2010-14E estimates (incl. EUR 7Bn disposals)
Targets		
EBITDA (EUR Bn)		
2010	16.0	16.1
end of the period	18.0	18.1
Net income (EUR Bn)		
2010	4.0	4.1
end of the period	5.0	5.3
Net debt (EUR Bn)		
2010	45.0	45.5
end of the period	41.0	35.5
Debt ratios		
2010 D/EBITDA	2.8	2.8
End of the period D/EBITDA	2.3	2.0
2009-10E Disposals (EUR Bn)		
Italian HV electricity grid (completed in 2009)	1.1	1.1
Gas distribution network (completed in 2009)	1.2	1.2
HV Endesa's grid in Spain (to be completed by 2010)	1.0	1.0
Enel Green Power and Other assets	7.0	7.0
Capex (100% Endesa)	32.6	33
Dividend payout (on ordinary income) %	60	60

Source: Company data and Intesa Sanpaolo Research estimates

We think the company's ability to meet its financial targets and comply with debt covenants will depend on operating cash flows and on the finalisation of the asset disposal programme in the next few months.

The impact of the EUR 7Bn asset disposals

Our "base case" estimates broadly factor in our assumptions for the new business plan as discussed above; in the table below we compare them with the old 2009-13E plan targets. We remind that we factor in only the disposals completed so far and Endesa's HV grid.

Enel – Comparison of our estimates with the Enel's old financial targets

	2009A/E	2010E	2013E	2008A	2010E	2013E
EUR Bn	Our estimates (EUR 3.3Bn disposals) (1)			Enel disposal targets (Further EUR 7Bn disposals)		
EBITDA	16.0	16.4	18.0	14.3	16.0	18.0
Italy	7.4	7.0	7.2	6.9	n.a.	n.a.
Intl	8.6	9.4	10.8	2.2	n.a.	n.a.
Adj Net Income	4.1	4.3	5.0	3.9	4.0	5.0
Net debt	50.8	51.4	47.7	50.0	45.0	41.0
D/EBITDA (x)	3.2	3.1	2.6	3.5	2.8	2.3
Dividend	2.5	2.6	2.9	3.0	2.4	3.0

A: actual; E: estimates; Source: Company data and Intesa Sanpaolo Research. Note: (1) financials do not include the effect of a EUR 0.3Bn EBITDA decrease and the EUR 7Bn assumed cash-in related to further disposals

We report below the debt ratios relating to the disposals and deconsolidation of the HV and gas grids already completed in 2009 (our base-case estimates). Benefits on these ratios could come from further disposals and/or a more substantial capex reduction.

Enel - Key net debt ratios (base-case)

Financial Ratios	2008A/E	2009E	2010E	2011E	2012E	2013E
D/EBITDA	3.5	3.2	3.1	3.0	2.8	2.6
FFO/Interests	3.3	3.2	2.9	3.0	3.3	3.6
FFO/ average tot. Debt (%)	18.0	17.5	16.1	16.6	18.3	19.8
EBIT/Interests	3.6	4.0	4.0	4.0	4.4	4.6

E: estimates; Source: Company data and Intesa Sanpaolo Research

In fact, we have also run a sensitivity analysis assuming disposals as per Enel's 2009-13 plan, factoring in the remaining approx. EUR 7Bn disposals, relating to Enel Green Power and other non-strategic assets.

The tables below show other potential sales and the effect on the debt ratios. We believe that the company's first move could be the sale of a minority stake in Green Power, which has an installed power generation capacity of around 4.5GW from renewable sources, with an estimated 2009 EBITDA of around EUR 1.2Bn. Our analysis shows how the key debt ratios would ease from our base-case values, as shown in the table below:

