



# Report and Financial Statements of Enel SpA at December 31, 2009

**Enel's Reports:**

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- > Report and Financial Statements of Enel SpA at December 31
- > Interim Financial Report at March 31
- > Half-Year Financial Report at June 30
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# Report and Financial Statements of Enel SpA at December 31, 2009



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# Report on operations

## 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  
Sviluppo Nucleare Italia

### Infrastructure and Networks

Enel Distribuzione  
Enel Sole  
Deval

### Engineering and Innovation

Enel Ingegneria e Innovazione

### 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 Productie (formerly Global Power Investment)  
Enel Energie  
Enel Energie Muntenia  
Enel Romania  
Enel Servicii Comune  
RusEnergosbyt  
Enel OGK-5  
Enel Rus  
Enel France  
Enelco  
Marcinelle Energie

### Renewable Energy

Enel Green Power  
Enel.si  
Enel Latin America <sup>(1)</sup>  
Enel Unión Fenosa Renovables  
Enel Green Power Romania (formerly Blue Line)  
Enel North America  
Enel Green Power Bulgaria (formerly Enel Maritza East 4)  
Enel Erelis  
International Wind Power  
Wind Parks of Thrace  
International Wind Parks of Thrace  
Hydro Constructional  
International Wind Parks of Crete  
International Wind Parks of Rhodes  
International Wind Parks of Achaia  
Glafkos Hydroelectric Station  
Aioliko Voskero

### Services and Other Activities

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

(1) As from January 1, 2009, includes the results of Enel Latin America LLC, Inelec and Americas Generation Corporation (since October 30, 2008, Enel Panama and Enel Panama Holding have been merged into the latter).

# Corporate boards

## Board of Directors

Chairman

**Piero Gnudi**

Chief Executive Officer  
and General Manager

**Fulvio Conti**

Directors

**Giulio Ballio  
Lorenzo Codogno  
Renzo Costi  
Augusto Fantozzi  
Alessandro Luciano  
Fernando Napolitano  
Gianfranco Tosi**

Secretary

**Claudio Sartorelli**

## Board of Auditors

Chairman

**Franco Fontana**

Auditors

**Carlo Conte  
Gennaro Mariconda**

Alternate auditors

**Giancarlo Giordano  
Paolo Sbordonì**

## Independent Auditors

**KPMG SpA**

## Powers

### **Board of Directors**

The Board is vested by the bylaws with the broadest powers for the ordinary and extraordinary management of the Company, and specifically has the power to carry out all the actions it deems advisable to implement and attain the corporate purpose.

### **Chairman of the Board of Directors**

The Chairman is vested by the bylaws with the powers to represent the Company legally and to sign on its behalf, presides over Shareholders' Meetings, convenes and presides over the Board of Directors, and ascertains that the Board's resolutions are carried out. Pursuant to a Board resolution of June 18, 2008, the Chairman has been vested with a number of additional non-executive powers.

### **Chief Executive Officer**

The Chief Executive Officer is also vested by the bylaws with the powers to represent the Company legally and to sign on its behalf, and in addition is vested by a Board resolution of June 18, 2008 with all powers for managing the Company, with the exception of those that are otherwise assigned by law or the bylaws or that the aforesaid resolution reserves for the Board of Directors.

# Letter to shareholders and other stakeholders



Dear Enel shareholders and stakeholders,  
with the completion of our international expansion program and the integration of the assets acquired, Enel today is a leader in its markets, with an efficient and technologically and geographically balanced mix of generation capacity, a major presence in renewables and the ability to pursue excellence through innovation. During 2009 Enel achieved growth of 12% in its gross operating margin compared with the previous year, while Group net income rose by about 2% to €5.4 billion, the highest level ever reached in the history of the Group despite the difficult year for the world economy. At the same time, Enel boosted its financial strength with the capital increase, bond issues and the improvement of operating cash flow.

On the basis of these sound foundations, we approved a plan that develops the Group's enormous potential, with even higher earnings and greater value creation for shareholders.

The plan is based on the following strategic priorities:

- > maintaining our leadership position in the markets in which we are already present;
- > pursuing integration and consolidation of the assets acquired;
- > pursuing operational excellence;
- > developing renewables and promoting technological innovation and nuclear power.

The Company will continue to pursue financial stability through careful management of operating cash flow and initiatives to leverage certain assets in the portfolio with the aim of further reducing its debt.

## Sales Division

Enel confirms its position as Italy's leading supplier of electricity on the free market, with a share of 28% of total consumption, and the number two group in the sale of natural gas, with a share of 11% of total volumes delivered. These results are the fruit of the great attention we pay to our customers, as underscored by the success of our commercial offers. Our customers have responded enthusiastically to our blocked-price offers and the certified renewable energy option, as well as our all-inclusive plans.

Innovation, efficiency and improved service quality are the lines of development that the Sales Division intends to continue expanding, maximizing customer value through dual energy products (electricity and gas) and establishing itself as a standard for excellence in the provision of products and services to customers.

## Generation and Energy Management Division

In 2009, construction continued on the Torrevaldaliga Nord clean-coal plant at Civitavecchia: in June, commercial operation of unit 4 began following inspection of the section and verification of compliance with the Grid Code. In addition, the first parallel operation with the electricity grid was also carried out for unit 3, which had achieved its full coal load by the end of the year. By the end of 2010, units 3 and 2 will come on line for a total capacity of about 1,900 MW. The Division also continued its commitment to cost reduction and improving the operational management of its generation facilities through projects designed to enhance operational efficiency, reliability and safety.

In 2009, the Generation and Energy Management Division produced about 72.3 TWh of electricity in Italy, about 25% of the Italian market net of imports, a decrease of 15.3% from the previous year due to a decline in demand for electricity on the grid (-6.7%) and a more substantial drop in domestic generation (-9.4%). Despite this, performance for the year was in line with that of 2008, thanks to efficiency gains and optimal use of our generation assets.

## Engineering and Innovation Division

In 2009, the Division's Plant Design and Construction unit was heavily involved in the conversion of the Torrevaldaliga Nord (Civitavecchia) plant to clean coal. The Division's foreign activities includes:

- > on behalf of E.On, the Puente Nuevo coal plant was revamped and put into commercial operation, and construction was completed and commissioning began on the Algeciras plant (800 MW CCGT);
- > on behalf of Enel, work began on designing and building the Marcinelle plant (400 MW CCGT) for Marcinelle Energie; and design was completed and construction began on the Nevinnomysskaya plant (410 MW CCGT) of OGC-5.

In the nuclear power field, a team of around 60 Enel technicians and engineers is working with the EDF team in designing and constructing the third-generation advanced EPR facility at Flamanville in France.

In Slovakia, work has begun on designing and awarding orders for the construction of units 3 and 4 of the Mochovce nuclear power plant for our subsidiary

Slovenské elektrárne. Finally, activity also continued on Enel's program for the development, in a collaborative initiative with EdF, of four new EPR nuclear reactors in Italy in the coming years. Sviluppo Nucleare Italia Srl (a 50/50 joint venture between Enel and EdF) was formed to oversee the project.

On the innovation front, a Group Technological Innovation Plan was developed, which for the very first time integrates Endesa's R&D activities in order to ensure maximum synergies. Construction and start-up were also completed on the combined-cycle hydrogen demonstration plant in Fusina (16 MW), the first of its kind in the world. Finally, in October the "Diamante" was inaugurated at Villa Medicea in Pratolino. It is a small, new generation solar power plant that uses photovoltaic panels to generate electricity during the day and accumulates part of the energy produced in the form of hydrogen to generate electricity at night using fuel cells.

Enel continued its support for the development of alternative mobility systems for the spread of electric cars. Agreements were reached with Daimler-Mercedes and Piaggio, as well as with the cities of Roma and Pisa, for the implementation of pilot projects for intelligent recharging infrastructure and innovative services for individual customers and corporate vehicle fleets. Work also continued on the project to introduce land-based electricity systems and environmental projects for ports in order to reduce emissions produced by ships and other port activities. Agreements were reached with the ports of Civitavecchia, Venice and La Spezia.

## Infrastructure and Networks Division

The Infrastructure and Networks Division achieved excellent results again in 2009, with among the best technical and commercial performance in Europe. The level of service quality in terms of the average duration and number of interruptions per customer improved further, making it once again among the best in Europe with the total length of service interruptions falling to 48 minutes and an average of 5 interruptions.

Enel's automated system for remote contract management and metering handled over 20 million contract transactions and more than 210 million remote readings in 2009, further increasing operational efficiency and facilitating the execution of an increasing number of operations. In July 2009, Enel and Endesa announced the start of the Cervantes project to install 13 million advanced Enel meters in Spain with an open communications protocol. 2009 also marked the creation of the European Electricity Grid Initiative, a project involving many of Europe's major electricity distribution and transmission companies, coordinated by Enel, to develop a plan for launching smart grid pilot programs. The initiative was approved by the EU and is included among those European technological research plans designed to reach the 20-20-20 targets.

Enel has not only demonstrated excellence in network innovation, but also in managing commercial and technical processes. With the Zenith project, Enel continues to involve all the Division's employees and processes in the pursuit of improvement. As a result, the Division has been able to maintain operating costs at a level of absolute excellence and to improve service quality.

The public lighting business line improved on the positive results of the previous year and, thanks to the Archilede project, the company consolidated its leadership in the new LED (Light Emitting Diode) street lighting systems sector by selling and installing over 40,000 low-consumption light points in Italy in 2009.

## Iberia and Latin America Division

2009 was a year of important results for the Iberia and Latin America Division. Endesa posted results that were an improvement even over its excellent performance in 2008, despite the difficult conditions associated with the global recession.

On the Spanish market, the improvement in results was due in particular to the performance in the free market, thanks to Endesa's strong position in electricity sales (entirely liberalized starting from July 1, 2009) and optimal energy management. Endesa's results in Latin America were especially outstanding. It posted a record gross operating margin, up 7% over the previous year. Excluding the impact of exchange rate changes, the increase would have been 10%.

These results were mainly due to performance in generation operations, where there was an increase in volumes (+3.4%), lower variable costs, good water availability in Chile and Peru and fossil fuel cost optimization.

Last year was also important in terms of synergies. Savings amounted to €494 million, 13% above expectations. Work continued on identifying additional synergies for the future, amounting to an additional €240 million by 2012. Added to those already identified, Enel expects to achieve over €1 billion in synergies for 2012.

## International Division

A selective investment policy, coupled with initiatives to improve operational management and develop assets, led to excellent performance on the part of the Group's foreign companies in 2009, despite an increasingly competitive and difficult market environment springing from the economic crisis that began in the autumn of 2008, which has also affected the electricity market.

In 2009, Slovenské elektrárne, the largest generation company in Slovakia with 5,345 MW of total net capacity and a market share of about 81%, posted a gross operating margin of €826 million, up 14% on 2008. This was mainly the result of the excellent performance of its nuclear plants and cost optimization as a result of the Zenith project. Work continues on the construction, begun in 2008, of two units (3 and 4) of the Mochovce nuclear power plant, which will add 820 MW of new installed nuclear capacity starting from 2013.

In France, collaboration continues with EDF on the development of third-generation nuclear power plants and the parallel expansion of a platform for the sale of electricity. In 2009, Enel France entered into the fifth of six contracts for anticipated capacity in units of 200 MW each, linked to the construction of the first EPR plant in Flamanville. This made it possible for the company to sell 5.5 TWh of electricity in France in 2009.

In Russia in 2009, following the acquisition of OGK-5, Enel focused on integrating and boosting the efficiency of structures, systems and processes, thereby laying the groundwork for excellent operational performance. Cost cutting and improvement in plant availability were the primary factors in the Group's success. Enel continued to invest in the two new 410 MW CCGT power plants in Nevinnomiskaya and Sredneuralskaya to strengthen its presence in the Caucasus and the Urals. These plants should be up and running in early 2011.

In Romania, thanks to the acquisition of Muntenia Sud, the electricity and sales company in the Bucharest area, Enel has doubled the scale of its operations.



The integration of this new company is part of a broader integration, optimization and consolidation project to exploit the synergies with other recently-acquired Romanian companies, as well as to improve operational management and leverage its assets more effectively. Investments are also being made to develop the electricity grid, reduce commercial losses and increase service quality in Bulgaria. Within the framework of initiatives to enhance sustainability and environmental compatibility, in February 2009 the modernization of the Enel Maritza East 3 plant was completed with the entry into operation of the fourth and final unit. It thus became the only lignite-fired plant in the Balkan area that fully complies with Europe's most recent and stringent environmental requirements. Finally, construction continued on the Marcinelle CCGT plant in Belgium, which should enter service in 2011.

## Renewable Energy Division

The Division ended the year with an installed capacity of 4,808 MW divided between wind, solar, geothermal, hydroelectric and biomass, and over 500 plants operating throughout the world. Output in 2009 came to 18.9 TWh, meeting the demand of some 7,100,000 households, avoiding the emission of over 14 million metric tons of CO<sub>2</sub> a year.

In Italy, with a total installed capacity of about 2,637 MW and 11.7 TWh of energy produced, Enel Green Power is the leader in geothermal, hydroelectric and solar technologies, and in the coming years it intends to greatly increase total installed capacity. This objective will be achieved by consolidating its leadership position in the mini-hydro and geothermal sectors, and by strengthening its presence in solar and wind power in particular. In the solar technology area, in 2009 Enel Green Power, Sharp and STMicroelectronics signed an important agreement for the manufacture of thin-film photovoltaic panels. The facility will be built in Catania and will have an initial manufacturing capacity of 160 MW, to increase to 480 MW in subsequent years. Enel Green Power and Sharp signed an additional accord for the joint development of photovoltaic plants in the Mediterranean area with a total installed capacity of about 500 MW by 2016. Elsewhere in the rest of Europe, Enel Green Power has a presence in Spain, Greece, France, Romania and Bulgaria, with 716 MW of installed capacity and major projects under development.

In the United States and Canada, the company is present in 20 US states and two Canadian provinces. In this region, Enel Green Power is one of the few companies to have a diversified portfolio in the four areas of wind, geothermal, hydroelectric and biomass technologies, with an installed capacity of 788 MW and output in 2009 of 2.4 TWh.

With a strong focus on technological innovation, in North America Enel Green Power is completing two new geothermal plants using binary technology in Churchill County (Nevada).

Also in the United States, the Group entered into two major strategic agreements, one with Geronimo Wind Energy, a Minnesota-based wind plant company, to develop a 4,000 MW wind pipeline in the upper Midwest, and one with Padoma Wind Power, which is specialized in wind power development in California, for 4,000 MW of potential projects.

In Central and South America, Enel Green Power is present with the development and operation of 32 plants in Mexico, Costa Rica, Guatemala, Nicaragua, Panama, El Salvador, Chile and Brazil. With a variety of technologies ranging

from hydroelectric to wind and geothermal, Enel operates in the region with 667 MW of renewables capacity and 3.5 TWh of electricity generated in 2009. Other important wind projects under development include those making up the 2,000 MW pipeline in Brazil and Mexico and the 850 MW pipeline in Chile. In Panama Enel Green Power runs a 300 MW hydroelectric power plant, the second most-important civil work in that country after the Panama Canal.

In the coming years Enel Green Power plans to dramatically expand installed capacity and generation from renewables by leveraging Enel's long-time expertise and excellence in this field.

In the early months of 2010, as part of the rationalization of Endesa assets and operations within the Enel Group, it was decided to create a leading operator in the Iberian renewables market under the control of Enel Green Power. The new company, which will help lend new impetus to the management and development of renewables in the Iberian peninsula, will incorporate all of the Enel Group's renewables assets in that area.

## Outlook

The size of the Group and the strength of its strategies have enabled Enel to maintain its performance levels despite the adverse macroeconomic environment and represent a solid foundation on which to pursue the Group's objectives and an opportunity to reap the benefits of any acceleration in the economic recovery.

On these bases, Enel will continue its programs to establish its leadership in the areas in which it is present, benefiting from the optimal diversification of its generation plants both by type of generation technology and by geographical area and a competitive cost structure.

The Group will also continue to invest in research and development in the renewables field, pursuing technological excellence without neglecting environmental issues. The programs for the return of nuclear power to Italy will also move ahead, in line with developments in the legislative framework.

Additional benefits in terms of cost containment and improved cash flow are expected from the operating excellence programs under way and from the synergies to be achieved from even closer integration with Endesa.

The contribution of these programs and all other efforts being made will enable achievement of the targets announced for 2010. In particular, planned extraordinary corporate transactions to optimize the portfolio and the generation of operating cash flow will make it possible to reduce the debt, with a consequent improvement in the financial structure of the Group.

In this regard, the Renewable Energy Division is undergoing a reorganization, the benefits of which will also be leveraged with the sale of a minority stake in Enel Green Power.

The Chief Executive Officer

**Fulvio Conti**



# Summary of the resolutions of the ordinary and extraordinary Shareholders' Meeting

The Shareholders' Meeting of Enel SpA held in Rome on April 29, 2010 at the Enel Conference Center at 125, Viale Regina Margherita, adopted the following resolutions during the ordinary session (on second call):

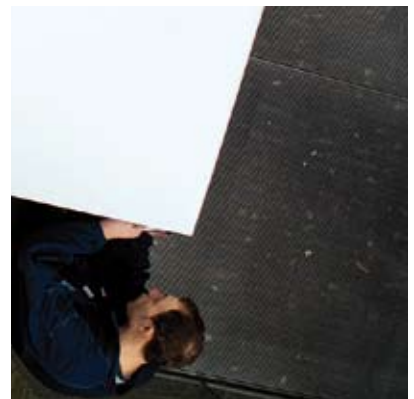
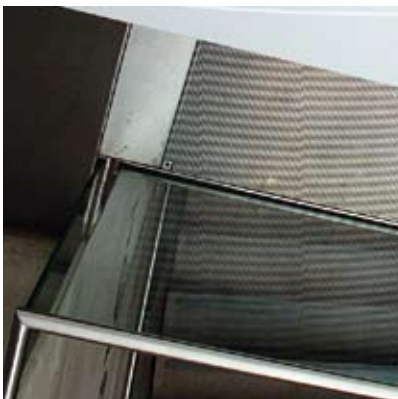
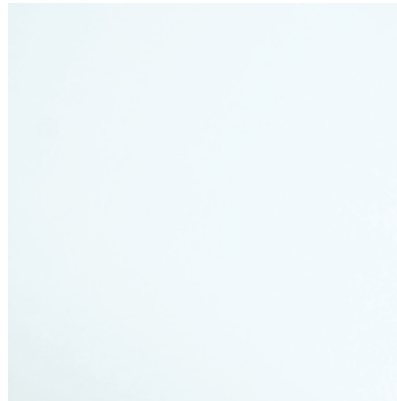
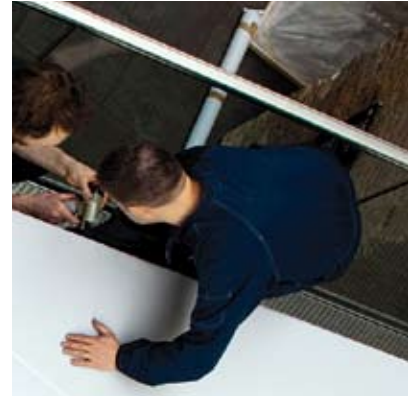
1. approved the financial statements of Enel SpA for the year ended December 31, 2009; and took note of the results of the consolidated financial statements of the Enel Group, also for the year ended December 31, 2009, which closed with net income for the year of €5,395 million;
2. resolved, with regard to the allocation of net income for 2009:
  - > with regard to Enel SpA's net income for the year 2009, amounting to €3,460,457,373.25, to:
    - a. earmark for distribution to Shareholders:
      - €0.10 for each of the 9,403,357,795 ordinary shares in circulation on the ex-dividend date to cover the interim dividend payable from November 26, 2009, after coupon no. 15 had gone ex-dividend on November 23, 2009, amounting to a total of €940,335,779.50; and
      - €0.15 for each of the 9,403,357,795 ordinary shares in circulation on June 21, 2010, the scheduled ex-dividend date, as the balance of the dividend, amounting to a total of €1,410,503,669.25;
    - b. earmark for the statutory reserve the part of the aforesaid net income necessary to bring the amount of the aforesaid reserve up to one-fifth of the share capital, as specified by Article 2430, paragraph 1, of the Civil Code, amounting to a total of €428,585,921.34;
    - c. earmark for "retained earnings" the remainder of the aforesaid net income, amounting to a total of €681,032,003.16;
  - > to pay, before withholding tax, if any, the aforesaid balance of €0.15 per ordinary share of the 2009 dividend as from June 24, 2010, with the ex-dividend date of coupon no. 16 falling on June 21, 2010;
3. elected the new Board of Statutory Auditors, which will remain in office until the approval of the financial statements for 2012, in the persons of:
  - > Sergio Duca – Chairman
  - > Carlo Conte – Regular Auditor
  - > Gennaro Mariconda – Regular Auditor
  - > Antonia Francesca Salsone – Alternate Auditor
  - > Franco Tutino – Alternate Auditor
 setting their compensation at €85,000 a year for the Chairman and €75,000 a year for the other Regular Auditors, in addition to the reimbursement of the expenses incurred in the performance of their duties;
4. resolved the harmonization of the Shareholders' Meeting Regulations with the provisions of Legislative Decree 27 of January 27, 2010 (on the "Implementation of Directive 2007/36/EC, regarding the exercise of several

rights of shareholders of listed companies"). In accordance with the enactment provisions of Legislative Decree 27/2010, such harmonization shall apply to Enel Shareholders' Meetings whose notice is published after October 31, 2010.

In the extraordinary session (on third call), the Shareholders also resolved:

1. the harmonization of the Company's Bylaws with the provisions of the aforesaid Legislative Decree 27/2010. Specifically, the Bylaws amendments so adopted concern (i) the possibility of providing the deadline of 180 days after the end of the accounting period for the convening of the Annual General Meeting, and (ii) the exclusion of the use of more than one call for Shareholders' Meetings. Also such Bylaws amendments shall apply to Enel Shareholders' Meetings whose notice is published after October 31, 2010, in accordance with the enactment provisions of Legislative Decree 27/2010. Finally, the Board of Directors reserved the power to adopt – by the deadline of October 31, 2010 and taking in consideration the completion by that date of the legislative framework and the suggestions received from professional associations, if any – some further amendments of the Company's Bylaws in order to harmonize it with regulatory provisions of Legislative Decree 27/2010, availing itself of the power that at this regard both the law and the Bylaws grant to the Board of Directors.





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## Enel and the financial markets

## MAIN PER-SHARE DATA AND CAPITALIZATION

	2009	2008
Dividend per share (euro)	0.25	0.49
Share price - 12-month high (euro)	4.35	7.23 <sup>(1)</sup>
Share price - 12-month low (euro)	2.91	3.61 <sup>(1)</sup>
Average share price in December (euro)	4.06	3.86 <sup>(1)</sup>
Market capitalization <sup>(2)</sup> (millions of euro)	38,176	27,033
No. of shares outstanding at December 31 (millions)	9,403	6,186

(1) The prices for 2008 have been corrected to take account of the effects of the capital increase completed on July 9, 2009.

(2) Calculated on average share price in December.

Current <sup>(1)</sup> at Dec. 31, 2009 at Dec. 31, 2008 at Dec. 31, 2007				
Enel stock weighting in:				
- MIB 30 index <sup>(2)</sup>	n.a.	n.a.	9.34%	8.82%
- FTSE Italia All Share index <sup>(3)</sup>	9.25%	8.88%	n.a.	n.a.
- Dow Jones Stoxx Utilities index	8.81%	8.26%	6.33%	6.80%
- FTSE Electricity E300 index	25.93%	25.76%	17.26%	19.87%
- Bloomberg World Electric index	3.51%	3.58%	2.84%	3.45%
Rating Current <sup>(1)</sup> at Dec. 31, 2009 at Dec. 31, 2008 at Dec. 31, 2007				
Standard & Poor's	Outlook	Stable	Stable	Negative C.W. Negative
	Medium/long-term	A-	A-	A-
	Short-term	A-2	A-2	A-2
Moody's	Outlook	Negative	Negative	Negative C.W. Negative
	Medium/long-term	A2	A2	A1
	Short-term	P-1	P-1	P-1
Fitch	Outlook	Stable	Stable	n.a.
	Medium/long-term	A-	A-	n.a.
	Short-term	F2	F2	n.a.

(1) Figures updated to March 9, 2010.

(2) As from June 1, 2009, figures for the MIB 30 index have no longer been available.

(3) The data for the new FTSE Italia All Share index are available as from May 26, 2009.

Despite the deep recession that characterized 2009, the world's economies gained strength during the 2nd Half of the year. The economic recovery, which got under way during the summer, continued through the rest of the year, driven by the expansionary policies adopted in the major economies. In the 3rd Quarter of 2009 GDP began to expand again in the United States and the euro area, albeit at a moderate pace, while growth accelerated in the emerging economies of Asia and Latin America.

The main central banks maintained an expansionary policy stance for all of 2009, keeping official rates at a level consistent with their monetary policy intentions (the main policy rates at December 31, 2009, were equal to 0.25% for the Fed and 1% for the ECB).

In the financial markets, 2009 saw equity prices recover as strains in the financial markets began to ease in mid-March. Although fluctuating, prices revived after the steep slide registered the previous year.

The main European markets posted sharp gains from the lows registered in March. The CAC40 index (France) closed the year up about 22%, while the DAX30 (Germany) gained about 24%, the FTSE100 (United Kingdom) rose 22% and the IBEX35 (Spain) rose about 30%.



In Italy, the FTSE Italia All Share index closed 2009 with a gain of about 19%, slightly smaller than the increases posted by the other main European markets. The utilities segment benefited only partially from the improvement in economic conditions. The Dow Jones Stoxx Utilities index, which tracks the sector in Europe, ended 2009 virtually unchanged from its level on January 1 of the same year. The annual rise in the world index for the segment was also well below the average gains posted by markets in general (the Bloomberg World Electric index rose by about 5% in 2009). A factor in the disappointing performance of the sector was the abrupt fall in demand and the price of electricity during the year. The Enel stock price closed 2009 at €4.048 (up 1.53% compared with January 1, 2009), in line with the performance of the industry's benchmark indices reported above.

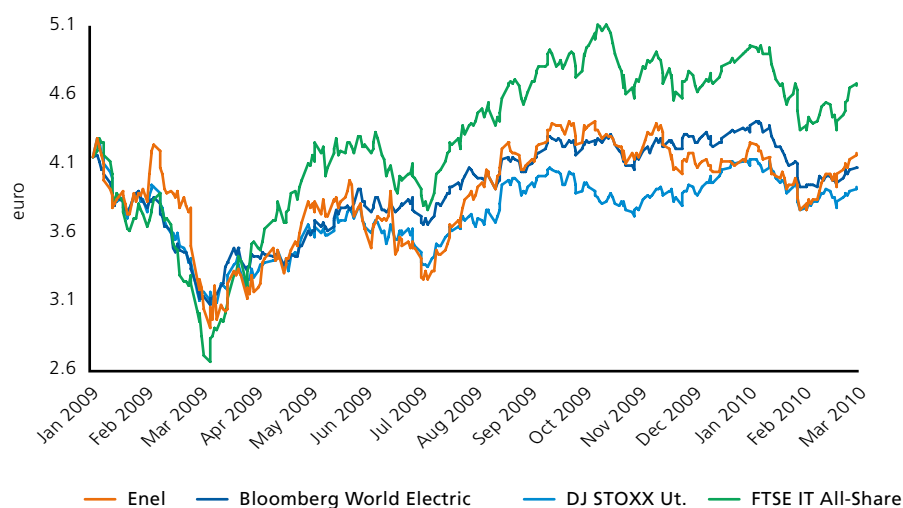
On November 26, 2009, Enel paid an interim dividend on 2009 profits of €0.10 per share, which together with the dividend paid on June 25 brought total dividends paid during the year to €0.39 per share.

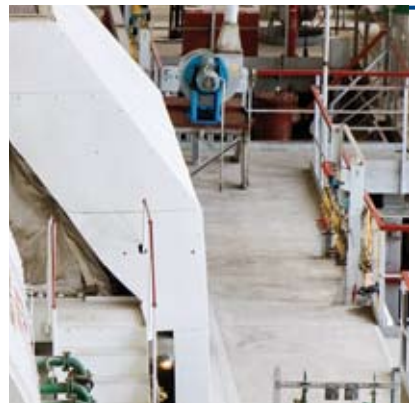
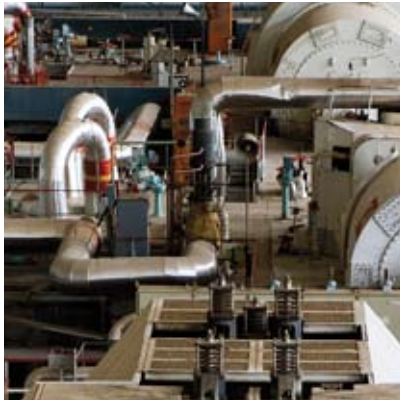
At December 31, 2009, the Ministry for the Economy and Finance held 13.9% of Enel, while Cassa Depositi e Prestiti held 17.4%, institutional investors 38.1% and private investors the remaining 30.6%.

For further information we invite you to visit the Investor Relations section of our corporate website (<http://www.enel.it>), which contains financial data, presentations, on-line updates on the share price, information on corporate bodies and the regulations of shareholders' meetings, as well as periodic updates on corporate governance issues.

We have also created contact centers for private investors (which can be reached by phone at +39-0683054000 or by e-mail at [azionisti.retail@enel.com](mailto:azionisti.retail@enel.com)) and for institutional investors (phone: +39-0683057975; e-mail: [investor.relations@enel.com](mailto:investor.relations@enel.com)).

Performance of Enel share price and the Bloomberg World Electric, Dow Jones STOXX Utilities and FTSE Italia All-Share indices





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Activity of Enel SpA

In its capacity as an industrial holding company, 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.

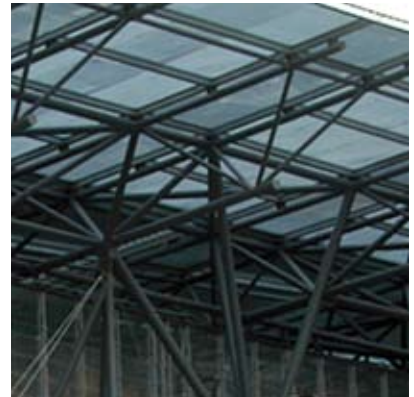
Enel also has a contract for the import of electricity with Atel (on the Swiss border, expiring on December 31, 2011). An integral part of the agreement with Atel is the "Settlement Agreement", which essentially provides for Enel and Atel to split equally any gains or losses on the contract under certain conditions. The power imported under the contract with Atel is sold to the Acquirente Unico SpA (hereinafter Single Buyer) at a set price and is used to supply the enhanced protection market (the former regulated market).

For the electricity purchased under that contract, with a decree of December 11, 2008, the Minister for Economic Development:

- > set a price of €78/MWh for the 1st Quarter of 2009, providing for the updating of the sales price by the Authority for Electricity and Gas for subsequent quarters with a calculation method based on quarterly indexing of the Single National Price (SNP). The sales price (calculated on the basis of the criterion established at point 4 of Resolution no. 329/07) for the 2nd, 3rd and 4th Quarters of 2009 were set at €65.87/MWh, €48.45/MWh and €56.86/MWh respectively;
- > for 2009, agreed the allocation of capacity on the Italian-Swiss border by common agreement between the Italian and Swiss authorities.

For 2010, with a decree of December 18, 2009, the Minister for Economic Development confirmed the capacity reserve on the Italian-Swiss border in implementation of the long-term energy import contract and set a price for the 1st Quarter of 2010 of €59.5/MWh and confirmed the procedures for updating the price. Unlike in the past, the Single Buyer may elect to not draw the electricity under the long-term contract for all of 2010 if prices are not consistent with its forecast for average procurement costs. Despite this option remains, at the end of the year the Single Buyer confirmed its intention to draw the electricity governed by the contract.





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## Significant events in 2009



## Acquisition of 25.01 % of Endesa

On February 20, 2009, Enel signed an agreement for the acquisition of the 25.01% of Endesa owned directly and indirectly by Acciona.

The price of €11,107.4 million euros was determined in accordance with the criteria set out in the agreement between Enel and Acciona of March 26, 2007, the provisions of which have therefore ceased to have effect. As provided for in the agreement, the price was adjusted to take account of interest accrued up to the transaction date and dividends paid by Endesa to Acciona. The agreement, which also involved the early exercise of the put option by Acciona (the original exercise date was March 2010), was subject to a number of precedent conditions, such as regulatory and antitrust approval and other legislative conditions, and also provided for the transfer to Acciona from Endesa of certain operational wind and hydro assets.

On June 25, 2009, Enel and Acciona, after the conditions governing the agreement of February 20, 2009 had been met, implemented the agreement with the transfer to Enel Energy Europe (wholly-owned by Enel SpA) of the 25.01 % of Endesa held directly and indirectly by Acciona.

Enel SpA, acting through Enel Energy Europe, paid Acciona €9,627.1 million in cash for the transfer.

The amount was determined by subtracting the Endesa dividends received by Acciona after February 20, 2009 (€1,561.5 million) from the value of the holding established on the basis of the criteria set out in the agreement of February 20, 2009 (€11,107.4 million) and adding interest accrued as from that date (about €81 million) and applied to the share of the debt taken on, directly and indirectly, by Acciona to acquire the 25.01% stake in Endesa.

Following the transaction, Enel, through Enel Energy Europe, now holds a 92.06% stake in Endesa, Spain's largest electricity company, giving it full control.

To help finance the purchase, Enel SpA, jointly with its subsidiary Enel Finance International, contracted a loan of €8 billion agreed on April 16, 2009 (the "Credit Agreement 2009") with a pool of 12 banks. The financing was structured as an increase in the syndicated credit line with an original amount of €35 billion (the "Credit Agreement 2007"), the terms of which included the option of increasing (up to a maximum of €8.5 billion) the C tranche (equal to €10 billion falling due in 2012) in the event of the exercise of the put option by Acciona in 2010.

The Credit Agreement 2009 comprises:

- > a "facility C increase" raising the €10 billion C tranche of the Credit Agreement 2007 by a further €8 billion falling due in 2012;
- > a "rollover" agreement, in the amount of €8 billion, intended to replace and renew the "facility C increase" as from 2012 with two new tranches, the first totaling €5.5 billion falling due in 2014 and the second amounting to €2.5 billion falling due in 2016.

As envisaged for the originally Credit Agreement 2007, the Credit Agreement 2009 bears a floating rate of interest that is pegged to Enel's rating.



## Incorporation of Enel Ingegneria e Innovazione

With effect from April 1, 2009, the “Engineering and Innovation” operations of Enel Produzione SpA were spun off into the new company Enel Ingegneria e Innovazione SpA.

The business line involved is essentially composed of existing legal relationships in respect of orders under way for the reconversion, refurbishing and repowering of the generation plants of Enel Produzione SpA and third parties in Italy or abroad, as well as those in respect of activities concerning research, development and experimentation of electricity generation technologies. The new company is headquartered in Rome and has share capital of €30.0 million.

Enel Ingegneria e Innovazione seeks to provide all Group companies with quality services, whether for the construction of a thermal or nuclear power plant or a research project in the countries in which Enel operates.

## Capital increase

On May 6, 2009, the Board of Directors of Enel SpA voted – in execution of the authorization granted by the Extraordinary Shareholders’ Meeting of April 29, 2009, pursuant to Article 2443 of the Civil Code – to carry out a divisible capital increase of a maximum total amount, premium included, of €8,000.0 million by way of the issue of ordinary shares with a par value of €1 each bearing dividend rights as from January 1, 2009. The shares have the same characteristics of the shares already in circulation and were offered in pre-emption to parties who were shareholders of the Company as of the start date of the rights offering in proportion to the number of shares held.

On May 28, 2009, the Board of Directors determined the final terms and conditions for the rights offering, setting the subscription price at €2.48 per share – of which €1.48 represents the share premium – and the option ratio at 13 new shares for every 25 existing shares. The offering therefore involved the issuance of a maximum of 3,216,938,192 new shares, entailing a capital increase of €3,216,938,192, while the overall proceeds of the operation – share premium included – totaled €7,978,006,716.16.

The Ministry for the Economy and Finance, as a shareholder of the Company, notified Enel of its intention to participate, directly or indirectly, in the capital increase, subject to a final evaluation to be conducted in light of the definitive terms of the offering. On March 25, 2009, the Company shareholder Cassa Depositi e Prestiti SpA announced the unanimous decision of its board of directors to exercise both the rights granted directly to it and the rights granted to the Ministry (subject to the transfer of the Ministry’s rights to Cassa Depositi e Prestiti). On May 28, 2009, Mediobanca, JP Morgan and Banca IMI as Joint Global Coordinators and Joint Bookrunners, Bank of America - Merrill Lynch, Credit Suisse, Goldman Sachs, Morgan Stanley, UniCredit as Co-Bookrunners, 13 banks as Senior Co-Lead Managers and 13 banks as Co-Lead Managers signed an underwriting agreement with Enel SpA under whose provisions they undertook to subscribe the capital increase in respect of unexercised rights (if any), for a total amount of up to €5.5 billion – that is, the entire portion of the capital increase which is not expected to be subscribed, net of the direct and indirect portion pertaining to the Ministry. Enel was assisted by Lazard as financial advisor for the transaction.

As part of the underwriting agreement, consistent with market practice, Enel agreed to a lock-up clause continuing until the 180th day after the closing of the offering. In particular, Enel agreed not to issue or offer shares directly or via the issuance of convertible securities, warrants or other financial instruments that grant the right to acquire, exchange for, or be converted into shares Enel.

Consistent with market practice, the lock-up commitment shall not apply, inter alia: (i) to the issuance or subscription of the shares involved in the capital increase, or (ii) to the issuance of Enel shares or to the granting of option rights to Group executives and employees under any existing stock option plans.

During the offer period, which started on June 1 and ended on June 19, 2009, a total of 6,160,693,425 rights were exercised. As a result, 3,203,560,581 newly issued Enel ordinary shares were subscribed altogether, equal to 99.58% of the shares offered, for aggregate proceeds of €7,944,830,240.88.

At the end of the offer period, total unexercised rights amounted to 25,726,175, granting the right to subscribe 13,377,611 newly issued Enel ordinary shares, for a total value of €33,176,475.28. The unexercised rights were offered on the Stock Exchange, pursuant to Article 2441, paragraph 3, of the Italian Civil Code, through Mediobanca and purchased in their entirety at the session of June 26, 2009, at the price of €0.51 per share for a total of €13,120,349.25 (the 13,377,611 shares were issued on July 3, 2009).

Upon the conclusion of the capital increase, on July 9, 2009, the 3,216,938,192 newly issued and fully subscribed ordinary shares, equal to 34.21% of share capital, were entered in the Company Register. The total value of the shares came to €7,978.0 million gross of fees and other costs. Consequently, the underwriting pool coordinated and directed by Banca IMI, JP Morgan and Mediobanca in their capacities as Joint Global Coordinators and Joint Bookrunners did not have to subscribe any of the shares.

Enel's new share capital therefore amounts to €9,403,357,795, represented by an equal number of ordinary shares with a par value of €1 each.

Cassa Depositi e Prestiti SpA, following through on its announcement of March 25, 2009, exercised both the rights granted directly to it and the rights granted to the Ministry for the Economy and Finance (following the transfer of the Ministry's rights to Cassa Depositi e Prestiti). Specifically, it subscribed 1,005,095,936 newly issued Enel ordinary shares – equal to about 31.24% of the offered shares and about 10.69% of the new share capital of the Company – for a total of €2,492,637,921.28. Therefore, following the subscription of the Enel capital increase and the settlement of the transaction, Cassa Depositi e Prestiti now holds about 17.4% of Enel's share capital, while the Ministry retains a direct shareholding equal to about 13.9%.

## Sale of Enel.si to Enel Green Power

In implementation of the sale instrument signed on December 23, 2008, with effect from January 1, 2009, Enel SpA sold 100% of Enel.si to Enel Green Power for €9.2 million, equal to the carrying amount of the investment.

## Sale of Sfera to Enel Servizi

On May 21, 2009, in implementation of the resolution of the Board of Directors of Enel SpA of April 21, 2009, the 100% holding in Sfera was sold to Enel Servizi for €10.4 million, equal to the carrying amount of the investment. The sale was part of the broader “Shared Services” reorganization project, which involves the centralization of certain service and staff functions, approved by the Board in October 2004, in a single corporate vehicle (Enel Servizi Srl), creating shared operational structures to maximize efficiency and improve process quality.

## Bond issues

As part of the plan to refinance and extend the average maturity of the Enel Group’s debt, on July 30, 2009, the Board of Directors approved the issue of one or more bonds, to be placed with institutional investors and/or with the general public, up to a maximum value of €10 billion by June 30, 2010.

Enel SpA, acting through its subsidiary Enel Finance International in implementation of that resolution, launched:

- > on September 10, 2009, a multi-tranche bond targeted at institutional investors on the international market. The bond is denominated in euros and pounds sterling with an aggregate value of over €6.5 billion. The bond was issued under the Global Medium-Term Notes program, which was renewed on September 3, 2009.

The transaction, run by a syndicate of banks consisting of BNP Paribas and Deutsche Bank (as Joint Global Coordinators and Joint Bookrunners) and Barclays Capital, BBVA, Calyon, Royal Bank of Scotland, Banco Santander and Société Générale (as Joint Bookrunners), consists of the following four tranches (all guaranteed by Enel SpA and listed on the Irish Stock Exchange):

- €1,500 million fixed-rate 4.00% bond due 2016;
- €2,500 million fixed-rate 5.00% bond due 2022;
- £850 million fixed-rate 5.625% bond due 2024;
- £1,400 million fixed-rate 5.75% bond due 2040;

- > on September 30, 2009, a multi-tranche bond on the US and international markets targeted at institutional investors for a total of \$4,500 million, equal to an aggregate of about €3,073 million. The bonds were issued under the Global Medium-Term Notes program.

The transaction, run by a syndicate of banks consisting of Citigroup Global Markets Inc. and JP Morgan Securities (as Joint Global Coordinators and Joint Bookrunners) and of Bank of America Securities, Barclays Capital, Credit Suisse Securities (USA), Deutsche Bank Securities and Morgan Stanley & Co. (as Joint Bookrunners), consists of the following three tranches (all guaranteed by Enel SpA):

- \$1,250 million fixed-rate 3.875% bond due 2014;
- \$1,750 million fixed-rate 5.125% bond due 2019;
- \$1,500 million fixed-rate 6.0% bond due 2039;

On November 4, 2009, the Board, noting the success of the up to €10 billion issue with institutional investors, approved the issue by December 31, 2010 of one or more bonds to be placed primarily with retail investors, with residual placement with institutional investors, for a maximum of €4 billion.

## Incorporation of Sviluppo Nucleare Italia

On July 31, 2009, the company Sviluppo Nucleare Italia Srl, with headquarters in Rome, was established in a joint venture between Enel SpA and EDF International SA.

Enel and EDF hold 50% each of the joint venture, whose mission is to carry out feasibility studies for the construction in Italy of at least 4 nuclear power plants using the advanced third generation EPR technology, as envisaged in the Memorandum of Understanding signed between the two companies on February 24, 2009.

Once the studies are completed and the necessary investment decisions taken, plans call for the establishment of a company to build, own and operated each EPR facility.

In conjunction with the incorporation of Sviluppo Nucleare Italia Srl, the two parties also defined their reciprocal commitments and the corporate governance rules of the joint venture.

## Interim dividend for 2009

On October 1, 2009, the Board of Directors of Enel SpA approved an interim dividend of €0.10 per share. The interim dividend was to be paid as from November 26, 2009, with an ex-dividend date of November 23, 2009.

## Specification of purchase price of Electrica Muntenia Sud (EMS)

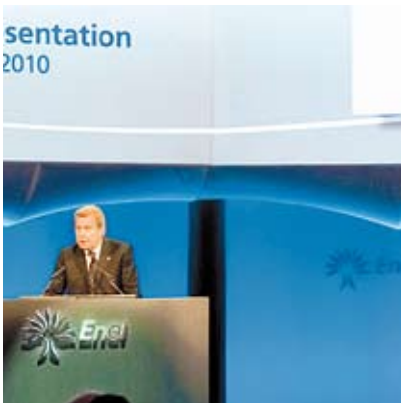
On December 23, 2009, in line with the provisions of the agreement of June 11, 2007 (the "Privatization Agreement") between Enel SpA and Electrica SA, which is wholly owned by AVAS, Romania's privatization agency, Enel and Electrica determined the adjustment to the purchase price for Electrica Muntenia Sud - EMS (now Enel Distributie Muntenia SA and Enel Energie Muntenia SA) in the total amount of €38.1 million (€32.4 million for Enel Distributie Muntenia SA and €5.7 million for Enel Energie Muntenia SA). The advance paid by Enel in 2007 (€39.5 million) for the acquisition was used for the price adjustment.

## Reorganization of Romanian investments

At the end of December, in implementation of the project to reorganize the Group's equity investments in Romania, Enel SpA transferred (at their carrying amounts) its direct holdings in Enel Romania, Enel Distributie Muntenia SA and Enel Energie Muntenia SA to Enel Investment Holding BV (EIH).

With the transfer of the stakes in Enel Distributie Muntenia SA and Enel Energie Muntenia SA, Enel SpA transferred to EIH all the rights and obligations associated with those investments under the Privatization Agreement, including, therefore, the commitment in respect of the three-year put option granted by Enel to Electrica entitling the latter to sell a minimum of 13.6% of its remaining holding in EMS, as well as all other shares not sold to EMS employees as part of the mechanism giving them the right to subscribe up to 10% of the company's

share capital on the occasion of the privatization. Consequently, the shares subject to the option could vary from a minimum of about 13.6% to a maximum of 23.6% (if no employee should take up the right to subscribe the shares). The option can be exercised in one or more tranches between July 1 and December 31 of each year from 2009 to 2012, in accordance with the terms and conditions of the agreement.



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Results of Enel SpA

## Definition of performance indicators

In order to present the results of the company and analyze its financial structure, Enel has prepared separate reclassified schedules that differ from those envisaged under the IFRS-EU adopted by the company and presented in the consolidated financial statements. These reclassified schedules contain different performance indicators from those obtained directly from the consolidated financial statements, which management feels are useful in monitoring performance and representative of the financial performance of the company's business.