Additional possible disposals on top of our base-case scenario

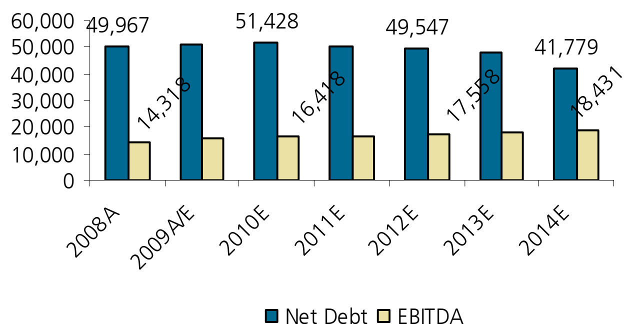
EUR M	Impact on net debt	FY EBITDA decons
HV grid & gas network (in our Base Case)	2,352	250
HV Endesa's grid (in our Base Case)	1,000	
Greenpower 30% stake (1)	3,000	-
Peripherals	400	-
Capex delay	0	
Other non-strategic assets	3,000	300

Source: Intesa Sanpaolo Research estimates. Note: (1) based on company public statements of an expected cash-in in excess of EUR 3Bn for a 30% equity stake

For the sake of sensitivity, our simulation conservatively assumes the disposal of a 30% stake in Enel Green Power in 2010E, for EUR 3Bn; this value is based on very preliminary company public statements. We expect this value to be higher in case of a larger consolidation perimeter.

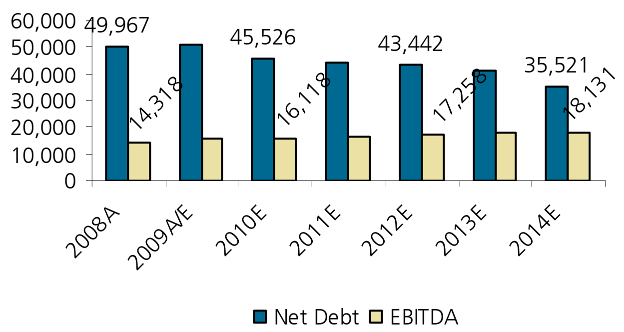
This disposal and the HV grid and gas network in the pipeline, would represent a total of EUR 4Bn or more (approx. 60% of the total disposal plan of EUR 7Bn).

Enel - Debt & EBITDA (our base case disposals)



A: actual; E: estimates; Source: Company data and Intesa Sanpaolo Research

Enel - Debt & EBITDA (Enel's target of disposals)



A: actual; E: estimates; Source: Company data and Intesa Sanpaolo Research

Enel - Key net debt ratios (base case + EGP and other disposals)

	2008A	2009A/E	2010E	2011E	2012E	2013E
D/EBITDA	3.5	3.2	2.8	2.7	2.5	2.3
FFO/Interests	3.3	3.2	3.1	3.5	3.9	4.3
FFO/ average tot. Debt (%)	18.0	17.5	17.2	19.5	21.6	23.4
EBIT/Interests	3.6	4.0	4.1	4.4	4.8	5.2

E: estimates; Source Company data and Intesa Sanpaolo Research.

Enel - New P&L estimates (2009A/E-14E) (Enel's case: further disposals for EUR 7Bn)

EUR M	2009A/E	2010E	2011E	2012E	2013E	2014E
EBITDA	16,020	16,118	16,354	17,258	17,713	18,131
EBITDA breakdown						
Domestic PowerGen	3,100	3,105	3,132	3,295	3,185	3,617
Intl Activities	1,499	1,359	1,333	1,676	1,680	1,699
Iberia Latam	5,942	6,483	6,736	7,051	7,449	7,519
Greenpower	1,186	1,240	1,249	1,238	1,386	1,240
Networks	3,653	3,662	3,700	3,719	3,728	3,768
Market	361	271	204	278	281	285
Holding/Services&Others	279	-2	-1	1	2	4
D&A	-5,013	-5,254	-5,444	-5,565	-5,638	-5,622
EBIT	11,007	10,863	10,910	11,693	12,075	12,509
Financial costs	-2,702	-2,505	-2,339	-2,284	-2,209	-2,003
others	970	0	0	0	0	0
Pre-tax income	9,274	8,358	8,571	9,408	9,866	10,507
Taxes	-2,630	-2,800	-2,914	-3,199	-3,355	-3,572
Tax rate %	28	34	34	34	34	34
Net Income (contd oper., pre-minor.)	6,645	5,558	5,657	6,210	6,512	6,934
Adjusted Net Income	4,121	4,123	4,188	4,690	4,878	5,279

A: actual; E: estimates; Source: Company data and Intesa Sanpaolo Research

Enel - New balance sheet estimates (2009A/E-14E) (Enel's case: further disposals for EUR 7Bn)

EUR M	2009A/E	2010E	2011E	2012E	2013E	2014E
Assets	101,619	99,556	101,663	104,049	105,703	103,687
Working Capital	-8,446	-5,580	-5,596	-5,255	-5,133	-5,086
Gross Invested Capital	93,173	93,976	96,066	98,794	100,569	98,601
Severance Fund	-2,921	-2,932	-2,943	-2,954	-2,965	-2,976
Net Invested Capital	90,252	91,044	93,123	95,840	97,604	95,625
Net Equity	30,655	32,305	34,019	36,196	38,261	40,613
Net Debt	50,820	45,526	44,422	43,442	41,508	35,521

A: actual; E: estimates; Source: Company data and Intesa Sanpaolo Research

Enel - New cash flow estimates (2009A/E-14E) (Enel's case: further disposals for EUR 7Bn)

EUR M	2009A/E	2010E	2011E	2012E	2013E	2014E
NFP BOY	-49,967	-50,820	-45,526	-44,422	-43,442	-41,508
Net Income	6,492	5,558	5,657	6,210	6,512	6,934
D&A	5,013	5,254	5,444	5,565	5,638	5,622
WC change	-559	-2,866	17	-342	-122	-47
Operating cash flow	10,945	7,946	11,118	11,432	12,028	12,509
Capex	-5,434	-7,180	-7,540	-7,940	-7,280	-3,595
Dividend	-3,031	-2,472	-2,474	-2,513	-2,814	-2,927
Acquis. / Disposals / Others	-11,310	7,000	0	0	0	0
Equity changes	7,978	0	0	0	0	0
NFP EOY	-50,820	-45,526	-44,422	-43,442	-41,508	-35,521

A: actual; E: estimates; Source: Company data and Intesa Sanpaolo Research

Endesa FY09 Results

Adj. net income +1% vs. 2008

Endesa reported net income of EUR 3,430M in FY09, -52% yoy versus the reported FY08 net income. On a like-for-like basis, this figure was EUR 2,395M, i.e. 1.0% higher than the adjusted net income posted in 2008. In fact, 2008 included net income from the sale of assets to E.On in June (EUR 4,798M after taxes and minorities), while 2009 results include net income from the sale of assets to Acciona (EUR 1,035M).

Higher synergies in 2009 than originally targeted

Power demand in Spain decreased by more than 4% yoy, but was broadly flat in Latam. Average prices also materially decreased versus last year (-40% yoy in Spain). These negative effects were offset by the favourable generation mix, the performance of the regulated business and the efficiency programme. In particular, the synergies target for 2009 was outperformed (EUR 494M savings vs. a target of EUR 436M). In addition, the savings target for 2012 has been raised to EUR 813M vs. the previous target of EUR 680M. Including other Enel's synergies, these would increase to a positive impact on consolidated financials of EUR 1Bn.

More specifically, in Iberia, Endesa's electricity output in Spain and Portugal dropped by 16.7% to 74,287 GWh yoy. Endesa produced 3,038 GWh of energy from CHP/renewable sources in 2009, a yoy decrease of 15.3%. Nuclear and hydro powered energy accounted for 57.7% of Endesa's mainland generation mix under the ordinary regime, compared with 33.1% for the rest of the sector.

The average pool price in 2009 fell by 39.7% compared with 2008 to EUR 42.47/MWh. Despite the 20.6% drop in mainland generation and the fall in pool prices, revenues from electricity sales grew 34.7% due to the smaller sales mix in the pool, which has been offset by higher sales to deregulated customers (+27% yoy), and, above all, to the regulatory changes that came into force on 1 July 2009. In fact, from 2H09 the billing to regulated customers are posted both in the revenues and costs, as they are a pass through for generators.

Overall slowdown in demand in Latin America

In Latin America, the economic environment in Endesa's Latin American operating markets led to an overall slowdown in demand growth in 2009: demand fell by 1.3% in Argentina and 1.0% in Brazil; but increased by 1.5%, 0.7% and 0.3% in Colombia, Chile and Peru, respectively. Distribution sales by Endesa companies totalled 63,745 GWh, an increase of 1.5% on 2008. Despite this moderate demand growth, Endesa's generation output increased by 3.4% in 2009 to 62,767 GWh in 2009, mainly due to higher hydro generation.