In accordance with recommendation CESR/05-178b published on November 3, 2005, the criteria used to calculate these indicators are described below:

- > *Gross operating margin*: an operating performance indicator, calculated as "Operating income" plus "Depreciation, amortization and impairment losses".
- > *Net non-current assets*: calculated as the difference between "Non-current assets" and "Non-current liabilities" with the exception of:
  - "Deferred tax assets";
  - "Financial receivables due from other entities" and "Receivables due from subsidiaries" reported under "Non-current financial assets";
  - "Long-term loans";
  - "Post-employment and other employee benefits";
  - "Provisions for risks and charges";
  - "Deferred tax liabilities".
- > *Net current assets*: calculated as the difference between "Current assets" and "Current liabilities" with the exception of:
  - "Financial receivables" and "Receivables due from subsidiaries" reported under "Current financial assets";
  - "Cash and cash equivalents";
  - "Short-term loans" and the "Current portion of long-term loans".
- > *Net capital employed*: calculated as the algebraic sum of "Net non-current assets" and "Net current assets", provisions not previously considered, "Deferred tax liabilities" and "Deferred tax assets".
- > *Net financial debt*: a financial structure indicator, determined by the sum of "Long-term loans", the current portion of such loans and "Short-term loans" less "Current financial assets", "Non-current financial assets" and "Cash and cash equivalents" not previously considered in other balance sheet performance indicators.



## Performance

The following table summarizes the performance of Enel SpA in 2009 and 2008:

Millions of euro

	2009	2008	Change
<b>Revenues:</b>			
Revenues from sales and services	693.0	709.5	(16.5)
Other revenues	13.3	24.8	(11.5)
<b>Total</b>	<b>706.3</b>	<b>734.3</b>	<b>(28.0)</b>
<b>Costs:</b>			
Electricity purchases and consumables	316.7	349.2	(32.5)
Services, leases and rentals	308.2	288.5	19.7
Personnel	97.2	104.8	(7.6)
Other operating expenses	11.5	52.7	(41.2)
<b>Total</b>	<b>733.6</b>	<b>795.2</b>	<b>(61.6)</b>
<b>Gross operating margin</b>	<b>(27.3)</b>	<b>(60.9)</b>	<b>33.6</b>
Depreciation, amortization and impairment losses	8.7	15.4	(6.7)
<b>Operating income</b>	<b>(36.0)</b>	<b>(76.3)</b>	<b>40.3</b>
<b>Net financial income/(expense) and income from equity investments:</b>			
Income from equity investments	4,481.8	3,187.2	1,294.6
Financial income	2,510.8	4,061.9	(1,551.1)
Financial expense	3,792.8	4,529.9	(737.1)
<b>Total</b>	<b>3,199.8</b>	<b>2,719.2</b>	<b>480.6</b>
<b>Income before taxes</b>	<b>3,163.8</b>	<b>2,642.9</b>	<b>520.9</b>
Income taxes	(296.6)	(100.9)	(195.7)
<b>NET INCOME FOR THE YEAR</b>	<b>3,460.4</b>	<b>2,743.8</b>	<b>716.6</b>

**Revenues from sales and services** totaled €693.0 million (€709.5 million in 2008) and regard:

- > *revenues from electricity sales* of €329.1 million (€392.0 million in 2008), mainly attributable to sales of imported electricity to the Single Buyer in the amount of €328.0 million in 2009, compared with €386.7 million in 2008;
- > *revenues from services* of €363.9 million (€317.5 million in 2008), essentially in respect of assistance and consulting services provided to Group companies (€363.1 million in 2009, compared with €317.3 million in 2008).

The decrease of €62.9 million in revenues from electricity sales compared with 2008 was mainly due to the decrease in the average price of electricity sales to the Single Buyer.

The increase of €46.4 million in revenues from services on the previous year is largely due to increased charges passed through to Enel Energy Europe SL (€48.9 million) in connection with the acquisition, completed on June 25, 2009, of an additional 25.01% of Endesa from Acciona.

**Other revenues** came to €13.3 million, a decline of €11.5 million on 2008, largely attributable to lower revenues from seconded personnel and smaller receipts on the disposal of equity investments.

Cost for **electricity purchases and consumables** came to €316.7 million, of which €313.4 million for the purchase of 5,256 million kWh of electricity. The decrease

of €32.5 million compared with the previous year is essentially due to the "Settlement Agreement" with Atel, which involved the recognition in 2009 of income in the amount of €4.1 million, compared with charges of €25.7 million in 2008.

Costs for **services, leases and rentals** amounted to €308.2 million, of which charges from third parties in the amount of €240.8 million and from Group companies in the amount of €67.4 million. The services provided by third parties mainly regard promotional activities, advertising and printing, corporate acquisitions and sundry technical and professional services. Those provided by Group companies regard IT and administrative services, facility management services and purchasing as well as rentals, mainly provided by Enel Servizi. The overall increase of €19.7 million compared with 2008 is mainly attributable to the net effect of increased costs incurred for international acquisitions, increased spending for the organization of conferences and meetings by Enel SpA and lower fees paid to the Gestore Servizi Energetici (hereinafter the "Energy Services Operator" or ESO) and the Gestore Mercati Energetici (hereinafter the "Energy Markets Operator" or EMO) as a result of the partial reimbursement of congestion fees by the ESO for the period April 1, 2004 - December 31, 2004.

**Personnel costs** totaled €97.2 million and regarded an average workforce of 719 (714 in 2008). The total was down €7.6 million, mainly attributable to the decline in the average number of senior managers (down 14 on 2008), partially offset by an increase in the average number of office workers (up 22 compared with 2008).

**Other operating expenses** amounted to €11.5 million, a decrease of €41.2 million compared with the previous year, essentially due to the reversal to income of excess provisions for risks and charges for litigation as well as the recognition by the ESO of the guarantees of origin issued in France for electricity generated from renewables and imported into Italy in 2005, with the consequent reimbursement of green certificates acquired by Enel SpA.

The **gross operating margin** came to a negative €27.3 million, an improvement of €33.6 million on 2008.

**Depreciation, amortization and impairment losses** came to €8.7 million, of which depreciation of property, plant and equipment of €1.9 million and amortization of intangible assets of €6.8 million. In 2008, impairment losses of €6.2 million had been recognized.

**Operating income** amounted to a negative €36.0 million, an improvement of €40.3 million on the previous year, mainly attributable to the improvement in the gross operating margin and the absence of impairment losses in 2009.

**Income from equity investments** amounted to €4,481.8 (€3,187.2 million in 2008). The item regards dividends approved in 2009 by subsidiaries in the amount of €4,464.4 million and other equity investments in the amount of €17.4 million, of which €17.3 million earned and approved by Terna SpA.

**Net financial expense** totaled €1,282.0 million, an increase of €814.0 million compared with the previous year. This was connected with a decline in interest

income from Enel Energy Europe as a result of the decrease in the average creditor balance on the intercompany current account, mainly attributable to the recapitalization of the subsidiary with the waiver of part of Enel SpA's receivable in respect of that account. This effect was partially offset by the decline in interest expense and other charges on financial debt, mainly attributable to the broad decline in interest rates and a decrease in average long-term debt for the year.

**Income taxes** showed a tax credit of €296.6 million, associated with the balance of the income and expense items relevant for tax purposes, an increase of €195.7 million compared with the previous year, which essentially reflects the increased deductibility of the interest expense transferred by Enel SpA under the Group consolidated taxation system.

The effective tax rate on pre-tax income was a negative 9.4% in 2009, compared with a negative 3.8% in 2008.

**Net income** amounted to €3,460.4 million, compared with €2,743.8 million in 2008.

## Analysis of financial position

Millions of euro

	at Dec. 31, 2009	at Dec. 31, 2008	Change
<b>Net non-current assets:</b>			
- property, plant and equipment and intangible assets	20.8	23.4	(2.6)
- equity investments	35,957.2	23,707.3	12,249.9
- other non-current assets/(liabilities)	(744.1)	(658.6)	(85.5)
<b>Total</b>	<b>35,233.9</b>	<b>23,072.1</b>	<b>12,161.8</b>
<b>Net current assets:</b>			
- trade receivables	516.5	484.4	32.1
- net other current assets/(liabilities)	439.6	835.9	(396.3)
- trade payables	(320.8)	(324.3)	3.5
<b>Total</b>	<b>635.3</b>	<b>996.0</b>	<b>(360.7)</b>
Gross capital employed	35,869.2	24,068.1	11,801.1
<b>Provisions:</b>			
- post-employment and other employee benefits	(376.4)	(398.4)	22.0
- provisions for risks and charges and net deferred taxes	184.2	111.5	72.7
<b>Total</b>	<b>(192.2)</b>	<b>(286.9)</b>	<b>94.7</b>
Non-current assets classified as held for sale	9.0	-	9.0
<b>Net capital employed</b>	<b>35,686.0</b>	<b>23,781.2</b>	<b>11,904.8</b>
<b>Shareholders' equity</b>	<b>23,721.7</b>	<b>15,127.6</b>	<b>8,594.1</b>
<b>NET FINANCIAL DEBT</b>	<b>11,964.3</b>	<b>8,653.6</b>	<b>3,310.7</b>

**Net non-current assets** amounted to €35,233.9 million, up €12,161.8 million. The rise is essentially attributable to the increase in the value of equity investment in the amount of €12,249.9 million, largely associated with the recapitalization of Enel Energy Europe SL in the amount of €12,300.0 million. The operation involved Enel SpA's partial waiver of its receivable in respect of the intercompany current account held with its subsidiary.

**Net current assets** came to €635.3 million, a decrease of €360.7 million compared with December 31, 2008. The changes is essentially due to:

- > a decrease in net other current assets/(liabilities) (€396.3 million), mainly due to the decline in receivables for interest and other income on current accounts held with subsidiaries, partly offset by greater tax credits;
- > an increase in trade receivables (€32.1 million) connected with the rise in receivables due from Group companies, mainly in respect of increased charges passed through to Enel Energy Europe for consulting and assistance costs incurred for the acquisition of the additional 25.1% of Endesa.

**Net capital employed** at December 31, 2009, came to €35,686.0 million, funded by shareholders' equity of €23,721.7 million and net financial debt of €11,964.3 million.

**Shareholders' equity** at December 31, 2009, totaled €23,721.7 million, an increase of €8,594.1 million compared with December 31, 2008. The change is attributable to the capital increase of €7,847.5 million completed in July 2009, the recognition of net income for the year of €3,460.4 million, the increase in

the reserve from the measurement of derivatives of €15.9 million and the increase in the reserve for stock options of €4.7 million. These effects were partially offset by the distribution of the balance of the dividend for 2008 in the amount of €1,794.1 million (€0.29 per share), and the payment in November 2009 of the interim dividend for 2009 in the amount of €940.3 million (€0.10 per share).

**Net financial debt** came to €11,964.3 million at the end of the year, with a debt/equity ratio of 0.5, compared with 0.6 at the end of 2008.

## Analysis of the financial structure

Net financial debt and changes in the period are detailed in the table below:

Millions of euro

	at Dec. 31, 2009	at Dec. 31, 2008	Change
<b>Long-term debt:</b>			
- bank loans	5,948.8	14,933.3	(8,984.5)
- bonds	13,256.8	13,080.3	176.5
- debt assumed and loans from subsidiaries	10,806.4	11,031.2	(224.8)
<i>Long-term debt</i>	<i>30,012.0</i>	<i>39,044.8</i>	<i>(9,032.8)</i>
- financial receivables from others	(148.4)	(6.1)	(142.3)
- debt assumed and loans to subsidiaries	(198.0)	(232.0)	34.0
<b>Net long-term debt</b>	<b>29,665.6</b>	<b>38,806.7</b>	<b>(9,141.1)</b>
<b>Short-term debt/(liquidity):</b>			
- short-term portion of long-term debt	779.5	431.3	348.2
- short-term bank debt	790.3	1,304.4	(514.1)
- short-term debt with Group companies	536.0	1,636.0	(1,100.0)
<i>Short-term debt</i>	<i>2,105.8</i>	<i>3,371.7</i>	<i>(1,265.9)</i>
- short-term portion of long-term financial receivables	(0.3)	(0.3)	-
- short-term portion of loans assumed/granted	(0.3)	(247.3)	247.0
- other financial receivables - cash collateral	(893.2)	-	(893.2)
- net short-term financial position with Group companies	(17,918.1)	(32,663.0)	14,744.9
- cash and cash equivalents	(995.2)	(614.2)	(381.0)
<b>Net short-term debt/(liquidity)</b>	<b>(17,701.3)</b>	<b>(30,153.1)</b>	<b>12,451.8</b>
<b>NET FINANCIAL DEBT</b>	<b>11,964.3</b>	<b>8,653.6</b>	<b>3,310.7</b>

At December 31, 2009, net financial debt amounted to €11,964.3 million, up €3,310.7 million compared with December 31, 2008 as the net result of a decrease in net long-term financial debt in the amount of €9,141.1 million and the decrease in net short-term liquidity of €12,451.8 million.

The decrease in net long-term financial debt is mainly due to:

- > contractual and voluntary repayments totaling €5,000.6 million of the tranche falling due in 2010 of the original €35 billion syndicated credit line following the extraordinary corporate transactions represented by Endesa's payment of dividends from the sale of assets to E.ON (mandatory repayment of €1,139.2 million), the sale of the high-voltage grid by Enel Distribuzione to Terna (voluntary repayment of €340.9 million) and the capital increase of Enel SpA (mandatory repayment of €3,520.5 million);
- > contractual and voluntary repayments totaling €5,111.2 million following Endesa's sale of assets to Acciona and the issue of bonds in the European and US markets by Enel Finance International, of which:
  - €1,498.6 million related to the tranche maturing in 2010;
  - €1,750.9 million related to the tranche maturing in 2012;
  - €1,258.0 million related to the tranche maturing in 2014;
  - €603.7 million related to the tranche maturing in 2016;
- > a reduction of €3,273.4 million compared with December 31, 2008, in drawings on the 5-year, €5 billion revolving credit line (extendable for another two years) obtained in November 2005;
- > repayment of maturing bond tranches in the total amount of €417.6 million;

partially offset by:

- > the drawing on June 25, 2009, of €4,978.5 million on the Credit Agreement 2009 to finance the acquisition of an additional 25.01% of Endesa held by Acciona;
- > the issue of a new tranche of the bond placed privately with leading Italian insurance companies in the amount of €97.0 million maturing in 2027.

The decline in net short-term liquidity of €12,451.8 million was essentially the result of the reduction in the financing requirements of the Group companies on the intercompany current account (€14,744.9 million), especially Enel Energy Europe after its recapitalization carried out by way of Enel SpA's partial waiver of its receivable in respect of that account (€12,300.0 million), partially offset by the reduction in the debtor position in respect of Enel Finance International (€1,100.0 million), cash collateral paid in respect of OTC derivatives on interest and exchange rates (893.2 million), and the improvement in the short-term position with banks (€514.1 million).

## Cash flows

Millions of euro

	2009	2008	Change
Cash and cash equivalents at the start of the year	614.2	10.4	603.8
Cash flows from operating activities	3,737.9	2,597.4	1,140.5
Cash flows from investing/disinvesting activities	10.7	(831.2)	841.9
Cash flows from financing activities	(3,367.6)	(1,162.4)	(2,205.2)
<b>Cash and cash equivalents at the end of the year</b>	<b>995.2</b>	<b>614.2</b>	<b>381.0</b>

In 2009 cash and cash equivalents rose by €381.0 million.

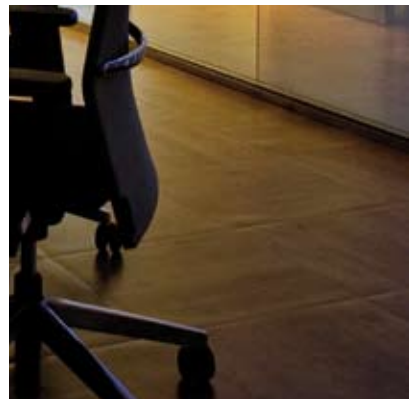
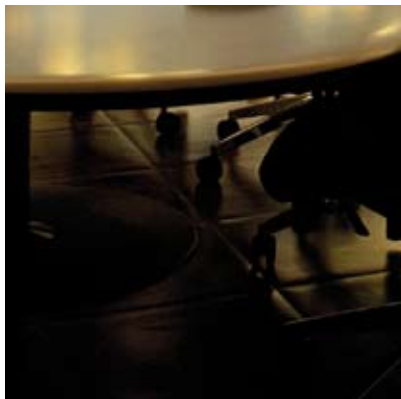
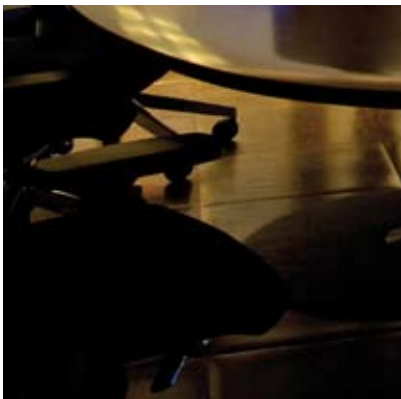
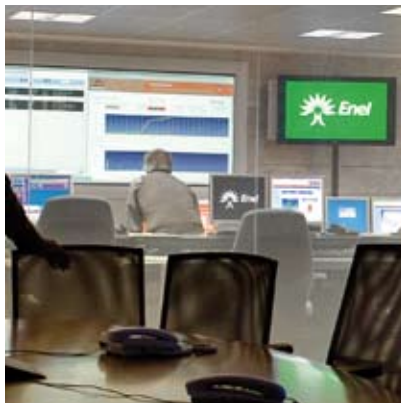
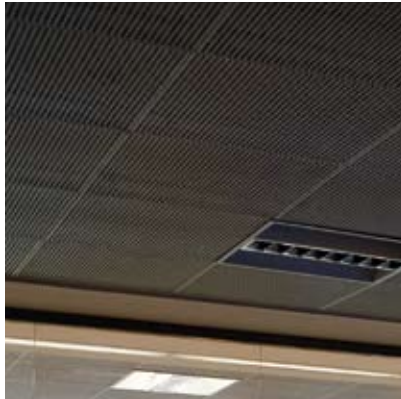
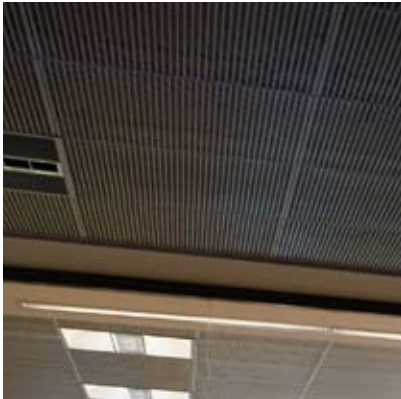
Cash flows from operating activities came to €3,737.9 million, compared with €2,597.4 million the previous year, an increase of €1,140.5 million, essentially attributable to increased dividends received.

Cash flows from investing activities were a positive €10.7 million, compared with a net outflow of €831.2 million the previous year, and were essentially the result of:

- > €10.4 million in respect of the receipts from the disposal of Sfera Srl to Enel Servizi;
- > €9.2 million in respect of the receipts from the disposal of Enel.si Srl to Enel Green Power;
- > €6.0 million for net investments in property, plant and equipment and intangible assets;
- > €3.0 million in respect of the payment to incorporate Sviluppo Nucleare Italia Srl;

Cash requirements for investing activities amounted to €831.2 million in 2008, essentially in respect of the outlays for the acquisition of 64.4% of Electrica Muntenia Sud (now Enel Distributie Muntenia SA and Enel Energie Muntenia SA) for €826.5 million.

These cash flows made it possible to meet cash requirements in respect of financing activities, which used liquidity in the amount of €3,367.6 million, mainly for repayment of long-term loans (€13,816.4 million) and the payment of dividends and interim dividends (2,734.4 million). This was partially offset by the receipts (gross of transaction costs) from the capital increase (€7,991.1 million), the drawing on the Credit Agreement 2009 (€4,978.5 million) and the issue of a new bond tranche (€97.0 million).





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## Performance of the main subsidiaries

## Enel Produzione SpA

In 2009, Enel Produzione produced 68.9 TWh of power (93.7 TWh in 2008), of which 50.2 TWh from thermal generation and 18.7 TWh from hydroelectric generation. Compared with 2008, output decreased by 24.8 TWh. The decrease mainly relates to a fall in thermal generation (14.5 TWh) caused by a reduction in the output of traditional oil/gas plants and the change in the scope of the renewables plants as a result of the transfer of the hydroelectric plants located in Trento to Hydro Dolomiti Enel on July 15, 2008, and of a number of hydroelectric plants and all the geothermal plants and wind farms to Enel Green Power on December 1, 2008.

Electricity sales were made under bilateral contracts, mostly with Enel Trade and the Single Buyer (20.5 TWh, 29.7%), through the Power Exchange (47.9 TWh, 69.6%), and through subsidized energy sales (0.5 TWh, 0.7%). CO<sub>2</sub> emissions totaled 37.2 million metric tons, while the allowance for the period was 38.2 million metric tons.

During 2009, the most important events and extraordinary operations for the company were as follows:

- > the spin-off, effective April 1, 2009, of the engineering and innovation unit to the newly formed company Enel Ingegneria e Innovazione SpA. The unit transferred comprised assets of €290.3 million and liabilities of €240.3 million, therefore Enel Produzione SpA's equity reserves fell by €50.0 million as a result of the transfer;
- > the establishment on February 5, 2009 of Adria Link Srl (owned one-third each by Enel Produzione SpA, Acegas-Aps SpA and Tei SpA). The company will build and operate energy interconnection infrastructures between Italy and Slovenia;
- > the subscription, totaling €3.2 million, of the company's share of Galsi SpA's capital increase with a share premium authorized by Galsi's extraordinary shareholders' meetings of April 27, 2009 and October 15, 2009;
- > the sale of the company's 100% interests in Maritza East III Power Holding BV and Martiza O&M Holding Netherlands BV to Enel Investment Holding BV for €212.0 million, as part of the reorganization of the Group's Bulgarian subsidiaries;
- > the signing on October 20, 2009, with Società Elettrica Altoatesina SpA (SEL) of the final agreement to jointly develop the hydroelectric sector in the Autonomous Province of Bolzano. The agreement follows through on the preliminary agreement of October 23, 2008, confirming the commitment of Enel Produzione and SEL to form a new company (Enel Produzione 40% and SEL 60%) for the joint operation of the concessions that have been renewed or issued to them upon the conclusion of administrative proceedings starting in 2011.

**Revenues** in 2009 amounted to €6,958.1 million compared with €11,826.2 million for the previous year, and essentially break down as follows:

- > *revenues from electricity sales to third parties* amounted to €5,588.3 million (€9,592.8 million in 2008), a decrease of €4,004.5 million, largely as a result of the change in the scope of renewables plants, the decline in wholesale prices and lower volumes sold as a result of the contraction in demand for electricity in Italy;
- > *revenues from electricity sales to Group companies* came to €1,207.9 million (€1,422.4 million in 2008), a decrease of €214.5 million, mainly attributable to lower volumes sold under bilateral contracts with Enel Trade;
- > *revenues from contract work in progress* came to €91.9 million (€401.3 million in 2008). The decrease of €309.4 million, was mainly caused by the transfer, as from April 1, 2009, of most of the company's orders to Enel Ingegneria e Innovazione;
- > *revenues from other sales and services* amounted to 67.3 million (€408.5 million in 2008), a decrease of €341.2 million from 2008 which benefited from the gain (€328.1 million) on the disposal of 51% of Hydro Dolomiti Enel Srl.

**Operating costs** totaled €5,988.2 million in 2009 (€9,239.7 million in 2008), a decrease of €3,251.5 million mainly attributable to:

- > the decrease in *costs for raw materials and consumables* (€2,184.8 million), chiefly attributable to fuel (€1,441.6 million), mainly due to lower output by thermal plants, and electricity (€552.0 million);
- > the decrease in *costs for services* (€218.2 million), both in respect of third parties and Group companies;
- > the decrease in *personnel costs* (€62.6 million), since the average size of the workforce fell as a result of extraordinary transactions in which Enel Produzione took part in 2008 and in 2009;
- > the decrease in *depreciation, amortization and impairment losses* of €907.4 million, mainly attributable to lower impairment losses (€358.4 million) and the reduction in depreciation (€548.1 million), essentially due to the reassessment of the useful life of a number of plants and the altered scope of renewables plants mentioned earlier.

**Net income from commodity risk management** came to €812.3 million, compared with a net charge of €594.8 million in 2008. This is mainly the result of higher net income on contracts for differences (€1,590.9 million) and on derivative contracts to hedge the exchange rate risk on commodities (€38.1 million) and the improvement in the values of derivative contracts existing at the end of the year (€76.4 million), partially offset by higher net charges realized on derivatives to hedge commodity risk (€334.5 million).

**Operating income** totaled €1,782.2 million, a decline of €209.5 million compared with 2008.

**Net financial expense and charges in respect of equity investments** amounted to €94.3 million (€297.2 million in 2008), a decrease of €202.9 million, due mainly to lower interest expense with respect to the Parent Company (€183.2 million) caused largely by the decline in interest rates on the intercompany current account consistent with developments in market rates and higher dividends received from subsidiaries and associates (€40.4 million).

**Income taxes** came to €650.9 million, for a pre-tax rate of 38.6%. Taxes were €1,146.3 million higher than in the previous year. In 2008, the income tax figure benefited by €495.4 million from the release of deferred taxes from the realignment of the statutory and tax value of assets and other elements deriving from off-balance-sheet deductions and the effects of aligning unaligned values resulting from extraordinary transactions, through the payment of substitute tax.

**Net income for the year** totaled €1,036.9 million (€2,189.9 million in 2008).

**Capital expenditure on property, plant and equipment and intangible assets** amounted to €749.5 million (€1,165.5 million in 2008).

**Net capital employed** at December 31, 2009 came to €11,472.0 million (€10,882.2 million at December 31, 2008) and consisted of net non-current assets of €11,595.0 million, net current assets of €662.1 million, provisions and net deferred taxes of €785.1 million.

The capital employed was covered by shareholders' equity for €7,381.3 million (€8,777.0 million at December 31, 2008) and net financial debt for €4,090.7 million (€2,105.2 million at December 31, 2008).

The **workforce** at December 31, 2009 numbered 6,236, compared with 7,302 a year earlier.

## Enel Green Power SpA

Enel Green Power was established on December 1, 2008 to develop and manage activities relating to the generation of energy from renewable resources in Italy and abroad. The new company is responsible for all Enel activities relating to energy generated from wind, solar, geothermal and "run-of-the-river" hydroelectric sources in Europe, North America, and Central and South America.

The reorganization of the foreign companies active in that sector (excluding those of the Endesa group) to improve the autonomous management of renewable energy resources and generation techniques was completed in the first few months of 2009. Specifically:

- > with effect from January 1, 2009, Enel Green Power bought Enel Investment Holding BV's interest in Green Power International BV, a holding company for foreign companies active in the renewable energy resource sector, for €1,690.0 million, an amount equal to its book value;
- > with effect from January 1, 2009, the company bought a 100% interest in Enel.si Srl, a company concerned with the development of the photovoltaic market and energy efficiency, from Enel SpA, for €9.2 million, an amount equal to its book value;
- > on February 18, 2009, and December 22, 2009, the Board of Directors of the company authorized the recapitalization of Enel Green Power International BV with the payment of €225.0 million and €160.0 million, respectively, allocated to the share premium reserve;
- > on November 20, 2009, the company signed a contract with Simest (a company that finances the expansion and promotion of Italian companies in foreign markets) to obtain funding for the Palo Viejo project to build and operate a new hydroelectric plant in Guatemala by purchasing a stake in Renovables de Guatemala SA (RDG), a company wholly-owned by the Enel Group. Specifically, Enel Green Power SpA participated in the RDG capital increase, buying a direct 51% interest for €44 million, while Simest (in its own name and on behalf of the Venture Capital Fund) purchased an 8.8% share. Consequently, Enel Green Power has a direct and indirect holding of 91.2% in RDG and is committed to acquiring the remaining stake from Simest on June 30, 2017

**Revenues** for 2009 totaled €1,086.9 million (€106.3 million in 2008 referring to just one month of activity) and essentially consist of €874.3 million in revenues from the sale and transport of electricity and €170.5 million in revenues from the sale of green certificates.

**Operating costs** totaled €631.7 million and consist mainly of €300.1 million in depreciation and amortization, €156.1 million in service costs and €122.2 million in personnel costs.

**Net income from commodity risk management** amounted to €117.8 million. The item consists mainly of €117.6 million in net income from commodity derivatives realized at December 31, 2009.

**Operating income** totaled €573.0 million.

**Net financial expense and charges in respect of equity investments** came to €69.2 million, and are essentially comprised of the interest accrued on short-term and medium/long-term debt (€76.1 million), partially offset by income in respect of equity investments (€14.6 million).

**Net income for the year** amounted to €321.5 million, after income taxes of €182.3 million.

**Capital expenditure on property, plant and equipment and intangible assets** amounted to €343.0 million.

**Net capital employed** at December 31, 2009 came to €6,839.9 million, funded by shareholders' equity of €2,290.7 million (33.5%) and net financial debt of €4,549.2 million (66.5%).

The **workforce** at December 31, 2009 numbered 1,668.

## Enel Distribuzione SpA

Following the partial demerger, effective as of January 1, 2008, of Enel Distribuzione SpA's sales unit in accordance with Decree Law 73/07 of June 18, 2007 (ratified with Law 125, which entered into force on August 3, 2007), containing urgent measures for implementation of Community regulations concerning the liberalization of energy markets, Enel Distribuzione has engaged solely in the business of the transport and metering of electricity in Italy.

In 2009, the company distributed a total of around 240.9 TWh of electricity (256.9 TWh in 2008) to around 31 million end users (in the free and in the enhanced protection and safeguard markets). The 6.2% decline in electricity distributed reflects the contraction in demand for electricity in Italy.

The deregulation of the electricity market provided a significant impulse to growth in end users, with the transfer in 2009 of some 1,200,000 more customers from the protected market to the free market (an increase of about 37% over 2008). Given these trends, Enel Distribuzione enhanced the systems and channels used to maintain contacts with sales companies, and developed specific functions that made it possible to shorten the average time taken to issue invoices and process requests, while constantly monitoring the state of progress.

During 2009, the most important corporate events and extraordinary operations for the company were as follows:

- > the sale to Terna, on April 1, 2009, at a price of €1,152 million, of the entire share capital of Enel Linee Alta Tensione (ELAT), a company set up by Enel Distribuzione on November 21, 2008. With effect as of January 1, 2009, Enel Distribuzione transferred the business unit consisting of high-voltage lines and the related legal relationships to ELAT;
- > the acquisition, effective as of September 1, 2009, for a total of €0.7 million, of the business unit related to the distribution of electricity in the city of Telti (OT), with some 1,000 customers served;
- > the sale to F2i Reti Italia Srl, on September 30, 2009, for €515.7 million, of the majority (80%) stake in Enel Rete Gas SpA;
- > the sale, in December 2009, to Enel Investment Holding BV, for a total of €460.0 million, of the 20% equity interest held in Enel Romania and the 51% stakes held in Enel Distributie Banat, Enel Distributie Dobrogea and Enel Energie, in implementation of the plan to reorganize the Group's equity investments in Romania.

In addition, on March 17, 2009, the Board of Directors of Enel Distribuzione SpA voted to request a 20-year loan of €800.0 million from Cassa Depositi e Prestiti to finance investments in the 2009-2011 period. The loan was secured by Enel

SpA with the issue of a demand guarantee to meet the obligations assumed by Enel Distribuzione SpA in the transaction.

**Revenues** for 2009 totaled €7,151.7 million (compared with €6,619.8 million in 2008) and relate essentially to:

- > revenues from the transport of electricity, including the effect of the equalization mechanisms, amounted to €5,684.3 million (€5,379.5 million in 2008). Compared with the prior year, this was an increase of €304.8 million, essentially due to the positive price effect following the rate updates for the new 2008-2011 regulatory period;
- > other revenues of €1,467.4 million (€1,240.3 million in 2008), an increase of €227.1 million over the previous year due essentially to the net gain on the sale of Enel Linee Alta Tensione Srl to Terna.

**Operating costs**, in the amount of €4,095.4 million (€3,760.3 million in 2008), posted an increase of €335.1 million, mainly due to the increase in personnel costs (€185.2 million) related essentially to retirement incentives, lower capitalized costs (€134.4 million) related to the decline in investment in property, plant and equipment and higher energy transport costs (€71.6 million), due mainly to the sale of the high-voltage lines.

**Operating income** for 2009 totaled €3,056.3 million (€2,859.5 million as at December 31, 2008), up €196.8 million over 2008.

**Net financial expense and charges in respect of equity investments** amounted to €181.6 million (€252.5 million in 2008), a €70.8 million decline due essentially to the reduction in interest expense on the intercompany current account (€62.6 million) related to the decline in the average debtor position, as well as to the reduction in interest expense on long-term debt (€51.7 million), following the decline in average debt and the generalized reduction in interest rates. Lower gains on equity investments (€25.2 million) partially offset these factors.

**Net income for the year** from continuing operations came to €2,052.9 million (€2,051.4 million for 2008), net of income taxes for the year of €821.8 million (€555.6 million in 2008).

The **net loss for the year** from discontinued operations, in the amount of €55.9 million, was due to the loss, net of the related tax effect, connected with the sale of the equity investment in Enel Rete Gas SpA to F2i Reti Italia.

**Capital expenditure on property, plant and equipment and intangible assets** amounted to €1,071.3 million (€1,364.9 million in 2008).

**Net capital employed** came to €11,622.3 million, funded by shareholders' equity of €9,123.5 million (78.5%) and net financial debt of €2,498.8 million (21.5%).

The **workforce** at December 31, 2009, numbered 19,229, compared with 19,905 at December 31, 2008.



## Enel Servizio Elettrico SpA

Incorporated on September 13, 2007 pursuant to Decree Law 73 of June 18, 2007, containing urgent measures for implementation of Community regulations concerning the liberalization of energy markets (ratified with Law 125 of August 3, 2007), Enel Servizio Elettrico SpA received, as of January 1, 2008, assets, liabilities and relationships relating to electricity sales to end users spun off from Enel Distribuzione SpA.

The corporate purpose of Enel Servizio Elettrico is the exercise of activities relating to the sale of electricity to enhanced protection customers, namely residential customers and small businesses (with fewer than 50 employees and an annual turnover of €10 million or less) on low-voltage connections. Until April 30, 2008, the company had also been selling electricity to safeguard market end users, namely customers other than residential users and small companies that have not selected a supplier in the free market, or are without a supplier. In accordance with Resolution 337/2007 of the Authority for Electricity and Gas, these customers were assigned on the basis of a tender to free market electricity vendors as from May 1, 2008.

Demand for electricity in Italy in 2009 amounted to 316.8 TWh, 6.7% less with respect to the previous year.

Electricity sold in the period by Enel Servizio Elettrico amounted to 71.0 TWh, all for the enhanced protection service.

In the final months of 2009 the company began negotiations with several lending institutions and factoring companies to assess the possible non-recourse assignment of its receivables. These negotiations led to the completion of the following transactions:

- > agreement with Unicredit Factoring for the non-recourse transfer of receivables due from government departments;
- > agreement with Ifitalia - BNP Paribas Group for the non-recourse transfer of receivables pertaining to a list of 38 clients, including central and local government entities;
- > the non-recourse transfer of receivables due from government entities through a securitization transaction in collaboration with Banca IMI - Intesa Sanpaolo Group.

**Revenues** for 2009 totaled €11,296.1 million and relate mainly to revenues of €10,541.1 million from the sale and transport of electricity and fees of €431.1 million for connection to electricity grids. The decline in revenues of €2,495.5 million compared with 2008 was largely attributable to the decrease in revenues from the sale and transport of electricity in connection with the reduction in

quantities sold and in average revenues covering generation costs, in line with the decrease in the purchase price of electricity.

**Operating costs** amounted to €11,248.6 million and include €6,789.7 million for the purchase of electricity, mainly from the Single Buyer for the supply of enhanced protection customers (€6,779.2 million) and €3,911.1 million in costs for services from Group companies, referring essentially to electricity transport (€3,254.9 million) and network connection services (€429.5 million). The €2,561.5 million decrease in operating costs compared with the previous year is mainly due to the decline in purchases of electricity from the Single Buyer (€1,794.8 million) and from Group companies (€450.7 million).

The company posted an **operating profit** of €47.5 million, an improvement of €81.2 million over 2008.

**Net financial expense and charges in respect of equity investments** came to €9.7 million, the net result of financial expense of €28.8 million, financial income of €18.6 million and income from equity investments of €0.5 million. Net financial expense declined by €20.5 million, mainly due to €32.9 million of interest accrued on the intercompany current account held with the Parent Company, partially offset by higher penalty interest received (€13.1 million).

**Net income for the year** came to €14.7 million after taxes for the period amounting to €23.0 million.

**Capital expenditure on property, plant and equipment and intangible assets** totaled €21.9 million.

**Net capital employed** at December 31, 2009, came to negative €516.4 million and included net non-current assets of €71.9 million, negative net current assets of €577.1 million, net deferred tax assets of €131.5 million and provisions of €142.7 million.

**Net liquidity** totaled €572.0 million, an improvement of €953.0 million.

The **workforce** at December 31, 2009 came to 2,953, compared with 3,227 at December 31, 2008.

## Enel Energia SpA

Enel Energia is the company responsible for the sale of electricity on the free and safeguard markets and the sale of natural gas to end users. In particular, Enel Energia is leader in the free market in Italy for the sale of electricity, and provides integrated services and products for electricity and gas supplies for both companies and households.

As regards the safeguard market, the procedures for assigning the electricity supply service are set out in the decree of the Ministry for Economic Development issued on November 23, 2007, and a subsequent ministerial decree issued on February 8, 2008.

In 2009, Enel Energia strengthened its leadership in the Italian free market by focusing on the combined sale of electricity and gas. The company closed 2009 with around 2.8 million free-market electricity customers and around 2.8 million gas customers.

In November, the wholly owned subsidiary Amiagas Srl was merged into the company, effective for accounting and tax purposes as of January 1, 2009. The merger generated a merger deficit of about €1.4 million.

In the latter part of 2009, Enel Energia SpA began negotiations with a number of banks and factoring companies in order to assess the options for the without-recourse assignment of part of its receivables.

These negotiations led to the following transactions:

- > agreement with Unicredit Factoring for the non-recourse assignment of receivables from government bodies and 32 private-sector customers (large corporations);
- > agreement with Ifitalia (BNP Paribas Group) for the non-recourse assignment of receivables from central and local government bodies and from 8 private-sector customers (large corporations);
- > the non-recourse securitization of receivables due from government bodies in collaboration with Banca IMI - Intesa Sanpaolo Group;
- > agreement with MPS Leasing & Factoring for the non-recourse assignment of receivables from 25 private-sector customers (large corporations).

**Revenues from sales and services** amounted to €9,963.6 million (€10,383.6 million in 2008) and refer mainly to the sale of electricity (€5,487.7 million) and gas (€1,866.2 million), as well as transport revenues of €2,524.1 million. This marked a decline of €420.0 million compared with 2008, due essentially to the decline in volumes of gas sold to business customers.

**Operating costs**, amounting to €9,186.9 million (€10,913.9 million in 2008), relate mainly to electricity purchases of €4,306.5 million, gas purchases of €1,524.0 million, and service costs of €3,027.6 million. The €1,727.0 million decrease from the previous year is due mainly to the decline in provisioning as a result of the lower quantities sold to customers, as well as to the lower purchase prices.

**Net charges from commodity risk management** came to €904.9 million (compared with net income of €611.9 million in 2008) and include €916.0 million for the net charge realized on positions closed during the year and €11.1 million in net unrealized gains from the measurement of derivative contracts on commodities as at December 31, 2009.

The **operating loss**, in the amount of €109.9 million (compared with operating income of €118.4 million in 2008), represents a decline in performance of €228.3 million compared with the previous year.

**Net financial expense and charges in respect of equity investments** amounted to €22.3 million (€61.9 million in 2008), a decrease of €39.6 million due essentially to the decline in interest expense accruing on an intercompany current account held with Enel SpA, as a result of the change in the average debtor position with the Parent Company compared with the previous year.

The **net loss for the year**, after taxes for the period positive for €28.7 million, came to €103.6 million (compared with net income of €37.1 million in 2008).

**Capital expenditure on property, plant and equipment and intangible assets** amounted to €62.1 million.

**Net capital employed** at December 31, 2009, came to €1,603.9 million (€783.4 million at December 31, 2008), funded by shareholders' equity of €849.7 million (53.0%) and net financial debt of €754.2 million (47.0%).

The **workforce** at December 31, 2009, numbered 990, compared with 924 at December 31, 2008.

## Enel Trade SpA

In 2009, Enel Trade managed the procurement of fuels for Enel Group power plants and natural gas for Enel Energia SpA.

The company also traded in energy products in domestic and international markets as well as provided shipping services and sold electricity to Enel Energia and non-Group wholesalers.

It engaged in proprietary trading of electricity commodities in the leading international markets. Enel Trade also carried out hedging operations on behalf of Enel Group companies to protect against fluctuations in the price of energy commodities and continued to acquire CO<sub>2</sub> allowances and green certificates needed for the Group's generation companies to comply with the applicable regulations.

In 2009, the company sold 151.3 TWh of electricity (129.1 TWh in 2008), of which 63.7 TWh was to Enel Group companies, 25.4 TWh to non-Group Italian entities and 62.2 TWh to non-Group foreign entities. The company also traded 20.2 million tons of oil equivalent (Mtoe) of fuel (26.0 Mtoe in 2008), of which 15.6 Mtoe with Group companies and 4.6 Mtoe with non-Group entities. Finally, the company also sold CO<sub>2</sub> allowances (EUAs/CERs) corresponding to 7.9 million metric tons of carbon dioxide.

During 2009, the most important corporate events and extraordinary operations involving the company were as follow:

- > on November 17, 2009, the Board of Directors of the company approved the liquidation of the wholly-owned subsidiary Enel Comercializadora de Gas SA, a Spanish company active in transforming and selling gas in Spain;
- > in November 2009, the company signed an agreement with Grove Energy Limited and Grove Energy Srl, parent companies of the Canadian company Stratic Energy Corporation (Stratic), to purchase its gas assets including approximately 0.7 billion cubic meters of gas and several exploration licenses. The acquisition encompassed Stratic's entire gas portfolio in Italy and other Italian exploration rights;
- > in 2009, the company formed a joint venture with Spanish company Repsol Exploración Argelia SA (Repsol) and Dutch company GdF Suez E&P Projects Algeria BV (GdF-Suez) to participate in the tender sponsored by Algeria's National Agency for the Valorisation of Hydrocarbon Resources (Alnaft) to award a license to explore the South East Illizi perimeter. Repsol, possessing 52.5%, is acting as operator of the joint venture, while Enel Trade and GdF-Suez hold 27.5% and 20.0% interests, respectively;
- > the company formed a joint venture with Total E&P Egypt which was admitted, in May 2009, to take part in the International Bid Round launched by Egyptian

- Natural Gas Holding Company (EGAS) in 2008 for the awarding of an exploration license for the Nile delta;
- > on June 19, 2009, jointly with Enel SpA, the company signed a settlement agreement with Eni SpA concerning the connection contributions paid by Enel SpA to Snam SpA (from 1991 to 1999) and adjustments pertaining to corrections of metering documentation for the Montalto di Castro thermal plant (relating to several months in 2004, 2006 and 2007) and the Treviso city-gate (for the period January to September 2003). In relation to the connection contributions, under the settlement agreement Eni SpA is required to pay Enel Trade a lump sum of €77.6 million, paid in two installments in 2009. Eni SpA was also required, with regard to the corrections to the metering documentation, to issue the related credit notes totaling €10.3 million to Enel Trade within one month of the signing of the agreement;
  - > on May 12, 2009, the company signed a three-year supply agreement (2010-2012) for coal with two companies of the Thai Group Banpu (PT Trubaindo Coal Mining and PT Indominco Mandiri). The contract calls for supplying 1.5 million metric tons of coal per year starting from January 1, 2010. The purpose is to ensure a steady medium-term supply of a top-quality product (in terms of yield).

**Revenues from sales and services** in 2009 came to €14,835.0 million (€16,732.7 million in 2008), a decrease of €1,897.7 million compared with the previous year, due mainly to lower revenues from the sale of fuel (€2,005.9 million) as a result of the decline in international prices, along with a reduction in quantities sold.

**Operating costs** totaled €14,490.0 million (€16,647.7 million in 2008), a decrease of €2,157.7 million, due essentially to a reduction costs for the purchase of fuels (€2,336.8 million), consistent with the decline in related revenues and largely the result of falling purchase prices.

**Net income from commodity risk management** came to a positive €68.3 million, compared with a positive €44.0 million for the previous year, and refers to contracts for differences of €11.1 million and other contracts on energy and petroleum commodities for €57.2 million.

**Operating income** came to €492.8 million, up €360.0 million from 2008.

**Net financial expense and charges in respect of equity investments** amounted to €24.5 million (€38.3 million in 2008). The net improvement of €13.8 million essentially refers to exchange rate differences (up €34.0 million) and the management of exchange rate derivatives using derivative contracts signed with the Parent Company Enel SpA (down €17.9 million).

**Income taxes** came to €181.1 million and reflect a tax rate of 38.7%, compared with 43.3% for the previous year.

**Net income for the year** amounted to €287.2 million, compared with €53.6 million in 2008.

**Net capital employed** at December 31, 2009 came to €281.6 million, down €70.1 million compared with the value at end-2008, and is composed of net non-current assets of €64.7 million, net current assets of €241.8 million and provisions of €24.9 million.

**Shareholders' equity** came to €414.9 million and the net financial position is positive for €133.3 million (net financial debt of €186.8 million at December 31, 2008).

The **workforce** at December 31, 2009 numbered 293 compared with 256 a year earlier.

## Enel Energy Europe SL

The company, established by Enel SpA on March 22, 2006, is engaged in the acquisition, holding and management of equity investments in other companies, both in Spain and abroad.

During 2009, the most important corporate events and extraordinary operations regarding the company were as follows:

- > the acquisition from Acciona, completed on June 25, 2009, of the additional stake in Endesa. More specifically, on February 20, 2009, an agreement was signed for the purchase of the 25.01% stake in Endesa held, directly and indirectly, by Acciona. This agreement, which was realized in part by way of the early exercising of the put option by Acciona prior to the scheduled date (March 2010), enabled Enel Energy Europe to hold a 92.06% stake in Endesa, Spain's leading electricity company;
- > the recapitalization of the company on April 21, 2009 and with effect from January 1, 2009, which was carried out by way of the sole shareholder, Enel SpA, waiving a portion of its financial receivable on the intercompany current account in the amount of €12,300.0 million, with €500.0 million allocated to increasing share capital and €11,800.0 million to increasing available equity reserves;
- > the transfer, approved by the shareholders on June 8, 2009, of the company's registered office in Madrid (Spain) and subsequent listing of the company with the Registro Mercantil de Madrid on June 16, 2009, as a Sociedad Limitada (SL), as well as the adoption of the new articles of association adapted to Spanish legislation concerning SLs and the appointment of a new administrative body.

**Net operating costs**, totaling €0.1 million (€16.9 million in 2008), declined by €16.8 million due essentially to the reduction in costs for services incurred in 2009 compared with the same period of the previous year. More specifically, in 2008, costs incurred were related to the delivery of assistance and consulting services (€14.3 million) relating to the valuation of the assets of the Endesa Group (Endesa Europa) sold to E.ON, in the consequent compulsory tenders for a number of Endesa subsidiaries in Latin America, and other legal costs (€1.6 million).

As a result of the above, the company posted an **operating loss** of €0.1 million.

**Net financial income and income from equity investments** totaled €4,381.6 million (compared with net financial expense of €719.0 million in 2008), and essentially reflect the income from equity investments of €4,673.8 million and net financial expense of €292.2 million. Compared with 2008, this is an improvement of €5,100.6 million due mainly to the total dividends for 2008 approved by



Endesa shareholders on June 30, 2009 (€4,186.4 million), as well as to the 2009 interim dividends approved by the Endesa board of directors on December 14, 2009 (€487.4 million), and lower net financial expense (€821.5 million) recognized in 2009 related essentially to the decrease in average debt to the Parent Company following, primarily, the waiving of a portion of the Parent Company's receivable on the intercompany current account.

**Net income for the year** came to €4,381.6 million.

**Net capital employed** at December 31, 2009, amounted to €37,944.6 million and comprises net non-current assets of €37,740.9 million, which reflects the value of the equity investment in Endesa (a 92.06% interest), and positive net current assets of €203.7 million.

At December 31, 2009, **shareholders' equity** totaled €19,333.9 million, an increase of €16,681.6 million from December 31, 2008, related to the €4,381.6 million in net income and the recapitalization of the company cited above (€12,300.0 million).

**Net financial debt** at December 31, 2009 totaled €18,610.7 million.

The **workforce** at December 31, 2009, numbered 2 people (compared with zero at December 31, 2008).

## Enel Investment Holding BV

The company, which is registered in the Netherlands, operates as a holding company for equity investments in the electricity and energy sectors and in utility companies in general.

In 2009, the company was involved in a number of reorganizations of the Enel Group's foreign equity investments and was involved in numerous Group international acquisition initiatives. Specifically:

- > with effect from January 1, 2009, as part of the reorganization of the Enel Group companies operating in the renewable energy resources sector, the company sold to Enel Green Power SpA, for €1,690.0 million corresponding to its book value, its equity investment in Enel Green Power International BV, a holding company for investments held in foreign companies operating in the renewable energy resources sector;
- > on March 25, 2009, the company subscribed 9.15% of the share capital of the newly formed Romanian company Energo Nuclear SA for about €3 million. The purpose in making this investment is to participate in the Cernavoda 3&4 Project for developing, financing, building and operating two additional 720 MW nuclear power plants in Cernavoda, Romania;
- > on May 21, 2009, the company took sole ownership of the Romanian company Enel Productie Srl (formerly Global Power Investment Srl) for €0.03 million, corresponding to the remaining 15% of that company's share capital. Enel Productie Srl seeks to develop a project to build a 700/900 MW coal plant in the Galati region of Romania;
- > on September 23, 2009, the sale to Gazprom of 51% of the share capital of SeverEnergiya, a Russian company wholly owned to that date by the Dutch company Artic Russia BV, over which Enel Investment Holding (40%) and Eni (60%) exercised joint control, for a total of \$1.6 billion. As a result of this sale, Enel Investment Holding's indirect interest in SeverEnergiya fell to 19.6%;
- > on October 30, 2009, as the final step in the reorganization of the foreign companies operating in the renewable energy resources sector, the company sold the entire share capital of the French company Enel Erelis Sas to Enel Green Power International BV for €27.5 million, corresponding to its book value;
- > on November 5, 2009, the Board of Directors of Enel Investment Holding BV approved the reorganization plan for the Group's Romanian companies, excluding those operating in the renewable energy resources sector. Consequently, Enel SpA transferred to Enel Investment Holding BV its holdings in the following companies at book value:
  - Enel Romania (80%), a company that provides services to the other Romanian Group companies, for €0.04 million on December 18, 2009;
  - Enel Distributie Muntenia SA (64.4%), a company that distributes electricity, for €738.0 million on December 29, 2009;

- Enel Energie Muntenia SA (64.4%), a company that sells electricity, for €130.3 million on December 29, 2009.
- By acquiring the equity investments in Enel Distributie Muntenia SA and Enel Energie Muntenia SA, Enel Investment Holding also assumed the obligations relating to the call option granted by Enel SpA to Electrica (totaling €179.4 million, of which €152.5 million relating to Enel Distributie Muntenia SA and €26.9 million relating to Enel Energie Muntenia SA) on all the shares held by the company, currently or in the future, in Electrica Muntenia Sud, recognized, in view of its nature, against the cost of the equity investments;
- > in December 2009, Enel Distribuzione SpA sold to Enel Investment Holding BV its holdings in the following companies:
    - Enel Romania (20%), for €0.01 million;
    - Enel Distributie Dobrogea SA (51%), a company that distributes electricity, for €160.0 million;
    - Enel Distributie Banat SA (51%), a company that distributes electricity, for €220.0 million;
    - Enel Energie SA (51%), a company that sells electricity, for €80.0 million.
- In acquiring Enel Distributie Banat SA and Enel Distributie Dobrogea SA, Enel Investment Holding BV also obtained an indirect stake in the Romanian company Enel Servicii Comune Srl, which provides support services to other Enel Group companies in Romania and which is owned by Enel Distributie Banat SA (50%) and Enel Distributie Dobrogea SA (50%);
- > on December 29, 2009, the reorganization of the Bulgarian Enel Group companies, excluding those operating in the renewable energy resources sector, was completed, following which Enel Investment Holding BV purchased the entire shareholding in the following Dutch companies from Enel Produzione SpA:
    - Maritza East III Power Holding BV, which holds 73% of the Bulgarian company Enel Maritza East 3 AD, for €204.0 million; Enel Maritza East 3 AD owns the 980 MW lignite-fired Maritza plant in the Stara Zagora region of Bulgaria;
    - Maritza O&M Holding Netherlands BV, which holds 73% of the Bulgarian company Enel Operations Bulgaria AD, for €8.0 million; Enel Operations Bulgaria AD operates and maintains the Maritza plant.

**Operating costs** for 2009 came to €19.5 million (€79.9 million in 2008) and consist mostly of depreciation, amortization and impairment losses of €17.8 million arising from the writedown of the equity investment in Enelco proportionately to its stake in that company (75%).

**Net financial expense and charges in respect of equity investments** totaled €10.7 million and consist of:

- > net financial expense of €18.9 million, referring mainly to the financial expense in respect of the Parent Company for the debtor balance on the intercompany current account (€10.5 million), as well as the negative exchange rate differences recognized (€6.8 million);
- > net income in respect of equity investments for €8.2 million, largely due to dividend payments received from Res Holding BV (€7.7 million).

The **net loss** for the year came to €30.2 million (loss of €230.4 million in 2008).

**Net capital employed** at December 31, 2009 amounted to €4,883.9 million (€5,045.2 million at December 31, 2008) and is composed of net non-current assets of €5,269.0 million, relating mainly to equity investments, and net current assets of a negative €385.1 million.

**Shareholders' equity** is €3,916.8 million (€2,964.0 million at December 31, 2008), up €952.8 million from December 31, 2008, mainly due to the increases in the reserves upon the transfer of the Romanian companies by Enel SpA (€868.3 million) and the rise in the fair values of the available for sale equity investments in Echelon Corp. and PT Bayan Resource.

**Net financial debt**, amounting to €967.1 million (€2,081.2 million at December 31, 2008), refers essentially to the company's debtor position of €1,119.3 million in respect of the Parent Company (debtor position of €2,167.6 million at December 31, 2008).

The **workforce** at December 31, 2009 numbered 3.

## Enel Finance International SA

The company, headquartered in Luxembourg, functions as a holding company for equity investments and financial assets, both with other Group companies and third parties.

During 2009, the company:

- > received complete repayment of the revolving lines of credit granted in 2008 to Enel Latin America LLC, Enel Productie Srl and Enel Green Power International BV, while those granted in Enel Green Power Romania Srl and Enel Rus LLC in 2008 have been almost entirely repaid;
- > increased up to €270.0 million and €145.0 million the revolving credit lines, granted in 2007, to Enel France SA and Enel Erelis Sas, respectively, both falling due on December 31, 2010. They were utilized in the amounts of €248.2 million and €70.2 million, respectively, at the end of 2009;
- > increased the revolving credit line granted in 2008 to Enel Investment Holding BV by €60.0 million up to €88.0 million and this amount was utilized completely at December 31, 2009. A second line of credit in the amount of €56.0 million was granted to Enel Investment Holding on September 28, 2009 of which €23.5 million was utilized at end-2009.

On November 30, 2009, the company granted a new loan to Enel Energy Europe SL for €10,000.0 million, with maturity at November 30, 2012, and on December 17, 2009, a loan to Enel Unión Fenosa Renovables SA for €17.5 million, with maturity at August, 31, 2013.

In 2007, the company signed the multi-tranche Credit Facility Agreement 2007 with Enel SpA, Mediobanca (Banca di Credito Finanziario SpA) and other banks for a total original amount of €35 billion, of which €7,513.1 million was attributable to Enel Finance International SA at December 31, 2008. In 2009, to finance the purchase of an additional 25.01% interest in Endesa from Acciona, the credit line was increased to €3,021.5 million for Enel Finance International SA's use (Credit Facility Agreement 2009 – "facility C increase"). As a result of advance, mandatory and voluntary repayments, totaling €6,673.4 million, the liability under the Credit Facility Agreement is attributable to the company in the amount of €3,861.2 million at December 31, 2009.

As regards the "Euro Commercial Paper Program" (ECP Program), totaling up to €4.0 billion, that the company launched in 2005 and for which it is issuer and Enel SpA the guarantor, the total commercial paper issued and not repaid at December 31, 2009 came to €3,852.9 million.

In 2009, the company renewed the €25 billion Global Medium-Term Notes program in which Enel Finance International and Enel SpA are issuers. At December 31, 2009, the program had been used for the issue in 2007 of multi-tranche bonds totaling \$3.5 billion and ¥20.0 billion, equal to a total of €2.6 billion, as well as the issue in 2009 of multi-tranche bonds in euros, pounds sterling and dollars, equal to a total of just under €10 billion.

In 2009, as a result of the greater funding received through the increase of the Credit Facility Agreement (the “facility C increase”) and bond issues, the company granted to the Parent Company a €3,021.5 million bridge loan (subsequently increased to €9,450.0 million). This loan was completely repaid at December 31, 2009.

Finally, mention should be made of the two loans granted to the Parent Company on January 1, 2008, for €2,644.3 million and €7,865.0 million, both with a maturity of 5 years, as well as the granting of a short-term revolving credit line of up to €4,000.0 million on January 1, 2008. The credit line was extended in 2009 until June 29, 2010 and utilized for €536.0 million at December 31, 2009.

**Net other charges**, amounting to €1.4 million, are in line with 2008 (€1.1 million) and consist of operating (€1.1 million) and personnel (€0.3 million) costs.

**Net financial expense and charges in respect of equity investments**, totaling €74.1 million (€21.8 million in 2008), grew by €52.3 million as a result of the increase in financing activities carried out by the company, as well as dividends for 2008 amounting to €39.7 million received from Enel Ireland Finance Ltd.

**Net income for the year** amounted to €63.3 million (€17.8 million in 2008), after income taxes for the year of €9.4 million.

Total **funding requirements** at December 31, 2009, came to €51.5 million, down €1,237.8 million from December 31, 2008 (€1,289.3 million at December 31, 2008), largely a result of the reimbursement of €1,230.1 million on January 12, 2009 in respect of the shareholders’ equity held in the company’s direct subsidiary, Enel Ireland Finance Ltd, deemed to exceed actual need. On December 8, 2009, Enel Ireland Finance was placed in liquidation.

The funding requirements were completely covered by shareholders’ equity of €1,504.1 million (€1,440.8 million at December 31, 2008), while the net financial position is positive in the amount of €1,452.6 million (net positive financial position of €151.5 million at December 31, 2008).

The **workforce** at December 31, 2009 numbered 4 (3 at the end of 2008).

## Enel Servizi Srl

Enel Servizi's mission is to handle, on a comprehensive, unified basis, the sourcing and purchasing of goods, works and services, administrative and accounting activities, the administrative management of personnel, the management and optimization of the property portfolio and the management of ICT systems on behalf of all Group companies.

In 2009, in line with the strategy described above, the company acquired a 100% stake in Sfera Srl from Enel SpA at a price of €10.4 million, which is equal to the corresponding carrying amount of the investment. Sfera Srl is the Group company that manages personnel training. At the end of November 2009, the merger document was signed for the merger of Sfera Srl into Enel Servizi Srl with effect from May 1, 2010, with the accounting and tax effects being retroactive from January 1, 2010.

On July 9, 2009, the Board of Directors of Enel SpA also approved the plan to establish a fund to which the Group's Italian real estate properties not used in operations shall be contributed and hired Fimit SGR to set up and manage the fund. Following this decision, the Board of Directors of Enel Servizi approved the contribution of the fund of its properties not used in operations for a total of about €180 million and granted Fimit SGR the related mandate. As at December 31, 2009, the transaction had not yet been completed, given that not all of the authorizations required by law to create the new fund had been obtained.

**Revenues** for 2009 totaled €1,031.1 million (€1,106.8 million in 2008), a decline of €75.7 million due mainly to the decrease in revenues from the sale of land and buildings and of hardware and software, smaller gains on the sale of buildings and lower revenues from services.

**Operating costs** came to €997.0 million (€1,055.0 million in 2008), a decrease of €58.0 million. Compared with 2008, there was a reduction in costs for the purchase of raw materials (€30.9 million), particularly for hardware and software, as well as a decline in personnel expenses (€20.1 million) due mainly to lower costs for retirement incentives and lower accruals to provisions for risks and charges (€8.9 million).

**Operating income** totaled €34.1 million (€51.8 million in 2008).

**Net financial expense** amounted to €13.2 million (€22.1 million in 2008) and refers essentially to interest expense accrued on long-term loans (€6.5 million) and to the financial expense in respect of the accretion of provisions for employees (€6.4 million).

**Net income for the year**, after income taxes of €16.7 million, came to €4.2 million (€5.5 million in 2008).

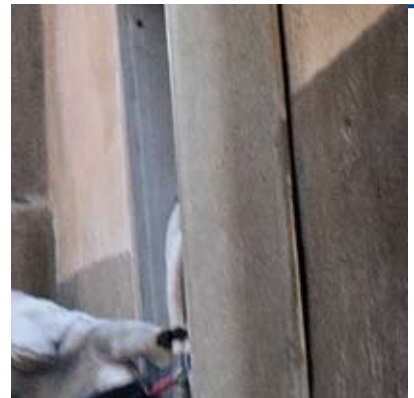
**Capital expenditure on property, plant and equipment and intangible assets** amounted to €75.0 million.

**Net capital employed** totaled €657.2 million and is made up of net non-current assets of €672.4 million, net current assets of €170.3 million, and other provisions and net deferred tax assets of €185.5 million. The total is funded by shareholders' equity of €496.8 million and net financial debt of €160.4 million.

The **workforce** at December 31, 2009, numbered 4,030 at December 31, 2009, compared with 4,265 at December 31, 2008.







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# Human resources and organization

## Organization

In 2009, Enel altered the Group's organizational structure in order to increase the efficacy of a number of strategic processes; in particular:

- > in the area of corporate functions:
  - the Group Risk Management function was created and given the mission to ensure the effective implementation and management of the risk management process for the Group as concerns all financial, operational, business and other risks;
  - at the same time, the Finance function was grouped with Administration, Planning & Control, which was then renamed Administration, Finance & Control;
  - in the operations area, the Upstream Gas unit was created, reporting directly to the Chief Executive Officer, with the mission of developing and managing the upstream gas segment for the Group.

Also within operations:

- > the organization, processes and procedures for the new Renewable Energy Division have been redesigned in line with the Enel Integration Handbook of 2008;
- > the organization and processes of the Sales Division have been redesigned in order to separate the processes of the free market from those of the enhanced protection market and to achieve greater efficiency in the organization and processes of the various sales chains;
- > work has continued towards achieving the functional separation of the distribution activities of the Infrastructure and Networks Division in line with unbundling regulations.

As concerns international operations, work continues on the integration and rationalization of the businesses acquired, particularly in Slovakia and Romania, while in Russia a new organizational structure for Enel OGC-5 has been defined.

In terms of integration, the following projects have begun:

- > Global in Enel, aimed at creating a new corporate intranet in order to promote the sharing of projects, culture and best practices within the Group, thereby enhancing the sense of team and involvement in company strategies;
- > Enel and Endesa Performance Improvement, aimed at creating value through initiatives to achieve synergies, implementing programs of operational excellence and aligning significant processes. One of the project's objectives is to create a "coordination handbook", i.e. a set of policies covering the processes of planning, coordination and control for which it is necessary to ensure the coordinated management between Enel and Endesa in terms of authorizations, the flow of information, timing, etc.;
- > Nine Points for Safety, aimed at improving the organization and processes for managing workplace safety.

Also ongoing is the project aimed at defining a new model for managing enterprise business process modeling. This project has the ambitious goal of integrating the various methods of representing the Enel processes adopted by the line area, by auditing, by administration and by ICT. This integration will make it possible to keep the various methods constantly aligned, thereby achieving a significant benefit both in terms of compliance and in process definition, analysis and updating.

Finally, the Zenith project is continuing throughout the Group. This project is an essential point of reference in the programs of operational excellence and contributed to taking the Group's performance for 2008 to levels of excellence. In 2009, in the current climate of great economic uncertainty and so as to make another leap forward in process excellence, the Zenith project entered a new phase which has led to the definition of new actions and to the extension of the project to all of the Group's new businesses, for a potential improvement of some €2.7 billion over the course of 2009-2011.

## Development and training

In 2009, training and development efforts focused on three important areas: the climate study; evaluation processes; and the talent management system.

Throughout 2009, efforts concerning the climate study conducted in December 2008 included the analysis of results, the dissemination of these results, and identifying and implementing actions for improvement. A highly detailed communication plan was prepared, which used a variety of means (brochures, videos, articles in the house organ, meetings, and so on) to provide the 53,000 participants with a report on the main issues of the organization as seen in the 2008 composite corporate image. In particular, the presentation of the results for the Group and the Divisions – which took place in conjunction with the convention and subsequent cascaded to the various regions – involved all levels of the organization and generated expectations for action.

In the 1st Half of the year, a database was prepared related to the over 600 units in which the study was conducted, as well as an online reporting tool to be used by the heads of those units. This enabled a number of managers in the 14 countries in which the survey was conducted to work on their own organizational climate, to contextualize the diagnoses, and to identify the priorities in improving their respective units. To help achieve this objective, 40 workshops were held, which enables all local managers to formulate a precise diagnosis based on the results for their respective units and to define targeted action plans. These plans comprise a total of more than 900 actions, which range from communication to the revision of working methods, from management styles to the system of meritocracy. The Group's next climate study is scheduled for November 2010.

With regard to the evaluation process, in the first part of 2009, upon completion of the 2008 performance review for all executives and managers in Italy and abroad and the "360°" evaluation for the Group's first and second-line managers, the related feedback phase took place. In the 2nd Half of the year, with a view towards the 2009 performance evaluation scheduled for the 1st Quarter of 2010 and the extension of this program to new target populations (in Italy, all office staff will be evaluated for the first time), efforts were made to verify the 2008 experience, which led to updating the organization's leadership model and tuning the IT infrastructure supporting the evaluation process. The process of revising the organization's Professional System was also begun in 2009. This revision, which began in 2009 with the Administration, Finance & Control area, will be progressively extended to all professional families, beginning with Nuclear, Transmission, and Information & Communication Technology. Following this revision process, the people within the families concerned will be involved in a process of updating the mapping of their professional skills and evaluating such skills. In that regard, in September 2009, in order to verify the status of the revision

model, a pilot evaluation was conducted of the technical/professional skills of the Administration, Finance & Control area, which involved some 360 people in Italy and Romania.

As concerns the talent management system, in 2009:

- > the level-two talent pool (TP2) was defined for the first time, and the level-one pool (TP1) was updated;
- > development efforts for TP1 for 2008 were also completed. This particularly involved coaching, provided by outside professionals, and mentoring, directly involving the first-line managers (which was a voluntary activity that concerned 60% of the population involved);
- > finally, training efforts began for the new members of both the level-one and level-two talent pools.

With regard to training, on the other hand, the two main areas of focus concerned the systematizing and revision of a number of key initiatives of the leadership curriculum and the support of integration of the countries in the International Division.

The leadership curriculum is the set of training initiatives within the Group designed to disseminate and implement Enel's leadership model. Each training path has a specific target population (office staff, middle management, or senior management). More specifically, the leadership curriculum includes three types of initiative:

- > programs related to changes in role or assignment: the Junior Enel Training International induction program for recent university graduates and the LINK program for new middle managers are already active; in 2010, these will be joined by the Welcome in Enel program for new hires that are not university graduates and the program for new senior managers;
- > programs related to the results of performance reviews: 12 training modules for middle management have begun, each of which is designed to cover specific areas of improvement for the various targets (management, resource managers, professionals); in 2010, the post-performance-review modules for office staff and senior management will also be designed;
- > programs for the talent pools: the two key initiatives have been systematized, namely the Leadership for Energy Executives Program (in partnership with Harvard Business School) for TP1 and the Leadership for Energy Management Program (in partnership with IESE and Bocconi) for TP2.

In 2009, a training campaign for all Enel senior management, i.e. the 5-day program Enel Business & Leadership in partnership with LUISS and Alma Mater, was also launched.

As concerns support for the integration of the countries of the International Division, in addition to the international leadership curriculum programs (i.e. JET International, Enel Business & Leadership, and the talent pool programs), specific technical training initiatives were also launched for each country aimed at disseminating best practices and creating local skills in training in order to be able to develop and maintain technical skills on their own.

## Hiring

In 2009, the Hiring & University Relations unit focused on hiring new university and secondary-school graduates to begin work within the various professions in the organization, as well as on intensifying employer branding efforts in the segments in the job market of greatest value.

Recruiting used a variety of channels to reach candidates, including, first and foremost, the company's web site, as well as through the schools and universities with which the company has specific partnership arrangements. Through agreements with specialist recruiting firms, it was also possible to find professionals with more "critical" technical skills (e.g. plant design, the upstream gas segment, and skills in renewable energy).

The selection process, which includes an assessment both of attitude and motivation and of technical and professional skills, was conducted using methods and tools based on the various recruitment target populations. For the hiring of university graduates in particular, tests of English as a foreign language and assessment centers were held.

In 2009, 998 people were hired in Italy, with about 76% being recent university or secondary-school graduates, of which 38% university graduates (with 33% of these being female) and 62% secondary-school graduates.

Hiring efforts particularly focused on strengthening the technical areas of the Engineering and Innovation Division and the Infrastructure and Networks Division, the power generation and energy management areas of the Generation and Energy Management Division, and the geothermal area of the Renewable Energy Division. Particular emphasis has been placed on hiring for the systems development area, for which 71 people were hired, and for the nuclear area, which currently employs 135 people. In the Infrastructure and Networks Division, hiring for technical areas and operations was concentrated mainly in the 1st Half of the year and concerned the areas of plant maintenance and management throughout Italy. During the 2nd Half of the year, significant efforts were directed towards the areas of business of the Sales Division, for which 41 recent university graduates were hired for the "quality promoter" project. Finally, staff areas were also strengthened, particularly in relation to governance units. Work also continued in relation to the hiring of young talent from outside Italy through the international "Energy Without Frontiers" project, which has thus far led to the hiring of a total of 77 people.

Efforts have also intensified in the area of employer branding on university campuses, both through specially designed recruiting days connected with the presentation of business-specific projects and by continuing "alternative" educational partnerships, particularly in engineering and other technical fields. In particular, a number of initiatives – such as participation in the first Atomicareer event held in Brussels for the nuclear power industry – have sought to lend greater international visibility to this important Enel project.

Finally, more than 150 internships have been organized, mainly in staff functions, in marketing and in energy management and research. In addition, 103 internships have been arranged for secondary school graduates in technical fields for plant management and maintenance for the various regions of the Infrastructure and Networks Division.

## Workplace health and safety

In 2009, the Integrated Nine Point Safety Improvement Plan, launched in September 2008, was launched throughout the entire Group. This plan represents Enel's new strategy in reaching the goal of zero injuries and is based on the keen commitment of company leadership and a broad-based approach to safety. The activities developed for the project fall under 9 areas for improvement in safety processes, namely: culture; contractors; communication; response to events; training; planning and objectives; structural prevention; organization; and sharing experiences. For each of these themes, various projects and other initiatives have been developed, some of which have already been implemented, while others are to be implemented in 2010.

The second International Safety Week began on November 30, 2009. This initiative seeks to promote international awareness of the value of human life and the adoption of a unified approach to safety, as it is considered to be one of the organization's fundamental values. This second edition, which featured some 800 events throughout Enel, including the involvement of Endesa, followed on the success of the 2008 edition, for which, in May, Enel received valuable recognition from the Sodalitas Foundation, calling it the best initiative in promoting the value of human capital.

Other initiatives and events related to health and safety in the workplace during the year included the Safety Community, aimed at promoting the exchange and integration of best practices around the world, and Safety Days, which were organized for each division or company.

Work continued towards obtaining BS OHSAS 18001 certification for the worker health and safety management systems implemented within the Group, which included completing certification of Enel Green Power.

In 2009, mergers within the Enel Group became of particular importance.

Following the completion of the Endesa acquisition, an integration project began in relation to safety, aimed at aligning significant processes, creating synergies and implementing programs of excellence in operations. Within the International and Renewable Energy Divisions, Safety Surveys were conducted in order to monitor safety management processes in the international areas.

As concerns efforts related specifically to occupational health and safety, the company continues to work on activities of training and awareness. Again in 2009, important training initiatives targeted the issues of safeguarding health, safety and hygiene in the workplace – with more than 1,000,000 hours of training in 2009 (more than 12 hours per person) – in line with that of previous years and a testament to the essential role that periodic and ongoing training plays in nurturing a culture of safety.

Beginning in April 2009, training began for the worker safety representatives (RLSs), in accordance with Legislative Decree 81/08. The training program, involving some 500 RLSs, has also been discussed with the trade unions as concerns the duration and organization of the courses and the topics to be covered.

The financial commitment allocated to safeguarding worker health and safety in 2009 came to about €59 million. The total investment in 2009 has risen to nearly €98 million, including the cost of safety-related personnel.

With regard to the adoption of the compliance model required by Legislative Decree 231/01, in June 2009, special section F, adopted after the extension of administrative liability of legal persons related to the crimes of manslaughter and serious or very serious personal injury committed in violation of workplace health and safety laws, was updated and approved by Enel's Board of Directors.



(1) The accident figures reported here are calculated in conformity with the "ILO Code of Practice on Recording and Notification of Occupational Accidents and Diseases". The figures regard a population of 81,127 employees and do not include the employees of the companies consolidated on a proportionate basis. The calculation of days lost as a result of accidents regards calendar days and counting begins on the day following that of the accident.

In 2009, there were three fatal accidents <sup>(1)</sup>: one in Italy, due to complications during hospital care following an automobile accident; one in Slovakia during training to prepare for a scuba diving licensing exam; and one in Romania, by electrocution, during a repair operation.

The frequency rate for Enel went from 3.91 in 2008 to 3.59 in 2009, while the severity rate fell from 0.16 in 2008 to 0.14 in 2009.

Despite the continuing improvement, Enel continues to place a great deal of attention on safety issues in pursuit of the goal of "zero accidents", not only for our own employees, but also for those of the organizations that work for Enel.

## Labor relations

### Electricity area

At the Group level, 2009 saw an initial important success in discussions with the Italian trade unions with the renewal, on March 11, of the provisions governing union leave, which expired on December 31, 2008, and were extended to March 31, 2009. Under the new agreement, for the period 2009-2012, a ratio was introduced based on the number of active employees in order to determine the total number of hours, which includes a significant, progressive reduction in total hours and in the percentage of those eligible, including the company-level trade union representatives. As concerns these representatives, the agreement of November 5, 2008, concerning the payment of expenses has also been supplemented. In March 2009, there was also the signing of the national agreement to bring greater efficiency to ARCA and approval of a series of changes to its bylaws. Also of particular importance was the signing on April 27, 2009, by Enel, CGIL, CISL, UIL and the industry federations, of the Social Responsibility Protocol and of the Industrial, Environmental and Employment Policy Observatory. These two documents complete the discussion of the principles of sustainable development and, with inclusion of the Observatory, represent an important aspect of labor relations concerning the industrial, environmental and employment strategies that Enel intends to pursue. In the 2nd Half of 2009, the Observatory began actual operations with two extraordinary sessions, the first dedicated to Generation and Energy Management (with an updated report on the context in which this division operates, as well as on the operations and safety of the power plants, with a focus on the issues currently affecting the Federico II plant in Brindisi) and the second for Infrastructure and Networks (with a focus on strategy and on the 2009 additional investment plan). Finally, on December 23, within the scope of the principles of the Social Responsibility Protocol, a framework agreement was signed with the national trade unions for the presentation of Enel training plans to Fondimpresa. By way of this agreement, beginning in 2010, Enel will be able to take advantage of significant resources resulting from the allocation of a portion of its social security contributions to Fondimpresa (established under Law 388/92, this is Italy's largest joint interprofessional fund for the management of permanent training for blue collar workers, office workers and middle management). With regard to the second-level negotiations, on April 30, 2009, the amount to be paid under the 2008 performance bonus was determined, including amounts for May. As concerns unit productivity/quality, in July all of the Divisions completed their reporting on the 2008 targets and paid the related bonuses, while also assigning the specific targets for 2009.

On May 22, based on Enel's commitments following the earthquake in Abruzzo on April 6, 2009, an agreement was signed with the trade unions Filcem, Flaei and Uilcem for the implementation of the measures Enel announced to aid the afflicted population. This agreement was then supplemented on September 3 with additional measures to aid Enel's employees living in the towns stricken by the earthquake.

On March 5, 2010 a draft agreement was signed for the renewal of the industry bargaining agreement (which expired on June 30, 2009). These negotiations have become quite complex given the context of labor relations that arose in Italy following the agreement of January 22, 2009, to revise contract structures and the inter-union agreement of April 15, 2009, both without the participation of CGIL, as well as the formal rejection by the three trade unions of the Enel agreement regarding the strike of November 1991, which was received on June 11, 2009. The agreement reached has a term of 42 months (expiring on December 31, 2012), with an average wage increase of €157 once fully implemented, plus the payment by companies of €4 to the supplementary pension fund (Fopen) for enrolled employees.

The agreement sets out the guidelines for rules governing strikes. One important aspect is the agreement between the parties to adopt procedures that ensure the continuity of service and safety for all users during electricity industry strikes. In 2009, numerous meetings were held with the Italian national and local trade unions concerning the reorganization of the company's Divisions.

For the Infrastructure and Networks Division in particular, the national discussions on the effects of the integration of high-voltage operations in the Zone Operational Network units on the organization of the power grid reached a conclusion. Local union consultations were completed on July 1, 2009, enabling work to begin on implementing integration. Personnel training initiatives begun in 2009 to support the integration process will continue in 2010.

Also in July, the plan was presented to the trade unions with regard to taking on personnel for division operations under internship arrangements, which will make it possible to add 500 workers in the Operational Network units.

In April, following the creation of the Renewable Energy Division, the Generation and Energy Management Division concluded talks with the national trade union secretariats concerning the new organization of the hydroelectric power units of the Generation business area. The procedures for transferring the "Bolzano" business unit of Enel Produzione SpA to the newly established Newco Srl (under Article 47 of Law 428/1990 as amended) have also begun. For the Sales Division, trade union talks concerning the Division's reorganization were concluded on June 5, with a significant rationalization aimed at further developing its leadership position in the Italian power industry.

In October, talks concluded with the national trade unions concerning the new credit organization.

With regard to the Renewable Energy Division, in 2009, following the completion of national-level talks concerning the new organization, meetings were held and concluded with the regional trade union offices in order to verify and implement the local level measures concerning local operational units and the effects on personnel in general.

The Engineering and Innovation Division concluded talks with the national trade union secretariats, which began in 2008, concerning the new organization of the Division and then concluded discussions with the regional offices regarding the related effects on personnel. After this, the Division began new talks with the national secretariats regarding the fine-tuning of the Division's existing organization.

The project has begun to establish a company out of the Engineering and Innovation Division. As such, procedures were begun (under Article 47 of Law 428/1990) for the transfer of this business unit from Enel Produzione to the new company effective as of April 1.

In March, within the Human Resources unit, Enel Servizi began the human resources transformation (HRT) program aimed at modifying the model of operations for the Personnel Service Center (PSC) so as to rationalize company processes, focus resources on higher value activities, and achieve important goals of a purely operational/functional nature. In April, as concerns the Information & Communication Technology unit, a new organizational structure was defined for the Demand & Delivery Management office of Infrastructure and Networks, seeking to leverage the organizational changes of the Infrastructure and Networks Division.

In July 2009, talks began concerning the reorganization of operations of the Information & Communication Technology unit of Enel Servizi.

Finally, on November 11, with the signing of the agreement under Article 2112 of the Italian Civil Code, the procedure under Article 47 of Law 428/1990 was completed for the merger of Sfera Srl into Enel Servizi Srl. The transfer of employees to Enel Servizi Srl is to take place effective May 1, 2010.

In June, with regard to transnational information and consultation, Enel's European Works Council, established by way of the agreement of December 5, 2008, began operations with its first meeting with Group management following approval of the 2008 financial report and the 2009-2013 business plan. Work then continued with the meeting of the Select Committee on July 30 and the second plenary session of November 4-6, which focused on Group performance for the 3rd Quarter of 2009, as well as on the development plans for the Renewable Energy Division and the safety issues throughout the Group.

### Gas area

In the 1st Half of 2009, work continued for the bilateral commissions and the working groups established concerning the "deferred commitments" (healthcare, on-call work) as established in conjunction with renewal of the financial section of the 2008-2009 national collective bargaining agreement for the gas and water industries of January 15, 2008. During the same period, as concerns the Gas area of the Infrastructure and Networks Division, regional talks continued regarding verification of the employee categories within Enel Rete Gas, and talks began regarding a new system for organizing on-call availability. In June, the agreement concerning the 2008 performance bonus was signed.

The national trade unions were also informed of the transfer of Enel Rete Gas to a third party. With regard to this event, on October 30, 2009, an agreement was signed with the unions to maintain the relationship between Enel Rete Gas and Fopen.

In November, an agreement was signed with the national trade unions which will govern the gradual extension, throughout 2010, of the electricity-industry agreement to all Enel Energia employees currently on gas-industry contracts.

## Compensation and incentive systems

The compensation policy for 2009 focused on:

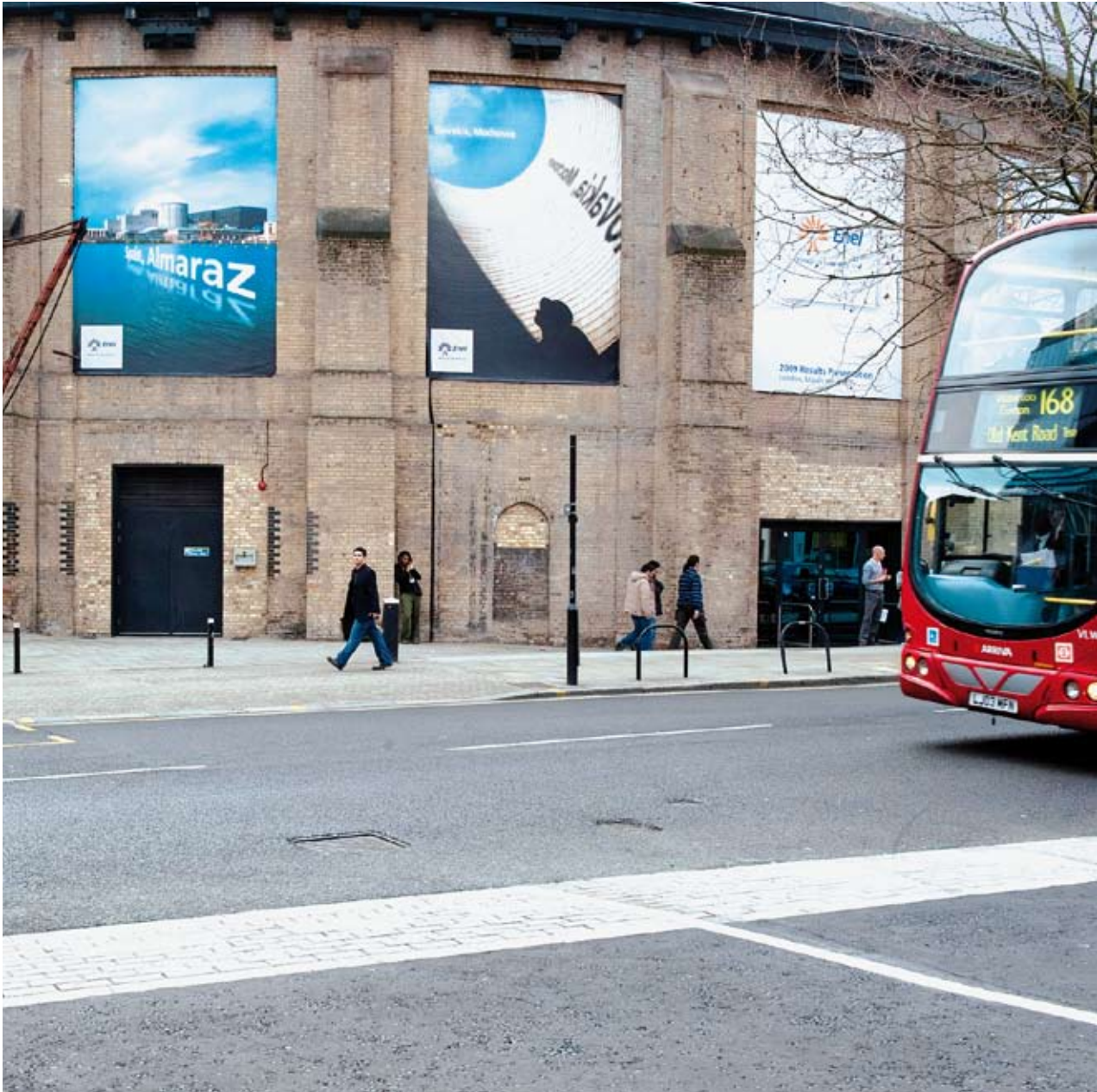
- > a stronger integration between MBO and compensation processes and the company's appraisal system;
- > an increase in variable remuneration linked to performance in projects of importance to the company;
- > selective measures on fixed remuneration, confirming a merit policy aimed at fostering high-value skills within each professional family.

Short-term incentives continued to be based primarily on management by objectives (MBO), involving about 98% of upper management and about 21% of middle management, as well as a specially designed system of incentives for all sales-related employees.

With regard to medium to long-term incentives, the 2009 Long-Term Incentive (LTI) Plan targets about 400 managers of companies of the Group and uses EBITDA and earnings per share as targets (as in 2007 and 2008, again in 2009, in line with the provisions of the unbundling resolution, 86 senior managers of the Infrastructure and Networks Division have been assigned an LTI plan with specific targets, such as EBITDA for the Division and cash cost per customer).



Shares held by directors, members of the Board of Auditors, the General Manager and managers with strategic responsibilities





As provided for by Article 79 of CONSOB Resolution no. 11971/99 (the “Issuers Regulation”), the table below sets out the number of shares of Enel SpA and its subsidiaries owned directly or through subsidiaries, trust companies or third parties by directors, members of the Board of Auditors, the General Manager and managers with strategic responsibilities, as well as their spouses (if not legally separated) or minor children. The data presented is based on the information found in the shareholder register and in notices received from and information supplied by the directors, members of the Board of Auditors, the General Manager and managers with strategic responsibilities themselves. The information regarding the latter is provided in aggregate form, pursuant to the provisions of annex 3C of the Issuers Regulation.

All persons who held the position of director, statutory auditor, General Manager or manager with strategic responsibilities at some time in 2009 are included. Those persons who are not listed therefore did not own any such shares during 2009.

Name	Company in which shares are held	Number of shares held at year-end 2008	Number of shares purchased in 2009	Number of shares sold in 2009	Number of shares held at year-end 2009	Title
Ballio Giulio	Enel SpA	16,000 <sup>(1)</sup>	54,000 <sup>(1) (2)</sup>	-	70,000 <sup>(1)</sup>	Owned
Conte Carlo	Enel SpA	4,000 <sup>(3)</sup>	38,100 <sup>(4)</sup>	-	42,100	Owned
Conti Fulvio	Enel SpA	273,422 <sup>(5)</sup>	256,210 <sup>(6)</sup>	-	529,632 <sup>(7)</sup>	Owned
	Endesa SA	-	200	-	200	Owned
Fantozzi Augusto	Enel SpA	-	75,200 <sup>(8)</sup>	-	75,200	Owned
Giordano Giancarlo	Enel SpA	524	-	-	524	Owned
Gnudi Piero	Enel SpA	220,524 <sup>(9)</sup>	167,572 <sup>(10) (2)</sup>	-	388,096 <sup>(11)</sup>	Owned
Luciano Alessandro	Enel SpA	4,000	5,080 <sup>(12)</sup>	-	9,080	Owned
Mariconda Gennaro	Enel SpA	160,100 <sup>(13)</sup>	296,372 <sup>(14)</sup>	-	456,472 <sup>(15)</sup>	Owned
Napolitano Fernando	Enel SpA	18,500	45,340 <sup>(16)</sup>	-	63,840	Owned
Managers with strategic responsibilities (*)	Enel SpA	291,222	151,697 <sup>(2)</sup>	9,435	433,484	Owned
	Endesa SA	300	-	-	300	Owned

(\*) In 2009, managers with strategic responsibilities included heads of Enel SpA Departments and Division heads, for a total of 17 management positions.

(1) All held by spouse.

(2) All subscribed as part of the capital increase reserved to existing shareholders in June 2009.

(3) Purchase carried out through individual portfolio management account without instructions from the manager involved.

(4) Of which 13,000 subscribed as part of the capital increase reserved to existing shareholders in June 2009 and 4,000 acquired through individual portfolio management account without instructions from the manager involved.

(5) Of which 272,660 held personally and 762 by spouse.

(6) Of which 248,365 held personally (all subscribed as part of the capital increase reserved to existing shareholders in June 2009) and 7,845 by spouse (of which 2,600 subscribed as part of the capital increase reserved to existing shareholders in June 2009).

(7) Of which 521,025 held personally and 8,607 by spouse.

(8) Of which 70,200 subscribed as part of the capital increase reserved to existing shareholders in June 2009.

(9) Of which 100,262 held personally, 96,000 by controlled company and 24,262 by spouse.

(10) Of which 52,130 held personally, 102,376 by controlled company and 13,066 by spouse.

(11) Of which 152,392 held personally, 198,376 by controlled company and 37,328 by spouse.

(12) Of which 2,080 subscribed as part of the capital increase reserved to existing shareholders in June 2009.

(13) Of which 153,800 held personally and 6,300 by spouse.

(14) Of which 138,176 held personally (of which 85,176 subscribed as part of the capital increase reserved to existing shareholders in June 2009) and 158,196 by spouse (of which 105,196 subscribed as part of the capital increase reserved to existing shareholders in June 2009).

(15) Of which 291,976 held personally and 164,496 by spouse.

(16) Of which 21,840 subscribed as part of the capital increase reserved to existing shareholders in June 2009.

# Research and development





Enel SpA does not directly conduct research and development activities. Such projects are carried out by other Group subsidiaries and associated companies. In 2009 the Enel Group continued its activities in the development and demonstration of innovative technologies in the capture and sequestration of CO<sub>2</sub>, generation with renewables, distributed generation and energy efficiency, with a view to enhancing the Group's competitiveness and ensuring its technological and environmental leadership.

In particular, Enel Produzione is engaged in "competitive research", primarily aimed at increasing the efficiency and improving the costs and environmental compatibility of the generation process.

"System research", conducted for the benefit of the entire Italian electrical system, governed by regulations concerning the reorganization of the electrical industry and remunerated through a specific rate component, is conducted by the associated company Cesi.

# Main risks and uncertainties



Enel SpA, in its role as an industrial holding company, is essentially exposed to the same business risks and uncertainties as the rest of the Group, as well as the specific financial risks associated with the central treasury functions performed on behalf of the entire Group. The main risks are discussed below.

## Business risks

The energy markets in which Enel operates are currently undergoing gradual liberalization, which is being implemented using different approaches and timetables from country to country. As a result of these processes, Enel is exposed to increasing competition from new entrants and the development of organized markets.

The business risks generated by the participation of Enel in such markets have been addressed by integrating along the value chain, with a greater drive for technological innovation, diversification and geographical expansion. Changes in the rules governing operations in regulated markets, and the associated instructions and requirements with which Enel must comply, can impact our operations and performance. In order to mitigate the risks that such factors can engender, Enel has forged closer relationships with local government and regulatory bodies, adopting a transparent, collaborative and proactive approach in tackling and eliminating sources of instability in regulatory arrangements.

Community legislation governing the emissions trading scheme for carbon dioxide (CO<sub>2</sub>) imposes costs for the electricity industry, costs that could rise substantially in the future. In this context, the instability of the emissions allowance market accentuates the difficulties of managing and monitoring the situation. In order to mitigate these risk factors, Enel monitors the development and implementation of EU and Italian legislation, diversifies its generation mix towards the use of low-carbon technologies and resources, with a focus on renewables and nuclear power, develops strategies to acquire allowances at competitive prices and, above all, enhances the environmental performance of its generation plants, increasing their energy efficiency.

Other business risks include breakdowns, accidents or fuel supply interruptions that temporarily interrupt operations at Enel's plants. In order to mitigate such risks, Enel adopts a range of prevention and protection strategies, including preventive and predictive maintenance techniques and technology surveys to identify and control risks, and implement international best practices. Any residual risk is managed using specific insurance policies to protect corporate assets and

provide liability coverage in the event of harm caused to third parties by accidents, including pollution, that may occur in during the production and distribution of electricity and gas.

As part of its strategy of maintaining and developing its cost leadership in the markets in which it has generation operations, Enel is involved in numerous projects for the development, improvement and reconversion of its plants. These projects are exposed to the risks commonly associated with construction activities, which Enel mitigates by requiring its suppliers to provide specific guarantees and, where possible, obtaining insurance coverage against all phases of construction risk.