Overall, company revenues and costs both rose as a result of the higher sales margin, translating into an EBITDA of EUR 7,228M (+4.8%).

EBIT fell 3.5% to EUR 5,052M. The decrease in EBIT compared with the increase in EBITDA relates to the EUR 515M increase (31.0%) in the depreciation and amortisation charge, of which EUR 212M corresponds to one-off items.

Net debt

Net debt at EUR 18.5Bn

Endesa's net debt was EUR 18,544M at 31 December 2009, up by EUR 4,541M from December 2008, due to an interim dividend of EUR 6,243M on 16 March 2009, which included extraordinary dividends to shareholders from the capital gains on the sale of assets to E.On in June 2008. Out of the above total net debt, the company has the right to recover EUR 6,898M, related to regulatory matters in the Spanish electricity business: EUR 4,656M for financing the revenue shortfall from regulated activities and EUR 2,242M in compensation for stranded costs in non-mainland generation. As per the Royal Decree 6/2009, Endesa will have the option of ceding these said collection rights to a securitisation fund incorporated for this purpose. Stripping out this regulatory component, Endesa's net debt at the end of December 2009 was EUR 11,646M.

The average cost of Endesa's total debt was 4.30% in 2009, while the cost of the debt corresponding to the Enersis Group was an average 7.3%. Excluding Enersis Group debt, Endesa's average cost of debt was 3.3% in the period.

Enel Consolidated FY09 Preview

Good results despite difficult scenario

Enel reported preliminary FY09 revenues, consolidated EBITDA and net debt last February: revenues came in at EUR 64Bn (+4.6 yoy), EBITDA at around EUR 16Bn (+11.9% yoy) and net debt at EUR 51Bn. FY09 EBITDA was broadly in line with our estimates, but above consensus (EUR 15.6Bn according to Bloomberg), while net debt was better than ours and consensus estimates. We expect a FY09 dividend at EUR 0.26/share, of which EUR 0.1/sh already announced and paid as an interim dividend.

The EBITDA increase was mainly due to the consolidation of Endesa at 67% in FY08, compared with a 100% consolidation from end June 2009: at the same consolidation perimeter and adjusted for non-recurring items (positive items of around EUR 365M in FY09 and around EUR 320M in FY08), we calculate that FY09E EBITDA increased by around 5% yoy. 4Q09 consolidated EBITDA increased by 14% yoy on a reported basis, although it was broadly flat yoy, like-for-like.

No breakdown of FY09 EBITDA was provided in February, although we calculate that the FY09 EBITDA increase should be mainly supported by the International division (+44% yoy) and Endesa's activities (+4.8% yoy), with this higher EBITDA partially offset by the weaker performance by the Market (-48% yoy) and GEM (-2% yoy) divisions. Networks should slightly increase yoy.

Margins still healthy thanks to company's forward-selling power policy

We viewed these results positively, as they confirm a slight improvement despite the difficult macroeconomic scenario, which has resulted in a decline in power consumption, mainly in Europe. Specifically, net debt was better than ours and consensus estimates, well below the EUR 54Bn at Sept. 2009 and slightly up from the EUR 50Bn as of Dec. 2008. Final FY09 results are due out on 18 March, together with the 2010-14 business plan.

In detail, by division, we expect an improvement in EBITDA in the domestic power generation business, supported by stable and healthy margins, a positive contribution of fair values of commodity and forex hedging. The domestic power generation business is expected to be broadly flat, despite the deterioration of the macroeconomic scenario which resulted in a decline in power generation volumes of around 8% yoy. The Network division 4Q09 EBITDA should be broadly stable, thanks to operating efficiencies and despite the material decline in electricity consumption by around 2% yoy (-6% yoy in FY09). International division EBITDA is also seen rising thanks to the healthy performance of Endesa and the other international activities while the market division's 4Q09 and FY09 EBITDA should materially decrease yoy.