In order to limit the risk of interruptions in fuel supplies, Enel has diversified fuel sources, using suppliers from different geographical areas and encouraging the construction of transportation and storage infrastructure.

To mitigate the exposure to changes in fuel and electricity prices, Enel has developed a strategy of stabilizing margins by contracting for supplies of fuel and the delivery of electricity to end users in advance. We have also implemented a procedure that provides for the measurement of the residual commodity risk, the specification of a ceiling for maximum acceptable risk and the implementation of a hedging strategy using derivatives.

## Financial risks

The company is exposed to the following main financial risks.

### Exchange rate and interest rate risk

The Enel Group is exposed to exchange rate risk associated with cash flows in respect of the purchase or sale of fuel or electricity on international markets, cash flows in respect of investments or other items in foreign currency and, marginally, debt denominated in currencies other than the functional currency of the respective countries. The main exchange rate exposure of the Enel Group is in respect of the US dollar.

During the year, management of exchange rate risk was pursued through compliance with internal risk management policies, which call for full hedging of exposures, encountering no difficulties in accessing the derivatives market.

The management of interest rate risk seeks to ensure a balanced structure of the debt, reducing the amount of debt exposed to interest rate fluctuations, curbing borrowing costs over time and limiting the volatility of results. The main source of the exposure to interest rate risk for Enel is floating-rate debt.

In order to reduce the exposure and minimize borrowing costs, Enel SpA uses various types of derivatives, notably interest rate swaps and interest rate options. The management policies established at Enel SpA are also intended to optimize the Group's overall financial position, ensure the optimal allocation of financial resources and control financial risks.

Under these policies, derivatives transactions for the management of interest rate risk and exchange rate risk are conducted, among other things, with careful selection of financial counterparties and close monitoring of the related exposures and ratings.

### Liquidity risk

Liquidity risk is managed (with the exception of Endesa SA and its subsidiaries) by the Group Treasury unit at Enel SpA (and through the subsidiary Enel Finance International), which ensures adequate coverage of cash needs (using lines of credit and issues of bonds and commercial paper) and appropriate management of any excess liquidity.

During the year, Enel's access to the credit market was confirmed and it carried out a number of operations with a view to strengthening the Group's financial structure even further. More specifically, in June Enel carried out a capital increase of some €8 billion and in the 2nd Half of the year it carried out bond issues with a total nominal value of €10 billion.

### Rating risk

The possibility of accessing the capital market and other sources of financing, and the related costs, depend, among other factors, on the rating assigned to the Group.

Enel's current rating is equal to: (i) "A-" with a stable outlook (Standard & Poor's); (ii) "A-" with a stable outlook (Fitch); and (iii) "A2" with a negative outlook (Moody's). All the agencies removed the negative credit watch during the year. Enel's ratings are reported in detail in the section "Enel and the financial markets".

Any reduction in the rating could make it more difficult to access the capital market and increase finance costs, with a negative impact on the performance and financial situation of the Group.

More detailed information on the financial risks of Enel SpA is provided in note 4 to the financial statements.

# Outlook



In line with the objectives of the Group in the pursuit of its strategies, Enel, in its capacity as a holding company, will continue to support the actions and programs of the operating companies. Consequently, Enel's performance and financial structure will be affected by the results of its subsidiaries, which will benefit from the operational excellence programs under way and the synergies generated by the ever closer integration with Endesa.

The size that the Group has achieved and the validity of the strategies adopted lay a sound foundation to pursue its objectives as well to the opportunity to exploit the advantages of any acceleration in the economic recovery.

In addition, Enel, through its subsidiaries, will continue to invest in research and development in the renewables sector, pursuing technological excellence without neglecting environmental issues. Enel will also continue the program for the return of nuclear power in Italy, in line with developments in the regulatory framework. At the same time, the portfolio optimization efforts, designed to reinforce Enel's financial position, which has been affected considerably by the international expansion policy pursued in recent years, will continue with, among other things, the leveraging of renewable energy assets through the sale of a minority stake in Enel Green Power.



# Other information





## Non-EU subsidiaries

At the date of approval by the Board of Directors of the financial statements of Enel SpA for 2009 – March 17, 2010 – the Enel Group meets the “conditions for the listing of shares of companies with control of over companies established and regulated under the law of non-EU countries” (hereinafter “non-EU subsidiaries”) established by CONSOB with Article 36 of the Market Rules (approved with Resolution no. 16191 of October 29, 2007 as amended with Resolution no. 16530 of June 25, 2008).

Specifically, we report that:

- > in application of the materiality criteria for the purposes of consolidation introduced in Article 36, paragraph 2, of the CONSOB Market Rules with effect from July 1, 2008, eleven non-EU subsidiaries of the Enel Group have been identified to which the rules in question apply on the basis of the consolidated accounts of the Enel Group at December 31, 2008.  
They 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 Distribuidora y Comercializadora de Energia SA (a Colombian company belonging to the Endesa Group); 4) Companhia Energetica do Cearà SA (a Brazilian company belonging to the Endesa Group); 5) Edegel SA (a Peruvian company belonging to the Endesa Group); 6) Emgesa SA ESP (a Colombian company belonging to the Endesa Group); 7) Empresa Nacional de Electricidad - Endesa Chile SA (a Chilean company belonging to the Endesa Group); 8) Endesa Brasil SA (a Brazilian company belonging to the Endesa Group); 9) Endesa Capital Finance LLC (a US company belonging to the Endesa Group); 10) Enersis SA (a Chilean company belonging to the Endesa Group); and 11) OGK-5 OJSC (a Russian subsidiary of Enel Investment Holding BV);
- > the balance sheet and income statement for the 2009 financial statements of the above companies included in the reporting package used for the purpose of preparing the consolidated financial statements of the Enel Group will be made available to the public by Enel SpA (pursuant to Article 36, paragraph 1a) of the CONSOB Market Rules) by the day following the approval by the shareholders of the 2009 financial statements of Enel SpA (pursuant to the applicable provisions of Article 77, paragraph 1, of the CONSOB Market Rules);
- > the articles of association and composition and powers of the control bodies from all the above subsidiaries have been obtained by Enel SpA and are available in updated form to CONSOB where the latter should request such information for supervisory purposes (pursuant to Article 36, paragraph 1b) of the CONSOB Market Rules);

- > Enel SpA has verified that the above subsidiaries:
  - (i) provide the auditor of the Parent Company Enel SpA with information necessary to perform annual and interim audits of Enel SpA (pursuant to Article 36, paragraph 1 ci) of the CONSOB Market Rules);
  - (ii) use an administrative and accounting system appropriate for regular reporting to the management and auditor of the Parent Company Enel SpA of income statement, balance sheet and financial data necessary for preparation of the consolidated financial statements (pursuant to Article 36, paragraph 1 cii) of the CONSOB Market Rules).

## Disclosures on financial instruments

The disclosures on financial instruments required by Article 2428, paragraph 2, no. 6 bis of the Civil Code are reported in note 4 to the financial statements.

## Transactions with related parties

Please consult note 32 to the financial statements for information on transactions with related parties.

## Own shares

The company does not hold treasury shares nor did it engage in transactions involving own shares during the year.

## Atypical or unusual operations

Pursuant to the CONSOB Notice of July 28, 2006, Enel did not carry out any atypical or unusual operations in 2009.

Such operations include transactions whose significance, size, nature of the counterparties, object, method for calculating the transfer price or timing could give rise to doubts concerning the correctness and/or completeness of disclosure, conflicts of interest, preservation of company assets or protection of minority shareholders.

## Personal Data Protection Code (Legislative Decree 196 of June 30, 2003)

Enel SpA prepared its Security Policy Document pursuant to Article 34 of the "Personal Data Protection Code" (Legislative Decree 196 of June 30, 2003). The document is updated as required by the law.

## Subsequent events

Significant events following the close of the year are discussed in note 36 to the financial statements.





# Financial Statements

# Financial Statements

## Income Statement

Euro	Notes	2009		2008 restated	
			of which with related parties		of which with related parties
Revenues					
Revenues from sales and services	5.a	692,997,840	692,231,511	709,475,679	709,024,486
Other revenues	5.b	13,312,212	11,303,302	24,808,889	13,029,545
	(Subtotal)	706,310,052		734,284,568	
Costs					
Electricity purchases and consumables	6.a	316,661,917	21,233,744	349,202,464	15,564,209
Services, leases and rentals	6.b	308,204,095	76,195,600	288,453,773	92,015,619
Personnel	6.c	97,251,285	73,008	104,796,060	1,695,510
Depreciation, amortization and impairment losses	6.d	8,667,684		15,364,510	
Other operating expenses	6.e	11,488,772	1,590,886	52,692,431	7,700,084
	(Subtotal)	742,273,753		810,509,238	
Operating income		(35,963,701)		(76,224,670)	
Income from equity investments	7	4,481,781,473	4,481,781,473	3,187,211,852	3,187,211,852
Financial income	8	2,510,843,762	2,007,922,237	4,061,882,573	2,235,187,360
Financial expense	8	3,792,828,382	823,777,519	4,529,962,340	2,054,252,869
	(Subtotal)	3,199,796,853		2,719,132,085	
Income before taxes		3,163,833,152		2,642,907,415	
Income taxes	9	(296,624,221)		(100,924,018)	
NET INCOME FOR THE YEAR		3,460,457,373		2,743,831,433	

# Statement of Comprehensive Income for the year

Euro	Notes		
		<b>2009</b>	2008 restated
Net income for the year		<b>3,460,457,373</b>	<b>2,743,831,433</b>
Other components of comprehensive income:			
Effective portion of change in the fair value of cash flow hedges		(49,942,368)	(276,659,999)
Change in the fair value of financial investments available for sale		65,851,565	(40,488,286)
Income/(Loss) recognized directly in equity	22	<b>15,909,197</b>	<b>(317,148,285)</b>
<b>COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>3,476,366,570</b>	<b>2,426,683,148</b>

# Balance Sheet

Euro		Notes					
<b>ASSETS</b>		<b>at Dec. 31, 2009</b>		at Dec. 31, 2008 restated		at Jan. 1, 2008 restated	
			<i>of which with related parties</i>		<i>of which with related parties</i>		<i>of which with related parties</i>
<b>Non-current assets</b>							
Property, plant and equipment	10	6,373,265		6,639,368		7,621,582	
Intangible assets	11	14,385,253		16,805,186		17,280,943	
Deferred tax assets	12	321,344,266		305,640,117		106,851,548	
Equity investments	13	35,957,163,774		23,707,345,075		21,662,334,952	
Non-current financial assets	14	1,319,514,076	954,111,664	1,194,264,581	348,897,163	735,813,940	565,661,555
Other non-current assets	15	275,979,075	234,096,287	246,206,483	245,957,369	260,524,089	256,567,478
	(Total)	<b>37,894,759,709</b>		<b>25,476,900,810</b>		<b>22,790,427,054</b>	
<b>Current assets</b>							
Trade receivables	16	516,472,757	506,395,982	484,406,617	477,999,369	483,393,843	479,803,737
Tax receivables	17	309,126,009		77,584,867		279,206,583	
Current financial assets	18	20,608,863,045	19,626,248,696	36,682,320,190	36,293,358,981	36,579,887,406	35,478,906,696
Cash and cash equivalents	19	995,153,009		614,178,579		10,381,038	
Other current assets	20	554,460,255	397,679,543	426,401,378	323,573,476	629,064,853	309,714,543
	(Total)	<b>22,984,075,075</b>		<b>38,284,891,631</b>		<b>37,981,933,723</b>	
<b>Non-current assets classified as held for sale</b>	21	<b>8,970,798</b>		-		-	
<b>TOTAL ASSETS</b>		<b>60,887,805,582</b>		<b>63,761,792,441</b>		<b>60,772,360,777</b>	



Euro

Notes

<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>at Dec. 31, 2009</b>		at Dec. 31, 2008 restated		at Jan. 1, 2008 restated	
			<i>of which with related parties</i>		<i>of which with related parties</i>		<i>of which with related parties</i>
<b>Shareholders' equity</b>							
Share capital		9,403,357,795		6,186,419,603		6,184,367,853	
Other reserves		9,086,247,878		4,435,197,038		4,736,332,841	
Retained earnings (losses carried forward)		2,712,013,717		2,999,527,889		2,142,796,848	
Net income for the year <sup>(1)</sup>		2,520,121,594		1,506,547,513		2,650,586,167	
<b>TOTAL SHAREHOLDERS' EQUITY</b>	22	<b>23,721,740,984</b>		<b>15,127,692,043</b>		<b>15,714,083,709</b>	
<b>Non-current liabilities</b>							
Long-term loans	23	30,011,968,838	10,806,416,935	39,044,750,519	11,031,151,661	26,377,745,055	521,598,530
Post-employment and other employee benefits	24	376,394,648		398,441,808		415,046,417	
Provisions for risks and charges	25	29,650,405		43,292,501		30,741,408	
Deferred tax liabilities	12	107,537,789		150,895,526		108,665,306	
Non-current financial liabilities	26	1,951,653,319	43,940,655	1,859,537,934	543,729,123	369,108,451	54,425,980
Other non-current liabilities	27	41,470,416	40,289,418	1,268,467		-	
	(Subtotal)	<b>32,518,675,415</b>		<b>41,498,186,755</b>		<b>27,301,306,637</b>	
<b>Current liabilities</b>							
Short-term loans	28	2,409,725,493	1,619,412,850	4,548,647,819	3,244,214,994	14,714,143,009	13,705,107,894
Current portion of long-term loans	23	779,518,596	224,931,105	431,270,225		1,141,778,147	50,000,000
Trade payables	29	320,755,154	62,272,552	324,260,009	60,470,360	422,213,082	58,627,398
Current financial liabilities	30	524,390,129	76,299,047	908,575,989	456,825,025	776,094,465	354,397,633
Other current liabilities	31	612,999,811	260,591,088	923,159,601	515,700,549	702,741,728	156,922,202
	(Subtotal)	<b>4,647,389,183</b>		<b>7,135,913,643</b>		<b>17,756,970,431</b>	
<b>TOTAL LIABILITIES</b>		<b>37,166,064,598</b>		<b>48,634,100,398</b>		<b>45,058,277,068</b>	
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>60,887,805,582</b>		<b>63,761,792,441</b>		<b>60,772,360,777</b>	

(1) Net income is reported net of interim dividend equal to €940.3 million (€1,237.3 million as at December 31, 2008).

# Statement of Changes in Equity

Share capital and reserves (note 22)									
Euro	Share capital	Share premium reserve	Legal reserve	Reserve pursuant to Law 292/93	Other reserves	Reserve from measurement of financial instruments	Retained earnings/(loss carried forward)	Net income for the year	Total shareholders' equity
<b>January 1, 2008</b>	<b>6,184,367,853</b>	<b>650,949,051</b>	<b>1,452,085,638</b>	<b>2,215,444,500</b>	<b>55,739,911</b>	<b>362,113,741</b>	<b>2,139,610,656</b>	<b>2,650,586,167</b>	<b>15,710,897,517</b>
Adjustment for adoption of IFRIC 11 (share-based incentive plans)	-	-	-	-	-	-	3,186,192	-	3,186,192
<b>January 1, 2008 restated</b>	<b>6,184,367,853</b>	<b>650,949,051</b>	<b>1,452,085,638</b>	<b>2,215,444,500</b>	<b>55,739,911</b>	<b>362,113,741</b>	<b>2,142,796,848</b>	<b>2,650,586,167</b>	<b>15,714,083,709</b>
Exercise of stock options	2,051,750	10,616,502	-	-	(654,362)	-	-	-	12,013,890
Stock option changes for the period	-	-	-	-	6,049,865	-	-	-	6,049,865
<b>Allocation of 2007 net income:</b>	-	-	-	-	-	-	-	-	-
- Dividends	-	-	-	-	-	-	-	(1,793,781,849)	(1,793,781,849)
- Retained earnings/(losses carried forward)	-	-	-	-	-	-	856,731,041	(856,804,318)	(73,277)
Other changes	-	-	-	-	477	-	-	-	477
2008 interim dividend <sup>(1)</sup>	-	-	-	-	-	-	-	(1,237,283,921)	(1,237,283,921)
<b>Comprehensive income for the period:</b>	-	-	-	-	-	-	-	-	-
Income/(Loss) recognized directly in equity	-	-	-	-	-	(317,148,285)	-	-	(317,148,285)
Net income for the period	-	-	-	-	-	-	-	2,740,686,277	2,740,686,277
Effect of adoption of IFRIC 11 (share-based incentive plans) on net income for the year	-	-	-	-	-	-	-	3,145,157	3,145,157
<b>December 31, 2008 restated</b>	<b>6,186,419,603</b>	<b>661,565,553</b>	<b>1,452,085,638</b>	<b>2,215,444,500</b>	<b>61,135,891</b>	<b>44,965,456</b>	<b>2,999,527,889</b>	<b>1,506,547,513</b>	<b>15,127,692,043</b>
<b>January 1, 2009</b>	<b>6,186,419,603</b>	<b>661,565,553</b>	<b>1,452,085,638</b>	<b>2,215,444,500</b>	<b>61,135,891</b>	<b>44,965,456</b>	<b>2,996,341,697</b>	<b>1,503,402,356</b>	<b>15,121,360,694</b>
Adjustment for adoption of IFRIC 11 (share-based incentive plans)	-	-	-	-	-	-	3,186,192	3,145,157	6,331,349
<b>January 1, 2009 restated</b>	<b>6,186,419,603</b>	<b>661,565,553</b>	<b>1,452,085,638</b>	<b>2,215,444,500</b>	<b>61,135,891</b>	<b>44,965,456</b>	<b>2,999,527,889</b>	<b>1,506,547,513</b>	<b>15,127,692,043</b>
Reclassification of retained earnings for share-based incentive plans	-	-	-	-	-	-	3,145,157	(3,145,157)	-
Exercise of stock options	-	-	-	-	-	-	-	-	-
Stock option changes for the period	-	-	-	-	4,628,019	-	-	-	4,628,019
<b>Allocation of 2008 net income:</b>	-	-	-	-	-	-	-	-	-
- Dividends	-	-	-	-	-	-	(309,320,981)	(1,484,740,704)	(1,794,061,685)
- Retained earnings/(losses carried forward)	-	-	-	-	-	-	18,661,652	(18,661,652)	-
Other changes	-	-	-	-	2,519	-	-	-	2,519
Capital increase	3,216,938,192	4,630,511,105	-	-	-	-	-	-	7,847,449,297
2009 interim dividend <sup>(2)</sup>	-	-	-	-	-	-	-	(940,335,779)	(940,335,779)
<b>Comprehensive income for the period:</b>	-	-	-	-	-	-	-	-	-
Income/(Loss) recognized directly in equity	-	-	-	-	-	15,909,197	-	-	15,909,197
Net income for the period	-	-	-	-	-	-	-	3,460,457,373	3,460,457,373
<b>Total at December 31, 2009</b>	<b>9,403,357,795</b>	<b>5,292,076,658</b>	<b>1,452,085,638</b>	<b>2,215,444,500</b>	<b>65,766,429</b>	<b>60,874,653</b>	<b>2,712,013,717</b>	<b>2,520,121,594</b>	<b>23,721,740,984</b>

(1) Approved by the Board of Directors on September 11, 2008, with ex dividend date of November 24, 2008 and payment as from November 27, 2008.

(2) Approved by the Board of Directors on October 1, 2009, with ex dividend date of November 23, 2009 and payment as from November 26, 2009.

# Statement of Cash Flows

Euro	Notes				
		2009		2008 restated	
				of which with related parties	of which with related parties
Income for the year		3,460,457,373		2,743,831,433	
Adjustments for:					
Depreciation and amortization of property, plant and equipment and intangible assets	6.d	8,667,684		9,182,344	
Exchange rate gains and losses		85,737,977	2,049	(351,676,492)	(397,094)
Provisions		11,574,826		35,917,459	
Dividends from subsidiaries, associates and other companies	7	(4,481,781,473)	(4,481,781,473)	(3,187,211,852)	(3,187,211,852)
Net financial (income)/expense		1,179,621,657	(1,184,146,768)	802,425,507	(180,537,397)
Income taxes	9	(296,624,220)		(100,924,018)	
(Gains)/Losses and other non-monetary items		2,435,144		6,377,208	
Cash flow from operating activities before changes in net current assets		(29,911,032)		(42,078,411)	
Increase/(Decrease) in provisions		(47,264,083)		(43,116,131)	
(Increase)/Decrease in trade receivables	16	(32,066,140)	(28,396,613)	(1,012,774)	1,804,368
(Increase)/Decrease in financial and non-financial assets/liabilities		2,290,272,721	2,764,412,995	2,699,659,534	1,788,939,447
Increase/(Decrease) in trade payables	29	(7,199,820)	1,802,192	(97,953,073)	1,842,962
Interest income and other financial income collected		924,026,285	343,625,371	1,061,086,696	394,607,909
Interest expense and other financial expense paid		(2,658,048,379)	(1,413,802,340)	(2,943,885,314)	(1,055,352,806)
Dividends from subsidiaries, associates and other companies	7	4,481,781,473	4,481,781,473	3,187,211,852	3,187,211,852
Income taxes paid (consolidated taxation mechanism)		(1,183,726,209)		(1,222,546,503)	
Cash flows from operating activities (a)		3,737,864,816		2,597,365,876	
Investments in property, plant and equipment and intangible assets	10-11	(8,510,233)	(7,297,654)	(12,181,239)	
Disposals of property, plant and equipment and intangible assets	10-11	2,528,585	2,528,585	4,456,865	4,405,762
Equity investments	13	(3,050,000)	(3,050,000)	(826,496,032)	(826,496,032)
Disposals of equity investments	13	19,737,650	19,737,650	3,000,000	
Cash flows from investing/disinvesting activities (b)		10,706,002		(831,220,406)	
Long-term debt (new borrowing)	23	5,114,265,390		13,679,729,728	10,509,553,131
Long-term debt (repayments)	23	(13,816,421,643)		(1,468,920,978)	
Net change in long-term financial debt/(receivables)		(438,928,327)	(190,774,851)	699,699,983	247,078,566
Net change in short-term financial debt/(receivables)		516,758,591	1,328,827,864	(11,053,815,671)	(12,460,659,358)
Dividends paid	22	(2,734,397,464)		(3,031,054,881)	
Increase in share capital and reserves due to the exercise of stock options	22	7,991,127,065		12,013,890	
Cash flows from financing activities (c)		(3,367,596,388)		(1,162,347,929)	
Increase/(Decrease) in cash and cash equivalents (a+b+c)		380,974,430		603,797,541	
Cash and cash equivalents at beginning of the year	19	614,178,579		10,381,038	
Cash and cash equivalents at the end of the year	19	995,153,009		614,178,579	

## Notes to the Financial Statements

# 1. Form and content of the financial statements

Enel SpA operates in the electricity and gas sector, is incorporated as a company limited by shares (*società per azioni*) and has its registered office in Viale Regina Margherita 137, Rome, Italy.

As Parent Company, Enel SpA prepared the consolidated financial statements of the Enel Group for the year ending December 31, 2009, presented in a separate publication.

On March 17, 2010 the Board of Directors authorized the publication of these financial statements at December 31, 2009.

These financial statements are subject to Audit by KPMG SpA.

## Compliance with IFRS/IAS

The separate financial statements for the year ended December 31, 2009 for the Parent Company, Enel SpA, have been prepared in accordance with international accounting standards (International Accounting Standards - IAS and International Financial Reporting Standards - IFRS) issued by International Accounting Standards Board (IASB), the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and the Standing Interpretations Committee (SIC), recognized in the European Union pursuant to Regulation (EC) no. 1606/2002 and in effect as of the close of the year. All of these standards and interpretations are hereinafter referred to as "IFRS-EU". The financial statements have also been prepared in conformity with measures issued in implementation of Article 9 of Legislative Decree 38 of February 28, 2005.

## Basis of presentation

The financial statements consist of the income statement, the statement of comprehensive income, the balance sheet, the statement of changes in shareholders' equity, the statement of cash flows and the related notes.

The assets and liabilities reported in the balance sheet are classified on a "current/non-current basis", with separate reporting of assets and liabilities held for sale, where present. Current assets, which include cash and cash equivalents, are assets that are intended to be realized, sold or consumed during the normal operating cycle of the company or in the twelve months following the balance sheet date. Current liabilities are liabilities that are expected to be settled during the normal operating cycle of the company or within the twelve months following the close of the financial year.

The income statement is classified on the basis of the nature of costs, while the indirect method is used for the cash flow statement.

The financial statements are presented in euro, the functional currency of the Company. All figures are shown in millions of euro unless stated otherwise.

The financial statements are prepared on a going-concern basis using the cost method, with the exception of items that are measured at fair value under IFRS-EU, as specified in the measurement policies for the individual items.

In 2009, pursuant to Regulation no. 1606/2002, the European Commission endorsed a number of interpretations of the international accounting standards whose application on a retrospective basis gave rise to adjustments in a number of items of the financial statements for the year ended December 31, 2008, as well as to the opening balances of the balance sheet for that year. Accordingly, the

income statement, the statement of comprehensive income, the balance sheet, the statement of changes in equity and the statement of cash flows have been restated for comparative purposes only to take account of the adjustments and reclassifications, as discussed in more detail in note 3 below. The explanatory notes below refer to the 2008 figures restated as indicated here.

The balance sheet, income statement and statement of cash flows report transactions with related parties. Related parties are mainly parties that are subject to control by the same entity as Enel SpA, companies that directly or indirectly through one or more intermediaries control, are controlled or are subject to the joint control of Enel SpA and in which the latter has a holding that enables it to exercise a significant influence. Related parties also include the pension funds Fopen and Fondenel, the members of the Board of Auditors of Enel SpA, managers with strategic responsibilities, and their close relatives, of Enel SpA and the companies over which it exercises direct, indirect or joint control and over which it exercises a significant influence. Managers with strategic responsibilities are those persons who have the power and direct or indirect responsibility for the planning, management and control of the activities of the company. They include the respective company directors.

### Use of estimates

Preparing the financial statements under IFRS-EU requires the use of estimates and assumptions that impact the carrying amount of assets and liabilities and the related information on the items involved as well as the disclosure required for contingent assets and liabilities at the balance sheet date. The estimates and the related assumptions are based on previous experience and other factors considered reasonable in the circumstances. They are formulated when the carrying amount of assets and liabilities is not easily determined from other sources. The actual results may therefore differ from these estimates. The estimates and assumptions are periodically revised and the effects of any changes are reflected in the income statement.

A number of accounting policies are felt to be especially important for understanding the financial statements. To this end, the following section examines the main items affected by the use of estimates, as well as the main assumptions used by management in measuring these items in compliance with the IFRS-EU. The critical element of such estimates is the use of assumptions and professional judgments concerning issues that are by their very nature uncertain.

Changes in the conditions underlying the assumptions and judgments could have an impact on future results.

### Pensions and other post-employment benefits

Part of the Company's employees participate in pension plans offering benefits based on their wage history and years of service.

Certain employees are also eligible for other post-employment benefit schemes. The expenses and liabilities of such plans are calculated on the basis of estimates carried out by consulting actuaries, who use a combination of statistical and actuarial elements in their calculations, including statistical data on past years and forecasts of future costs.

Other components of the estimation that are considered include mortality and withdrawal rates as well as assumptions concerning future developments in discount rates, the rate of wage increases and trends in the cost of medical care. These estimates can differ significantly from actual developments owing to changes

in economic and market conditions, increases or decreases in withdrawal rates and the lifespan of participants, as well as changes in the effective cost of medical care. Such differences can have a substantial impact on the quantification of pension costs and other related expenses.

#### **Recoverability of non-current assets**

The carrying amount of non-current assets and assets held for sale is reviewed periodically and wherever circumstances or events suggest that more frequent review is necessary.

Where the value of a group of non-current assets is considered to be impaired, it is written down to its recoverable value, as estimated on the basis of the use of the assets and their future disposal, in accordance with the company's most recent plans. The estimates of such recoverable values are considered reasonable.

Nevertheless, possible changes in the estimation factors on which the calculation of such values is performed could generate different recoverable values. The analysis of each group of non-current assets is unique and requires management to use estimates and assumptions considered prudent and reasonable in the specific circumstances.

#### **Recovery of deferred tax assets**

At December 31, 2009, the financial statements report deferred tax assets in respect of tax losses to be reversed in subsequent years and income components whose deductibility is deferred in an amount whose recovery is considered by management to be highly probable.

The recoverability of such assets is subject to the achievement of future profits sufficient to absorb such tax losses and to use the benefits of the other deferred tax assets.

The assessment of recoverability takes account of the estimate of future taxable incomes and is based on prudent tax planning strategies. However, where Enel SpA should become aware that it would be unable to recover all or part of such recognized tax assets in future years, the consequent adjustment would be taken to the income statement in the year in which this circumstance arises.

## **2. Accounting policies and measurement criteria**

#### **Translation of foreign currency items**

Transactions in currencies other than the functional currency are recognized in these financial statements at the exchange rate prevailing on the date of the transaction. Monetary assets and liabilities denominated in a foreign currency other than the functional currency are later adjusted using the balance sheet exchange rate. Any exchange rate differences are recognized in profit or loss.

Non-monetary assets and liabilities in foreign currency stated at historic cost are translated using the exchange rate prevailing on the date of initial recognition of the transaction. Non-monetary assets and liabilities in foreign currency carried at fair value are translated using the exchange rate prevailing on the date the related carrying amount is determined.

## Equity investments in subsidiaries, associated companies and joint ventures

Subsidiaries comprise those entities for which Enel SpA has the direct or indirect power to determine their financial and operating policies for the purposes of obtaining the benefits of their activities. Associated companies comprise those entities in which Enel SpA has a significant influence. In assessing the existence of a situation of control or significant influence, account is also taken of potential voting rights that are effectively exercisable or convertible.

Joint ventures are enterprises over whose economic activities Enel SpA exercises joint control with other entities.

Equity investments in subsidiaries, associates and joint ventures are measured at cost. Cost is adjusted for any impairment losses. Adjustments for impairment losses are reversed where the reasons for their recognition no longer obtain. The value resulting from the reversal may not exceed the original cost.

Where the loss pertaining to the Company exceeds the carrying amount of the investment and the Company has committed to performing the legal or constructive obligations of the investee or in any event to cover its losses, the excess with respect to the carrying amount is recognized in liabilities in the provision for risks and charges.

## Property, plant and equipment

Property, plant and equipment, which mainly regards leasehold improvements, is recognized at historic cost, including directly attributable ancillary costs necessary for the asset to be ready for use. The borrowing costs associated with the acquisition of property, plant and equipment are expensed except where they are directly attributable to the acquisition of an asset that justifies their capitalization (qualifying assets) following the entry into force of IAS 23 Revised at January 1, 2009.

Subsequent expenditure is recognized as an increase in the carrying amount of the asset when it is probable that future economic benefits deriving from the cost incurred to replace a component of such item will flow to the enterprise and the cost of the item can be reliably determined. All other expenditure is recognized as an expense in the period in which it is incurred.

The cost of replacing part or all of an asset is recognized as an increase in the value of the asset and is depreciated over its useful life. The net carrying amount of the replaced unit is eliminated through profit or loss, with the recognition of any capital gain/loss.

Property, plant and equipment is reported net of accumulated depreciation and any impairment losses determined as set out below. Depreciation is calculated on a straight-line basis over the item's estimated useful life, which is reviewed annually and any changes are reflected on a prospective basis. Depreciation begins when the asset is ready for use.

The estimated useful life of the main items of property, plant and equipment is as follows:

	Useful life
Leasehold improvements	Shorter of term of lease and residual useful life
Civil buildings	40 years
Other assets	7 years

Land, both unbuilt and on which civil and industrial buildings stand, is not depreciated as it has an indefinite useful life.



## Intangible assets

Intangible assets, all with a definite useful life, are measured at purchase or internal development cost, when it is probable that the use of such assets will generate future economic benefits and the related cost can be reliably determined.

The cost includes any directly attributable incidental expenses necessary to make the assets ready for use. The assets are shown net of accumulated amortization and any impairment losses, determined as follows.

Amortization is calculated on a straight-line basis over the item's estimated useful life, which is checked at least annually. Any changes in amortization policies are reflected on a prospective basis.

Amortization commences when the asset is ready for use.

Intangible assets mainly regard software licenses with an estimated useful life of three to five years.

## Impairment losses

Property, plant and equipment and intangible assets with a definite useful life are reviewed at least once a year to determine whether there is evidence of impairment. If such evidence exists, the recoverable amount is estimated.

The recoverable amount of intangible assets not yet available for use is estimated at least annually.

The recoverable amount is the greater of an asset's fair value less costs to sell and its value in use.

Value in use is determined by discounting estimated future cash flows using a pre-tax discount rate that reflects the current market assessment of the time value of money and the specific risks of the asset.

An impairment loss is recognized in the income statement if an asset's carrying amount is higher than its recoverable amount.

Impairment losses are reversed if the impairment has been reduced or is no longer present or there has been a change in the assumptions used to determine the recoverable amount.

## Financial instruments

### Financial assets measured at fair value through profit or loss

This category includes debt securities held for trading or designated as at fair value through profit or loss at the time of initial recognition and equity investments in entities other than subsidiaries, associates and joint ventures (not classified as "assets held for sale").

Such assets are initially recognized at fair value. Gains and losses from changes in their fair value are recognized in the income statement.

### Financial assets held to maturity

This category comprises non-derivative financial instruments that do not represent equity investments that are quoted on an active market for which the entity has the positive intention and ability to hold until maturity. They are initially recognized at fair value as measured at the trade date, including any transaction costs. Subsequently, they are measured at amortized cost using the effective interest method, net of any impairment losses.

Impairment losses are calculated as the difference between the carrying amount of the asset and the present value of expected future cash flows, discounted using the original effective interest rate.

### Loans and receivables

This category includes non-derivative financial and trade receivables, including debt securities, with fixed or determinable payments that are not quoted on an active market that the entity does not originally intend to sell.

Such assets are initially recognized at fair value, adjusted for any transaction costs, and subsequently measured at amortized cost using the effective interest method, net of any impairment losses. Such impairment losses are calculated as the difference between the carrying amount of the asset and the present value of expected future cash flows, discounted using the original effective interest rate.

Trade receivables falling due in line with generally accepted trade terms are not discounted.

### Financial assets available for sale

This category includes listed debt securities not classified as held-to-maturity, equity investments in other entities (if not classified as “financial assets measured at fair value through profit or loss”) and financial assets that cannot be classified in other categories. These instruments are measured at fair value with changes recognized in shareholders’ equity.

At the time of sale, the cumulative gains and losses previously recognized in equity are reversed to the income statement.

Where there is objective evidence that such assets have incurred an impairment loss, the cumulative loss previously recognized in equity is eliminated through reversal to the income statement. Such impairment losses, which cannot be reversed, are calculated as the difference between the carrying amount of the asset and its fair value, determined on the basis of the market price at the balance sheet date for financial assets listed on regulated markets or on the basis of the present value of expected future cash flows, discounted using the market interest rate for unlisted financial assets.

When the fair value cannot be determined reliably, these assets are recognized at cost adjusted for any impairment losses.

### Cash and cash equivalents

This category is used to record cash and cash equivalents that are available on demand or at very short term, clear successfully and do not incur collection costs. Cash and cash equivalents are recognized net of bank overdrafts at period-end in the statement of cash flows.

### Trade payables

Trade payables are initially recognized at fair value and subsequently measured at amortized cost. Trade payables falling due in line with generally accepted trade terms are not discounted.

### Financial liabilities

Financial liabilities other than derivatives are initially recognized at the settlement date at fair value, less directly attributable transaction costs. Financial liabilities are subsequently measured at amortized cost using the effective interest rate method.

### Derivative financial instruments

Derivatives are recognized at the trade date at fair value and are designated as hedging instruments when the relationship between the derivative and the hedged

item is formally documented and the effectiveness of the hedge (assessed periodically) is within the limits set in the IAS 39.

The manner in which the result of measurement at fair value is recognized depends on the type of hedge accounting adopted:

- > **fair value hedges:** when the derivatives are used to hedge the risk of changes in the fair value of hedged assets or liabilities, any changes in the fair value of the hedging instrument are taken to profit or loss. The adjustments in the fair values of the hedged assets or liabilities are also taken to profit or loss;
- > **cash flow hedges:** when derivatives are used to hedge the risk of changes in the expected cash flows generated by the hedged items, changes in fair value are initially recognized in equity, in the amount qualifying as effective. The accumulated gains and losses are subsequently released from equity to profit or loss in line with the gains and losses on the hedged items.

The ineffective portion of the fair value of the hedging instrument is taken directly to profit or loss under "Net financial income/(expense)".

Changes in the fair value of trading derivatives and those that no longer qualify for hedge accounting under IFRS-EU are recognized in profit or loss.

The fair value is determined using the official prices for instruments traded on regulated markets. For instruments not traded on regulated markets fair value is determined on the basis of the present value of expected cash flows using the market yield curve at the reporting date and translating amounts in currencies other than the euro at end-period exchange rates.

Financial and non-financial contracts (where they have not already been measured at fair value through profit or loss) are assessed to determine whether they contain any embedded derivatives that need to be separated and measured at fair value. This analysis is conducted at the time the entity becomes party to the contract or when the contract is renegotiated in a manner that significantly changes the original associated cash flows.

## Employee benefits

Liabilities related to employee benefits paid upon leaving or after ceasing employment in connection with defined benefit plans or other long-term benefits accrued during the employment period, which are recognized net of any plan assets, are determined separately for each plan, using actuarial assumptions to estimate the amount of the future benefits that employees have accrued at the balance sheet date. The liability is recognized on an accruals basis over the vesting period of the related rights. These appraisals are performed by independent actuaries. Cumulative actuarial gains and losses exceeding 10% of the greater of the present value of the defined benefit obligation and the fair value of the plan assets are recognized in profit or loss over the expected average remaining working lives of the employees participating in the plan. Otherwise, they are not recognized. Where the Company shows a demonstrable commitment, with a formal plan without realistic possibility of withdrawal, to a termination before retirement eligibility has been reached, the benefits due to employees in respect of the termination are recognized as a cost and measured on the basis of the number of employees that are expected to accept the offer.

## Share-based payments

### Stock option plans

The cost of services rendered by employees and remunerated through stock

option plans is determined based on the fair value of the options granted to employees at the grant date.

The calculation method to determine the fair value considers all characteristics of the option (option term, price and exercise conditions, etc.), as well as the Enel share price at the grant date, the volatility of the stock and the yield curve at the grant date consistent with the expected life of the plan. The pricing model used is the Cox-Rubinstein.

This cost is recognized in the income statement, with a specific contra-item in shareholders' equity, over the vesting period considering the best estimate possible of the number of options that will vest.

The value of the stock options granted by Enel SpA to employees of its direct and indirect subsidiaries is recognized as an increase in the cost of the investment in those companies (or in the first-level subsidiary in cases where the options have been granted to employees of indirect subsidiaries), with a specific contra-item in shareholders' equity.

#### **Restricted share units incentive plans**

The cost of services rendered by employees and remunerated through restricted share units (RSU) incentive plans is determined based on the fair value of the RSU granted to employees, in relation to the vesting of the right to receive the benefit. The calculation method to determine the fair value considers all characteristics of the RSU (term, exercise conditions, etc.), as well as the price and volatility of Enel shares over the vesting period. The pricing model used is the Montecarlo.

This cost is recognized in the income statement, with recognition of a specific liability, over the vesting period, adjusting the fair value periodically, considering the best estimate possible of the number of RSU that will become exercisable.

The cost of the RSU granted by Enel SpA to employees of its direct and indirect subsidiaries is recognized as an increase in the cost of the investment in those companies (or in the first-level subsidiary in cases where the options have been granted to employees of indirect subsidiaries), with recognition of a specific liability.

#### **Provisions for risks and charges**

Accruals to the provisions for risks and charges are recognized where there is a legal or constructive obligation as a result of a past event at period-end, the settlement of which is expected to result in an outflow of resources whose amount can be reliably estimated. Where the impact is significant, the accruals are determined by discounting expected future cash flows using a pre-tax discount rate that reflects the current market assessment of the time value of money and, if applicable, the risks specific to the liability. If the amount is discounted, the periodic adjustment of the present value due to the time value of money is recognized as a financial expense.

Changes in estimates are recognized in the income statement in the period in which the changes occur and are classified under the same item reporting the related provision.

#### **Revenues**

Revenues are recognized using the following criteria depending on the type of transaction:

- > revenues from the sale of electricity refer to the quantities provided during the period, even if these have not yet been invoiced. Where applicable, this revenue is based on the rates and related restrictions established by law and the Authority for Electricity and Gas during the applicable period;

- > revenues from the rendering of services are recognized in line with the stage of completion of the services. Where it is not possible to reliably determine the value of the revenues, they are recognized in the amount of the costs that it is considered will be recovered.

### Financial income and expense

Financial income and expense is recognized on an accruals basis in line with interest accrued on the net carrying amount of the related financial assets and liabilities using the effective interest rate method. They include the changes in the fair value of financial instruments recognized at fair value through profit or loss and changes in the fair value of derivatives connected with financial transactions.

Financial income comprises interest earned on the Company's liquidity, accrued interest in application of amortized cost, changes in the fair value of financial assets recognized through profit or loss, foreign exchange gains and gains on hedges recognized through profit or loss.

Financial expense comprises interest expense on loans, charges deriving from the application of amortized cost, foreign exchange losses, changes in the fair value of financial instruments recognized at fair value through profit or loss and losses on hedges recognized through profit or loss.

### Dividends

Dividends from equity investments are recognized when the shareholder's right to receive them is established.

Dividends and interim dividends payable to third parties are recognized as changes in equity at the date they are approved by the Shareholders' Meeting and the Board of Directors, respectively.

### Income taxes

Current income taxes for the period, recognized under tax payables/receivables net of any payments on account, are determined using an estimate of taxable income and in conformity with the relevant tax regulations.

Deferred tax liabilities and assets are calculated on the temporary differences between the carrying amounts of assets and liabilities in the financial statements and their corresponding values recognized for tax purposes on the basis of tax rates in effect on the date the temporary difference will reverse, which are determined on the basis of tax rates that are in force or substantively in force at the balance sheet date.

Deferred tax assets are recognized when recovery is probable, i.e. when an entity expects to have sufficient future taxable income to recover the asset.

The recoverability of deferred tax assets is reviewed at each period-end.

Taxes in respect of components recognized directly in equity are taken directly to equity.

### 3. Recently issued accounting standards

#### First-time adoption and applicable standards

> *"Amendments to IAS 1 - Presentation of financial statements"*. This introduces a new method of presentation of financial statements, with a particular impact on the presentation of income statement data for the period through "comprehensive income", which provides for separate reporting of profit and loss for the period and of profit and loss recognized as a change in equity ("other comprehensive income"). The standard gives companies the options of presenting this information in one "statement of comprehensive income", or in two separate statements presented together:

- one statement ("income statement"), which shows the components of profit and loss for the period; and
- a second statement ("statement of comprehensive income") which, starting with the net income (loss) for the period, includes gains and losses recognized directly in equity (OCI - other comprehensive income).

Enel has elected to present two separate statements. The Revised IAS 1 also eliminated the option of disclosing changes in shareholders' equity items and transactions with owners in the notes to the financial statements and rather requires this information to be presented in a separate statement.

> *"Amendments to IAS 23 - Borrowing costs"*. This eliminates the option which allowed the expensing of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset and requires their capitalization as part of the cost of that asset. The application of the standard on a prospective basis did not have an impact for the separate financial statements of Enel SpA.

> *"Amendments to IAS 32 and IAS 1 - Puttable financial instruments and obligations arising on liquidation"*. The amendments introduce an exception to the definition of equity instruments by extending the definition to encompass puttable financial instruments where the instruments impose obligations on the entity in the event of liquidation, provided the instruments have certain characteristics and meet certain conditions. The retrospective application of the amendments did not have an impact for Enel SpA.

> *"Amendments to IFRS 1 First-time adoption of international financial reporting standards and IAS 27 Consolidated and separate financial statements - Cost of an investment in a subsidiary, jointly-controlled entity or associate"*. The amendments establish that in the separate financial statements on first-time adoption of IFRS/IAS, the cost of an investment in a subsidiary, associate company or jointly-controlled entity can be measured at cost as provided for by IAS 27 or else at its deemed cost, which shall either be the fair value of the investment at the transition date or its carrying amount as determined under the previous accounting standards. Furthermore, the amendments to IAS 27 mentioned above also establish that dividends received from a subsidiary, associate or jointly-controlled entity shall be recognized as income in the separate financial statements. This eliminates the rule in the previous version of the standard that had restricted dividend recognition in profit or loss to dividends distributed from post-acquisition earnings (cost method).

> *"Amendments to IAS 39 and IFRS 7 Reclassification of financial assets - Effective date and transition"*. This amendment modified the sections concerning the effective date of the amendments to IAS 39 and IFRS 7 issued by the IASB and endorsed by the European Commission in October 2008 concerning the

reclassification of financial assets, improving the provisions in order to eliminate a number of presentation inconsistencies. More specifically, the IASB specified that reclassifications made as from November 1, 2008 shall be effective as from the date of reclassification. No reclassifications can be applied retrospectively with effect before July 1, 2008.

- > *"Amendments to IFRIC 9 - Reassessment of embedded derivatives"* and *"Amendments to IAS 39 Financial instruments - Recognition and measurement"*. The amendments require companies that intend to reclassify a financial instrument designated as at fair value through profit or loss under the provisions of the amendments of IAS 39 endorsed by the European Commission in October 2008 to reassess the contract to determine whether an embedded derivative should be measured separately. If the company is unable to measure the derivative separately, the financial instrument may not be reclassified out of the FVTPL category. The retrospective application of the interpretation did not have an impact for Enel as no such reclassifications were made.
- > *"Amendments to IFRS 2 - Share-based payment"*. The amendments set out the accounting treatment to be used in respect of "non-vesting conditions" that may apply to a share-based payment. Furthermore, the changes extend the IFRS 2 rules governing cancellation of stock option plans by an entity to include cases in which the entity did not itself decide the cancellation or settlement during the vesting period. The retrospective application of the amendments did not have an impact for Enel SpA.
- > *"Amendments to IFRS 7 Financial instruments - Disclosures"* and *"Amendments to IFRS 4 Insurance contracts"*. The amendments introduce a three-level hierarchy for classifying assets and liabilities measured at fair value and providing the related disclosures. The three-level hierarchy classifies financial instruments recognized at fair value in consideration of the inputs used to determine such value. Level 1 includes financial instruments measured at fair value on the basis of quoted prices in active markets for such assets or liabilities. Level 2 comprises financial instruments whose fair value was determined with a valuation technique using directly or indirectly observable market inputs connected with the assets or liabilities being measured. Level 3 includes financial instruments whose fair value was calculated using inputs not based on observable market data. This hierarchy reflects the availability of observable market data to be used in determining fair value. The amendments also introduce new disclosure requirements, with the information to be presented in table form, for assets and liabilities measured at fair value for each of the three levels in the hierarchy, with the extension of disclosure requirements for financial assets measured at fair value on the basis of inputs not based on observable market data (Level 3). The disclosure requirements for liquidity risk were also amended to reflect the manner in which such risk is managed. The application of the amendments on a prospective basis did not have a material impact for the company.
- > *"IFRIC 11 IFRS 2 - Group and treasury share transactions"*. The interpretation establishes that:
  - for payments to employees of subsidiaries involving own shares granted by the Parent Company, the subsidiary must measure the services received by the employees as share-based payments;
  - for payments by subsidiaries to their employees involving shares of the Parent Company, the subsidiary must account for transactions with its employees as cash-settled transactions, regardless of the manner in which the shares used to settle the payment obligation were acquired.

The retrospective application of the interpretation had the following impact, as indicated in the "basis of presentation" section:

- an increase in the value of "equity investments" with counter entry to "retained earnings/losses carried forward" in the amount of €3.2 million at January 1, 2008;
  - a reduction in operating expenses for 2008, with a consequent increase in "net income, (loss) for the year" in the amount of €3.1 million;
  - an increase in the value of "equity investments" at December 31, 2008 (and January 1, 2009) in the amount of €6.3 million as the result of the above two adjustments.
- > *"IFRIC 13 - Customer loyalty programs"*. The interpretation governs the accounting treatment of the obligation to provide prizes to customers as part of customer loyalty programs and establishes that the fair value of the obligations to provide the awards must be accounted for separately from revenues from sales and deferred until the obligation to the customer is extinguished or the customer's right lapses or is not exercised. The retrospective application of the interpretation did not have a material impact for Enel SpA.
- > *"IFRIC 14 - IAS 19 The limit on a defined benefit asset, minimum funding requirements and their interaction"*. The interpretation provides guidance for the application of the rules contained in IAS 19 relating to the "asset ceiling". It also defines the effects of a minimum funding requirement on liabilities and/or assets held in relation to a defined benefit plan or other long-term benefits (contractually or legally established minimum amount of assets required to service the plan). The application of the interpretation on a prospective basis did not have a material impact for Enel SpA.
- > *"Improvements to International Financial Reporting Standards"*. These comprise a series of amendments to individual standards concerning the presentation, recognition and measurement of items in the financial statements, as well as terminological or editorial changes, that had no impact on measurement for accounting purposes. Following the changes to presentation requirements "IAS 1 - Presentation of financial statements", the classification criteria for non-current and current financial assets and liabilities were clarified, specifying that financial assets and liabilities designated as at fair value through profit or loss with a maturity of more than 12 months that are held for operational hedging purposes and that the company intends to hold for at least 12 months as from the reporting date shall be classified as non-current. The retrospective application of this change involved the reclassification, with regard to the comparative figures for December 31, 2008 and as at January 1, 2008 of derivatives measured at fair value through profit or loss with the above characteristics from current to non-current. Accordingly, reclassifications were made as follows:
- "non-hedge (for IAS purposes) trading derivative assets" expiring after more than 12 months in the amount of €660.2 million at December 31, 2008 (€146.4 million at January 1, 2008), from "current financial assets" to "non-current financial assets"; and
  - "non-hedge (for IAS purposes) trading derivative liabilities" expiring after more than 12 months in the amount of €702.4 million at December 31, 2008 (€153.1 million at January 1, 2008), from "current financial liabilities" to "non-current financial liabilities".



## Standards not yet adopted and not yet applicable

In 2009, the European Commission endorsed the following new accounting standards and interpretations, which were not yet applicable as of December 31, 2009:

- > *"Amendments to IAS 27 Consolidated and separate financial statements"*.  
The new version of the standard establishes that changes in equity interests in a subsidiary that do not result in a loss of control shall be recognized in equity. Where a controlling interest is divested, any residual interest must be re-measured to fair value on that date. The new standard shall be applied as from periods beginning on or after June 30, 2009.
- > *"Amendment to IAS 39 Financial instruments: recognition and measurement - eligible hedged items"*. With this amendment to the current IAS 39 standard, the IASB has sought to clarify the conditions under which certain financial/non-financial instruments may be designated as hedged items. The amendment specifies that an entity may also choose to hedge only one kind of change in the cash flow or in the fair value of the hedged item (i.e. that the price of a hedged commodity increases beyond a specified price), which would constitute a one-sided risk. The IASB also specifies that a purchased option designated as a hedge in a one-sided risk hedge relationship is perfectly effective only if the hedged risk refers exclusively to changes in the intrinsic value of the hedging instrument, not to changes in its time value as well. The changes shall be applied retrospectively as from periods beginning on or after June 30, 2009. The application of the provisions is not expected to have significant impacts for Enel SpA.
- > *"Amendments to IAS 32 Financial instruments - Presentation"*. The amendment specifies that rights, options or warrants that entitle the holder to purchase a specific number of equity instruments of the entity issuing such rights for a specified amount of any currency shall be classified as equity if (and only if) the entity offers the rights, options or warrants pro rata to all existing holders of its equity instruments (other than derivatives) in the same class for a fixed amount of currency. The changes shall be applied retrospectively as from periods beginning on or after January 31, 2010. The application of the amendments is not expected to have a significant impact for Enel SpA.
- > *"IFRIC 12 - Service concession arrangements"*. The interpretation requires that, depending on the characteristics of the concession arrangements, the infrastructure used to deliver the services shall be recognized under intangible assets or under financial assets, depending, respectively, on whether the concession holder has the right to charge users of the services or it has the right to receive a specified amount from the grantor.  
The interpretation shall be applied retrospectively as from period beginning on or after March 29, 2009. The application of this interpretation is not expected to have an impact for Enel SpA.
- > *"IFRIC 15 - Agreements for the construction of real estate"*. This interpretation sets out the guidelines for recognizing revenues and costs arising from the contracts for the construction of real estate and clarifies when a contract falls within the scope of "IAS 11 Construction contracts" and "IAS 18 Revenue". The interpretation also specifies the accounting treatment to be used in respect of revenues from the delivery of additional services relating to real estate under construction. The new interpretation shall be applied retrospectively as from periods beginning on or after December 31, 2009.  
The application of this interpretation is not expected to have an impact for Enel SpA.

- > *"IFRIC 16 - Hedges of a net investment in a foreign operation"*. The interpretation applies to entities that intend to hedge the exchange rate risk associated with a net investment in a foreign operation. The main aspects of the interpretation are:
- the hedge may only cover the exchange rate difference between the functional currency (not the presentation currency) of the foreign operation and the functional currency of the parent (a parent being a controlling entity at any level, whether intermediate or final);
  - in the consolidated financial statements, the risk may be designated as hedged only once, even if more than one entity in the same group has hedged its exchange rate exposure to the same foreign operation;
  - the hedging instrument may be held by any entity in the group (apart from that being hedged);
  - in the event of the disposal of the foreign operation, the value of the translation reserve reclassified to profit or loss in the consolidated financial statements shall be equal to the value of the gain/loss on the effective portion of the hedging instrument.

The new interpretation shall be applied prospectively as from periods beginning on or after June 30, 2009.

The application of this interpretation is not expected to have a significant impact for Enel SpA.

- > *"IFRIC 17 - Distributions of non-cash assets to owners"*. The interpretation clarifies matters relating to the distribution of non-cash dividends to owners. In particular:

- dividends shall be recognized as soon as they are authorized;
- the company shall measure dividends at the fair value of the net assets to be distributed;
- the company shall recognize the difference between the carrying amount of the dividend and its fair value through profit or loss.

The new interpretation shall be applied prospectively as from periods beginning on or after October 31, 2009.

The application of this interpretation is not expected to have an impact for Enel.

- > *"IFRIC 18 - Transfers of assets from customers"* clarifies the recognition and measurement of items of property, plant and equipment, or cash to acquire or construct such assets, received from a customer to connect the customer to a network and/or provide the customer with ongoing access to a supply of goods and services. The new interpretation shall be applied prospectively as from periods beginning on or after October 31, 2009.

Enel is assessing the future impact of these new rules.

Finally, "Amendments to IFRS 1 - First-time adoption of International Financial Reporting Standards" were endorsed. The changes eliminate a number of obsolete transitional provisions, introduce a number of minor changes in wording and simplify the future use and amendment of the standard. The new standard shall be applied prospectively as from periods beginning on or after July 1, 2009.

During 2009, the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) also published new standards and interpretations that, as of December 31, 2009, had not yet been endorsed by the European Commission. The standards are set out below:

- > *"Amendment to IFRS 2 - Group cash-settled share-based payment transactions"*, issued in June 2009. The amendments, which incorporate the guidelines contained in IFRIC 8 and IFRIC 11, clarify the accounting treatment of cash-

settled share-based payments involving different Group companies (e.g. when a Parent Company is obliged to pay the employees of a subsidiary an amount for their services based on the price of its own shares).

The new rules will take effect retrospectively, subject to endorsement, for periods beginning on or after January 1, 2010.

- > "*IFRS 9 Financial instruments*", issued in November 2009: the standard is the first of three phases in the project to replace IAS 39. The standard establishes new criteria for the classification of financial assets, based on the business model of the entity and the cash flow characteristics of the financial assets. The new standard requires financial assets to be measured initially at fair value plus, in the case of financial assets not at fair value through profit or loss, any transaction costs. Subsequently, they are measured at fair value or amortized cost. As regards equity instruments not held for trading, an entity can make an irrevocable election to measure it at fair value through other comprehensive income. Any dividend income shall be recognized through profit or loss. The new standard will take effect retrospectively, subject to endorsement, for periods beginning on or after January 1, 2013.
- > "*Revised IAS 24 Related party disclosures*", issued in November 2009: the standard allows companies that are subsidiaries or under the significant influence of a government agency to adopt special related-party disclosure rules allowing summary disclosure of transactions with the government agency and with other companies controlled or under the significant influence of the government agency. The new version of IAS 24 also amends the definition of related parties for the purposes of disclosure in the notes to the financial statements. The new version of the standard will take effect retrospectively, subject to endorsement, for periods beginning on or after January 1, 2011.
- > "*Amendments to IFRIC 14 - Prepayments of a minimum funding requirement*", issued in November 2009: the changes clarify the circumstances in which a company that prepaies a minimum funding requirement for an employee benefit plan can recognize such payments as an asset. The new rules will take effect, subject to endorsement, for periods beginning on or after January 1, 2011.
- > "*IFRIC 19 - Extinguishing financial liabilities with equity instruments*", issued in November 2009: the interpretation clarifies the accounting treatment that a debtor must apply in the case of liability being extinguished through the issue of equity instruments to the creditor. In particular, the equity instruments issued represent the consideration for extinguishing the liability and must be measured at fair value as of the date of extinguishment. Any difference between the carrying amount of the extinguished liabilities and the initial value of the equity instruments shall be recognized through profit or loss. The interpretation will take effect retrospectively, subject to endorsement, for financial periods beginning on or after July 1, 2010.

## 4. Risk management

### Market risk

As part of its operations as an industrial holding company, Enel SpA is exposed to different market risks, notably the risk of changes in interest rates, exchange rates and, to a limited extent, commodity prices.

As the Parent Company, Enel SpA centralizes treasury management functions and access to financial markets with regard to derivatives contracts that do not have energy commodities as underlyings for the entire Group, with the exception of Endesa SA and its subsidiaries. As part of this activity, the Company takes matching positions with the market and the Group companies. The notional amount of these transactions can be substantial, but it does not represent an exposure to markets risks for Enel SpA.

The nature of the financial risks to which the Company is exposed is such that changes in interest rates cause changes in cash flows associated with interest payments on long-term floating-rate debt instruments, while changes in the exchange rate between the euro and the main foreign currencies have an impact on the value of the cash flows denominated in those currencies.

In compliance with Group policies for managing financial risks, Enel SpA generally hedges these exposures using over-the-counter derivatives (OTC).

Such transactions that meet the requirements of IAS 39 for hedge accounting are designated as cash flow hedges where appropriate, while those that do not meet such requirements are classified as non-hedge-accounting trading transactions.

Finally, in order to take advantage of special market conditions, the Company may undertake non-hedge transactions. These operations, which are marginal in amount, are conducted within a framework of governance rules that establish strict risk limits at the Group level. Compliance with the limits is verified by a unit that is independent of those undertaking the transactions.

The following section reports the scale of transactions in derivatives outstanding at December 31, 2009, specifying the fair value and notional value of each class of instrument as calculated at the year-end exchange rates provided by the European Central Bank where denominated in currencies other than the euro.

The fair value of a financial instrument is determined using the official prices for instruments traded on regulated markets. The fair value of instruments not listed on regulated markets is determined using valuation methods appropriate for each type of financial instrument and market data as of the close of the period (such as interest rates, exchange rates, commodity prices, volatility), discounting expected future cash flows on the basis of the market yield curve at the balance sheet date.

The measurement criteria adopted for open derivatives positions at the end of the year were unchanged with respect to those used at the end of the previous year. The impact of such measurements on profit or loss and shareholders' equity are therefore attributable solely to normal market developments.

The notional value of a derivative contract is the amount on which cash flows are exchanged. This amount can be expressed as a value or a quantity (for example tons, converted into euro by multiplying the notional amount by the agreed price).

The notional amounts of derivatives reported here do not represent amounts exchanged between the parties and therefore are not a measure of the Company's credit risk exposure.

### Interest rate risk

Interest rate risk management is aimed at reducing the amount of debt exposed to interest rate fluctuations and containing borrowing costs, limiting the volatility of results. To this end, Enel SpA entered into a variety of derivatives contracts, notably interest rate swaps and interest rate collars, as detailed below:

Millions of euro	Notional value	
	at Dec. 31, 2009	at Dec. 31, 2008
<b>Interest rate derivatives</b>		
Interest rate swaps	11,817.3	12,159.0
Interest rate collars	2,700.0	2,700.0
<b>Total</b>	<b>14,517.3</b>	<b>14,859.0</b>

The term of such contracts does not exceed the maturity of the underlying financial liability, so that any change in the fair value and/or cash flows of such contracts is offset by a corresponding change in the fair value and/or cash flows of the underlying position.

Interest rate swaps normally provide for the periodic exchange of floating-rate interest flows for fixed-rate interest flows, both of which are calculated on the basis of the notional principal amount.

Interest rate collars involve the exchange of interest differences calculated on a notional principal amount once certain thresholds are reached. These thresholds specify the maximum rate (cap strike) or the minimum rate (floor strike) to which the debt will be indexed as a result of the hedge. They are generally set so that no premium is paid on the contract (zero-cost collars).

Interest rate collars are normally used when the fixed interest rate that can be obtained in an interest rate swap is considered too high with respect to Enel's expectations for future interest rate developments. In addition, interest rate collars are also considered appropriate in periods of uncertainty about future interest rate developments, in order to benefit from any decreases in interest rates.

The notional value of open interest rate swaps at the end of the year was €11,817.3 million (€12,159 million December 31, 2008), of which €5,383.7 million (€6,067.4 million December 31, 2008) in respect of hedges of the Company's share of floating-rate debt. The remainder of the notional, equal to €3,216.8 million (€3,045.8 million in 2008), regards derivatives contracts with Group companies with a corresponding amount of interest rate swaps with external counterparties.

The notional value of open interest rate collars at the end of the year was €2,700.0 million (€2,700.0 million in 2008), all of which in respect of hedges on Enel SpA's debt.

The following table reports the notional amount and fair value of interest rate derivatives at December 31, 2009 and December 31, 2008.

Millions of euro	Notional value		Fair value		Notional assets		Fair value assets		Notional liabilities		Fair value liabilities	
	<b>at Dec. 31, 2009</b>	at Dec. 31, 2008	<b>at Dec. 31, 2009</b>	at Dec. 31, 2008	<b>at Dec. 31, 2009</b>	at Dec. 31, 2008	<b>at Dec. 31, 2009</b>	at Dec. 31, 2008	<b>at Dec. 31, 2009</b>	at Dec. 31, 2008	<b>at Dec. 31, 2009</b>	at Dec. 31, 2008
<b>Cash flow hedge derivatives:</b>	<b>5,415.0</b>	<b>7,955.8</b>	<b>(317.2)</b>	<b>(327.6)</b>	<b>150.0</b>	<b>150.0</b>	<b>3.3</b>	<b>3.4</b>	<b>5,265.0</b>	<b>7,805.8</b>	<b>(320.5)</b>	<b>(331.0)</b>
Interest rate swaps	2,715.0	5,255.8	(200.8)	(239.9)	150.0	150.0	3.3	3.4	2,565.0	5,105.8	(204.1)	(243.3)
Interest rate collars	2,700.0	2,700.0	(116.4)	(87.7)	-	-	-	-	2,700.0	2,700.0	(116.4)	(87.7)
<b>Trading derivatives:</b>	<b>9,102.3</b>	<b>6,903.2</b>	<b>(159.8)</b>	<b>(68.8)</b>	<b>3,216.8</b>	<b>3,045.8</b>	<b>150.9</b>	<b>117.4</b>	<b>5,885.5</b>	<b>3,857.4</b>	<b>(310.7)</b>	<b>(186.2)</b>
Interest rate swaps	9,102.3	6,903.2	(159.8)	(68.8)	3,216.8	3,045.8	150.9	117.4	5,885.5	3,857.4	(310.7)	(186.2)
<b>Total interest rate swaps</b>	<b>11,817.3</b>	<b>12,159.0</b>	<b>(360.6)</b>	<b>(308.7)</b>	<b>3,366.8</b>	<b>3,195.8</b>	<b>154.2</b>	<b>120.8</b>	<b>8,450.5</b>	<b>8,963.2</b>	<b>(514.8)</b>	<b>(429.5)</b>
<b>Total interest rate collars</b>	<b>2,700.0</b>	<b>2,700.0</b>	<b>(116.4)</b>	<b>(87.7)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,700.0</b>	<b>2,700.0</b>	<b>(116.4)</b>	<b>(87.7)</b>
<b>TOTAL INTEREST RATE DERIVATIVES</b>	<b>14,517.3</b>	<b>14,859.0</b>	<b>(477.0)</b>	<b>(396.4)</b>	<b>3,366.8</b>	<b>3,195.8</b>	<b>154.2</b>	<b>120.8</b>	<b>11,150.5</b>	<b>11,663.2</b>	<b>(631.2)</b>	<b>(517.2)</b>

The following table reports the cash flows expected in coming years from these financial derivatives.

Millions of euro	Fair value	Stratification of expected cash flows					
	at Dec. 31, 2009	2010	2011	2012	2013	2014	Beyond
CFH on interest rates							
Derivatives with positive fair value pertaining to Enel SpA	3.3	0.2	0.2	0.2	0.2	0.2	3.7
Derivatives with negative fair value pertaining to Enel SpA	(320.5)	(150.4)	(97.5)	(44.6)	(25.2)	(16.5)	(33.0)
Trading derivatives on interest rates							
Derivatives with negative fair value pertaining to Enel SpA	(159.9)	(80.2)	(48.0)	(30.1)	(7.9)	(4.0)	(20.6)
Derivatives with positive fair value on behalf of Group companies	150.9	73.9	42.4	24.3	14.9	8.7	8.7
Derivatives with negative fair value on behalf of Group companies	(150.8)	(73.8)	(42.3)	(24.2)	(14.9)	(8.7)	(8.9)

The amount of Enel SpA's floating-rate debt that is not hedged against interest rate risk is the main risk factor that could impact the income statement (raising borrowing costs) in the event of an increase in market interest rates.

At December 31, 2009, 62% of gross long-term debt due to third parties was floating rate (71% at December 31, 2008). Taking account of cash flow hedges of interest rates considered effective pursuant to the IFRS-EU, 46% of the debt was exposed to interest rate risk at December 31, 2009 (53% at December 31, 2008). Including interest rate derivatives treated as hedges for management purposes but ineligible for hedge accounting, the residual exposure of net financial debt to interest rate risk would be 38%.

If interest rates had been 1 basis point higher at December 31, 2009, all other variables being equal, shareholders' equity would have been about €1.9 million higher (€2.1 million at December 31, 2008) as a result of the increase in the fair value of CFH derivatives on interest rates. Conversely, if interest rates had been 1 basis point lower at that date, all other variables being equal, shareholders' equity would have been €1.9 million lower (€2.1 million at December 31, 2008) as a result of the decrease in the fair value of CFH derivatives on interest rates.

An increase in interest rates of 1 basis point, all other variables being equal, would have a negative impact on the income statement in terms of higher annual

interest expense on the portion of debt not hedged against interest rate risk of about €1.2 million.

An equivalent decrease in interest rates, all other variables being equal, would have a positive impact on the income statement in terms of lower annual interest expense on the portion of debt not hedged against interest rate risk of about €1.2 million.

### Exchange rate risk

In order to minimize the Group's exposure to changes in exchange rates generated by assets, liabilities and expected cash flows denominated in foreign currencies, the Company normally uses a variety of OTC derivatives such as currency forwards and cross currency interest rate swaps. The term of such contracts does not exceed the maturity of the underlying exposure.

Cross currency interest rate swaps are used to transform a long-term fixed- or floating-rate liability in foreign currency into an equivalent fixed- or floating-rate liability in euros. In addition to having notional amounts denominated in different currencies, these instruments differ from interest rate swaps in that they provide both for the periodic exchange of cash flows and the final exchange of principal.

Currency forwards are contracts in which the counterparties agree to exchange principal amounts denominated in different currencies at a specified future date and exchange rate (the strike). Such contracts may call for the actual exchange of the two amounts (deliverable forwards) or payment of the difference between the strike exchange rate and the prevailing exchange rate at maturity (non-deliverable forwards). In the latter case, the strike rate and/or the spot rate may be determined as averages of the official fixings of the European Central Bank.

The following table reports the notional amount of transactions outstanding at December 31, 2009 and December 31, 2008, broken down by type of hedged item.

Millions of euro	Notional value	
	at Dec. 31, 2009	at Dec. 31, 2008
<b>Exchange rate derivatives</b>		
Forwards:	7,489.7	8,891.7
- <i>forwards hedging commodities</i>	6,363.3	7,828.1
- <i>forwards hedging future cash flows</i>	916.7	1,046.1
- <i>other forward contracts</i>	209.7	17.5
Cross currency interest rate swaps	19,053.7	8,661.8
<b>Total</b>	<b>26,543.4</b>	<b>17,553.5</b>

More specifically, these include:

- > currency forward contracts with a notional value of €6,363.3 million (€7,828.1 million at December 31, 2008) used to hedge the exchange rate risk associated with purchases of energy commodities by Group companies;
- > currency forward contracts with a notional value of €1,126.4 million essentially used to hedge the exchange rate risk associated with other cash flows in currencies other than the euro (€1,063.6 million at December 31, 2008) on behalf of the Company and other Group companies;
- > cross currency interest rate swaps with a notional value of €19,053.7 million (€8,661.8 millions at December 31, 2008) to hedge the exchange rate risk on foreign currency debt.

The following table reports the notional amount and fair value of exchange rate derivatives at December 31, 2009 and December 31, 2008.

Millions of euro	Notional value		Fair value		Notional assets		Fair value assets		Notional liabilities		Fair value liabilities	
	at Dec. 31, 2009	at Dec. 31, 2008	at Dec. 31, 2009	at Dec. 31, 2008	at Dec. 31, 2009	at Dec. 31, 2008	at Dec. 31, 2009	at Dec. 31, 2008	at Dec. 31, 2009	at Dec. 31, 2008	at Dec. 31, 2009	at Dec. 31, 2008
<b>Cash flow hedge derivatives:</b>	<b>2,579.9</b>	<b>3,373.1</b>	<b>(521.1)</b>	<b>(534.8)</b>	<b>1,238.6</b>	<b>1,628.9</b>	<b>169.8</b>	<b>292.5</b>	<b>1,341.3</b>	<b>1,744.2</b>	<b>(690.9)</b>	<b>(827.3)</b>
Cross currency interest rate swaps	2,579.9	3,373.1	(521.1)	(534.8)	1,238.6	1,628.9	169.8	292.5	1,341.3	1,744.2	(690.9)	(827.3)
<b>Trading derivatives:</b>	<b>23,963.5</b>	<b>14,180.4</b>	<b>1.5</b>	<b>(6.5)</b>	<b>12,099.0</b>	<b>7,108.0</b>	<b>746.2</b>	<b>833.0</b>	<b>11,864.5</b>	<b>7,072.3</b>	<b>(744.7)</b>	<b>(839.5)</b>
Forwards	7,489.7	8,891.7	1.5	(6.5)	3,862.1	4,463.7	110.7	311.7	3,627.6	4,428.0	(109.2)	(318.2)
Cross currency interest rate swaps	16,473.8	5,288.7	-	-	8,236.9	2,644.3	635.5	521.3	8,236.9	2,644.3	(635.5)	(521.3)
<b>Total forwards</b>	<b>7,489.7</b>	<b>8,891.7</b>	<b>1.5</b>	<b>(6.5)</b>	<b>3,862.1</b>	<b>4,463.7</b>	<b>110.7</b>	<b>311.7</b>	<b>3,627.6</b>	<b>4,428.0</b>	<b>(109.2)</b>	<b>(318.2)</b>
<b>Total cross currency interest rate swaps</b>	<b>19,053.7</b>	<b>8,661.8</b>	<b>(521.1)</b>	<b>(534.8)</b>	<b>9,475.5</b>	<b>4,273.2</b>	<b>805.3</b>	<b>813.8</b>	<b>9,578.2</b>	<b>4,388.5</b>	<b>(1,326.4)</b>	<b>(1,348.6)</b>
<b>TOTAL EXCHANGE RATE DERIVATIVES</b>	<b>26,543.4</b>	<b>17,553.5</b>	<b>(519.6)</b>	<b>(541.3)</b>	<b>13,337.6</b>	<b>8,736.9</b>	<b>916.0</b>	<b>1,125.5</b>	<b>13,205.8</b>	<b>8,816.5</b>	<b>(1,435.6)</b>	<b>(1,666.8)</b>

The following table reports the cash flows expected in coming years from these financial derivatives.

Millions of euro	Fair value	Stratification of expected cash flows					
	at Dec. 31, 2009	2010	2011	2012	2013	2014	Beyond
<b>CFH on exchange rates</b>							
Derivatives with positive fair value pertaining to Enel SpA	169.8	53.0	34.6	18.5	12.6	9.7	159.2
Derivatives with negative fair value pertaining to Enel SpA	(690.9)	(69.0)	(50.5)	(34.5)	(28.6)	(25.7)	(797.1)
<b>Trading derivatives on exchange rates</b>							
Derivatives with positive fair value pertaining to Enel SpA	11.0	10.9	-	-	-	-	-
Derivatives with negative fair value pertaining to Enel SpA	(9.6)	(9.5)	-	-	-	-	-
Derivatives with positive fair value on behalf of Group companies	735.2	85.1	10.1	0.4	25.9	10.3	181.8
Derivatives with negative fair value on behalf of Group companies	(735.1)	(85.0)	(10.1)	(0.4)	(25.9)	(10.3)	(181.8)

The Company's exposure to exchange rate risk on the basis of notional value in foreign currency is reported below:

Millions	US dollars	Pounds sterling	Swiss francs	Japanese yen	Other currencies	US dollars	Pounds sterling	Swiss francs	Japanese yen
	at Dec. 31, 2009					at Dec. 31, 2008			
Trade receivables in foreign currency	0.3	-	-	-	-	0.3	-	-	-
Financial assets in foreign currency	-	-	-	9.4	-	-	-	3.4	18.4
Trade payables in foreign currency	0.2	0.1	77.2	-	0.1	0.4	0.1	82.4	-
Loans and other financial liabilities in foreign currency	-	1,124.7 <sup>(1)</sup>	-	9.4	-	-	1,124.3 <sup>(1)</sup>	3.4	29.4
<b>Total</b>	<b>0.5</b>	<b>1,124.8</b>	<b>77.2</b>	<b>18.8</b>	<b>0.1</b>	<b>0.7</b>	<b>1,124.4</b>	<b>89.2</b>	<b>47.8</b>

(1) Fully hedged by cross currency interest rate swaps.



As regards exchange rate risk, net long-term debt denominated in foreign currency, equal to 4.2% of the total (3.0% at December 31, 2008), is fully hedged by cross currency interest rate swaps.

At December 31, 2009, assuming a 10% appreciation of the euro against the currencies in which the debt is denominated, all other variables being equal, shareholders' equity would have been €143.6 million lower (€147.6 million at December 31, 2008) as a result of the decrease in the fair value of CFH derivatives on exchange rates. Conversely, assuming a 10% depreciation of the euro against the currencies in which the debt is denominated, all other variables being equal, shareholders' equity would have been about €175.5 million higher (€180.4 million at December 31, 2008) as a result of the increase in the fair value of CFH derivatives on exchange rates.

### Commodity risk

Various types of derivatives are used to reduce the exposure to fluctuations in commodity prices, especially swaps.

The exposure is primarily hedged with Enel Trade, which hedges the risk of changes in the prices of the commodities to which the related contracts are indexed on behalf of Group companies.

At December 31, 2009 there were no embedded derivatives to separate.

### Credit risk

Enel manages credit risk by operating solely with counterparties considered solvent by the market, i.e. those with high credit standing, and does not have any concentration of credit risk.

As regards the credit risk generated by open positions in financial derivatives, the Company has entered into margin agreements (Credit Support Annexes) with its main counterparties that call for the exchange of cash collateral, which significantly mitigates the exposure to counterparty risk. More specifically, under such agreements the counterparties establish dedicated interest-bearing deposit accounts on which they balance the current creditor exposure (net positive fair value of the derivatives portfolio) with the positive balance on the account. The amounts actually exchanged between the counterparties are determined on the basis of the change in the net fair value of the position in respect of contractually specified thresholds for the minimum unsecured exposure and the minimum margin payment.

A composite quantitative overview of the exposure to credit risk can be drawn from the carrying amount of financial assets gross of their provision for impairment and of transactions with Group companies, in addition to derivatives with a positive fair value, net of any cash collateral.

At December 31, 2009, the exposure to credit risk amounted to €23,447.5 million (€38,997.1 million at December 31, 2008). Of the total, €21,032.9 million regard exposures in respect of Group companies.

Millions of euro

	<b>at Dec. 31, 2009</b>		at Dec. 31, 2008	2009-2008	
		<i>of which Group</i>		<i>of which Group</i>	
Non-current financial receivables	343.0	198.0	234.6	232.0	108.4
Non-current financial derivatives	973.1	756.1	956.1	116.9	17.0
Other non-current financial assets	3.4	-	3.6	-	(0.2)
Trade receivables	524.0	452.5	491.9	401.9	32.1
Current financial receivables	19,001.8	19,001.8	34,518.5	34,518.5	(15,516.7)
Current financial derivatives	98.8	57.2	294.0	44.0	(195.2)
Other current financial assets	1,508.2	567.3	1,884.2	1,730.9	(376.0)
Cash and cash equivalents	995.2	-	614.2	-	381.0
<b>Total</b>	<b>23,447.5</b>	<b>21,032.9</b>	<b>38,997.1</b>	<b>37,044.2</b>	<b>(15,549.6)</b>

### Liquidity risk

Enel SpA manages centralized treasury operations at the Group level (with the exception of Endesa SA and its subsidiaries), meeting liquidity needs mainly out of cash flows from ordinary operations and bank credit where necessary. In addition, it manages any excess liquidity as appropriate.

Underscoring the Enel Group's long-standing access to the credit market, despite the recent financial crisis the Group carried out bond issues for institutional investors totaling €10 billion, acting through Enel Finance International with Enel SpA as guarantor. In addition, Enel SpA and Enel Finance International also arranged an €8 billion syndicated credit facility (of which €4,978.5 million pertaining to Enel SpA) that was used to finance the acquisition of 25.01% of Endesa SA from Acciona.

At December 31, 2009 Enel SpA had committed lines of credit amounting to €13,098 million, of which €6,548 million had been drawn (€17,181 million, of which €15,955 million drawn, at December 31, 2008). It also had uncommitted lines of credit amounting to €1,000 million, of which €790 million had been drawn (€304 million fully drawn at December 31, 2008).

Forecasting of liquidity requirements is carried out on the basis of forecast cash flows from ordinary operations.

# Information on the Income Statement

## Revenues

### 5.a Revenues from sales and services – €693.0 million

“Revenues from sales and services” break down as follows:

Millions of euro

	<b>2009</b>		2008	2009-2008	
		<i>of which with related parties</i>		<i>of which with related parties</i>	
<b>Electricity sales</b>	<b>329.1</b>		<b>392.0</b>		<b>(62.9)</b>
Single Buyer	328.0	328.0	386.7	386.7	(58.7)
Other	1.1	1.1	5.3	5.0	(4.2)
<b>Services</b>	<b>363.9</b>		<b>317.5</b>		<b>46.4</b>
Group companies	363.1	363.1	317.3	317.3	45.8
Non-Group counterparties	0.8		0.2		0.6
<b>Total revenues from sales and services</b>	<b>693.0</b>		<b>709.5</b>		<b>(16.5)</b>

Of total “Revenues from sales and services”, €329.1 million referred to electricity sales and €363.9 million to services.

“Revenues from electricity sales” mainly regarded sales to the Single Buyer (€328.0 million) which acts as guarantor of the supply to customers on the enhanced protection market. Compared with 2008, this item declined by €62.9 million, essentially due to the decline in the average price on sales to the Single Buyer.

“Revenues from services” essentially regard the provision of assistance and consulting to subsidiaries and the rebilling of sundry expenses to these subsidiaries. These revenues increased by €46.4 million on the previous year, mainly due to increased rebilling to the subsidiary Enel Energy Europe SL (€61.0 million in 2009, compared with €12.1 million in 2008) associated with the acquisition, completed on June 25, 2009, of an additional 25.01% of Endesa from Acciona.

“Revenues from sales and services” break down by geographical area as follows: €579.1 million in Italy, €110.9 million in the European Union and €3.0 million in other non-EU countries.

### 5.b Other revenues – €13.3 million

In 2009, other revenues amounted to €13.3 million, a decrease of €11.5 million on the previous year (€24.8 million in 2008). Note that in 2008 the item included revenues of €12.1 million for seconded personnel reclassified for presentation purposes. Previously, they had been classified under “Revenues from sales and services”. The decline with respect to the previous period is mainly attributable to the fall in revenues for seconded personnel (€3.9 million) as well as to the effect of the recognition in the 1st Half of 2008 of the gain on the sale to E.ON of 60% of the holding in Enel Viesgo Servicios (€3.0 million).

## Costs

### 6.a. Electricity purchases and consumables – €316.7 million

Costs for “electricity purchases and consumables” totaled €316.7 million (€349.2 million in 2008) and are nearly entirely accounted for by purchases of electricity amounting to €313.4 million (€345.9 million in 2008).

In 2009 a total of 5,256 million kWh were purchased, compared with 5,271 million kWh in 2008. The purchases refer essentially to power acquired in Switzerland at prices set in long-term contract with the supplier Atel.

Costs for electricity purchases show a decline of €32.5 million on the previous year, mainly attributable to the settlement agreement with Atel, which essentially provides for Enel and Atel to split equally any gains or losses on the contract under certain conditions. The agreement led to the recognition in 2009 of income in the amount of €4.1 million, compared with charges of €25.7 million in 2008.

### 6.b Services, leases and rentals – €308.2 million

Costs for “services, leases and rentals” can be broken down as follows:

Millions of euro

	<b>2009</b>		2008	2009-2008	
		<i>of which with related parties</i>		<i>of which with related parties</i>	
Services	292.5	63.3	271.9	78.6	20.6
Leases and rentals	15.7	12.9	16.6	13.4	(0.9)
<b>Total services, leases and rentals</b>	<b>308.2</b>	<b>288.5</b>			<b>19.7</b>

Costs for “services”, totaling €292.5 million, include costs for services provided by third-parties in the amount of €238.0 million (€218.8 million in 2008) and costs for services provided by Group companies in the amount of €54.5 million (€53.1 million in 2008).

Costs for services provided by third parties rose by €19.2 million, essentially the effect of:

- > the increase in costs in respect of the acquisition and disposal of companies (€36.5 million), essentially attributable to the costs for the acquisition (€61.0 million), completed on June 25, 2009, of an additional 25.01% of Endesa from Acciona through the subsidiary Enel Energy Europe, with corresponding revenues for services following rebilling to the latter;
- > the increase in costs incurred for the organization of conferences and meetings by Enel in the amount of €11.6 million;
- > the decrease in fees due to the Energy Services Operator and the Energy Markets Operator (€14.0 million) and lower costs for advertising, promotional services and printing (€11.3 million). More specifically, the decline in these fees is essentially attributable to the partial reimbursement by the Energy Services Operator of congestion fees for the period April 1, 2004 - December 31, 2004 (€7.9 million).

The costs for services provided by Group companies increased by €1.4 million, mainly due to increased costs in respect of Enel Distribuzione (€6.5 million) associated with seconded personnel and Enel Ingegneria e Innovazione (€4.7 million) for support in developing environmental policy and the independent

monitoring of the nuclear power activities of the Enel Group. These factors were partially offset by the reduction in costs in respect of Enel Servizi (€5.4 million), above all in relation to software maintenance services, and in respect of other Group companies (€4.4 million).

Cost for “leases and rentals” came to €15.7 million, broadly unchanged on the previous year (€16.6 million in 2008).

### 6.c. Personnel – €97.2 million

Personnel costs break down as follows:

Millions of euro			
	2009	2008	2009-2008
Wages and salaries	65.3	70.3	(5.0)
Social security contributions	20.1	19.5	0.6
Termination benefits	4.7	4.5	0.2
Charges for stock options and other plans	3.6	3.7	(0.1)
Other costs	3.5	6.8	(3.3)
<b>Total personnel costs</b>	<b>97.2</b>	<b>104.8</b>	<b>(7.6)</b>

“Personnel costs” amounted to €97.2 million, down €7.6 million on 2008, essentially attributable to the decline in the average number of senior managers (down 14 on 2008), partially offset by an increase in the average number of office staff (up 22 on 2008).

Social security contributions in 2009 came to €20.1 million and consist of contributions to the National Social Security Institute (INPS) and other minor institutions (€18.6 million) and contributions to defined-contribution plans (Fopen and Fondenel) in the amount of €1.5 million. The increase in social security contributions (€0.6 million on 2008) is largely attributable to the rise in contributions for illness and maternity indemnities (up 0.46%) and unemployment contributions (up 1.61%).

Termination benefit costs in the amount of €4.7 million are essentially unchanged from the previous year. The charge for termination benefits accruing in the year went entirely to supplementary pension plans, with 93.3% of employees participating in the Fopen and Fondenel plans and 6.7% in the Treasury Fund set up with INPS.

Charges for stock options and other plans came to €3.6 million, largely in line with the previous year.

The decrease in “other costs” is essentially attributable to the recognition in 2009 of the actuarial gain generated by the change in the method used to measure, at January 1, 2009, the liability in respect of health care benefits. The modification takes account of the average present value of future contributions paid by the people enrolled in the plan (€3.9 million).

The table below shows the average number of employees by category, compared with the previous year, and the actual number of employees at December 31, 2009.

	Average number			Headcount
	2009	2008	2009-2008	at Dec. 31, 2009
Senior managers	120	134	(14)	114
Middle managers	310	313	(3)	318
Office staff	289	267	22	299
<b>Total</b>	<b>719</b>	<b>714</b>	<b>5</b>	<b>731</b>

#### 6.d Depreciation, amortization and impairment losses – €8.7 million

Depreciation and amortization came €8.7 million, essentially the same as the previous year (€9.2 million in 2008).

In 2008, impairment losses had totaled €6.2 million, largely attributable to the writedown of the investment in Enel.NewHydro (€3.4 million) due to this company's recognized losses over the previous two years.

Millions of euro

	2009	2008	2009-2008
Depreciation	1.9	1.8	0.1
Amortization	6.8	7.4	(0.6)
Impairment losses	-	6.2	(6.2)
<b>Total depreciation, amortization and impairment losses</b>	<b>8.7</b>	<b>15.4</b>	<b>(6.7)</b>

#### 6.e Other operating expenses – €11.5 million

Other operating expenses totaled €11.5 million (€52.7 million in 2008), down €41.2 million, essentially accounted for by:

- > a decrease of €24.4 million in respect of updated estimates of provisions for litigation on positions arising in previous years (carried out on the basis of the opinions of internal and external legal counsel), which in 2009 led to net reversals to income of €8.4 million, compared with net accruals of €16.0 million in 2008;
- > a decrease of €8.4 million due to the higher costs recognized in 2008 for the settlement of damages paid to Weather;
- > a decrease of €4.4 million attributable to the recognition in 2009 by the Energy Services Operator of the guarantees of origin issued in France for electricity generated from renewables and imported into Italy in 2005, with the consequent reimbursement of green certificates acquired by Enel SpA.

The **operating loss** came to €36.0 million. Compared with 2008 (a loss of €76.3 million), this represents an improvement of €40.3 million.

## 7. Income from equity investments – €4,481.8 million

This item is made up of dividends distributed by subsidiaries, associates and other companies equal to €4,481.8 million (€3,187.2 million in 2008), as detailed below:

### DIVIDENDS RECEIVED

Millions of euro

	2009	2008	2009-2008
Enel Produzione SpA	2,255.8	1,516.8	739.0
Enel Distribuzione SpA	2,095.1	1,504.4	590.7
Enel Trade SpA	53.6	133.8	(80.2)
Enel.Factor SpA	4.2	4.0	0.2
Enel Sole Srl	11.9	3.5	8.4
Enel Servizi Srl	5.5	8.2	(2.7)
Enel Energia SpA	37.0	-	37.0
Sfera Srl	1.3	0.6	0.7
Terna SpA <sup>(1)</sup>	17.3	15.7	1.6
Emittenti Titoli SpA	0.1	0.2	(0.1)
<b>Total income from equity investments</b>	<b>4,481.8</b>	<b>3,187.2</b>	<b>1,294.6</b>

(1) Includes the interim dividend for 2009 in the amount of €7.2 million, which was paid on November 26, 2009 (€6.0 million for the interim dividend for 2008 paid on November 27, 2008).

## 8. Financial income/(expense) – €1,282.0 million

This item can be broken down as follows:

Millions of euro

	2009		2008	2009-2008	
	of which with related parties		of which with related parties		
<b>Financial income</b>					
Interest and other income from non-current financial assets	19.5	17.7	69.3	68.4	(49.8)
Interest and other income from current financial assets	545.5	537.2	1,747.6	1,720.0	(1,202.1)
Foreign exchange gains	4.8		362.4		(357.6)
- on financial receivables and securities	-		0.6	0.6	(0.6)
- on cash and cash equivalents	0.1		0.6		(0.5)
- on loans	1.3		357.7		(356.4)
- on other	3.4	1.1	3.5		(0.1)
Income from derivative instruments	1,932.9		1,863.4		69.5
- entered into on behalf of Group companies:					
from derivatives designated as FVTPL	1,661.3	1,441.9	1,661.6	435.3	(0.3)
- entered into on behalf of Enel SpA:					
from derivatives designated as FVTPL	81.8		106.0		(24.2)
from derivatives designated as CFH	189.8		95.8		94.0
Other interest and financial income	8.1	10.0	19.2	11.0	(11.1)
<b>Total income</b>	<b>2,510.8</b>		<b>4,061.9</b>		<b>(1,551.1)</b>
<b>Financial expense</b>					
Interest and other charges on non-current financial debt	1,285.7		1,985.6		(699.9)
- interest on non-current financial debt	685.8	385.1	1,222.2	579.1	(536.4)
- interest on bonds	599.9		763.4		(163.5)
Interest and other charges on current financial debt	220.9		240.5		(19.6)
- interest on debts to banks and other Group companies	220.9	185.7	240.5	199.4	(19.6)
Accretion of post-employment and other employee benefits	16.6		17.9		(1.3)
Foreign exchange losses	89.2		23.7		65.5
- on financial receivables and securities	0.1	0.1	0.3	0.3	(0.2)
- on cash and cash equivalents	0.1		0.6		(0.5)
- on loans	86.8		16.1		70.7
- on other	2.2		6.7		(4.5)
Expense on derivative instruments	2,172.1		2,247.4		(75.3)
- entered into on behalf of Group companies:					
from derivatives designated as FVTPL	1,659.8	245.5	1,663.7	1,275.5	(3.9)
- entered into on behalf of Enel SpA:					
from derivatives designated as FVTPL	237.2		143.5		93.7
from derivatives designated as CFH	275.1		440.2		(165.1)
Other interest and charges	8.3	7.4	14.8		(6.5)
<b>Total charges</b>	<b>3,792.8</b>		<b>4,529.9</b>		<b>(737.1)</b>
<b>TOTAL FINANCIAL INCOME/(EXPENSE)</b>	<b>(1,282.0)</b>		<b>(468.0)</b>		<b>(814.0)</b>



Net financial expense totaled €1,282.0 million and is essentially composed of interest on financial debt (€1,506.7 million), which was partly offset by interest and other income on intercompany and bank current accounts (€537.2 million and €8.3 million, respectively) and interest income on loans assumed by Group companies (€17.7 million).

The decrease in interest and other charges on financial debt in 2009 (€719.5 million) compared with 2008 is attributable to the broad decline in interest rates, from which Enel SpA benefited on long-term floating-rate debt due to third parties, as well as the reduction in average long-term debt for the year as a result of the capital increase.

The decrease in interest and other income from current financial assets (€1,202.1 million) is partly the result of a decline in interest income from Enel Energy Europe (€875.8 million) as a result of the decrease in the average creditor balance on the intercompany current account. The latter development is mainly attributable to the recapitalization of the subsidiary (€12,300.0 million), which was carried out with the waiver of Enel SpA's receivable in respect of that account, as well as the decline in the interest rate on the current account in response to the trend in market rates.

The financial expense related to the foreign exchange losses accumulated on hedged foreign-currency loans (€86.8 million) was fully offset by the effect of the related currency hedging transactions.

With reference to systematic hedging of interest-rate and exchange-rate risk on behalf of all the companies of the Group, financial income and expense on derivatives almost completely balance out, and are therefore indicative of the effective absence of risk exposure for Enel SpA.