Enel - 4Q/FY09 Preview

EUR M	4Q08A	4Q09E	4Q09A/E	09vs08 %	FY08A	FY09E	FY09A/E
EBITDA	3,090	3,534	3,514	14	14,318	16,020	16,000
GEM	284	418	N.A.	47	3,113	3,100	N.A.
EGP	404	302	N.A.	-25	1,187	1,186	N.A.
Mkt	224	93	N.A.	-59	554	361	N.A.
Iberia Latam	980	1,424	N.A.	45	4,647	5,942	N.A.
Intl.	310	405	N.A.	31	1,044	1,499	N.A.
Networks	917	820	N.A.	-11	3,719	3,653	N.A.
Holding & Services	-65	72	N.A.	-211	53	279	N.A.
EBIT	1,441	2,184	2,184	52	9,541	11,007	11,007
EBIT Adjusted	1,441	2,184	2,184		9,541	11,007	11,007
Adjusted Net Income	649	571	571	-12	3,884	4,121	4,121
EPS	0.10	0.06	0.06	-42	0.63	0.44	0.44
Net Debt (EUR Bn)		53.1				53.1	51.0

A: actual; E: estimates; Source: Company data and Intesa Sanpaolo Research. Note: 2009 revenues, EBITDA and net debt already released

Valuation

DCF-based target price at EUR 5.20/share

While our target price is set on the basis of our DCF-basis, we also carried out a number of different valuation approaches as a cross-check. On our DCF model, our target price slightly changed to EUR 5.20/share (EUR 5.01/share the previous).

In detail, we also valued the stock using a more conservative approach on the valuation of activities abroad, i.e. on the basis of a mixed market cap-book value approach.

DCF based fair value

Enel - DCF-based valuation				
Growth rate for Terminal Value (g%)				
Distribution & Sales to Tied Mkt	2.0			
Generation & Energy Mngt & Others	2.0			
	WACC %	EV (EUR M)	EUR/ share	EV/EBITDA10E
GEM & Renewables	7.32	35,866	3.8	8.3
International (Endesa incl.)	10.26	49,953	5.3	6.1
Electricity Distr.	7.30	26,508	2.8	7.2
Market	7.56	2,668	0.3	10.4
Gas & Sales	7.56	215	0.0	14.2
Other&Holding (multiple based)	NM	-11	0.0	7.0
Enterprise Value		115,200	12.3	7.0
		EUR M	EUR/share	P/E10E
Net Debt (2009E)		-50,820	-5.4	
Fin. & other non-current assets (2009E)		-1,229	-0.1	
Min. & Sev. Fund		-14,332	-1.5	
Equity Value		48,820	5.2	11.3

NM: not meaningful; E: estimates; Source: Intesa Sanpaolo Research

DCF, Market and Book value mixed valuation

Enel - DCF-based valuation, International @Mkt/book value				
Growth rate for Terminal Value (g%)				
Distribution & Sales to Tied Mkt	2.0			
Generation & Energy Mngt & Others	2.0			
	WACC%	EV (EUR M)	EUR per share	EV/EBITDA 2010E
GEM & Renewables	7.32	35,866	3.8	8.3
International (Endesa incl.)	NM	47,797	5.1	5.9
Electricity Distr.	7.30	26,508	2.8	7.2
Market	7.56	2,668	0.3	10.4
Gas & Sales	7.56	215	0.0	14.2
Other&Holding (multiple based)	NM	-11	-0.0	7.0
Core Enterprise Value		113,044	12.0	
		EUR M	EUR/share	P/E10E
Total Enterprise Value		113,044	12.0	
Net Debt (2009E)		-50,820	-5.4	
Fin. & other non-current assets (2009E)		-1,229	-0.1	
Min. & Sev. Fund		-14,332	-1.5	
Equity Value		46,664	5.0	10.8

NM: not meaningful; E: estimates; Source: Intesa Sanpaolo Research, JCF

Foreign activities valuation

Below we show the details of our valuation of the international division at market values (at current stock price for Endesa, at market multiples for Romania and Bulgaria assets) and book values (for the other international assets).

Enel - Foreign activities valuation at Market Cap and Book Value

International Assets Conservative Valuation	Method		100% Eq.	EV (EUR M)	Enel %	% of Cons.	Consolid. EV (EUR M)
Endesa	Mkt Value		23,593	37,946	100.0	100	37,946
SE	Book		1,818	2,448	66.0	100	2,448
Romania	Multiples	(7xEBITDA10E)		1,571	65.5	100	1,571
Bulgaria	Multiples	(7xEBITDA10E)		560	73.0	100	560
Russia (OGK-5)	Multiples	(6xEBITDA12E)		2,748	59.8	100	2,748
EUFER	1.5 EUR/MW			1,950	50.0	100	1,950
Latin America	1.5 EUR/MW			575	100.0	100	575
Total				47,797			47,797

E: estimates; Source: Intesa Sanpaolo Research

Multiples comparison

Enel - Peer multiples as at 12/03/10

x	P/E 09	P/E 10	P/E 11	P/E 12	Ev/EBITDA 09	Ev/EBITDA 10	Ev/EBITDA 11	Ev/EBITDA 12
ENEL SPA	8.3	9.2	8.9	9.0	5.7	5.6	5.4	5.0
Edison (Intesa Sanpaolo estim.)	14.4	11.6	11.9	1.0	6.2	6.5	6.2	6.0
RWE AG	10.0	9.2	9.0	8.3	5.7	5.2	5.1	4.7
E.ON AG	9.5	9.4	9.3	9.1	6.5	6.3	6.3	6.1
EVN AG	11.5	11.0	10.1	9.1	9.5	8.8	8.1	7.4
SUEZ SA								
Endesa (Empresa Nacional)	9.3	10.6	10.5	9.8	6.0	5.4	5.4	4.9
Iberdrola SA	12.1	12.3	11.4	10.4	9.2	8.5	8.0	7.4
Gas Natural SDG SA	10.2	9.7	9.1	8.1	8.5	6.9	6.4	5.7
EDP Energias de Portugal	10.9	10.8	10.2	8.8	7.8	7.4	7.0	6.4
Electricite de France	17.7	16.7	14.8	12.4	6.8	6.4	6.0	5.7
Average EUROPE	11.4	11.0	10.5	8.6	7.2	6.7	6.4	5.9