## 9. Income taxes – €296.6 million

Millions of euro

	2009	2008	2009-2008
Current taxes	(303.0)	(77.0)	(226.0)
Deferred tax assets	6.5	(9.0)	15.5
Deferred tax liabilities	(0.1)	(14.9)	14.8
<b>Total taxes</b>	<b>(296.6)</b>	<b>(100.9)</b>	<b>(195.7)</b>

Income taxes for 2009 showed a tax credit of €296.6 million due mainly to the 95% exclusion from taxation of the dividends received from subsidiaries. Total taxes also reflect the effect of deferred tax assets and liabilities (€6.4 million). Income taxes also take account of the deductibility of Enel SpA interest expense for the Group's consolidated taxation mechanism in accordance with corporate income tax law (Article 96 of the Uniform Tax Code, as replaced by Law 244 of December 24, 2007, the 2008 Finance Act). The change in income taxes on the previous year is essentially due to the greater deductibility of interest expense transferred by Enel SpA within the framework of consolidated taxation mechanism.

The effective income tax rate was a negative 9.4% for the year, as compared with the negative 3.8% for 2008.

Millions of euro

	2009	2008
Income before taxes	3,163.8	2,642.9
<b>Theoretical IRES tax liability (27.5%)</b>	<b>870.0</b>	<b>726.8</b>
<b>Tax decreases:</b>		
- gains on exempt equity investments	-	(0.8)
- dividends on equity investments	(1,170.9)	(832.7)
- uses of provisions	(11.1)	(10.9)
<b>Tax increases:</b>		
- writedowns for the year	-	5.7
- accretions to provisions	6.1	13.9
- prior-year expense	2.6	-
- other	4.9	24.3
<b>Total current income taxes (IRES)</b>	<b>(298.4)</b>	<b>(73.7)</b>
<b>IRAP</b>	<b>-</b>	<b>-</b>
<b>Foreign taxes</b>	<b>0.1</b>	<b>-</b>
<b>Difference on tax estimate for previous years</b>	<b>(3.4)</b>	<b>(3.3)</b>
<b>IRES recovery for IRAP deductibility (10%) 2003-2007</b>	<b>(1.3)</b>	<b>-</b>
<b>Total deferred tax items</b>	<b>6.4</b>	<b>(23.9)</b>
<b>TOTAL INCOME TAXES</b>	<b>(296.6)</b>	<b>(100.9)</b>

# Information on the Balance Sheet

## Assets

### Non-current assets

#### 10. Property, plant and equipment – €6.4 million

Developments in property, plant and equipment for 2008 and 2009 are set out in the table below:

Millions of euro	Land	Buildings	Plant and machinery	Industrial and commercial equipment	Other assets	Leasehold improvements	Assets under construction	Total
Cost	0.4	2.8	3.0	5.3	17.0	20.4	0.6	49.5
Accumulated depreciation	-	(1.3)	(2.9)	(5.2)	(15.9)	(16.6)	-	(41.9)
<b>Balance at Dec. 31, 2007</b>	<b>0.4</b>	<b>1.5</b>	<b>0.1</b>	<b>0.1</b>	<b>1.1</b>	<b>3.8</b>	<b>0.6</b>	<b>7.6</b>
Capital expenditure	-	-	-	-	0.1	0.7	-	0.8
Assets entering service	-	-	-	-	0.6	-	(0.6)	-
Depreciation	-	(0.1)	-	-	(0.5)	(1.2)	-	(1.8)
<b>Total changes</b>	<b>-</b>	<b>(0.1)</b>	<b>-</b>	<b>-</b>	<b>0.2</b>	<b>(0.5)</b>	<b>(0.6)</b>	<b>(1.0)</b>
Cost	0.4	2.8	3.0	5.3	17.7	21.1	-	50.3
Accumulated depreciation	-	(1.4)	(2.9)	(5.2)	(16.4)	(17.8)	-	(43.7)
<b>Balance at Dec. 31, 2008</b>	<b>0.4</b>	<b>1.4</b>	<b>0.1</b>	<b>0.1</b>	<b>1.3</b>	<b>3.3</b>	<b>-</b>	<b>6.6</b>
Capital expenditure	-	-	-	-	0.2	1.5	-	1.7
Depreciation	-	-	(0.1)	(0.1)	(0.3)	(1.4)	-	(1.9)
<b>Total changes</b>	<b>-</b>	<b>-</b>	<b>(0.1)</b>	<b>(0.1)</b>	<b>(0.1)</b>	<b>0.1</b>	<b>-</b>	<b>(0.2)</b>
Cost	0.4	2.8	3.0	5.3	17.9	22.6	-	52.0
Accumulated depreciation	-	(1.4)	(3.0)	(5.3)	(16.7)	(19.2)	-	(45.6)
<b>Balance at Dec. 31, 2009</b>	<b>0.4</b>	<b>1.4</b>	<b>-</b>	<b>-</b>	<b>1.2</b>	<b>3.4</b>	<b>-</b>	<b>6.4</b>

Property, plant and equipment totaled 6.4 million, virtually unchanged compared with the previous year (€6.6 million at December 31, 2008).

“Leasehold improvements” mainly regard the renovation work on the Naples Historical Archives and renovation of parts of Enel SpA’s headquarters. They are depreciated over the remaining term of the leases on the building.

## 11. Intangible assets – €14.4 million

Intangible assets, all of which have a definite useful life, break down as follows:

Millions of euro	Industrial patents and intellectual property rights	Other intangible assets in progress	Total
<b>Balance at Dec. 31, 2007</b>	<b>13.9</b>	<b>3.4</b>	<b>17.3</b>
Capital expenditure	8.9	2.4	11.3
Assets entering service	3.4	(3.4)	-
Disposals	(4.4)	-	(4.4)
Amortization	(7.4)	-	(7.4)
<b>Total changes</b>	<b>0.5</b>	<b>(1.0)</b>	<b>(0.5)</b>
<b>Balance at Dec. 31, 2008</b>	<b>14.4</b>	<b>2.4</b>	<b>16.8</b>
Capital expenditure	2.0	4.9	6.9
Disposals	(2.5)	-	(2.5)
Amortization	(6.8)	-	(6.8)
<b>Total changes</b>	<b>(7.3)</b>	<b>4.9</b>	<b>(2.4)</b>
<b>Balance at Dec. 31, 2009</b>	<b>7.1</b>	<b>7.3</b>	<b>14.4</b>

“Industrial patents and intellectual property rights” relate mainly to costs incurred in purchasing software and open-ended software licenses, as well as to related maintenance and upgrade costs. Amortization is calculated on a straight-line basis over the item’s residual useful life (three years on average).

The decrease of €7.3 million is mainly due to amortization charges for the period (€6.8 million) and the sale to Enel Servizi of the SAP HR modules in order to optimize applications for human resource management (€2.5 million), partly offset by capital expenditure (€2.0 million), which was mainly related to the Security Control and Group Centralized Payments projects.

“Other intangible assets in progress” amounted to €7.3 million, of which €5.3 million in respect of the “Integrated Finance System” (IFS) project and €2.0 million for the new “Group Wide Reporting Model” (GWRM) project.

In addition to the GWRM project, the increase of €4.9 million in the item is also attributable to capital expenditure for the IFS during the period (€2.9 million).

## 12. Deferred tax assets – €321.3 million

Changes in “deferred tax assets” and “deferred tax liabilities”, grouped by type of temporary difference, are shown below.

Millions of euro		Increase/ (Decrease) taken to income statement	Increase/ (Decrease) taken to equity	
	at Dec. 31, 2008			at Dec. 31, 2009
<b>Deferred tax assets</b>				
<i>Nature of the temporary difference:</i>				
- accruals to provisions for risks and charges and impairment losses	39.3	(5.4)	-	33.9
- financial derivatives	217.0	-	(20.3)	196.7
- costs for capital increase	-	-	42.5	42.5
- other items	49.3	(1.1)	-	48.2
<b>Total deferred tax assets</b>	<b>305.6</b>	<b>(6.5)</b>	<b>22.2</b>	<b>321.3</b>
<b>Deferred tax liabilities</b>				
<i>Nature of the temporary difference:</i>				
- differences on non-current and financial assets	2.6	-	0.9	3.5
- income subject to deferred taxation	0.3	-	-	0.3
- measurement of financial instruments	147.4	-	(44.2)	103.2
- other items	0.6	(0.1)	-	0.5
<b>Total deferred tax liabilities</b>	<b>150.9</b>	<b>(0.1)</b>	<b>(43.3)</b>	<b>107.5</b>
<b>Offsettable net deferred tax assets (IRES)</b>	<b>142.1</b>			<b>198.4</b>
<b>Offsettable net deferred tax assets (IRAP)</b>	<b>12.6</b>			<b>15.4</b>

“Deferred tax assets” are calculated based on the tax rates as of the date of recovery and came to €321.3 million (€305.6 million at December 31, 2008). Deferred tax assets increased by €15.7 million compared with the previous year, mainly due to the deferred tax assets in respect of the transaction costs of the capital increase (€42.5 million), partially offset by the deferred tax assets on the fair value measurement of cash flow hedges recognized in equity (€20.3 million) and the release to income of deferred tax assets in respect of provisions for risks and charges (€5.4 million).

“Deferred tax liabilities” are also calculated based on the tax rates as of the date of recovery and came to €107.5 million (€150.9 million at December 31, 2008), decreasing by €43.4 million. The decrease is essentially attributable to the deferred tax liabilities in respect of the fair value measurement of financial instruments recognized in equity (€44.2 million), partially offset by the deferred tax liabilities in respect of the measurement of available-for-sale equity investments (€0.9 million). The value of deferred tax assets and liabilities was calculated using an IRES rate of 27.5% and IRAP rate of 4.82% (including regional surcharges) in effect as of the beginning of 2008.

### 13. Equity investments – €35,957.2 million

The table below shows the changes during the year for each investment, with the corresponding values at the beginning and end of the year, as well as the list of investments held in subsidiaries, joint ventures, associates and other companies.

Millions of euro	Original cost	(Writedowns) Revaluations	Other changes - IFRIC 11	Carrying amount restated	% holding
at Dec. 31, 2008					
<b>A) Subsidiaries</b>					
Enel Produzione SpA	4,938.3	-	2.2	4,940.5	100.0
Enel Ingegneria e Innovazione SpA	-	-	-	-	-
Enel Distribuzione SpA	6,311.7	-	1.3	6,313.0	100.0
Enel Servizio Elettrico SpA	10.0	-	0.3	10.3	100.0
Enel Trade SpA	101.0	-	0.4	101.4	100.0
Enel Green Power SpA	1,630.4	-	0.1	1,630.5	100.0
Enel Investment Holding BV	7,629.8	(4,473.0)	0.2	3,157.0	100.0
Enelpower SpA	189.5	(151.7)	-	37.8	100.0
Deval SpA	19.0	-	-	19.0	51.0
Enel Energia SpA	1,321.0	(8.3)	0.3	1,313.0	100.0
Enel Energy Europe Srl	3,000.1	-	-	3,000.1	100.0
Enel Finance International SA	1,414.2	-	-	1,414.2	100.0
Enel Factor SpA	17.9	(0.4)	-	17.5	100.0
Sfera Srl	13.2	(2.8)	-	10.4	100.0
Enel Capital Srl	8.5	(2.4)	-	6.1	100.0
Enel Sole Srl	5.3	-	-	5.3	100.0
Enel.si Srl	10.2	(1.0)	0.2	9.4	100.0
Enel Servizi Srl	524.5	(40.2)	1.3	485.6	100.0
Enel.NewHydro Srl	29.5	(28.0)	-	1.5	100.0
Enel Romania Srl	0.04	-	-	0.04	80.0
Enel Distributie Muntenia SA	863.5	-	-	863.5	64.4
Enel Energie Muntenia SA	117.8	-	-	117.8	64.4
Enel Trading Rus BV	0.02	-	-	0.02	100.0
Vallenergie SpA	0.9	-	-	0.9	51.0
<b>Total subsidiaries</b>	<b>28,156.4</b>	<b>(4,707.8)</b>	<b>6.3</b>	<b>23,454.9</b>	
<b>B) Joint ventures</b>					
Sviluppo Nucleare Italia Srl	-	-	-	-	-
<b>Total joint ventures</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>C) Associated companies</b>					
Idrosicilia SpA	9.0	-	-	9.0	40.0
Cesi SpA	2.2	-	-	2.2	25.9
<b>Total associated companies</b>	<b>11.2</b>	<b>-</b>	<b>-</b>	<b>11.2</b>	
<b>D) Other companies</b>					
Elcogas SA	2.2	(1.1)	-	1.1	4.3
Emittenti Titoli SpA	0.5	-	-	0.5	10.0
Terna Rete Elettrica Nazionale SpA	46.2	193.4	-	239.6	5.1
Consorzio Civita	-	-	-	-	25.0
Consorzio Bresciano per la ricerca applicata e l'innovazione tecnologica nel settore dell'automazione industriale Srl	-	-	-	-	0.3
<b>Total other companies</b>	<b>48.9</b>	<b>192.3</b>	<b>-</b>	<b>241.2</b>	
<b>TOTAL EQUITY INVESTMENTS</b>	<b>28,216.5</b>	<b>(4,515.5)</b>	<b>6.3</b>	<b>23,707.3</b>	

		Incorporations/ Purchases/ Reclassification	Capital grants Transfers/ (Spin-offs)	and loss coverage	Other changes	Value adjustments	Incidental acquisition expenses	Adjustment of equity investment cost	Adjustment of purchase price	Adjustment of value of put option	Net change	Original cost	(Writedowns)/ Revaluations	Other changes - IFRIC 11	Carrying amount	% holding
Changes in 2009											at Dec. 31, 2009					
	-	-	(46.5)	0.7	-	-	-	-	-	-	(45.8)	4,891.8	-	2.9	4,894.7	100.0
	-	-	46.5	0.4	-	-	-	-	-	-	46.9	46.5	-	0.4	46.9	100.0
	-	-	-	0.4	-	-	-	-	-	-	0.4	6,311.7	-	1.7	6,313.4	100.0
	-	-	-	0.1	-	-	-	-	-	-	0.1	10.0	-	0.4	10.4	100.0
	-	-	-	0.1	-	-	-	-	-	-	0.1	101.0	-	0.5	101.5	100.0
	-	-	-	0.6	0.4	-	-	-	-	-	1.0	1,630.4	-	1.1	1,631.5	100.0
	-	-	868.3	-	(0.2)	-	-	-	-	-	868.1	8,498.1	(4,473.0)	-	4,025.1	100.0
	-	-	-	-	-	-	-	-	-	-	-	189.5	(151.7)	-	37.8	100.0
	-	-	-	-	-	-	-	-	-	-	-	19.0	-	-	19.0	51.0
	-	-	-	0.2	-	-	-	-	-	-	0.2	1,321.0	(8.3)	0.5	1,313.2	100.0
	-	-	-	12,300.0	-	-	-	-	-	-	12,300.0	15,300.1	-	-	15,300.1	100.0
	-	-	-	-	-	-	-	-	-	-	-	1,414.2	-	-	1,414.2	100.0
	-	-	-	-	-	-	-	-	-	-	-	17.9	(0.4)	-	17.5	100.0
	-	(10.4)	-	-	-	-	-	-	-	-	(10.4)	2.8	(2.8)	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	8.5	(2.4)	-	6.1	100.0
	-	-	-	-	-	-	-	-	-	-	-	5.3	-	-	5.3	100.0
	-	(9.2)	-	-	(0.2)	-	-	-	-	-	(9.4)	1.0	(1.0)	-	-	-
	-	-	-	0.6	-	-	-	-	-	-	0.6	524.5	(40.2)	1.9	486.2	100.0
	-	-	-	16.0	-	-	-	-	-	-	16.0	45.5	(28.0)	-	17.5	100.0
	-	-	(0.04)	-	-	-	-	-	-	-	(0.04)	-	-	-	-	-
	-	-	(890.5)	-	-	-	3.1	(24.8)	32.4	16.3	(863.5)	-	-	-	-	-
	-	-	(157.2)	-	-	-	0.6	24.8	5.7	8.3	(117.8)	-	-	-	-	-
	-	-	-	0.05	-	-	-	-	-	-	0.05	0.07	-	-	0.07	100.0
	-	-	-	-	-	-	-	-	-	-	-	0.9	-	-	0.9	51.0
	-	(19.6)	(179.4)	12,319.2	-	-	3.7	-	38.1	24.6	12,186.5	40,339.8	(4,707.8)	9.4	35,641.4	
	-	-	3.0	-	-	-	-	-	-	-	3.0	3.0	-	-	3.0	50.0
	-	-	3.0	-	-	-	-	-	-	-	3.0	3.0	-	-	3.0	
	(9.0)	-	-	-	-	-	-	-	-	-	(9.0)	-	-	-	-	40.0
	-	-	-	-	-	-	-	-	-	-	-	2.2	-	-	2.2	25.9
	(9.0)	-	-	-	-	-	-	-	-	-	(9.0)	2.2	-	-	2.2	
	2.6	-	-	-	-	-	-	-	-	-	2.6	4.8	(1.1)	-	3.7	4.3
	-	-	-	-	-	-	-	-	-	-	-	0.5	-	-	0.5	10.0
	-	-	-	-	-	66.8	-	-	-	-	66.8	46.2	260.2	-	306.4	5.1
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	25.0
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.3
	2.6	-	-	-	-	66.8	-	-	-	-	69.4	51.5	259.1	-	310.6	
	(6.4)	(19.6)	(176.4)	12,319.2	-	66.8	3.7	-	38.1	24.6	12,249.9	40,396.5	(4,448.7)	9.4	35,957.2	

## The table below reports changes in equity investments in 2009:

Millions of euro

<b>Increases:</b>	
Incorporation of Enel Ingegneria e Innovazione SpA and transfer of "Engineering and Innovation" business line of Enel Produzione SpA	46.5
Recapitalization of Enel Energy Europe SL	12,300.0
Incorporation of Sviluppo Nucleare Italia Srl in a joint venture with EDF International SA	3.0
Recapitalization of Enel.NewHydro Srl	16.0
Transfer to Enel Investment Holding BV of holding in Enel Romania Srl	0.04
Reclassification of receivable due from Elcogas SA	2.6
Fair value measurement of Terna - Rete Elettrica Nazionale SpA	66.8
Measurement of stock incentive plans (stock option and restricted share unit plans) organized by Enel SpA for employees of subsidiaries	3.2
Incidental expenses for acquisition of Enel Distributie Muntenia SA	3.1
Incidental expenses for acquisition of Enel Energie Muntenia SA	0.6
Adjustment of cost of equity investment in Enel Energie Muntenia SA	24.8
Adjustment of purchase price for Enel Distributie Muntenia SA	32.4
Adjustment of purchase price for Enel Energie Muntenia SA	5.7
Measurement at fair value of put option granted to Electrica SA for Enel Distributie Muntenia SA	16.3
Measurement at fair value of put option granted to Electrica SA for Enel Energie Muntenia SA	8.3
Transfer to Enel Investment Holding BV of holding in Enel Distributie Muntenia SA	738.0
Transfer to Enel Investment Holding BV of holding in Enel Energie Muntenia SA	130.3
Recapitalization of Enel Trading Rus BV	0.05
<b>Total increases</b>	<b>13,397.6</b>
<b>Decreases:</b>	
Disposal of holding in Enel.si Srl to Enel Green Power SpA	(9.2)
Spin-off of "Engineering and Innovation" business line of Enel Produzione SpA to Enel Ingegneria e Innovazione SpA	(46.5)
Disposal of holding in Sfera Srl to Enel Servizi Srl	(10.4)
Transfer of holding in Enel Romania Srl to Enel Investment Holding BV	(0.04)
Reclassification of holding in Idrosicilia SpA to "Non-current assets held for sale"	(9.0)
Adjustment of the cost of the holding in Enel Distributie Muntenia SA	(24.8)
Transfer of the holding in Enel Distributie Muntenia SA to Enel Investment Holding BV	(890.5)
Transfer of the holding in Enel Energie Muntenia SA to Enel Investment Holding BV	(157.2)
<b>Total decreases</b>	<b>(1,147.7)</b>
<b>NET CHANGE</b>	<b>12,249.9</b>

The net increase of €12,249.9 million in the value of equity investments in subsidiaries, joint ventures, associates and other companies is due to the following:

- > the disposal, with effect from January 1, 2009, of the holding in Enel.si Srl to Enel Green Power SpA in implementation of the Group project to leverage renewables and their production technologies independently, for a price of €9.2 million;
- > the incorporation, on March 30, 2009, of Enel Ingegneria e Innovazione SpA, to which the "Engineering and Innovation" business line of Enel Produzione SpA was transferred, in the amount of €46.5 million;
- > the recapitalization, on April 21, 2009, of Enel Energy Europe SL by way of the waiver of Enel SpA's receivable in respect of the intercompany current account held with the subsidiary in the amount of €12,300.0 million, of which €500.0 million used for a capital increase and €11,800.0 million to increase available equity reserves;



- > the disposal, with effect from May 21, 2009, of the holding in Sfera Srl to Enel Servizi Srl as part of the corporate reorganization, for a price of €10.4 million;
- > the incorporation, on July 31, 2009, of Sviluppo Nucleare Italia Srl in a joint venture with EDF International SA, with a payment of €3.0 million;
- > the recapitalization, on December 18, 2009, of Enel.NewHydro by waiving a portion of the financial receivable due from this company in respect of the intercompany current account in the amount of €16.0 million, which was used to increase available equity reserves;
- > the transfer, at carrying amount, on December 18, 2009, of the holding in Enel Romania Srl to Enel Investment Holding BV, in the amount of €0.04 million, in implementation of the project to reorganize the Group's equity investments in Romania;
- > the fair value measurement of the equity investment in Terna - Rete Elettrica Nazionale SpA based on the adjustment to the stock market value as at the end of the year (€66.8 million);
- > the increase in the value of equity investments in subsidiaries in the amount of €3.2 million associated with stock incentive plans (stock option and restricted share unit plans) organized by Enel SpA for employees of the subsidiaries;
- > the reclassification to "Non-current assets held for sale" of the holding in Idrosicilia SpA as a result of the exercise on May 11, 2009, of the put option held by Enel SpA on its remaining 40% stake in the company (€9.0 million);
- > the completion of the acquisition of Electrica Muntenia Sud SA (now Enel Distributie Muntenia SA and Enel Energie Muntenia SA) and the subsequent transfer of the holding to Enel Investment Holding BV, which produced:
  - the increase of €3.7 million (€3.1 million in respect of Enel Distributie Muntenia SA and €0.6 million in respect of Enel Energie Muntenia SA) in incidental expenses incurred for the acquisition of 64.4% of Electrica Muntenia Sud;
  - the adjustment of the cost of the equity investment in Enel Distributie Muntenia SA and Enel Energie Muntenia SA to take account of the determination of its fair value at the acquisition date, a process that was completed at June 30, 2009, increasing the value of Enel Energie Muntenia SA by €24.8 million and decreasing the value of Enel Distributie Muntenia SA by the same amount;
  - the increase of €38.1 million (€32.4 million for Enel Distributie Muntenia SA and €5.7 million for Enel Energie Muntenia SA) on December 23, 2009, in respect of the adjustment of the purchase price for Electrica Muntenia Sud in line with the terms of the agreement of June 11, 2007 (the "Privatization Agreement");
  - the increase of €24.6 million (€16.3 million for Enel Distributie Muntenia SA and €8.3 million for Enel Energie Muntenia SA) as a result of the fair value measurement at December 29, 2009 of the put option granted to Electrica SA;
  - the transfer at carrying amount on December 29, 2009, of the holdings in Enel Distributie Muntenia SA (€890.5 million) and Enel Energie Muntenia SA (€157.2 million) to Enel Investment Holding BV in implementation of the reorganization of the Group's equity investments in Romania. The transfer of those equity investments involved the acquisition by Enel Investment Holding BV of all the rights and obligations associated with those investments under the Privatization Agreement, including the commitment in respect of the put option granted by Enel to Electrica (a total of €179.4 million, of which €152.5 million for Enel Distributie Muntenia SA and €26.9 million for Enel Energie Muntenia SA) on shares held currently or in the future in Electrica Muntenia Sud up to a maximum of 23.6%, exercisable in one or more tranches between July 1 and December 31 of each year from 2009 to 2012, in accordance with the terms and conditions of the privatization agreement.

The share certificates for Enel SpA's investments in Italian subsidiaries are held in custody by Monte dei Paschi di Siena.

The shares in Idrosicilia are pledged as security for a loan to Sicilacque, in which Idrosicilia has a 75% stake.

The following table lists equity investments in subsidiaries, joint ventures, associates and other companies at December 31, 2009:

	Registered office	Currency	Share capital	Shareholders' equity (€ millions)	Prior year income/(loss) (€ millions)	% holding	Carrying amount (€ millions)
<b>A) Subsidiaries</b>							
Enel Produzione SpA	Rome	Euro	1,800,000,000	7,381.3	1,036.9	100.0	4,894.7
Enel Ingegneria e Innovazione SpA	Rome	Euro	30,000,000	52.1	1.7	100.0	46.9
Enel Distribuzione SpA	Rome	Euro	2,600,000,000	9,123.5	1,997.1	100.0	6,313.4
Enel Servizio Elettrico SpA	Rome	Euro	10,000,000	55.6	14.7	100.0	10.4
Enel Trade SpA	Rome	Euro	90,885,000	414.9	287.2	100.0	101.5
Enel Green Power SpA	Rome	Euro	600,000,000	2,290.7	321.5	100.0	1,631.5
Enel Investment Holding BV	Amsterdam	Euro	1,593,050,000	3,916.8	(30.2)	100.0	4,025.1
Enelpower SpA	Milan	Euro	2,000,000	23.7	0.9	100.0	37.8
Deval SpA	Aosta	Euro	37,500,000	57.1	2.5	51.0	19.0
Enel Energia SpA	Rome	Euro	302,039	849.7	(103.6)	100.0	1,313.2
Enel Energy Europe SL	Madrid	Euro	500,000,000	19,333.9	4,381.6	100.0	15,300.1
Enel Finance International SA	Luxembourg	Euro	1,391,900,230	1,504.1	63.3	100.0	1,414.2
Enel.Factor SpA	Rome	Euro	12,500,000	43.5	5.8	100.0	17.5
Enel Capital Srl	Rome	Euro	8,500,000	6.3	(0.1)	100.0	6.1
Enel Sole Srl	Rome	Euro	4,600,000	39.2	18.5	100.0	5.3
Enel Servizi Srl	Rome	Euro	50,000,000	496.8	4.2	100.0	486.2
Enel.NewHydro Srl	Rome	Euro	1,000,000	9.6	(7.8)	100.0	17.5
Enel Trading Rus BV	Amsterdam	Euro	18,000	0.04	(0.01)	100.0	0.07
Vallenergie SpA	Aosta	Euro	1,700,000	1.9	(0.5)	51.0	0.9
<b>B) Joint ventures</b>							
Sviluppo Nucleare Italia Srl	Rome	Euro	200,000	1.1	(4.9)	50.0	3.0
<b>C) Associated companies</b>							
Idrosicilia SpA <sup>(1)</sup>	Milan	Euro	22,520,000	22.1	(0.06)	40.0	-
Cesi SpA	Milan	Euro	8,550,000	48.1	8.0	25.9	2.2
<b>D) Other companies</b>							
Elcogas SA <sup>(1)</sup>	Madrid	Euro	49,959,000	32.9	7.4	4.3	3.7
Emittenti Titoli SpA	Milan	Euro	4,264,000	6.1	0.8	10.0	0.5
Terna - Rete Elettrica Nazionale SpA	Rome	Euro	440,199,936	468.3	790.0	5.1	306.4
Consorzio Civita	Rome	Euro	156,000	0.05	(0.02)	25.0	-
Consorzio Bresciano per la ricerca applicata e l'innovazione tecnologica nel settore dell'automazione industriale Srl <sup>(2)</sup>	Brescia	Euro	918,493	1.0	(0.01)	0.3	-

(1) Investment reclassified to "Non-current assets classified as held for sale".

(2) The figures for shareholders' equity and net income refer to the financial statements at December 31, 2008.

With regard to the investments in Enel Energia SpA, Enel Investment Holding BV, Enelpower SpA, Enel.NewHydro and Enel Trading Rus, the carrying amount is deemed to be recoverable, even though it exceeds total equity of the shareholding as at December 31, 2009, based on estimates of expected future performance or the greater value of their holdings in subsidiaries that is not reflected in book equity.

As regards "Equity investments in other companies", the fair value of listed companies was determined with reference to the market value of their shares at the end of the year ("Level 1" fair value). Unlisted companies were valued at cost, as their fair value could not be determined reliably.

Millions of euro

	<b>at Dec. 31, 2009</b>	at Dec. 31, 2008
<b>Equity investments in listed companies measured at fair value</b>	<b>306.4</b>	<b>239.6</b>
Terna SpA	306.4	239.6
<b>Equity investments in unlisted companies measured at cost</b>	<b>4.2</b>	<b>1.6</b>
Elcogas SA	3.7	1.1
Emittenti Titoli SpA	0.5	0.5

#### 14. Non-current financial assets – €1,319.5 million

The aggregate is composed of the following:

Millions of euro

	<b>at Dec. 31, 2009</b>	at Dec. 31, 2008	2009-2008
Receivable due from subsidiaries	198.0	232.0	(34.0)
Receivable due from other equity investments	-	2.6	(2.6)
Financial receivables due from others	145.0	-	145.0
Derivative contracts	973.1	956.1	17.0
Other financial receivables	3.4	3.6	(0.2)
<b>Total</b>	<b>1,319.5</b>	<b>1,194.3</b>	<b>125.2</b>

The item "Receivable due from subsidiaries" refers to receivables in respect of the assumption by Group companies of their share of financial debt (€198.0 million). The terms of the agreements call for the debiting of the related finance costs and the income and expenses accrued on the interest-rate risk hedging contracts, as well as the repayment of the principal upon maturity of each loan. The decrease in the item is essentially due to the early repayment of the receivable in respect of the debt taken on by Enel Rete Gas (€33.7 million).

"Financial receivables due from others" regard the loan of €145.0 million from Enel SpA to F2i Reti Italia in performance of the contract of September 28, 2009, falling due in 2017 and bearing interest at a rate of 8.25%. The loan was granted as provided for in the agreement of May 29, 2009 and the subsequent supplementary agreements between Enel Distribuzione SpA, F2i SGR SpA and Axa Private Equity in relation to the sale to F2i Reti Italia Srl of 80% of Enel Rete Gas SpA.

The following table reports the notional values and the fair values of the derivative contracts, grouped by type and designation.

Millions of euro	Notional value		Fair value <sup>(1)</sup>		
	at Dec. 31, 2009	at Dec. 31, 2008	at Dec. 31, 2009	at Dec. 31, 2008	2009-2008
<b>Cash flow hedge derivatives:</b>					
- interest rates	150.0	150.0	3.3	3.4	(0.1)
- exchange rates	1,238.6	1,628.9	169.8	292.5	(122.7)
<b>Total</b>	<b>1,388.6</b>	<b>1,778.9</b>	<b>173.1</b>	<b>295.9</b>	<b>(122.8)</b>
<b>Trading derivatives:</b>					
- interest rates	3,216.8	3,025.9	150.9	117.0	33.9
- exchange rates	8,603.7	3,011.6	649.1	543.2	105.9
<b>Total</b>	<b>11,820.5</b>	<b>6,037.5</b>	<b>800.0</b>	<b>660.2</b>	<b>139.8</b>
<b>TOTAL</b>	<b>13,209.1</b>	<b>7,816.4</b>	<b>973.1</b>	<b>956.1</b>	<b>17.0</b>

(1) "Level 2" fair value.

The notional amount of cash flow hedge derivatives on interest rates and on exchange rates at December 31, 2009 was €1,388.6 million, while the corresponding fair value was €173.1 million.

The exchange rate cash flow hedge derivatives are essentially related to transactions hedging the £1.1 billion tranche of the bond issue as part of the Global Medium-Term Notes program, which was carried out on June 13, 2007. The decrease in fair value is mainly due to the decline in the fair value of a number of cross currency interest rate swaps caused in part by the decline in interest rates on pounds sterling in 2009.

The notional amount of trading derivatives on interest rates and on exchange rates at December 31, 2009 was €11,820.5 million, while the corresponding fair value was a positive €800.0 million. The increase in the notional value of trading derivatives is essentially due to establishment of cross currency interest rate swaps to hedge the multitranché bond issues denominated in foreign currency carried out since September 2009 by Enel Finance International in order to refinance the Credit Facility.

Financial receivables recognized under non-current financial assets can be broken down by residual maturity as follows:

Millions of euro	From 2 to 5 years	Beyond 5 years	Total	From 2 to 5 years	Beyond 5 years	Total
	at Dec. 31, 2009			at Dec. 31, 2008		
Non-current financial receivables due from subsidiaries	81.0	117.0	198.0	60.2	171.8	232.0
Non-current financial receivables due from other equity investments	-	-	-	2.6	-	2.6
Financial receivables due from others	-	145.0	145.0	-	-	-
Derivative contracts	55.2	917.9	973.1	-	956.1	956.1
Other financial receivables	3.4	-	3.4	1.1	2.5	3.6
<b>Total</b>	<b>139.6</b>	<b>1,179.9</b>	<b>1,319.5</b>	<b>63.9</b>	<b>1,130.4</b>	<b>1,194.3</b>

Non-current financial assets classified by category of instrument break down as follows:

Millions of euro

	<b>at Dec. 31, 2009</b>	at Dec. 31, 2008	2009-2008
Financial assets measured at fair value through profit or loss	800.0	660.2	139.8
Loans and receivables	346.4	238.2	108.2
Cash flow hedge derivatives	173.1	295.9	(122.8)
<b>Total</b>	<b>1,319.5</b>	<b>1,194.3</b>	<b>125.2</b>

## 15. Other non-current assets – €275.9 million

This item can be broken down as follows:

Millions of euro

	<b>at Dec. 31, 2009</b>	at Dec. 31, 2008	2009-2008
Tax receivables	41.6	-	41.6
Receivable from subsidiaries for assumption of supplementary pension plan liabilities	234.1	246.0	(11.9)
<b>Other long-term receivables:</b>			
- security deposits	0.1	0.1	-
- other receivables	0.1	0.1	-
<b>Total</b>	<b>0.2</b>	<b>0.2</b>	<b>-</b>
<b>TOTAL</b>	<b>275.9</b>	<b>246.2</b>	<b>29.7</b>

The item “Receivable from subsidiaries for assumption of supplementary pension plan liabilities” refers to receivables in respect of the assumption by Group companies of their share of the supplementary pension plan (“PIA”). The terms of the agreement state that the Group companies concerned are to reimburse the costs of extinguishing defined benefit obligations of the Parent Company, which are recognized under “Post-employment and other employee benefits”. The portion due beyond 5 years of the “Receivables from subsidiaries for assumption of supplementary pension plan liabilities” came to €172.5 million (€184.5 million at December 31, 2008).

“Tax receivables” regard the tax credit in respect of the claim for reimbursement submitted by Enel SpA in 2009 on its own behalf for 2003 and on its own behalf and as the consolidating company for 2004-2007 of the additional income taxes paid as a result of not deducting part (10%) of IRAP in computing taxable income for IRES purposes, as permitted by Decree Law 185 of November 29, 2008, ratified by Law 2 of January 28, 2009.

## Current assets

### 16. Trade receivables – €516.5 million

The aggregate is composed of the following:

Millions of euro			
	at Dec. 31, 2009	at Dec. 31, 2008	2009-2008
<b>Customers:</b>			
- sale and transport of electricity	53.2	74.1	(20.9)
- other receivables	10.8	8.4	2.4
<b>Total</b>	<b>64.0</b>	<b>82.5</b>	<b>(18.5)</b>
Trade receivables due from subsidiaries	452.5	401.9	50.6
<b>TOTAL</b>	<b>516.5</b>	<b>484.4</b>	<b>32.1</b>

Customer trade receivables mainly regard receivables due from the Single Buyer for the supply of electricity and receivables from other customers for services. They are recognized net of the provision for doubtful accounts amounting to €7.5 million, unchanged with respect to the previous year. The decrease in receivables from non-Group customers (€18.5 million) is essentially due to the decrease in receivables from the Single Buyer for the decrease in revenues on electricity sales.

“Trade receivables due from subsidiaries” primarily regard services provided by Enel SpA on behalf of Group companies. The increase was mainly caused by the rebilling to Enel Energy Europe of the costs of consulting and assistance services provided in connection with the acquisition of an additional 25.01% of Endesa.

Trade receivables due from subsidiaries break down as follows:

Millions of euro			
	at Dec. 31, 2009	at Dec. 31, 2008	2009-2008
<b>Subsidiaries:</b>			
Enel Energy Europe Srl	74.4	13.5	60.9
Enel Produzione SpA	70.3	84.5	(14.2)
Enel Distribuzione SpA	109.5	131.1	(21.6)
Enel Ingegneria e Innovazione SpA	2.9	-	2.9
Enel Green Power SpA	29.3	4.9	24.4
Endesa SA	37.7	1.1	36.6
Enel Servizio Elettrico SpA	14.7	12.4	2.3
Enel Trade SpA	13.8	4.0	9.8
Enel Energia SpA	27.1	61.5	(34.4)
Enel Servizi Srl	13.3	12.9	0.4
Slovenské elektrárne AS	13.2	15.1	(1.9)
Enel.si Srl	4.9	9.6	(4.7)
Enelpower SpA	1.5	1.5	-
Enel Rete Gas SpA	-	6.6	(6.6)
Enel Investment Holding BV	1.5	17.4	(15.9)
Enel Latin America LLC	3.7	4.1	(0.4)
Enel North America Inc	3.1	3.1	-
Sfera Srl	1.8	1.6	0.2
Enel Sole Srl	4.9	3.1	1.8
Other	24.9	13.9	11.0
<b>Total</b>	<b>452.5</b>	<b>401.9</b>	<b>50.6</b>

Trade receivables by geographical area are shown below:

Millions of euro			
	at Dec. 31, 2009	at Dec. 31, 2008	2009-2008
Italy	351.5	420.1	(68.6)
EU	150.4	52.0	98.4
Non-EU	7.7	4.7	3.0
Other	6.9	7.6	(0.7)
<b>Total</b>	<b>516.5</b>	<b>484.4</b>	<b>32.1</b>

### 17. Tax receivables – €309.1 million

Tax receivables at December 31, 2009, totaled €309.1 million and regard the Company's IRES and IRAP tax credits for current 2009 taxes.

### 18. Current financial assets – €20,608.9 million

This item can be broken down as follows:

Millions of euro			
	at Dec. 31, 2009	at Dec. 31, 2008	2009-2008
<b>Financial receivables due from Group companies:</b>			
- short-term financial receivables (intercompany current account)	19,001.5	34,271.2	(15,269.7)
- current portion of receivables for assumption of loans	0.3	247.3	(247.0)
- other financial receivables	567.3	1,730.9	(1,163.6)
- derivatives	57.2	44.0	13.2
<b>Financial receivables due from others:</b>			
- derivatives	41.7	250.0	(208.3)
- current portion of long-term loans	0.3	0.3	-
- other financial receivables	47.4	138.6	(91.2)
- cash collateral for CSA on OTC derivatives	893.2	-	893.2
<b>Total</b>	<b>20,608.9</b>	<b>36,682.3</b>	<b>(16,073.4)</b>

Current financial assets decreased by €16,073.4 million with respect to the previous financial year.

"Financial receivables due from Group companies" decreased by €16,667.1 million over December 31, 2008, due essentially to the following:

- > the decline in the financial requirements of the Group companies (€15,269.7 million), notably Enel Energy Europe (€16,016.1 million, of which €12,300.0 as a result of the recapitalization of the company carried out by way of Enel SpA's partial waiver of its receivable in respect of the intercompany current account), Enel Distribuzione (€1,883.4 million) and Enel Investment Holding (€1,048.5 million), partly offset by Enel Produzione (up €2,045.9 million) and Enel Green Power (up 1,600.0 million);
- > a decrease in other financial receivables in respect of interest accrued on the intercompany current accounts in the amount of €1,163.6 million.

"Financial receivables due from others" increased by €593.7 million compared with December 31, 2008, mainly attributable to the cash collateral paid to

counterparties for OTC derivatives on interest rates and exchange rates (a total of €893.2 million).

The following table reports the notional values and the fair value of derivative contracts, grouped by hedge type and designation:

Millions of euro	Notional value		Fair value		
	<b>at Dec. 31, 2009</b>	at Dec. 31, 2008	<b>at Dec. 31, 2009</b>	at Dec. 31, 2008	2009-2008
<b>Trading derivatives:</b>					
- interest rates	-	19.9	-	0.4	(0.4)
- exchange rates	3,495.2	4,096.4	97.1	289.8	(192.7)
- commodities	17.0	16.9	1.8	3.8	(2.0)
<b>Total</b>	<b>3,512.2</b>	<b>4,133.2</b>	<b>98.9</b>	<b>294.0</b>	<b>(195.1)</b>
<b>TOTAL</b>	<b>3,512.2</b>	<b>4,133.2</b>	<b>98.9</b>	<b>294.0</b>	<b>(195.1)</b>

The item is entirely accounted for by trading derivatives, mainly exchange rate hedges on energy commodities entered into on behalf of Group companies. The decrease in the fair value of trading derivatives is essentially due to changes in exchange rates compared with December 31, 2008.

## 19. Cash and cash equivalents – €995.2 million

Cash and cash equivalents are detailed in the following table:

Millions of euro	<b>at Dec. 31, 2009</b>	at Dec. 31, 2008	2009-2008
Bank deposits	994.6	613.7	380.9
Post office deposits	0.5	0.5	-
Cash and cash equivalents on hand	0.1	-	0.1
<b>Total</b>	<b>995.2</b>	<b>614.2</b>	<b>381.0</b>

Bank deposits represent liquidity connected with operations. Of total cash and cash equivalents, only €8.3 million are restricted by encumbrances.

## 20. Other current assets – €554.4 million

At December 31, 2009, the item broke down as follows:

Millions of euro	<b>at Dec. 31, 2009</b>	at Dec. 31, 2008	2009-2008
Tax receivables	142.8	40.2	102.6
Other receivables due from Group companies	397.6	323.7	73.9
Receivables due from others	14.0	62.6	(48.6)
<b>Total</b>	<b>554.4</b>	<b>426.5</b>	<b>127.9</b>

With respect to December 31, 2008, other current assets show a total increase of €127.9 million.



Tax receivables total €142.8 million and are primarily related to the VAT receivable for the Group in the amount of €105.8 million and prior-year IRES and IRAP receivables in the amount of €29.2 million for tax refunds requested. The increase of €102.6 million compared with December 31, 2008 is mainly attributable to the increase in VAT receivables.

Other receivables due from Group companies relate mainly to IRES tax credits of the Group companies that participate in the consolidated taxation mechanism (€288.3 million), as well as to the VAT receivable from the companies participating in the Group VAT mechanism (€104.2 million).

Receivables due from others came to €14.0 million at December 31, 2009, a decrease of €48.6 million on the previous year, mainly attributable to the use of the deposit (€41.9 million including interest) paid in 2007 as an advance for the acquisition of Electrica Muntenia Sud (now Enel Distributie Muntenia and Electrica Energie Muntenia) following the definition on December 23, 2009, of the adjustment of the purchase price for the company (€38.1 million).

## **Non-current assets held for sale**

### **21. Non-current assets held for sale – €9.0 million**

Non-current assets classified as held for sale include the reclassification of the holding in Idrosicilia (€9.0 million) following the exercise of the put option held by Enel SpA on its remaining 40% stake in that company.

## Liabilities

### Equity

#### 22. Shareholders' equity – €23,721.7 million

On May 6 and 28, 2009, in execution of the authorization granted by the Extraordinary Shareholders' Meeting of Enel SpA on April 29, 2009, pursuant to Article 2443 of the Italian Civil Code, the Enel SpA Board of Directors voted to carry out a paid divisible capital increase of a maximum total amount, premium included, of €8,000.0 million by way of the issue of 3,216,938,192 ordinary shares with a par value of €1.00 and the same characteristics of the shares already in circulation. The shares were offered in pre-emption to parties who were shareholders of the Company as of the start date of the rights offering at a price of €2.48 per share, of which €1.48 represents the share premium, with an option ratio of 13 new shares for every 25 existing shares.

During the offer period, which started on June 1 and ended on June 19, 2009, a total of 6,160,693,425 rights were exercised. As a result, 3,203,560,581 newly issued Enel ordinary shares were subscribed altogether, equal to 99.58% of the shares offered, for a total of €7,944.8 million.

At the end of the offer period, total unexercised rights amounted to 25,726,175, granting the right to subscribe 13,377,611 newly issued ordinary shares.

On June 26, 2009, all the unexercised rights were all sold at a unit price of €0.51 for a total of €13.1 million, and the related 13,377,611 ordinary shares were issued and subscribed on July 3, 2009 for a total of €33.2 million.

Transaction costs totaled €193.2 million (recognized as a decrease in equity), with a tax effect of €53.1 million (of which €42.5 million in deferred tax assets and €10.6 million in current taxes).

Pursuant to the authorization of the Shareholders' Meeting of April 29, 2009, the company distributed the balance of the dividend for 2008 in the amount of €1,794.1 million (€0.29 per share).

On October 1, 2009, the Board of Directors of Enel approved an interim dividend for 2009 of €0.10 per share. The interim dividend was paid as from November 26, 2009.

#### Share capital – €9,403.4 million

At December 31, 2009, the share capital of Enel SpA – considering the capital increase and the fact that in 2009 no options were exercised as part of stock option plans – consisted of 9,403,357,795 ordinary shares with a par value of €1.00 each (6,186,419,603 at December 31, 2008 fully subscribed and paid up).

Based on the shareholders' register and other available information, no shareholders held more than 2% of the total share capital, apart from the Ministry for the Economy and Finance, which holds 13.88%, its subsidiary Cassa Depositi e Prestiti SpA, which holds 17.36%, and Blackrock Inc., which holds 3.02%. The Enel stake held by the Ministry for the Economy and Finance and Cassa Depositi e Prestiti is calculated on the basis of the Company's subscribed and paid-up share capital as reported in the Company Register as at July 9, 2009, following the completion of the paid capital increase.

## Other reserves – €9,086.2 million

### Share premium reserve – €5,292.1 million

In 2009 the share premium reserve increased by a total of €4,630.5 million.

More specifically, the increase for the year includes:

- > €4,761.1 million in respect of the amount of the capital increase paid as a share premium, equal to €1.48 for each of the 3,216,938,192 shares subscribed in 2009;
- > €13.1 million in respect of the unexercised rights sold at auction for a unit price of €0.51. The related tax effect in respect of current taxes recognized in equity amounted to €3.6 million.

These changes were partially offset by transaction costs of €193.2 million and the related tax effect of €53.1 million (of which €42.5 million for deferred tax assets and €10.6 million for current taxes).

### Legal reserve – €1,452.1 million

The legal reserve is equal to 15.4% of share capital.

### Reserve pursuant to Law 292/1993 – €2,215.4 million

The reserve shows the remaining portion of the value adjustments carried out when Enel was transformed from a public entity to a joint-stock company.

In the case of a distribution of this reserve, the tax treatment for capital reserves as defined by Article 47 of the Uniform Tax Code shall apply.

### Other reserves – €65.7 million

Other reserves include €19.0 million related to the reserve for capital grants, which reflects 50% of the grants received from Italian public entities and EU bodies in application of related laws for new works (pursuant to Article 55 of Presidential Decree 917/1986), which is recognized in equity in order to take advantage of tax deferment benefits. It also includes €26.6 million in respect of the stock-option reserve and €20.1 million for other reserves.

### Reserve from measurement of financial instruments – €60.9 million

The reserve includes the positive reserve of €260.2 million from the measurement of available-for-sale (AFS) financial instruments and the negative reserve of €289.2 million from the measurement of cash flow hedge derivatives, net of total tax effects of €89.9 million.

The table below provides a breakdown of changes in 2008 and 2009.

Millions of euro	at Jan. 1, 2008				at Dec. 31, 2008				at Dec. 31, 2009			
	Gains/ (Losses) recognized in equity for the year (gross)	Tax effect	Releases to income (gross)	Tax effect	Gains/ (Losses) recognized in equity for the year (net)	Gains/ (Losses) recognized in equity for the year (gross)	Tax effect	Releases to income (gross)	Tax effect	Gains/ (Losses) recognized in equity for the year (net)		
Gains/(Losses) from fair value measurement of cash flow hedging, effective portion	131.0	(760.6)	245.8	351.8	(113.7)	(145.7)	(161.9)	52.3	88.1	(28.5)	(195.7)	
Gains/(Losses) from fair value measurement of financial investments available for sale	231.1	(41.0)	0.6	-	-	190.7	66.8	(0.9)	-	-	256.6	
<b>Gains/(Losses) recognized directly in equity</b>	<b>362.1</b>	<b>(801.6)</b>	<b>246.4</b>	<b>351.8</b>	<b>(113.7)</b>	<b>45.0</b>	<b>(95.1)</b>	<b>51.4</b>	<b>88.1</b>	<b>(28.5)</b>	<b>60.9</b>	

### Retained earnings – €2,712.0 million

In 2009, the item shows a decrease of €287.5 million, attributable to:

- > the decrease of €290.7 million in connection with the Shareholders' Meeting resolution of April 29, 2009, approving the distribution of €309.3 million to shareholders and the retention of €18.6 million in earnings for 2008.
- > the increase of €3.2 million generated by the retrospective application of IFRIC 11.

### Net income for the year – €2,520.1 million

Net income for 2009, net of the interim dividend for 2009 in the amount of €0.10 per share (for a total of €940.3 million) distributed as of November 26, 2009, came to €2,520.1 million, increasing by €1,013.5 million compared with 2008 (€1,506.6 million) due essentially to the increase in dividends distributed by Group companies and to the decrease in financial expense, partially offset by a reduction in financial income.

The table below shows the availability of shareholders' equity:

Millions of euro	Amount	Possible uses	Portion available
<b>Share capital</b>	<b>9,403.4</b>		
<b>Capital reserves:</b>			
- share premium reserve	5,292.1	ABC <sup>(1)</sup>	5,292.1
<b>Income reserves:</b>			
- legal reserve	1,452.1	B	-
- reserve pursuant to Law 292/1993	2,215.4	ABC	2,215.4
- reserve from measurement of financial instruments	60.9		
- reserve for capital grants	19.0	ABC	19.0
- stock option reserve	26.6	ABC <sup>(2)</sup>	16.1
- other	20.1	ABC	20.1
Retained earnings/(loss carried forward)	2,712.0	ABC	2,712.0
<b>Total</b>	<b>21,201.6</b>		<b>10,274.7</b>
	<i>portion available for distribution</i>		<i>9,842.0</i>

A: for capital increases

B: to cover losses

C: for distribution to shareholders

(1) Not distributable in the amount of €428.6 million, equal to the shortfall in the legal reserve to reach one fifth of share capital (Article 2431 of the Civil Code).

(2) Not distributable in the amount of €4.1 million

There are no restrictions on the distribution of the reserves pursuant to Article 2426, paragraph 1(5) of the Italian Civil Code since there are no unamortized start-up and expansion costs or research and development costs, or departures pursuant to Article 2423, paragraph 4, of the Civil Code.

Enel's goals in capital management are focused on the creation of value for shareholders, safeguarding the interests of stakeholders and business continuity, as well as on maintaining sufficient capitalization to ensure cost-effective access to outside sources of financing, so as to adequately support growth in the Group's business.

## Non-current liabilities

### 23. Long-term loans (including the portion falling due within 12 months) – €30,791.5 million

The aggregate, which includes long-term debt in respect of bonds, bank loans and other loans in euro and other currencies, including the portion falling due within twelve months (equal to €779.5 million), amounted to €30,791.5 million at December 31, 2009.

The following tables show long-term debt and repayment schedules at December 31, 2009, grouped by loan and interest rate type.

Millions of euro	Maturing	Carrying amount	Nominal value	Carrying amount	Nominal value
		at Dec. 31, 2009		at Dec. 31, 2008	
Bonds:					
- listed, fixed rate	2011-2037	8,582.3	8,648.7	8,490.1	8,561.8
- listed, floating rate	2012-2015	2,686.8	2,700.0	2,770.0	2,786.0
- unlisted, fixed rate	2010	0.3	0.3	1.0	1.0
- unlisted, floating rate	2010-2032	2,041.7	2,041.9	2,237.0	2,237.2
Total		13,311.1	13,390.9	13,498.1	13,586.0
Bank loans:					
- fixed rate	2011-2012	0.6	0.6	14.2	14.2
- floating rate	2010-2016	6,448.4	6,548.1	14,932.7	14,954.8
Total		6,449.0	6,548.7	14,946.9	14,969.0
Loans from Group companies:					
- fixed rate	2010-2023	3,041.4	3,044.3	3,041.1	3,044.3
- floating rate	2010-2013	7,990.0	7,990.0	7,990.0	7,990.0
Total		11,031.4	11,034.3	11,031.1	11,034.3
TOTAL		30,791.5	30,973.9	39,476.1	39,589.3

Millions of euro	Carrying amount	Current portion	Portion maturing	Maturing in				
	at Dec. 31, 2009	<12 months	>12 months	2011	2012	2013	2014	Beyond
<b>Bonds:</b>								
- listed, fixed rate	8,582.3	-	8,582.3	748.7	597.9	748.5	-	6,487.2
- listed, floating rate	2,686.8	-	2,686.8	-	398.8	-	997.1	1,290.9
- unlisted, fixed rate	0.3	0.3	-	-	-	-	-	-
- unlisted, floating rate	2,041.7	54.1	1,987.6	55.7	57.5	59.2	61.2	1,754.0
<b>Total</b>	<b>13,311.1</b>	<b>54.4</b>	<b>13,256.7</b>	<b>804.4</b>	<b>1,054.2</b>	<b>807.7</b>	<b>1,058.3</b>	<b>9,532.1</b>
<b>Bank loans:</b>								
- fixed rate	0.6	0.2	0.4	0.3	0.1	-	-	-
- floating rate	6,448.4	500.0	5,948.4	-	2,926.1	-	2,042.8	979.5
<b>Total</b>	<b>6,449.0</b>	<b>500.2</b>	<b>5,948.8</b>	<b>0.3</b>	<b>2,926.2</b>	<b>-</b>	<b>2,042.8</b>	<b>979.5</b>
<b>Loans from Group companies:</b>								
- fixed rate	3,041.4	99.9	2,941.5	-	-	2,644.4	-	297.1
- floating rate	7,990.0	125.0	7,865.0	-	-	7,865.0	-	-
<b>Total</b>	<b>11,031.4</b>	<b>224.9</b>	<b>10,806.5</b>	<b>-</b>	<b>-</b>	<b>10,509.4</b>	<b>-</b>	<b>297.1</b>
<b>TOTAL</b>	<b>30,791.5</b>	<b>779.5</b>	<b>30,012.0</b>	<b>804.7</b>	<b>3,980.4</b>	<b>11,317.1</b>	<b>3,101.1</b>	<b>10,808.7</b>

The balance for bonds is stated net of €352.4 million relating to the unlisted floating-rate "Special series of bonds reserved for employees 1994-2019", repurchased by Enel SpA.

The table below shows long-term financial debt by currency, including indication of the interest rate.

Millions of euro	Carrying amount		Nominal value	Current interest rate	Effective interest rate
	at Dec. 31, 2008	at Dec. 31, 2009			
			at Dec. 31, 2009		
Euro	38,293.1	29,524.9	29,690.2	2.88%	3.00%
Pound sterling	1,180.4	1,266.5	1,283.6	5.99%	6.10%
Swiss franc	2.3	-	-		
Japanese yen	0.3	0.1	0.1	2.92%	2.92%
<b>Total non-euro currencies</b>	<b>1,183.0</b>	<b>1,266.6</b>	<b>1,283.7</b>		
<b>TOTAL</b>	<b>39,476.1</b>	<b>30,791.5</b>	<b>30,973.9</b>		

The table below reports changes in the nominal value of long-term debt during 2009:

Millions of euro	Nominal value	Repayments	New financing	Own bonds repurchased	Exchange rate differences	Nominal value
	at Dec. 31, 2008					at Dec. 31, 2009
Bonds	13,586.0	(417.6)	97.0	38.8	86.7	13,390.9
Bank loans	14,969.0	(13,398.8)	4,978.5	-	-	6,548.7
Loans from Group companies	11,034.3	-	-	-	-	11,034.3
<b>Total</b>	<b>39,589.3</b>	<b>(13,816.4)</b>	<b>5,075.5</b>	<b>38.8</b>	<b>86.7</b>	<b>30,973.9</b>

Compared with December 31, 2008, the nominal value of long-term debt decreased by €8,615.4 million, the net effect of €13,816.4 in repayments, €5,075.5 million in new financing, €38.8 million in the repurchase of own bonds and €86.7 million in foreign exchange losses.

The main financing transactions in 2009 include:

- > the drawing on June 25, 2009 of €4,978.5 million under the Credit Agreement 2009 in order to finance the acquisition of an additional 25.01% of Endesa held by Acciona;
- > the issue of a new tranche of the bond placed privately with leading Italian insurance companies in the amount of €97.0 million maturing in 2027;
- > the repayment of maturing bond tranches in the total amount of €417.6 million;
- > contractual and voluntary repayments totaling €5,000.6 million of the tranche falling due in 2010 of the original €35 billion syndicated credit line following the extraordinary corporate transactions, represented by Endesa's payment of dividends from the sale of assets to E.ON (mandatory repayment of €1,139.2 million), the sale of the high-voltage grid by Enel Distribuzione to Terna (voluntary repayment of €340.9 million) and the capital increase of Enel SpA (mandatory repayment of €3,520.5 million);

- > contractual and voluntary repayments totaling €5,111.2 million following Endesa's sale of assets to Acciona and the issue of bonds in the European and US markets by Enel Finance International, of which:
  - €1,498.6 million related to the tranche maturing in 2010;
  - €1,750.9 million related to the tranche maturing in 2012;
  - €1,258.0 million related to the tranche maturing in 2014;
  - €603.7 million related to the tranche maturing in 2016.

Following these repayments, at December 31, 2009, the nominal value of the original €35 billion credit facility held by Enel SpA and its subsidiary Enel Finance International had the following repayment schedule:

- > €4,901.0 million maturing in April 2012 (of which €2,931.2 million pertaining to Enel SpA);
- > €3,443.3 million maturing in April 2014 (of which €2,106.1 million pertaining to Enel SpA);
- > €1,565.1 million maturing in April 2016 (of which €1,010.6 million pertaining to Enel SpA).

The 5-year €5 billion revolving credit facility (extendable for another two years) obtained in November 2005 by Enel SpA was drawn in the amount of €500,0 million at December 31, 2009 (€3,273.4 million less than at December 31, 2008).

Among the main financing transactions in 2009, following the agreement for Enel's acquisition of 25.01% of Endesa dated February 20, 2009, Enel SpA, acting through Enel Finance International, contracted a loan of €8 billion as an increase in the syndicated credit line with an original amount of €35 billion. The terms of the original credit line included the option of increasing (up to a maximum of €8.5 billion) the 60-month tranche (equal to €10,0 billion falling due in 2012) in the event of the exercise of the put option by Acciona in 2010. In consideration of the fact that the exercise of the put option was brought forward to 2009, Enel had to obtain the agreement of two-thirds of the banks participating in the original syndication in order to have recourse to that contractual option.

The €8 billion credit line (€4,978.5 million of which pertaining to Enel SpA), which was signed on April 16, 2009 with a pool of twelve banks, comprises two contracts:

- > a "facility C increase" raising the 60-month tranche by a total of €8.0 billion (€4,978.5 million of which pertaining to Enel SpA) falling due in 2012;
- > a "rollover" agreement, in the amount of €8.0 billion (€4,978.5 million of which pertaining to Enel SpA), intended to replace and renew the "facility C increase" as from 2012 with two new tranches, the first totaling €5.5 billion (€3,364.2 million of which pertaining to Enel SpA) falling due in 2014 and the second amounting to €2.5 billion (€1,614.3 million of which pertaining to Enel SpA) falling due in 2016.

The following table compares the carrying amount and the fair value of long-term debt, including the portion falling due within twelve months, broken down by category. For listed debt instruments, the fair value is given by official prices. For unlisted debt instruments the fair value is determined using appropriate valuation models for each category of financial instrument and market data at the closing date of the year, including the Group's credit spreads.

Millions of euro	Carrying amount	Fair value	Carrying amount	Fair value
	at Dec. 31, 2009		at Dec. 31, 2008	
<b>Bonds:</b>				
- fixed rate	8,582.6	9,093.2	8,491.1	8,457.7
- floating rate	4,728.5	4,696.5	5,007.0	4,667.5
<b>Bank loans:</b>				
- fixed rate	0.6	0.6	14.2	13.6
- floating rate	6,448.4	6,827.3	14,932.7	14,614.5
<b>Loans from Group companies:</b>				
- fixed rate	3,041.4	3,361.7	3,041.1	3,117.2
- floating rate	7,990.0	8,097.8	7,990.0	7,521.6
<b>Total</b>	<b>30,791.5</b>	<b>32,077.1</b>	<b>39,476.1</b>	<b>38,392.1</b>

The following tables show a breakdown of long-term loans (carrying amount), distinguishing current from non-current (beyond 12 months) portions, along with comparative figures for December 31, 2008.

#### LONG-TERM LOANS (EXCLUDING CURRENT PORTION)

Millions of euro	at Dec. 31, 2009	at Dec. 31, 2008	2009-2008
<b>Bonds:</b>			
- fixed rate	8,582.3	8,490.4	91.9
- floating rate	4,674.4	4,589.9	84.5
<b>Bank loans:</b>			
- fixed rate	0.4	0.6	(0.2)
- floating rate	5,948.4	14,932.7	(8,984.3)
<b>Loans from Group companies:</b>			
- fixed rate	2,941.5	3,041.2	(99.7)
- floating rate	7,865.0	7,990.0	(125.0)
<b>Total</b>	<b>30,012.0</b>	<b>39,044.8</b>	<b>(9,032.8)</b>

#### CURRENT PORTION OF LONG-TERM LOANS

Millions of euro	at Dec. 31, 2009	at Dec. 31, 2008	2009-2008
<b>Bonds:</b>			
- fixed rate	0.3	0.7	(0.4)
- floating rate	54.1	417.0	(362.9)
<b>Bank loans:</b>			
- fixed rate	0.2	13.6	(13.4)
- floating rate	500.0	-	500.0
<b>Loans from Group companies:</b>			
- fixed rate	99.9	-	99.9
- floating rate	125.0	-	125.0
<b>Total</b>	<b>779.5</b>	<b>431.3</b>	<b>348.2</b>



For information on the management of interest rate risk on debt, see the risk management section of these notes.

The main long-term financial debts are governed by covenants containing undertakings that are commonly adopted in international business practice. The main covenants governing the debt regard the bond issues carried out within the framework of the Global Medium-Term Notes program, the €5 billion revolving line of credit, the €35 billion syndicated line of credit (the Credit Agreement 2007) and the Credit Agreement 2009. To date none of the covenants have been triggered.

The commitments in respect of the bond issues in the Global Medium-Term Notes program can be summarized as follows:

- > negative pledge clauses under which the issuer may not establish or maintain (except under statutory requirement) mortgages, liens or other encumbrances on all or part of its assets to secure any listed bond or bond for which listing is planned unless the same guarantee is extended equally or pro rata to the bonds in question;
- > "*pari passu*" clauses, under which the securities constitute a direct, unconditional and unsecured obligation of the issuer and are issued without preferential rights among them and have at least the same seniority as other present and future bonds of the issuer;
- > specification of default events, whose occurrence (e.g. insolvency, failure to pay principal or interest, initiation of liquidation proceedings, etc.) constitutes a default. Under cross-default clauses, the occurrence of a default event in respect of any financial liability (above a threshold level) issued by the issuer or "significant" subsidiaries (i.e. consolidated companies whose gross revenues or total assets are at least 10% of gross consolidated revenues or total consolidated assets) constitutes a default in respect of the liability in question, which becomes immediately repayable;
- > early redemption clauses in the event of new tax requirements, which permit early redemption at par of all outstanding bonds.

The main covenants for the Credit Agreement 2007, the Credit Agreement 2009 and the €5 billion revolving line of credit are substantially similar and can be summarized as follows:

- > negative pledge clauses under which the borrower (and its significant subsidiaries) may not establish or maintain (with the exception of permitted guarantees) mortgages, liens or other encumbrances on all or part of its assets to secure any present or future financial liability;
- > "*pari passu*" clauses, under which the payment undertakings constitute a direct, unconditional and unsecured obligation of the borrower and bear no preferential rights among them and have at least the same seniority as other present and future loans;
- > change of control clause, which is triggered in the event (i) control of Enel is acquired by one or more parties other than the Italian state or (ii) Enel or any of its subsidiaries transfer a substantial portion of the Group's assets to parties outside the Group such that the financial reliability of the Group is significantly compromised. The occurrence of one of the two circumstances may give rise to (a) the renegotiation of the terms and conditions of the financing or (b) compulsory early repayment of the financing by the borrower;

- > specification of default events, whose occurrence (e.g. failure to make payment, breach of contract, false statements, insolvency or declaration of insolvency by the borrower or its significant subsidiaries, business closure, government intervention or nationalization, administrative proceeding with potential negative impact, illegal conduct, nationalization and government expropriation or compulsory acquisition of the borrower or one of its significant subsidiaries) constitutes a default. Unless remedied within a specified period of time, such default will trigger an obligation to make immediate repayment of the loan under an acceleration clause, under cross-default clauses. The occurrence of a default event in respect of any financial liability (above a threshold level) of the issuer or "significant" subsidiaries (i.e. consolidated companies whose gross revenues or total assets are equal to at least a specified percentage (10% for the €35 billion syndicated credit line and 15% for the €5 billion revolving credit line) of gross consolidated revenues or total consolidated assets) constitutes a default in respect of the liability in question, which becomes immediately repayable;
- > periodic reporting requirements.

The Credit Agreement 2007 and the Credit Agreement 2009 also provide for the following covenants:

- > mandatory early repayment clauses, under which the occurrence of a specified event (e.g. the issue of instruments on the capital market, new bank loans, stock issues or asset disposals) obliges the borrower to repay the related funds in advance at specific declining percentages based on the extent to which the line of credit has been drawn;
- > a gearing clause, under which, at the end of each measurement period (half yearly), Enel's consolidated net financial debt shall not exceed 6 times annual consolidated EBITDA;
- > a "subsidiary financial indebtedness" clause, under which the net aggregate amount of the financial debt of Enel's subsidiaries (with the exception of the debt of "permitted subsidiaries") must not exceed 20% of total gross consolidated assets.

For the Credit Agreement 2009 only, as from 2012, at the end of each measurement period (half yearly): (i) the gearing clause requires that the Enel Group's net financial debt shall not exceed 4.5 times annual consolidated annual EBITDA. and (ii) the ratio of annual consolidated EBITDA to net consolidated interest expense shall not be less than 4.

Pursuant to the CONSOB instructions of July 28, 2006, the following table reports the net financial position and its main components as at December 31, 2009, reconciled with the net financial debt indicated in the Report on Operations.

Millions of euro

	<b>at Dec. 31, 2009</b>		at Dec. 31, 2008	
		<i>of which with related parties</i>		<i>of which with related parties</i>
Cash and cash equivalents on hand	0.1		-	
Bank and post office deposits	995.1		614.2	
<b>Liquidity</b>	<b>995.2</b>		<b>614.2</b>	
<b>Current financial receivables</b>	<b>19,895.3</b>	<b>19,001.8</b>	<b>34,518.8</b>	<b>34,518.5</b>
Short-term bank debt	(790.3)		(1,304.4)	
Short-term portion of long-term debt	(779.5)	(224.9)	(431.3)	
Other short-term financial payables	(1,619.4)	(1,619.4)	(3,244.2)	(3,244.2)
<b>Current financial payables</b>	<b>(3,189.2)</b>		<b>(4,979.9)</b>	
<b>Net short-term financial position</b>	<b>17,701.3</b>		<b>30,153.1</b>	
Long-term bank debt	(5,948.8)		(14,933.3)	
Bonds issued	(13,256.8)		(13,080.3)	
Other long-term debt	(10,806.4)	(10,806.4)	(11,031.2)	(11,031.2)
<b>Non-current financial payables</b>	<b>(30,012.0)</b>		<b>(39,044.8)</b>	
<b>Net long-term financial position</b>	<b>(30,012.0)</b>		<b>(39,044.8)</b>	
<b>NET FINANCIAL POSITION PURSUANT TO CONSOB INSTRUCTIONS</b>	<b>(12,310.7)</b>		<b>(8,891.7)</b>	
Long-term financial receivables	346.4	198.0	238.1	232.0
<b>NET FINANCIAL DEBT</b>	<b>(11,964.3)</b>		<b>(8,653.6)</b>	

## 24. Post-employment and other employee benefits – €376.4 million

The company provides its employees with a variety of post-employment and other benefits, including termination benefits, additional months' pay, indemnities in lieu of notice, loyalty bonuses, supplementary pension and healthcare plans, electricity discounts and long-term incentive plans.

The item reports accruals made to cover benefits due at the time the employment relationship is terminated and other long-term benefits to which employees have a statutory or contractual right (€331.0 million) as well as post-employment benefits under defined benefit plans (€45.4 million).

Post-employment benefits and other long-term benefits to which employees have a statutory or contractual right, which can be considered "defined benefit plans", in accordance with IAS 19, were determined using the projected unit credit method, under which liabilities are calculated in proportion to the service already accrued with respect to the total service expected in the future.

The following table reports the change during the year in actuarial liabilities, as well as a reconciliation of actuarial liabilities with liabilities recognized in the balance sheet at December 31, 2009 and December 31, 2008:

Millions of euro

	at Dec. 31, 2009	at Dec. 31, 2008
Benefits due on termination of employment and other long-term benefits		
Actuarial liabilities at the beginning of the year	329.9	354.7
Service cost	0.5	0.2
Interest cost	15.1	15.6
Benefits paid	(31.9)	(31.5)
Other changes	(0.4)	(0.6)
Unrecognized actuarial (gains)/losses in year	15.0	(8.5)
Actuarial liability at the end of the year	328.1	329.9
<b>Liability recognized at the end of the year</b>	<b>331.0</b>	<b>348.4</b>
<b>Post-employment benefits under defined benefit plans</b>		
Actuarial liabilities at the beginning of the year	51.7	52.4
Service cost	0.5	0.2
Interest cost	2.2	2.3
Benefits paid	(3.4)	(3.2)
Other changes	(0.1)	0.3
Unrecognized actuarial (gains)/losses in year	(6.1)	(0.3)
Actuarial liability at the end of the year	44.8	51.7
<b>Liability recognized at the end of the year</b>	<b>45.4</b>	<b>50.0</b>
<b>Reconciliation with carrying amount</b>		
Actuarial liability at the end of the year	372.9	381.6
Cumulative unrecognized actuarial (gains)/losses	(3.5)	(16.8)
<b>Liability recognized at the end of the year</b>	<b>376.4</b>	<b>398.4</b>

The service cost of employee benefits in 2009 came to €1.0 million (€0.4 million in 2008) recognized under personnel expenses, while the accretion cost recognized under interest expense amounted to €17.3 million (€17.9 million in 2008).

The actuarial gain recognized for the year, equal to €4.5 million, is essentially attributable to the change in the method used to measure, at January 1, 2009, the liability in respect of healthcare benefits. The modification takes account of the average present value of future contributions paid by the people enrolled in the plan.

The main actuarial assumptions used to calculate the liabilities arising from employee benefits are set out below:

	2009	2008
Discount rate	4.30%	4.80%
Rate of wage increases	3.00%	3.50%
Rate of increase in healthcare costs	3.00%	3.50%

If, at December 31, 2009, the twelve-month rate of change in healthcare costs had been 1 basis point higher, all other variables being equal, the liability for healthcare benefits would have been €4.8 million higher, with a negative impact on the income statement in terms of service cost and interest cost of €0.3 million. If, at December 31, 2009, the twelve-month rate of change in healthcare costs had been 1 basis point lower, all other variables being equal, the liability for healthcare benefits would have been €4.1 million lower, with a positive impact on the income statement in terms of service cost and interest cost of €0.3 million.

## 25. Provisions for risks and charges – €29.6 million

The provisions for risks and charges cover potential liabilities that could arise from legal proceedings and other disputes, without considering the effects of judgments that are expected to be in the company's favor and those for which any charge cannot be quantified with reasonable certainty.

In determining the balance of the provision, we have taken account of both the charges that are expected to result from court judgments and other dispute settlements for the year and an update of the estimates for positions arising in previous years not related to the transferred business units.

The following table shows changes in provisions for risks and charges:

Millions of euro	Taken to income statement			Utilization	Total	
	Accruals	Reversals				
at Dec. 31, 2008					at Dec. 31, 2009	
					of which current portion	
Provision for litigation, risks and other charges:						
- litigation	38.5	7.9	(16.3)	(4.2)	25.9	16.4
- other	4.2	-	(2.6)	-	1.6	1.6
Total	42.7	7.9	(18.9)	(4.2)	27.5	18.0
Provision for early-retirement incentives	0.6	4.5	-	(3.0)	2.1	0.2
TOTAL	43.3	12.4	(18.9)	(7.2)	29.6	18.2

In particular:

- > the decrease in the litigation provision (€12.6 million) essentially reflects the reversal to income of accruals on the basis of the opinions of internal and external legal counsel to take account of the updating of the estimates for positions arising in previous years and uses in respect of the settlement of a number of disputes;
- > the increase in the provision for early retirement incentives (€1.5 million) in connection with the estimated charges relating to the offers for the voluntary termination of employment in response to organizational needs.

## 26. Non-current financial liabilities – €1,951.7 million

These consist of the fair value measurement of derivatives. The following table shows the related notional amount and fair value.

Millions of euro	Notional value		Fair value <sup>(1)</sup>		
	at Dec. 31, 2009	at Dec. 31, 2008	at Dec. 31, 2009	at Dec. 31, 2008	2009-2008
<b>Cash flow hedge derivatives:</b>					
- interest rates	5,140.0	7,215.0	318.6	329.8	(11.2)
- exchange rates	1,341.3	1,744.2	690.9	827.3	(136.4)
<b>Total</b>	<b>6,481.3</b>	<b>8,959.2</b>	<b>1,009.5</b>	<b>1,157.1</b>	<b>(147.6)</b>
<b>Trading derivatives:</b>					
- interest rates	5,785.5	3,665.9	293.0	159.2	133.8
- exchange rates	8,603.7	3,011.6	649.2	543.2	106.0
<b>Total</b>	<b>14,389.2</b>	<b>6,677.5</b>	<b>942.2</b>	<b>702.4</b>	<b>239.8</b>
<b>TOTAL</b>	<b>20,870.5</b>	<b>15,636.7</b>	<b>1,951.7</b>	<b>1,859.5</b>	<b>92.2</b>

(1) "Level 2" fair value.

The notional amount of non-current derivatives at December 31, 2009, was €20,870.5 million, while the corresponding fair value was €1,951.7 million, for increases of €5,233.8 million and €92.2 million, respectively.

In particular, the notional of trading derivatives rose by €7,711.7 million, mainly due to cross currency interest rate swaps used to hedge the foreign currency multitranch bond issues carried out, beginning in September 2009, by the subsidiary Enel Finance International (€2,603.1 million) as well as the reclassification to "trading derivatives" of part of the cash flow hedge derivatives on interest rates (€1,950.0 million) used to hedge the interest rate risk on the €35 billion syndicated credit line contracted by Enel SpA in 2007, which was overhedged following the early repayment of the underlying as part of the refinancing of the Credit Facility.

## 27. Other non-current liabilities – €41.5 million

"Other non-current liabilities" amounted to €41.5 million, an increase of €40.2 million due essentially to the debt towards Group companies (€40.3 million) that arose in 2009 following Enel SpA's request (submitted in its capacity as the consolidating company) for reimbursement for 2004-2007 of the additional income taxes paid as a result of not deducting part (10%) of IRAP in computing taxable income for IRES purposes, as permitted by Decree Law 185 of November 29, 2008, ratified with Law 2 of January 28, 2009.

## Current liabilities

### 28. Short-term loans – €2,409.7 million

Short-term loans break down as follows:

Millions of euro	Carrying amount		
	at Dec. 31, 2009	at Dec. 31, 2008	2009-2008
Due to third parties	790.3	1,304.4	(514.1)
Due to Group companies	1,619.4	3,244.2	(1,624.8)
<b>Total</b>	<b>2,409.7</b>	<b>4,548.6</b>	<b>(2,138.9)</b>

The amounts due to Group companies, totaling €1,619.4 million, decreased by €1,624.8 million, due essentially to the improvement in the net debtor position in respect of Enel Ireland Finance (€1,219.7 million) and Enel Finance International (€927.2 million), partially offset by the increase in the debtor position vis-à-vis Enel Servizio Elettrico (€535.5 million).

Short-term amounts due to banks, totaling €790.3 million, decreased by €514.1 million as a result of a decrease in drawings on uncommitted credit lines.

### 29. Trade payables – €320.8 million

Trade payables are mostly made up of payables for electricity purchases and payables for sundry services for activities conducted in 2009. They include payables due to third parties of €263.4 million (€274.6 million at December 31, 2008) and payables due to Group companies of €57.4 million (€49.7 million December 31, 2008).

Trade payables due to subsidiaries at December 31, 2009, break down as follows:

Millions of euro	Carrying amount		
	at Dec. 31, 2009	at Dec. 31, 2008	2009-2008
<b>Subsidiaries:</b>			
- Enel Produzione SpA	1.7	3.4	(1.7)
- Enel Distribuzione SpA	6.8	0.1	6.7
- Enel Ingegneria e Innovazione SpA	3.0	-	3.0
- Enel Trade SpA	8.1	0.2	7.9
- Enel Servizi Srl	29.2	36.6	(7.4)
- Enel Factor SpA	2.9	3.2	(0.3)
- Enelpower SpA	2.3	2.3	-
- Sfera Srl	1.8	3.0	(1.2)
- Other	1.6	0.9	0.7
<b>Total</b>	<b>57.4</b>	<b>49.7</b>	<b>7.7</b>

Trade payables break down by geographical area as follows:

Millions of euro

	at Dec. 31, 2009	at Dec. 31, 2008	2009-2008
<b>Suppliers:</b>			
- Italy	225.5	217.9	7.6
- EU	9.7	10.6	(0.9)
- Non-EU	85.6	95.8	(10.2)
<b>Total</b>	<b>320.8</b>	<b>324.3</b>	<b>(3.5)</b>

### 30. Current financial liabilities – €524.4 million

“Current financial liabilities” mainly regard interest expense accrued on debt outstanding at end-year and the fair value measurement of derivatives.

Millions of euro

	at Dec. 31, 2009	at Dec. 31, 2008	2009-2008
Deferred financial liabilities	360.5	387.3	(26.8)
Derivative contracts	116.9	331.1	(214.2)
Other items	47.0	190.2	(143.2)
<b>Total</b>	<b>524.4</b>	<b>908.6</b>	<b>(384.2)</b>

Deferred financial liabilities consist of interest expense accrued on financial debt, while the other items refer to interest expense on current accounts held with Group companies.

Derivatives are shown in the table below, which shows both the notional and fair value by type of contract.

Millions of euro	Notional value		Fair value		
	at Dec. 31, 2009	at Dec. 31, 2008	at Dec. 31, 2009	at Dec. 31, 2008	2009-2008
Cash flow hedge derivatives:					
- interest rates	125.0	590.8	1.9	1.2	0.7
- commodities	-	165.4	-	2.7	(2.7)
Total	125.0	756.2	1.9	3.9	(2.0)
Trading derivatives:					
- interest rates	100.0	191.5	17.7	27.0	(9.3)
- exchange rates	3,260.8	4,060.7	95.6	296.4	(200.8)
- commodities	17.0	16.9	1.7	3.8	(2.1)
Total	3,377.8	4,269.1	115.0	327.2	(212.2)
TOTAL	3,502.8	5,025.3	116.9	331.1	(214.2)

Current derivatives have a notional value of €3,502.8 million and a corresponding fair value of €116.9 million. The decrease in the notional value, equal to €1,522.5 million, is essentially attributable to exchange rate hedges on commodities established on behalf of Group companies.



### 31. Other current liabilities – €613.0 million

Other current liabilities mainly concern IRES payable to the tax authorities and to the Group companies participating in the consolidated taxation mechanism, as well as the Group VAT system. They can be broken down as follows:

Millions of euro			
	at Dec. 31, 2009	at Dec. 31, 2008	2009-2008
Tax payables	306.4	206.4	100.0
Payables due to Group companies	260.6	515.4	(254.8)
Payables due to employees, recreational/ assistance associations	19.3	20.5	(1.2)
Social security contributions payable	7.7	8.2	(0.5)
Payables due to customers for security deposits and reimbursements	2.0	1.1	0.9
Other	17.0	171.6	(154.6)
<b>Total</b>	<b>613.0</b>	<b>923.2</b>	<b>(310.2)</b>

The increase in tax payables of €100.0 million is attributable to the rise in the liability for IRES for companies participating in the consolidated tax mechanism (€301.1 million). In 2008, the item included a Group VAT payable of €199.3 million. The decrease in “payables due to Group companies” of €254.8 million is essentially ascribable to the decrease in the payable due to companies participating in the national consolidated tax mechanism, notably that in respect of Enel Energy Europe (€305.1 million), which in 2009 became a Spanish-registered company.

“Other” payables totaled €17.0 million, a fall of €154.6 million essentially attributable to the transfer to Enel Investment Holding BV of the commitment in respect of the put option granted by Enel SpA to Electrica SA on all shares held currently or in the future in Electrica Muntenia Sud (now Enel Distributie Muntenia and Enel Energie Muntenia). The transfer of the put option granted to Electrica SA was carried out in compliance with the terms of the agreement between Enel SpA and Enel Investment Holding BV concerning the transfer of the equity investments in Enel Distributie Muntenia and Enel Energie Muntenia, with which Enel Investment Holding BV acquired all the rights and obligations deriving from the “Privatization Agreement” for Electrica Muntenia Sud.

## 32. Related parties

Related parties have been identified on the basis of the provisions of international accounting standards and the applicable CONSOB measures.

Transactions entered into with companies wholly controlled, directly or indirectly, by the Ministry for the Economy and Finance are primarily related to the sale of electricity to the Single Buyer at market prices and energy transport fees paid to Terna. Transport fees are established by the Authority for Energy and Gas.

The transactions Enel SpA entered into with its subsidiaries mainly involved services, the provision and employment of financial resources, insurance coverage, human resource management and organization, legal and corporate services, and the planning and coordination of tax and administrative activities.

All the transactions are part of routine operations, are carried out in the interest of the Company and are settled on an arm's length basis, i.e. on the same market terms as agreements entered into between two independent parties.

Finally, the Enel Group's corporate governance rules (for more details see the appropriate section in this report) establish conditions for ensuring that transactions with related parties are performed in accordance with procedural and substantive propriety.

The following tables summarize commercial, financial and other relationships between the Company and related parties.

# Commercial and other relationships

2009 (1-2)

Millions of euro	Receivables	Payables	Costs		Revenues	
			Goods	Services	Goods	Services
			at Dec. 31, 2009	2009	2009	
Subsidiaries:						
Blue Line Impex Srl	0.2	-	-	-	-	0.1
Concert Srl	0.1	-	-	-	-	0.1
Deval SpA	0.3	-	-	-	-	0.3
Endesa	37.7	-	-	-	-	36.4
Enel Albania Shpk	0.4	-	-	-	-	0.4
Enel Capital Srl	0.1	-	-	-	-	0.1
Enel Distributie Banat SA	1.3	-	-	-	-	0.5
Enel Distributie Dobrogea SA	0.9	-	-	-	-	0.3
Enel Distributie Muntenia SA <sup>(3)</sup>	0.8	-	-	-	-	0.6
Enel Distribuzione SpA	308.1	77.3	-	6.8	-	79.9
Enel Energia SpA	82.5	26.4	-	-	-	34.7
Enel Energie SA	0.1	-	-	-	-	0.1
Enel Energie Muntenia SA	0.1	-	-	-	-	0.2
Enel Energy Europe SL	74.5	0.5	-	-	-	61.0
Enel Erelis Sas	0.3	-	-	-	-	0.2
Enel Green Power SpA	157.9	-	-	-	-	24.8
Enel Green Power International BV	1.2	-	-	-	-	-
Enel.Factor SpA	0.4	3.2	-	-	-	0.4
Enel Finance International SA	0.6	-	-	-	-	0.1
Enel France Sas	1.4	-	-	-	-	1.3
Enel Ingegneria e Innovazione SpA	7.4	9.7	-	4.7	-	2.7
Enel Investment Holding BV	1.5	-	-	-	-	0.5
Enel Latin America BV	3.7	-	-	-	-	1.1
Enel M@p Srl	1.0	-	-	-	-	0.1
Enel Maritza East 3 AD	1.9	0.1	-	0.1	-	1.1
Enel.NewHydro Srl	0.1	0.3	-	-	-	0.1
Enel North America Inc	3.1	0.2	-	0.8	-	0.4
Enel OGK-5 OJSC	3.6	-	-	-	-	3.3
Enel Produzione SpA	146.8	126.8	-	1.5	-	63.3
Enel Rete Gas SpA <sup>(1)</sup>	-	-	-	-	-	2.4
Enel Romania Srl	3.5	-	-	-	-	2.2

## 2009 (2-2)

Millions of euro			Costs		Revenues	
	Receivables	Payables	Goods	Services	Goods	Services
	at Dec. 31, 2009		2009		2009	
Enel Rus LLC	-	0.1	-	0.1	-	-
Enel Servicii Comune SA	1.8	-	-	-	-	0.9
Enel Servizi Srl	23.3	55.9	-	50.5	-	8.2
Enel Servizio Elettrico SpA	19.9	41.8	-	0.3	-	12.1
Enel Sole Srl	6.7	0.3	-	0.1	-	2.7
Enel.si Srl	11.7	0.1	-	0.1	-	4.0
Enel Trade SpA	156.9	9.3	8.0	1.2	-	14.5
Enel Unìon Fenosa Renovables SA	1.9	-	-	-	-	-
Enelco SA	1.4	-	-	-	-	0.8
Enelpower SpA	1.5	4.2	-	-	-	0.1
International Wind Parks of Thrace SA	0.1	-	-	-	-	-
International Wind Power SA	0.1	-	-	-	-	-
Marcinelle Energie SA	0.1	-	-	-	-	0.1
Maritza East III Power Holding BV	0.1	-	-	-	-	-
Nuove Energie Srl	0.1	-	-	-	-	0.3
SeverEnergia <sup>(2)</sup>	-	-	-	-	-	(0.2)
Sfera Srl	1.8	1.9	-	2.9	-	0.5
Slovenské elektrárne AS	13.2	0.2	-	-	-	9.6
Sviluppo Nucleare Italia Srl	2.0	-	-	-	-	2.0
Vallenergie SpA	0.1	-	-	-	-	0.1
Wind Parks of Thrace SA	0.1	-	-	-	-	-
<b>Total</b>	<b>1,084.3</b>	<b>358.3</b>	<b>8.0</b>	<b>69.1</b>	<b>-</b>	<b>374.4</b>
<b>Other related parties:</b>						
Single Buyer	52.7	-	-	-	328.0	-
Energy Markets Operator	0.3	3.7	12.4	16.2	1.1	-
Energy Services Operator	0.6	0.7	-	(7.9)	-	-
Poste Italiane	0.1	-	-	-	-	-
Terna	0.2	0.1	0.8	-	-	-
Other related parties	-	0.4	-	0.5	-	-
<b>Total</b>	<b>53.9</b>	<b>4.9</b>	<b>13.2</b>	<b>8.8</b>	<b>329.1</b>	<b>-</b>
<b>TOTAL</b>	<b>1,138.2</b>	<b>363.2</b>	<b>21.2</b>	<b>77.9</b>	<b>329.1</b>	<b>374.4</b>

(1) Until disposal on September 30, 2009.

(2) Until disposal on September 23, 2009.

(3) Formerly Electrica Muntenia Sud SA.

## 2008 (1-2)

Millions of euro	Receivables	Payables	Costs		Revenues		
			Goods	Services	Goods	Services	
			at Dec. 31, 2008		2008		2008
Subsidiaries:							
Americas Generation Corporation	0.6	-	-	-	-	0.6	
Blue Line Impex Srl	0.3	-	-	-	-	0.3	
Concert Srl	0.1	-	-	-	-	0.1	
Deval SpA	0.5	-	-	-	-	0.4	
Endesa	1.1	-	-	-	-	1.1	
Enel Distribuzione SpA	353.0	92.0	-	0.3	-	93.7	
Enel Energia SpA	154.8	-	-	-	-	40.6	
Enel Energy Europe Srl	13.5	305.5	-	-	-	12.1	
Enel Erelis Sas	0.2	-	-	-	-	0.2	
Enel Distributie Banat SA	0.9	-	-	-	-	0.9	
Enel Distributie Dobrogea SA	0.6	-	-	-	-	0.6	
Enel Distributie Muntenia SA <sup>(1)</sup>	0.2	-	-	-	-	0.2	
Enel.Factor SpA	0.4	3.2	-	-	-	0.4	
Enel Finance International SA	0.5	-	-	-	-	0.3	
Enel France Sas	1.2	-	-	-	-	1.1	
Enel Green Power SpA	20.4	-	-	-	-	4.9	
Enel Green Power International BV	1.0	-	-	-	-	1.0	
Enel Investment Holding BV	17.4	-	-	-	-	4.1	
Enel Latin America LLC	4.1	-	-	-	-	3.0	
Enel M@p Srl	0.7	-	-	-	-	-	
Enel.NewHydro Srl	0.1	0.8	-	-	-	0.1	
Enel North America Inc	3.1	-	-	0.8	-	2.1	
Enel Operations Bulgaria AD	0.8	-	-	0.8	-	0.8	
Enel Produzione SpA	215.4	35.9	-	3.3	2.9	104.1	
Enel.Re Ltd	0.1	-	-	-	-	0.1	
Enel Rete Gas SpA	6.6	-	-	-	-	4.6	
Enel Romania Srl	4.4	-	-	-	-	3.1	
Enel Service UK Ltd	-	-	-	0.3	-	-	
Enel Servizi Srl	75.7	36.9	-	56.3	-	8.0	
Enel Servizio Elettrico SpA	55.4	9.1	-	0.1	-	11.4	
Enel Sole Srl	3.1	6.4	-	(0.1)	-	2.0	
Enel.si Srl	9.6	4.8	-	0.6	-	4.5	
Enel Trade SpA	4.7	63.2	-	6.9	-	7.3	

## 2008 (2-2)

Millions of euro	Receivables	Payables	Costs		Revenues	
			Goods	Services	Goods	Services
	at Dec. 31, 2008		2008		2008	
Enel Unión Fenosa Renovables SA	1.9	-	-	-	-	1.1
Enel Viesgo Servicios SL	-	-	-	0.6	-	0.4
Enelco SA	0.6	-	-	-	-	0.6
Enelpower SpA	2.0	4.1	-	-	-	0.2
Impulsora Nacional de Electricidad Srl de cv	0.1	-	-	-	-	0.1
International Wind Parks of Thrace SA	0.1	-	-	-	-	0.1
International Wind Power SA	0.1	-	-	-	-	-
Nuove Energie Srl	0.1	-	-	-	-	0.1
OGK-5 OJSC	0.3	-	-	-	-	0.3
Rusenergosbyt LLC	-	-	-	-	-	(0.2)
SeverEnergia	0.2	-	-	-	-	0.2
Sfera Srl	1.7	3.0	-	4.1	-	0.8
Slovenské elektrárne AS	15.1	0.2	-	0.2	-	12.9
Wind Parks of Thrace SA	0.1	-	-	-	-	0.1
<b>Total</b>	<b>972.8</b>	<b>565.1</b>	<b>-</b>	<b>74.2</b>	<b>2.9</b>	<b>330.4</b>
<b>Other related parties:</b>						
Single Buyer	73.7	-	-	-	386.6	-
Eni	-	0.1	0.2	-	-	-
Fopen and Fondenel	-	0.3	-	1.6	-	-
Energy Markets Operator	0.1	7.1	13.7	22.4	1.0	-
Energy Services Operator	0.6	0.7	-	-	-	-
Poste italiane	0.1	0.1	-	-	-	-
Terna	0.3	0.1	1.7	-	1.2	-
Other related parties	-	2.7	-	3.2	-	-
<b>Total</b>	<b>74.8</b>	<b>11.1</b>	<b>15.6</b>	<b>27.2</b>	<b>388.8</b>	<b>-</b>
<b>TOTAL</b>	<b>1,047.6</b>	<b>576.2</b>	<b>15.6</b>	<b>101.4</b>	<b>391.7</b>	<b>330.4</b>

(1) Formerly Electrica Muntenia Sud SA.