Source: FactSet consensus

Enel - Key figures

			Ordinary		Rating
Sector	Utilities	Mkt price EUR/Share	4.15		**BUY**
REUTERS CODE	ENEI.MI	Target price EUR/Share	5.20		
Values per share (EUR)	2008A	2009E	2010E	2011E	2012E
No. ordinary shares (M)	6186.40	9403.34	9403.34	9403.34	9403.34
No. NC saving/preferred shares (M)	0.00	0.00	0.00	0.00	0.00
Total no. of shares (M)	6186.40	9403.34	9403.34	9403.34	9403.34
Adj. EPS	0.63	0.44	0.46	0.46	0.51
CFPS	1.63	1.10	1.02	1.03	1.10
BVPS	3.30	3.26	3.46	3.64	3.87
Dividend Ord	0.49	0.26	0.28	0.27	0.30
Dividend SAV Nc	0.00	0.00	0.00	0.00	0.00
Income statement (EUR M)	2008A	2009E	2010E	2011E	2012E
Sales	61184.00	63895.60	54836.78	55602.97	55530.08
EBITDA	14318.00	16019.50	16417.73	16653.56	17557.50
EBIT	9541.00	11006.50	11163.39	11209.65	11992.85
Pre-tax income	6379.00	9274.25	8504.95	8560.66	9392.76
Net income	5293.00	5312.35	4331.17	4288.29	4779.44
Adj. net income	3883.55	4120.53	4331.17	4288.29	4779.44
Cash flow (EUR M)	2008A	2009E	2010E	2011E	2012E
Net income before minorities	6034.00	6491.53	5655.79	5650.04	6199.22
Depreciation and provisions	4777.00	5013.00	5254.35	5443.91	5564.66
Change in working capital	-4309.00	-548.14	-2855.42	27.73	-330.71
Operating cash flow	6502.00	10956.39	8054.71	11121.67	11433.17
Capital expenditure	1698.32	-3082.39	-6180.00	-7540.00	-7940.00
Other (uses of Funds)	654.33	-13673.20	-11.00	-11.00	-11.00
Free cash flow	8854.65	-5799.20	1863.71	3570.67	3482.17
Dividends and equity changes	-3030.65	4946.67	-2472.32	-2598.70	-2572.97
Net cash flow	5824.00	-852.53	-608.60	971.97	909.20
Balance sheet (EUR M)	2008A	2009E	2010E	2011E	2012E
Net capital employed	76262.00	90251.89	94043.97	96123.34	98840.39
of which associates	397.00	2586.93	2586.93	2586.93	2586.93
Net debt/-cash	49967.00	50819.53	51428.14	50456.17	49546.97
Minorities	5899.00	8777.34	10101.97	11463.72	12883.50
Net equity	20396.00	30655.02	32513.87	34203.46	36409.92
Market cap	25642.63	38976.84	38976.84	38976.84	38976.84
Minorities value	7461.18	11227.41	12183.03	13142.36	13874.98
Enterprise value (*)	82673.81	98436.84	100001.07	99988.44	99811.85
Stock market ratios (x)	2008A	2009E	2010E	2011E	2012E
Adj. P/E	6.60	9.46	9.00	9.09	8.16
P/CEPS	2.55	3.77	4.07	4.00	3.77
P/BVPS	1.26	1.27	1.20	1.14	1.07
Dividend yield (% ord)	11.82	6.34	6.67	6.60	7.36
Dividend yield (% sav)					
EV/sales	1.35	1.54	1.82	1.80	1.80
EV/EBITDA	5.77	6.14	6.09	6.00	5.68
EV/EBIT	8.67	8.94	8.96	8.92	8.32
EV/CE	1.08	1.09	1.06	1.04	1.01
D/EBITDA	3.49	3.17	3.13	3.03	2.82
D/EBIT	5.24	4.62	4.61	4.50	4.13
Profitability & financial ratios (%)	2008A	2009E	2010E	2011E	2012E
EBITDA margin	23.40	25.07	29.94	29.95	31.62
EBIT margin	15.59	17.23	20.36	20.16	21.60
Tax rate	5.41	30.00	33.50	34.00	34.00
Net income margin	8.65	8.31	7.90	7.71	8.61
ROE	25.95	17.33	13.32	12.54	13.13
Debt/equity ratio	1.90	1.29	1.21	1.10	1.01
Growth (%)		2009E	2010E	2011E	2012E
Sales		4.43	-14.18	1.40	-0.13
EBITDA		11.88	2.49	1.44	5.43
EBIT		15.36	1.43	0.41	6.99
Pre-tax income		45.39	-8.30	0.66	9.72
Net income		0.37	-18.47	-0.99	11.45
Adj. net income		6.10	5.11	-0.99	11.45

(*) EV = Mkt cap+ Net Debt + Minorities Value - Associates A: actual; E: estimates; Source: Company data and Intesa Sanpaolo Research

Notes

Notes

Disclaimer

Analyst certification

The financial analyst who prepared this report, and whose name and role appear on the first page, certifies that:

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Valuation methodology (long-term horizon: 12M)

The Intesa Sanpaolo SpA Equity Research Department values the companies for which it assigns recommendations as follows:

We obtain a fair value using a number of valuation methodologies including: discounted cash flow method (DCF), dividend discount model (DDM), embedded value methodology, return on allocated capital, break-up value, asset-based valuation method, sum-of-the-parts, and multiples-based models (for example PE, P/BV, PCF, EV/Sales, EV/EBITDA, EV/EBIT, etc.). The financial analysts use the above valuation methods alternatively and/or jointly at their discretion. The assigned target price may differ from the fair value, as it also takes into account overall market/sector conditions, corporate/market events, and corporate specifics (ie, holding discounts) reasonably considered to be possible drivers of the company's share price performance. These factors may also be assessed using the methodologies indicated above.

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Equity rating key (long-term horizon: 12M)

Long-term rating	Definition
BUY	If the target price is 20% higher than the market price
ADD	If the target price is 10%-20% higher than the market price
HOLD	If the target price is 10% below or 10% above the market price
REDUCE	If the target price is 10%-20% lower than the market price
SELL	If the target price is 20% lower than the market price
RATING SUSPENDED	The investment rating and target price for this stock have been suspended as there is not a sufficient fundamental basis for determining an investment rating or target. The previous investment rating and target price, if any, are no longer in effect for this stock.
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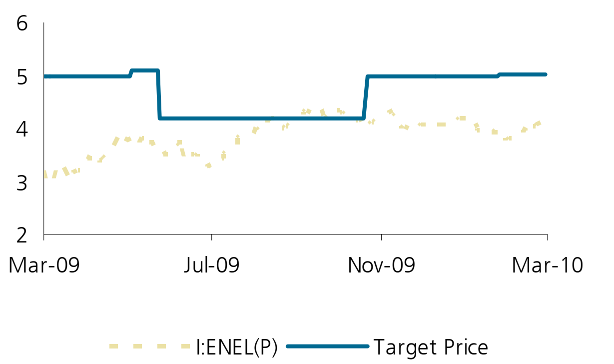
TARGET PRICE	The market price that the analyst believes the share may reach within a one-year time horizon
MARKET PRICE	Closing price on the day before the issue date of the report, as indicated on the first page, except where otherwise indicated

Historical recommendations and target price trends (long-term horizon: 12M)

Target price and market price trend (-1Y)



Historical recommendations and target price trend (-1Y)

Date	Rating	TP	Mkt Price
15-May-09	ADD	5.10	4.20
4-Jun-09	ADD	4.20	3.67
29-Jul-09	ADD	4.20	3.61
2-Nov-09	BUY	5.00	4.06
5-Nov-09	BUY	5.00	4.10
1-Feb-10	BUY	5.00	3.90
5-Feb-10	BUY	5.01	3.82

Equity rating allocations (long-term horizon: 12M)

Intesa Sanpaolo Research Rating Distribution (at 1 February 2010)

Number of companies subject to recommendations: 91 (**)	BUY	ADD	HOLD	REDUCE	SELL
Total Equity Research Coverage %	28	31	32	7	2
of which Intesa Sanpaolo's Clients % (*)	69	50	69	67	-

(*) Companies on behalf of whom Intesa Sanpaolo and the other companies of the Intesa Sanpaolo Group have provided corporate and Investment banking services in the last 12 months; percentage of clients in each rating category. (**) The total number of companies covered is 104

Valuation methodology (short-term horizon: 3M)

Our short-term investment ideas are based on ongoing special market situations, including among others: spreads between share categories; holding companies vs. subsidiaries; stub; control chain reshuffling; stressed capital situations; potential extraordinary deals (including capital increase/delisting/extraordinary dividends); and preys and predators. Investment ideas are presented either in relative terms (e.g. spread ordinary vs. savings; holding vs. subsidiaries) or in absolute terms (e.g. preys).

The companies to which we assign short-term ratings are under regular coverage by our research analysts and, as such, are subject to fundamental analysis and long-term recommendations. The main differences attain to the time horizon considered (monthly vs. yearly) and definitions (short-term 'long/short' vs. long-term 'buy/sell'). Note that the short-term relative recommendations of these investment ideas may differ from our long-term recommendations. We monitor the monthly performance of our short-term investment ideas and follow them until their closure.

Equity rating key (short-term horizon: 3M)

Equity rating key (short-term horizon: 3M)	
Short-term rating	Definition
LONG	Stock price expected to rise or outperform within three months from the time the rating was assigned due to a specific catalyst or event
SHORT	Stock price expected to fall or underperform within three months from the time the rating was assigned due to a specific catalyst or event

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2. The Intesa Sanpaolo Group has made significant financing to ENEL SpA and its parent and group companies.
3. Banca IMI is Coordinator of the Pan-European Offering and Placement Manager for the Offering in Italy in the ENEL SpA's Bond Issue of February 2010.
4. Banca IMI was Financial Advisor for ENEL SpA for the sale of Enel Rete Gas SpA's equity stake of September 2009.
5. Banca IMI was Joint Global Coordinator, Joint Bookrunner and Guarantor for ENEL SpA in the Capital Increase of June 2009.
6. Banca IMI was Indipendent Advisor for ENEL SpA for the sale of Enel Linee Alta Tensione Srl of 1st April 2009.
7. The Intesa Sanpaolo Group has issued financial instruments linked to ENEL SpA's shares.

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