# Financial relationships

2009 (1-2)

Millions of euro	Receivables	Payables	Guarantees	Costs	Revenues	Dividends
	at Dec. 31, 2009			2009		
Subsidiaries:						
Amiagas Srl	-	-	1.0	-	-	-
Concert Srl	0.9	-	0.3	-	-	-
Deval SpA	12.3	-	-	-	0.3	-
Enel Capital Srl	-	6.4	-	0.1	-	-
Enel Distribuzione SpA	455.8	1.4	3,221.5	2.3	108.7	2,095.1
Enel Energia SpA	881.9	1.3	498.6	1.3	12.6	37.0
Enel Energy Europe SL	8,889.1	-	0.1	-	277.8	-
Enel Erelis Sas	0.1	-	8.2	-	0.1	-
Enel.Factor SpA	280.8	-	-	-	4.1	4.2
Enel Finance International SA	660.2	11,359.4	20,383.3	591.2	1,125.1	-
Enel Green Power SpA	4,337.4	0.2	334.9	3.7	83.7	-
Enel Green Power Bulgaria EAD	0.1	-	41.1	-	0.1	-
Enel Green Power Holding Sarl <sup>(1)</sup>	-	28.5	-	0.5	0.1	-
Enel Green Power International BV	-	-	-	0.1	-	-
Enel Ingegneria e Innovazione SpA	0.5	70.3	210.7	0.5	0.5	-
Enel Investment Holding BV	1,140.5	527.9	559.2	23.3	21.3	-
Enel Ireland Finance Ltd	-	60.8	-	1.6	-	-
Enel M@p Srl	0.3	-	10.0	-	-	-
Enel.NewHydro Srl	11.8	-	29.7	-	0.6	-
Enel North America Inc	0.1	0.3	38.7	-	0.1	-
Enel Produzione SpA	3,543.8	28.5	1,587.9	92.0	221.1	2,255.8
Enel.Re Ltd	-	0.1	-	-	-	-

## 2009 (2-2)

Millions of euro	Receivables	Payables	Guarantees	Costs	Revenues	Dividends
	at Dec. 31, 2009			2009		
Enel Rete Gas SpA <sup>(2)</sup>	-	-	-	-	2.9	-
Enel Romania Srl	1.3	-	-	-	-	-
Enel Servizi Srl	101.5	22.1	16.8	0.6	5.0	5.5
Enel Servizio Elettrico SpA	9.5	535.9	1,593.0	0.4	9.6	-
Enel.si Srl	30.8	0.3	15.0	1.0	3.2	-
Enel Sole Srl	89.4	-	67.5	-	2.0	11.9
Enel Trade SpA	43.3	61.8	667.6	101.2	124.4	53.6
Enel Trade Romania Srl	0.1	0.1	-	0.9	0.3	-
Enel Trade Hungary Kft	-	0.2	4.2	0.2	0.1	-
Enelpower SpA	0.1	53.0	11.9	2.3	1.7	-
Enelpower UK Ltd	0.1	-	-	-	-	-
Hydro Dolomiti Enel Srl	54.6	-	-	-	1.8	-
Maritza East III Power Holding BV	-	0.1	-	-	-	-
Nuove Energie Srl	10.6	-	59.3	-	0.3	-
Portoscuso Energia Srl	1.0	-	-	-	-	-
Pragma Energy SA	-	5.0	-	0.1	-	-
Sfera Srl	-	5.9	1.0	0.1	-	1.3
Slovenské elektrárne AS	-	1.4	-	-	-	-
Vallenergie SpA	22.4	-	5.5	-	0.4	-
<b>Total</b>	<b>20,580.3</b>	<b>12,770.9</b>	<b>29,366.9</b>	<b>823.8</b>	<b>2,007.9</b>	<b>4,464.4</b>
<b>Other related parties:</b>						
Emittenti Titoli SpA	-	-	-	-	-	0.1
Terna	-	-	-	-	-	17.3
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>17.4</b>
<b>TOTAL</b>	<b>20,580.3</b>	<b>12,770.9</b>	<b>29,366.9</b>	<b>823.8</b>	<b>2,007.9</b>	<b>4,481.8</b>

(1) Formerly Enel Green Power International SA.

(2) Until disposal on September 30, 2009.



## 2008 (1-2)

Millions of euro	Receivables	Payables	Guarantees	Costs	Revenues	Dividends
at Dec. 31, 2008			2008			
<b>Subsidiaries:</b>						
Amiagas Srl	-	-	1.0	-	-	-
Avisio Energia SpA	38.6	-	2.3	-	0.9	-
Concert Srl	1.0	-	0.3	-	-	-
Deval SpA	15.3	-	-	-	0.6	-
Enel Capital Srl	-	6.4	-	0.3	-	-
Enel Distribuzione SpA	2,617.2	1.8	2,450.5	1.6	199.3	1,504.4
Enel Energia SpA	78.6	-	432.2	-	58.7	-
Enel Energy Europe Srl	25,775.3	-	-	-	1,147.9	-
Enel Erelis Sas	-	-	30.9	-	-	-
Enel.Factor SpA	339.9	-	-	-	10.5	4.0
Enel Finance International SA	15.3	12,773.0	14,157.4	1,275.0	15.3	-
Enel France Sas	-	0.1	-	0.1	-	-
Enel Green Power SpA	2,670.7	1.4	300.0	12.8	10.5	-
Enel Green Power Holding Sarl <sup>(1)</sup>	1.5	29.9	-	8.0	2.4	-
Enel Investment Holding BV	2,234.7	528.2	921.4	51.8	85.4	-
Enel Ireland Finance Ltd	-	1,331.1	-	54.9	0.4	-
Enel Latin America LLC	0.2	-	-	-	-	-
Enel M@p Srl	-	5.7	10.0	0.1	-	-
Enel.NewHydro Srl	26.7	-	29.5	-	1.3	-
Enel North America Inc	0.2	-	44.7	6.9	7.4	-
Enel Produzione SpA	1,622.1	261.2	1,389.4	380.4	438.4	1,516.8
Enel Rete Gas SpA	98.5	1.6	540.8	-	26.8	-

## 2008 (2-2)

Millions of euro	Receivables	Payables	Guarantees	Costs	Revenues	Dividends
	at Dec. 31, 2008			2008		
Enel Servizi Srl	104.0	127.8	16.8	1.7	11.2	8.2
Enel Servizio Elettrico SpA	408.0	-	1,441.4	-	42.5	-
Enel.si Srl	35.9	3.8	15.0	4.7	1.8	-
Enel Sole Srl	72.4	-	67.5	-	3.7	3.5
Enel Trade SpA	330.7	124.2	1,097.1	250.3	161.4	133.8
Enel Trade Romania Srl	4.9	0.1	-	0.1	0.3	-
Enel Trade Hungary Kft	0.1	-	1.4	-	-	-
Enel Unión Fenosa Renovables SA	-	-	27.0	-	-	-
Enel Viesgo Generación SL <sup>(2)</sup>	-	-	-	0.1	-	-
Enelpower SpA	0.1	60.0	17.3	4.8	3.5	-
Enelpower UK Ltd	2.3	-	-	-	0.1	-
Hydro Dolomiti Enel Srl	125.0	-	-	-	4.1	-
Maritza East III Power Holding BV	-	0.2	-	-	-	-
Nuove Energie Srl	10.5	-	59.3	-	0.3	-
Pragma Energy SA	-	9.2	-	0.4	-	-
Sfera Srl	-	10.3	1.0	0.3	-	0.6
Vallenergie SpA	11.1	-	5.5	-	0.4	-
<b>Total</b>	<b>36,642.3</b>	<b>15,276.0</b>	<b>23,059.7</b>	<b>2,054.3</b>	<b>2,235.2</b>	<b>3,171.3</b>
<b>Other related parties:</b>						
Emittenti Titoli SpA	-	-	-	-	-	0.2
Terna	-	-	-	-	-	15.7
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>15.9</b>
<b>TOTAL</b>	<b>36,642.3</b>	<b>15,276.0</b>	<b>23,059.7</b>	<b>2,054.3</b>	<b>2,235.2</b>	<b>3,187.2</b>

(1) Formerly Enel Green Power International SA.

(2) Until disposal on June 26, 2008.

The impact of transactions with related parties on the balance sheet, income statement and cash flows is reported in the following tables.

#### IMPACT ON BALANCE SHEET

Millions of euro	Total	Related parties	% of total	Total	Related parties	% of total
at Dec. 31, 2009			at Dec. 31, 2008			
Assets						
Non-current financial assets	1,319.5	954.1	72.3%	1,194.3	348.9	29.2%
Other non-current assets	275.9	234.1	84.8%	246.2	246.0	99.9%
Trade receivables	516.5	506.4	98.0%	484.4	478.0	98.7%
Current financial assets	20,608.9	19,626.2	95.2%	36,682.3	36,293.4	98.9%
Other current assets	554.4	397.7	71.7%	426.5	323.6	75.9%
Liabilities						
Long-term loans	30,012.0	10,806.4	36.0%	39,044.8	11,031.2	28.3%
Non-current financial liabilities	1,951.7	43.9	2.2%	1,859.5	543.7	29.2%
Other non-current liabilities	41.5	40.3	97.1%	1.3	-	0.0%
Short-term loans	2,409.7	1,619.4	67.2%	4,548.6	3,244.2	71.3%
Short-term portion of long-term loans	779.5	224.9	28.9%	431.3	-	0.0%
Trade payables	320.8	62.3	19.4%	324.3	60.5	18.7%
Current financial liabilities	524.4	76.3	14.5%	908.6	456.8	50.3%
Other current liabilities	613.0	260.6	42.5%	923.2	515.7	55.9%

#### IMPACT ON INCOME STATEMENT

Millions of euro	Total	Related parties	% of total	Total	Related parties	% of total
	2009			2008		
Revenues	706.3	703.5	99.6%	734.3	722.0	98.3%
Electricity purchases and consumables	316.7	21.2	6.7%	349.2	15.6	4.5%
Services and other operating expenses	416.9	77.9	18.7%	446.0	101.4	22.7%
Income from equity investments	4,481.8	4,481.8	100.0%	3,187.2	3,187.2	100.0%
Financial income	2,510.8	2,007.9	80.0%	4,061.9	2,235.2	55.0%
Financial expense	3,792.8	823.8	21.7%	4,529.9	2,054.3	45.3%

#### IMPACT ON CASH FLOWS

Millions of euro	Total	Related parties	% of total	Total	Related parties	% of total
	2009			2008		
Cash flows from operating activities	3,737.9	483.5	12.9%	2,597.4	950.9	36.6%
Cash flows from investing/disinvesting activities	10.7	11.9	111.4%	(831.2)	(822.1)	98.9%
Cash flows from financing activities	(3,367.6)	1,138.0	-33.8%	(1,162.3)	(1,704.0)	146.6%

## Compensation of directors, members of the Board of Auditors, the General Manager and managers with strategic responsibilities

The compensation paid to directors, members of the Board of Auditors, the General Manager and managers with strategic responsibilities of Enel SpA is summarized in the following table.

The table has been prepared with regard to the period for which the position was held on an accruals basis. The information regarding managers with strategic responsibilities is provided in aggregate form, pursuant to the provisions of Article 78 and annex 3C of CONSOB Resolution no. 11971/1999 (the "Issuers Regulation").

The directors of Enel SpA have waived all forms of compensation for positions held in subsidiaries.

A description of the overall compensation of the members of the Board of Directors, the members of the Board committees, the Chairman and the Chief Executive Officer/General Manager is provided in the second section of the corporate governance report (under "Board of Directors – Pay").

COMPENSATION OF DIRECTORS, MEMBERS OF THE BOARD OF AUDITORS,  
THE GENERAL MANAGER AND MANAGERS WITH STRATEGIC RESPONSIBILITIES

Last name	Name	Position	Period for which position was held	End of term	Remuneration (euro)	Non-monetary benefits (euro)	Bonuses and other incentives (euro)	Other compensation (euro)	Total
<b>Directors</b>									
Gnudi	Piero	Chairman	1/2009-12/2009	Approv. fin. stat. 2010	700,000.00	14,193.48 <sup>(1)</sup>	333,245.90 <sup>(2)(*)</sup>		<b>1,047,439.38</b>
Conti	Fulvio	CEO and GM	1/2009-12/2009	Approv. fin. stat. 2010	600,000.00		609,180.33 <sup>(3)(*)</sup>	1,411,614.18 <sup>(4)(*)</sup>	<b>2,620,794.51</b>
Ballio	Giulio	Director	1/2009-12/2009	Approv. fin. stat. 2010	117,000.00				<b>117,000.00</b>
Codogno	Lorenzo	Director	1/2009-12/2009	Approv. fin. stat. 2010	117,500.00 <sup>(5)</sup>				<b>117,500.00</b>
Costi	Renzo	Director	1/2009-12/2009	Approv. fin. stat. 2010	118,250.00				<b>118,250.00</b>
Fantozzi	Augusto	Director	1/2009-12/2009	Approv. fin. stat. 2010	122,250.00				<b>122,250.00</b>
Luciano	Alessandro	Director	1/2009-12/2009	Approv. fin. stat. 2010	118,250.00				<b>118,250.00</b>
Napolitano	Fernando	Director	1/2009-12/2009	Approv. fin. stat. 2010	117,250.00				<b>117,250.00</b>
Tosi	Gianfranco	Director	1/2009-12/2009	Approv. fin. stat. 2010	123,250.00				<b>123,250.00</b>
<b>Total compensation of directors</b>					<b>2,133,750.00</b>	<b>14,193.48</b>	<b>942,426.23</b>	<b>1,411,614.18</b>	<b>4,501,983.89</b>
<b>Board of Auditors</b>									
Fontana	Franco	Chair. Board of Auditors	1/2009-12/2009	Approv. fin. stat. 2009	75,000.00				<b>75,000.00</b>
Conte	Carlo	Standing Auditor	1/2009-12/2009	Approv. fin. stat. 2009	65,000.00 <sup>(6)</sup>				<b>65,000.00</b>
Mariconda	Gennaro	Standing Auditor	1/2009-12/2009	Approv. fin. stat. 2009	65,000.00				<b>65,000.00</b>
<b>Total compensation of Board of Auditors</b>					<b>205,000.00</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>205,000.00</b>
<b>Managers with strategic responsibilities <sup>(7)</sup> 1/2009-12/2009</b>								<b>14,411,744.33</b>	<b>14,411,744.33</b>
<b>TOTAL</b>					<b>2,338,750.00</b>	<b>14,193.48</b>	<b>942,426.23</b>	<b>15,823,358.51</b>	<b>19,118,728.22</b>

(1) Insurance policy.

(2) Variable portion of compensation for 2008 approved and disbursed in 2009. In 2010 the Board of Directors will determine the variable portion of compensation due to the Chairman for 2009 (in an amount of no more than €560,000.00), once the achievement of the Group targets set for that year has been verified.

(3) The variable portion of compensation for 2008, approved and disbursed in 2009. In 2010, the Board of Directors will determine the variable portion of compensation due to the Chief Executive Officer for 2009 (in an amount of no more than €900,000.00), once the achievement of the Group targets set for that year has been verified.

(4) The amount breaks as follows: i) a fixed portion of compensation of €700,903.80 for the position of General Manager for 2009; ii) a variable portion of compensation of €710,710.38 for 2008, approved and disbursed in 2009. In 2010, the Board of Directors will determine the variable portion of compensation due to the General Manager for 2009 (in an amount of no more than €1,050,000.00), once the achievement of the Group targets set for that year has been verified.

(5) Compensation paid to the Ministry for the Economy and Finance in the amount of €115,000.00 pursuant to the Directive of the Presidency of the Council of Ministers - Department of Public Administration of March 1, 2000.

(6) Compensation entirely paid to the Ministry for the Economy and Finance pursuant to the Directive of the Presidency of the Council of Ministers - Department of Public Administration of March 1, 2000.

(7) In 2009, managers with strategic responsibilities included heads of Enel SpA Departments and Division heads, for a total of 17 management positions.

(\*) As regards the variable component of the compensation of senior management (in particular the Chairman and the CEO/General Manager, who are assigned the same objectives), the Group targets for 2009 (each of which has a specific weighting) include achievement of the consolidated EBITDA set in the budget, reducing consolidated financial debt, the satisfaction of customers who signed up plans offered by the subsidiary Enel Energia SpA, the margin of the generation area, workplace safety and the Group internalization process (with special reference to the integration of management processes between Enel and Endesa).

## 33. Stock incentive plans

Between 2000 and 2008, Enel implemented stock incentive plans (stock option plans and restricted share units plans) each year in order to give the Enel Group – in line with international business practice and the leading Italian listed companies – a means for fostering management motivation and loyalty, strengthening a sense of corporate team spirit in our key personnel, and ensuring their enduring and constant effort to create value, thus creating a convergence of interests between shareholders and management.

The remainder of this section describes the features of the stock incentive plans adopted by Enel and still in place in 2009.

### 2004 stock option plan

#### Beneficiaries

The Regulations provided for the executives selected by the Board of Directors to be granted personal, non-transferable inter vivos options to subscribe a corresponding number of newly issued ordinary Enel shares. The executives were divided into different brackets and the number of options granted to those in each bracket was determined on a proportional basis. The plan beneficiaries included the Chief Executive Officer of Enel in his capacity as General Manager.

#### Exercise conditions

The right to subscribe the shares was subordinate to the condition that the executives concerned remain employed within the Group, with a few exceptions (such as, for example, termination of employment because of retirement or permanent invalidity, exit from the Group of the company at which the executive is employed, and succession) specifically governed by the Regulations.

Exercise of the options was also subordinate to achievement of two objectives, of which (i) one of an operational nature, represented by outperforming Group EBITDA for the year in which the options were granted as estimated in the budget approved by the Board of Directors and (ii) another of a market nature, under which the percentage change in the price of Enel shares recorded on Borsa Italiana's electronic stock exchange during the year in which the options were granted had to be greater than the performance of a specific benchmark index, determined by the Regulations as the average of the MIBtel index (weighting: 50%) and the FTSE Eurotop 300 Electricity index (weighting: 50%) on a total shareholders' return basis, i.e. taking account (both for Enel shares and the benchmark index) of the effect of reinvesting gross dividends in the shares. If even one objective was not achieved, all the options automatically lapsed, there being no provision for a mechanism allowing them to be recovered.

### Exercise procedures

In the event the conditions of exercise were met, the options would be exercisable as follows: 15% as from the first year following the grant year, an additional 15% as from the second year following the grant year, 30% as from the third year following the grant year, and the remaining 40% as from the fourth year following the grant year, with the requirement that the deadline for exercising all the options is the fifth year following that in which they were granted. This time limit therefore expired on December 31, 2009.

The options could be exercised each year at any time, with the exception of two blocking periods lasting about one month before the approval of the draft annual financial statements of Enel SpA and the half-year report by the Board of Directors.

### Strike price

The strike price of the shares was originally set by the Board of Directors at €6.242, equal to the arithmetic average of the reference prices of Enel shares on Borsa Italiana SpA's electronic stock exchange during the period between the date on which the options were granted and the same day of the preceding calendar month. Subscription of the shares was to be charged entirely to the beneficiaries, as the plan does not provide for any facilitated terms to be granted in this respect. The strike price was modified by the Board of Directors on July 9, 2009 – which set it at €5.502 – in order to take account of the capital increase completed by Enel that month and the impact that it had on the market price of Enel shares.

### Shares serving the plan

The 2004 stock option plan is served by shares issued as part of the capital increase authorized by the Extraordinary Shareholders' Meeting of May 2004. The divisible, paid capital increase was approved by the Board of Directors in March 2005 in the maximum amount of €38,527,550, to be subscribed by December 31, 2009.

### Developments in the 2004 stock option plan

Following achievement of both the objectives discussed earlier, all the options granted vested in accordance with the timetable mentioned above.

The following table reports developments in the 2004 plan:

Total options granted	Number of beneficiaries	Strike price	Verification of plan conditions	Options exercised at Dec. 31, 2009	Options lapsed at Dec. 31, 2008	Options lapsed in 2009
38,527,550	640 Group executives	€6.242 <sup>(1)</sup>	Rights vested	26,437,815	2,112,800 <sup>(2)</sup>	9,976,935 <sup>(3)</sup>

(1) The strike price was changed to €5.502 as from July 9, 2009 in order to take account of the impact of the capital increase completed by Enel that month on the market price of Enel shares.

(2) Options lapsed for early termination of service of beneficiaries.

(3) Options lapsed for early termination of service or after beneficiaries failed to exercise them.

### 2007 stock option plan

The 2007 plan is founded on the same rationale as the 2004 plan, adopting most of the provisions of its implementing Regulations and departing from them only in the manner described below.

### Beneficiaries

Like the 2004 plan, the division of the beneficiaries of the plan into brackets is

maintained and the options are granted using proportional criteria. The beneficiaries do not include executives in the Infrastructure and Networks Division (who have received other incentives linked to specific objectives regarding the Division's business area). The exclusion was motivated by the obligation for Enel – connected with the full liberalization of the electricity sector as from July 1, 2007 – to implement administrative and accounting unbundling so as to separate the activities included in the Infrastructure and Networks Division from those of the Group's other business areas.

#### Exercise conditions

Unlike the provisions of the 2004 plan, the 2007 plan sets multi-year performance objectives. While the Group EBITDA target is unchanged, that concerning the performance of Enel's shares against a benchmark index has been modified slightly. Specifically, the composition of the index is now the average performance of the MIBtel index (weight: 50%) – replaced with the FTSE Italia All Share index after an analogous substitution by Borsa Italiana in 2009 – and the Bloomberg World Electric index (weight: 50%). The latter replaced the FTSE Eurotop 300 electricity index above all because it is more representative of the performance of industry operators at the international level.

More specifically, the 2007 plan establishes that an initial 25% of the options granted may be exercised on the condition that both of the objectives are achieved in the two years covering the year the options were granted and the subsequent year, while the remaining 75% may be exercised subject to achievement of both objectives during the three years covering the year the options were granted and the subsequent two years. If one or both of the objectives are not achieved in the two-year period indicated above, the initial 25% of the options can be recovered with the achievement of both objectives over the longer three-year period indicated above.

#### Exercise procedures

Once the conditions of exercise have been satisfied, 25% of the options granted may be exercised as from the second year subsequent to the grant year, an additional 35% as from the third year subsequent to the grant year, and the remaining 40% as from the fourth year subsequent to the grant year, with the deadline for exercising all the options being the sixth year subsequent to the grant year.

#### Strike price

The strike price was originally set at €7.859, equal to the reference price for Enel shares observed on the electronic stock exchange of Borsa Italiana on January 2, 2007, in order to ensure that the structure of the plan is fully consistent with the reference time period and the period in which the exercise conditions for the options are observed.

The strike price was modified by the Board of Directors on July 9, 2009 – which set it at €6.928 – in order to take account of the capital increase completed by Enel that month and the impact that it had on the market price of Enel shares.

#### Shares serving the plan

In May 2007, the Extraordinary Shareholders' Meeting authorized the Board of Directors to carry out a capital increase in the maximum amount of €27,920,000, with characteristics analogous to the increases authorized in May 2004.



### Developments in the 2007 stock option plan

As neither the two-year nor the three-year performance targets for Enel shares with respect to the benchmark index were achieved, all of the options granted under the plan lapsed automatically.

The following table reports developments in the 2007 plan:

Total options granted	Number of beneficiaries	Strike price	Verification of plan conditions	Options exercised at Dec. 31, 2009	Options lapsed at Dec. 31, 2008	Options lapsed in 2009
27,920,000	379 Group executives	€7.859 <sup>(1)</sup>	Rights not vested	None	760,166 <sup>(2)</sup>	27,159,834 <sup>(3)</sup>

(1) The strike price was changed to €6.928 as from July 9, 2009 in order to take account of the impact of the capital increase completed by Enel that month on the market price of Enel shares.

(2) Options lapsed for early termination of service of beneficiaries.

(3) Options lapsed for failure to achieve one of the exercise conditions.

### 2008 stock option plan

The approach adopted in the 2008 plan differs substantively from those approved in previous years, with the exception of (i) the status of the options as personal, non-transferable inter vivos rights to subscribe a corresponding number of newly issued ordinary Enel shares and (ii) the possibility of exercising the options (once, after three years have passed from the grant date, the exercise conditions have been satisfied) at any time in each year of the plan except during two blocking periods of about one month each. The special features of the 2008 plan are discussed below.

#### Beneficiaries

The beneficiaries of the plan – who again include the CEO of Enel in his capacity as General Manager – will only comprise the small number of managers who represent the first reporting line of top management. The head of the Infrastructure and Networks Division does not participate for the reasons explained in the description of the 2007 plan.

The beneficiaries have been divided into two brackets (the first includes only the CEO of Enel in his capacity as General Manager) and the basic number of options granted to each has been determined on the basis of their gross annual compensation and the strategic importance of their positions, as well as the price of Enel shares at the start of the period covered by the plan (January 2, 2008).

#### Exercise conditions

The plan established two operational objectives, both calculated on a consolidated, three-year basis: (i) earnings per share (EPS, equal to Group net income divided by the number of Enel shares in circulation) for the 2008-2010 period, determined on the basis of the amounts specified in the budgets for those years and (ii) the return on average capital employed (ROACE, equal to the ratio between operating income and average net capital employed) for the 2008-2010 period, determined on the basis of the amounts specified in the budgets for those years. Depending on the degree to which the two objectives are achieved, the number of options that can actually be exercised by each beneficiary is determined on the basis of a performance scale established by the Enel Board and may vary up or down with respect to the basic option grant by a percentage amount of between 0% and 120%.

### Exercise procedures

Once achievement of the operational objectives has been verified, the options can be exercised as from the third year after the grant year and up to the sixth year as from the grant year.

### Strike price

The strike price was originally set at €8.075, equal to the reference price for Enel shares observed on the electronic stock exchange of Borsa Italiana on January 2, 2008 (as in the 2007 plan).

The strike price was modified by the Board of Directors on July 9, 2009 – which set it at €7.118 – in order to take account of the capital increase completed by Enel that month and the impact that it had on the market price of Enel shares.

### Shares serving the plan

In June 2008, the Extraordinary Shareholders' Meeting authorized the Board of Directors to carry out a capital increase in the maximum amount of €9,623,735, with characteristics analogous to the increases authorized previously.

### Developments in the 2008 stock option plan

Bearing in mind that the vesting period for the 2008 plan has not yet ended, with the verification of achievement of the targets described above, the following table reports developments in the plan:

Total options granted	Number of beneficiaries	Strike price	Verification of plan conditions	Options lapsed at Dec. 31, 2008	Options lapsed in 2009
8,019,779 <sup>(1)</sup>	16 Group executives	€8.075 <sup>(2)</sup>	- <sup>(3)</sup>	None	None

(1) If the degree of achievement of the two operational objectives indicated above should reach the highest level of the performance scale, a maximum of 9,623,735 options would be exercisable.

(2) The strike price was changed to €7.118 as from July 9, 2009 in order to take account of the impact of the capital increase completed by Enel that month on the market price of Enel shares.

(3) The review to be carried out by the Board of Directors to verify the satisfaction of the exercise conditions for the 2008 plan is scheduled to take place as part of the approval of the draft financial statements of Enel SpA for 2010.

### Payment of a bonus connected with the portion of the dividends attributable to asset disposals, to be made in conjunction with the exercise of stock options

In March 2004, the Board of Directors voted to grant a special bonus, beginning in 2004, to the beneficiaries of the various stock option plans who exercise the options granted to them, establishing that the amount is to be determined each time by the Board itself when it adopts resolutions concerning the allocation of earnings and is based on the portion of the "disposal dividends" (as defined below) distributed after the granting of the options.

The rationale underlying this initiative is that the portion of dividends attributable to extraordinary transactions regarding the disposal of property and/or financial assets ("disposal dividends") should be considered a form of return to shareholders of part of the value of the Company, and as such capable of affecting the performance of the shares.

The beneficiaries of the bonus are thus the beneficiaries of the stock option plans who – either because they choose to do so or because of the restrictions imposed by the exercise conditions or the vesting periods – exercise their options after the ex dividend date of the "disposal dividends" and therefore could be penalized. The bonus is not paid, however, for the portion of other kinds of dividends, such as those generated by ordinary business activities or

reimbursements associated with regulatory measures.

Essentially, when beneficiaries of the stock option plans have exercised the options granted to them, as from 2004 they have been entitled to receive a sum equal to the “disposal dividends” distributed by Enel after the options have been granted but before they have been exercised. The bonus will be paid by the company of the Group that employs the beneficiary and is subject to ordinary taxation as income from employment.

Under these rules, to date the Board of Directors has approved: (i) a bonus amounting to €0.08 per option exercised, with regard to the dividend (for 2003) of €0.36 per share payable as from June 24, 2004; (ii) a bonus amounting to €0.33 per option exercised, with regard to the interim dividend (for 2004) of the same amount per share payable as from November 25, 2004; (iii) a bonus amounting to €0.02 per option exercised, with regard to the balance of the dividend (for 2004) of €0.36 per share payable as from June 23, 2005; and (iv) a bonus amounting to €0.19 per option exercised, with regard to the interim dividend (for 2005) of the same amount per share payable as from November 24, 2005.

\*\*\*\*\*

It should be noted that the overall dilution of share capital as of December 31, 2009 attributable to the exercise of the stock options granted under the various plans amounts to 1.31% and that further developments in the plans could, in theory, increase the dilution up to a maximum of 1.41% (taking account of share capital after the capital increase carried out by the company in 2009).

\*\*\*\*\*

The following table summarizes developments over the course of 2007, 2008 and 2009 in the Enel stock option plans, detailing the main assumptions used in calculating their fair value.

#### DEVELOPMENTS IN STOCK OPTION PLANS

Number of options	2003 plan	2004 plan	2006 plan	2007 plan	2008 plan	Total
Options granted at December 31, 2007	47,624,005	38,527,550	31,790,000	27,920,000	-	145,861,555
Options exercised at December 31, 2007	42,937,716	25,177,615	-	-	-	68,115,331
Options lapsed at December 31, 2007	3,348,716	2,065,200	905,000	147,000	-	6,465,916
Options outstanding at December 31, 2007	1,337,573	11,284,735	30,885,000	27,773,000	-	71,280,308
Options granted in 2008	-	-	-	-	8,019,779 (*)	8,019,779
Options exercised in 2008	791,550	1,260,200	-	-	-	2,051,750
Options lapsed in 2008	546,023	47,600	30,885,000	613,166	-	32,091,789
Options outstanding at December 31, 2008	-	9,976,935	-	27,159,834	8,019,779 (*)	45,156,548
Options lapsed in 2009	-	9,976,935	-	27,159,834	-	37,136,769
Options outstanding at December 31, 2009	-	-	-	-	8,019,779 (*)	8,019,779
Fair value at grant date (euro)	0.37	0.18	0.23	0.29	0.17	
Volatility	28%	17%	14%	13%	21%	
Option expiry	Dec. 2008	Dec. 2009	Dec. 2012	Dec. 2013	Dec. 2014	

(\*) If the degree of achievement of the operational objectives indicated for the 2008 plan should reach the highest level of the performance scale, a maximum of 9,623,735 options would be exercisable.

## Stock options granted to the General Manager and managers with strategic responsibilities

The following table reports the stock options of the General Manager (and Chief Executive Officer) of Enel SpA and Company managers with strategic responsibilities. The information regarding the latter is provided in aggregate form, pursuant to the provisions of Article 78 and annex 3C of CONSOB Resolution no. 11971/1999 (the "Issuers Regulation").

Each option in the table corresponds to the subscription of one share.

Name	Position	Options held at the start of 2009			Options granted in 2009			Options exercised in 2009			Options lapsed in 2009	Options held at the end of 2009		
		Number of options	Average exercise price (euros)	Average expiry	Number of options	Average exercise price (euros)	Average expiry	Number of options	Average exercise price (euros)	Average market price at exercise	Number of options	Number of options	Average exercise price (euros)	Average expiry
Fulvio Conti (*)	General Manager Enel SpA	3,422,772	7.659	2013	-	-	-	-	-	-	2,100,000	1,322,772 (***)	7.118	2014
-	Managers with strategic responsibilities (**)	12,965,562	7.859	2014	-	-	-	-	-	-	6,268,555	6,697,007 (****)	7.118	2014

(\*) Of the options reported in the table, those granted up through all of 2005 were granted to Fulvio Conti as head of the Administration, Finance and Control Department of Enel SpA, the position he held until June 20, 2005.

(\*\*) In 2009, managers with strategic responsibilities included heads of Enel SpA Departments and Division heads, for a total of 17 management positions.

(\*\*\*) If the degree of achievement of the operational objectives for the 2008 stock option plan should reach the highest level of the performance scale, a maximum of 1,587,326 options would vest.

(\*\*\*\*) If the degree of achievement of the operational objectives for the 2008 stock option plan should reach the highest level of the performance scale, a maximum of 8,036,409 options would vest.

## Restricted share units plan 2008

In June 2008 Enel's Ordinary Shareholders' Meeting approved an additional incentive mechanism, a restricted share units plan. The plan – which is also linked to the performance of Enel shares – differs from the stock option plans in that it does not involve the issue of new shares and therefore has no diluting effect on share capital. It grants the beneficiaries rights to receive the payment of a sum equal to the product of the number of units exercised and the average value of Enel shares in the month preceding the exercise of the units.

### Beneficiaries

The plan covers the management of the Enel Group (including the managers already participating in the 2008 stock option plan, which includes the Enel CEO in his capacity as General Manager), with the exception of the managers of the Infrastructure and Networks Division for the reasons discussed with the 2007 stock option plan.

The beneficiaries have been divided into brackets and the basic number of units granted to each has been determined on the basis of the average gross annual compensation of the bracket, as well as the price of Enel shares at the start of the period covered by the plan (January 2, 2008).

### Exercise conditions

Exercise of the units – and the consequent receipt of the payment – is subordinate to the condition that the executives concerned remain employed within the Group, with a few exceptions (such as, for example, termination of employment because of retirement or permanent invalidity, exit of the company at which the beneficiary is employed from the Group or inheritance) specifically governed by the Regulations. As regards other exercise conditions, the plan first establishes a suspensory

operational objective (a “hurdle target”): (i) for the first 50% of the basic number of units granted, Group EBITDA for 2008-2009, calculated on the basis of the amounts specified in the budgets for those years; and (ii) for the remaining 50% of the basic number of units granted, Group EBITDA for 2008-2010, calculated on the basis of the amounts specified in the budgets for those years.

If the hurdle target is achieved, the actual number of units that can be exercised by each beneficiary is determined on the basis of a performance objective represented by:

- (i) for the first 50% of the basic number of units granted, a comparison on a total shareholders’ return basis – for the period from January 1, 2008 to December 31, 2009 – between the performance of ordinary Enel shares on the electronic stock exchange of Borsa Italiana SpA and that of a specific benchmark index calculated as the average of the performance of the MIBtel index (weight: 50%) – replaced with the FTSE Italia All Share index after an analogous substitution by Borsa Italiana in 2009 – and the Bloomberg World Electric Index (weight: 50%); and
- (ii) for the remaining 50% of the basic number of units granted, a comparison on a total shareholders’ return basis – for the period from January 1, 2008 to December 31, 2010 – between the performance of ordinary Enel shares on the electronic stock exchange of Borsa Italiana SpA and the benchmark index calculated as the average of the performance of the MIBtel index (weight: 50%) – replaced in 2009 with the FTSE Italia All Share index as indicated above – and the Bloomberg World Electric Index (weight: 50%).

The number that can be exercised may vary up or down with respect to the basic unit grant by a percentage amount of between 0% and 120% as determined on the basis of a specific performance scale.

If the hurdle target is not achieved in the first two-year period, the first tranche of 50% of the units granted may be recovered if the same hurdle target is achieved over the longer three-year period indicated above. It is also possible to extend the validity of the performance level registered in the 2008-2010 period to the 2008-2009 period, where performance was higher in the longer period, with the consequent recovery of units that did not actually vest in the first two-year period because of the lower performance level.

#### Exercise procedures

Once achievement of the hurdle target and the performance objectives has been verified, of the total number of units granted, 50% may be exercised as from the second year subsequent to the grant year and the remaining 50% as from the third year subsequent to the grant year, with the deadline for exercising all the units being the sixth year subsequent to the grant year.

In any event, each year the units can only be exercised during four time windows of ten business days each (to be announced by Enel over the course of the plan) in the months of January, April, July and October.

#### Developments in the 2008 restricted share units plan

The review conducted by the Board of Directors to verify satisfaction of the exercise conditions for the first 50% of the units granted found that in 2008-2009

- (i) the hurdle target for Group EBITDA had been achieved, and (ii) Enel shares had slightly outperformed the benchmark index, meaning that according to the performance scale 100% of the units originally granted had vested.

The following table reports developments in the 2008 restricted share units plan:

Total units granted	Number of beneficiaries	Verification of plan conditions	Units lapsed at Dec. 31, 2008	Units lapsed in 2009
1,766,675 <sup>(1)</sup>	387 Group executives	First 50% of units vested <sup>(2)</sup>	None	11,350 <sup>(3)</sup>

(1) If the degree of achievement of the performance objectives indicated above should reach the highest level of the performance scale, a maximum of 2,120,010 units would vest.

(2) The review carried out by the Board of Directors to verify the achievement of the hurdle target and the performance target for the remaining 50% of units granted is scheduled to take place on the occasion of the approval of the consolidated financial statements of the Enel Group for 2010.

(3) Options lapsed for early termination of service of beneficiaries.

Number of RSU	2008 plan
RSU outstanding at December 31, 2008	1,766,675
RSU lapsed in 2009	11,350
RSU outstanding at December 31, 2009 <i>of which vested at December 31, 2009</i>	1,755,325 -
Fair value at the grant date (euro)	3.16
Fair value at December 31, 2009 (euro)	3.28
Expiry of the restricted share units	December 2014

## 34. Contractual commitments and guarantees

Millions of euro

	at Dec. 31, 2009	at Dec. 31, 2008	2009-2008
<b>Sureties and other guarantees granted to:</b>			
- third parties	672.6	764.7	(92.1)
- subsidiaries	29,366.9	23,059.7	6,307.2
- associates and others	12.4	14.1	(1.7)
<b>Total</b>	<b>30,051.9</b>	<b>23,838.5</b>	<b>6,213.4</b>
Other commitments for electricity purchases from third parties	607.3	889.8	(282.5)
<b>TOTAL</b>	<b>30,659.2</b>	<b>24,728.3</b>	<b>5,930.9</b>

Sureties granted to third parties regard guarantees issued by the Parent Company as part of the disposal to third parties of assets owned by Enel SpA or in the interest of its subsidiaries.

For Enel SpA, they regard:

- > €641 million in guarantees 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;
- > €15 million in guarantees of obligations assumed in the sale of Enel.Hydro;
- > €9 million in respect of the pledge of shares of Idrosicilia as collateral securing a loan granted to Sicilacque, in which Idrosicilia has a 75% stake;
- > €5 million in guarantees to Terna for electricity ancillary services pursuant to Resolution no. 111/06;
- > €1 million in guarantees at December 31, 2009, concerning Avisio Energia, which was sold in December;
- > sundry sureties amounting to €1 million.

Sureties issued on behalf of subsidiaries include:

- > €12,522 million issued on behalf of Enel Finance International securing bonds denominated in dollars, pounds, euros and yen as part of the €25 billion Global Medium-Term Notes program;
- > €3,861 million issued on behalf of Enel Finance International securing the credit facility agreement program;
- > €4,000 million issued on behalf of Enel Finance International securing an euro commercial paper program;
- > €1,800 million issued to various banks, including the European Investment Bank (EIB), for loans granted by them to Enel Distribuzione, Enel Produzione and Enel Green Power SpA;

- > €1,575 million issued as counter-guarantees in favor of the banks that guaranteed Enel Distribuzione and Enel Produzione for loans granted by the EIB;
- > €1,441 million issued by Enel SpA to the Single Buyer on behalf of Enel Servizio Elettrico SpA for obligations under the electricity purchase contract;
- > €840 million in favor of Cassa Depositi e Prestiti issued on behalf of Enel Distribuzione, which received a loan of €840 million;
- > €525 million issued in favor of the financial counterparties securing bonds issued by Enel Finance International as part of the €25 billion Global Medium-Term Notes program;
- > €357 million issued in favor of Terna on behalf of Enel Distribuzione, Enel Trade, Enel Produzione and Enel Energia in respect of agreements for the electricity transmission service;
- > €305 million issued to the tax authorities in respect of participation in the Group VAT procedure on behalf of Enel Energia, Enel Trade, Enel New.Hydro, Enel Produzione, Enel Servizi, Enelpower and Enel Servizio Elettrico;
- > €166 million issued in favor of Snam Rete Gas on behalf of Enel Trade for transport capacity reserve;
- > €130 million for letters of patronage issued in favor of Vintage Finance Srl for the "assignment en bloc of receivables" on behalf of Enel Servizio Elettrico and Enel Energia;
- > €50 million issued as counter-guarantees in favor of the banks that guaranteed the Energy Markets Operator on behalf of Enel Trade;
- > €41 million issued in favor of Vestas Deutschland GmbH on behalf of Enel Green Power Bulgaria for the supply of wind turbine generators;
- > €40 million issued to E.ON on behalf of Enel Trade for trading on the electricity market;
- > €24 million issued in favor of Duferco Diversification on behalf of Enel Investment Holding under the share purchase agreement in respect of the acquisition of Marcinelle Energie;
- > €1,684 million issued to various beneficiaries as part of financial support activities by the Parent Company on behalf of subsidiaries, as well as €5 million issued on behalf of Enel New.Hydro as part of the disposal of the Ismes business unit.

The commitments for the purchase of electricity regard foreign supplies expiring by 2011.



## 35. Contingent liabilities and assets

### Litigation on rates

Enel is the target of a series of suits filed by a number of companies that consume large amounts of electricity and who have challenged, in full or in part, the legitimacy of the measures with which first the Interministerial Price Committee (CIP) and then the Authority for Electricity and Gas determined changes in electricity rates in the past. To date, the courts have generally rejected the complaints lodged and an examination of the rulings would indicate that the chance of unfavorable judgments is remote.

### Out-of-court disputes and litigation connected with the blackout of September 28, 2003

In the wake of the blackout that occurred on September 28, 2003, numerous claims were submitted for automatic indemnities for losses. These claims gave rise to substantial litigation before justices of the peace, mainly in the regions of Calabria, Campania and Basilicata, with a total of some 150,000 proceedings. Charges in respect of such indemnities could be recovered in part under existing insurance policies. About two thirds of the initial rulings by these judges found in favor of the plaintiffs, while appellate courts have nearly all found in favor of Enel Distribuzione, based upon both the lack of proof of the loss claimed and the recognition that the company was not involved in causing the event. The few adverse rulings against Enel Distribuzione have been appealed to the Court of Cassation, which has consistently ruled in favor of Enel, confirming the position established in orders nos. 17282, 17283 and 17284 of July 23, 2009, which in finding for the appellant found no liability on the part of Enel Distribuzione. In May 2008, Enel served its insurance company a summons to ascertain its right to reimbursement of amounts paid in settlement of unfavorable rulings.

### Inquiries by the Milan Public Prosecutor's Office and the State Audit Court

In February 2003, the Milan Public Prosecutor's Office initiated a criminal investigation of former top managers of Enelpower and other individuals for alleged offences to the detriment of Enelpower and payments made by contractors to receive certain contracts. On April 29, 2009, a number of the accused, including the former CEO

and another executive of Enelpower and the former CEO of Enel Produzione were committed for trial before the Court of Milan. On January 16, 2008, a preliminary hearing was held, following which the magistrate responsible for preliminary inquiries granted the request of Enel SpA, Enelpower SpA and Enel Produzione SpA to be recognized as injured parties. On April 27, 2009, the investigating magistrate announced a plea bargain for a number of the defendants, while the former directors and the executive of Enelpower were committed for trial. The trial proceedings began on February 12, 2010, and are still under way. The next hearing is scheduled for April 13, 2010.

Implementing the resolutions of the boards of Enel, Enelpower and Enel Produzione, legal and out-of-court action was taken against the suppliers involved, which led to settlements in favor of Enelpower with Siemens, Alstom and the agent Emirates Holdings.

At the same time, on the basis of the information that emerged during the criminal proceedings, the State Audit Court sued the former CEO and a former executive of Enelpower, in addition to the former chairman of Enel Produzione, citing them for possible administrative liability in relation to losses caused to the state. Enel, Enelpower and Enel Produzione deposited an instrument in support of the request of the Regional Public Prosecutor. In ruling no. 114106 of February 22, 2006, the State Audit Court, finding that the former directors and managers cited in the suit were liable, awarded Enelpower damages of about €14 million. The ruling was appealed by the State Audit Court – Lombardy Section and the former directors and managers. On December 3, 2008, the Central Jurisdictional Appeals Section of the Rome State Audit Court issued ruling no. 532/2008, which, in confirming the trial court ruling, also found in favor of Enelpower and against the former Enelpower and Enel Produzione directors and managers for losses caused to the state, ordering them to make restitution in the amount of about €22 million. The ruling also confirmed the seizure of assets of the appellants ordered by the Regional Public Prosecutor and sentenced them to pay court costs for both proceedings. In February 2009 the ruling was appealed by the former chairman of Enel Produzione to the Court of Cassation, which on December 19, 2009 upheld the jurisdiction of the State Court of Accounts for the non-economic damage to the Ministry for the Economy and Finance caused by the defendants and quashed without remand the appeal ruling of the State Court of Accounts on grounds of lack of jurisdiction of the Court of Accounts for damages concerning companies. Consequently, Enel SpA, Enelpower SpA and Enel Produzione SpA took action to recover damages before the competent ordinary court.

In addition, in parallel with the above proceeding, Enelpower and Enel Produzione initiated a revocatory action against the claimants in respect of the former Enel Produzione CEO and the former Enelpower CEO and executive, obtaining a court ruling of the invalidity in their regard of a number of asset disposals. Finally, following the enforcement proceedings undertaken against the former directors and managers, more than €300,000 have been recovered.

## 36. Subsequent events

### Bond issue for Italian and European retail investors

Following the resolution of the Board of Directors of November 4, 2009, on February 10, 2010, CONSOB approved publication of the prospectus relating to the offering and listing on the electronic bond market (MOT) of Enel SpA fixed- and floating-rate bonds reserved for investors in Italy and other European countries (specifically France, Germany, Belgium and Luxembourg) for a maximum aggregate amount of €2 billion, which on February 18, 2010 was increased to a maximum of €3 billion as provided for in the prospectus.

The offering was originally scheduled to take place between February 15 and 26, 2010, during which investors could subscribe fixed- or floating-rate bonds (both with a 6-year maturity and principal repaid in full at maturity) with a minimum investment of €2,000, equal to 2 bonds with a nominal value of €1,000 each, with the possibility of increases of at least 1 bond with a nominal value of €1,000 each free of any subscription fees or commissions.

Following the full placement of a maximum amount of 3 million bonds, on February 18, 2010, in agreement with the lead managers of the offering, Enel announced the early closure of the pan-European offer period as at February 19, 2010.

As envisaged in the prospectus, the volume of orders received, the consequent breakdown of the issue between fixed-and floating-rate bonds and the associated interest rates were announced within 5 days of the close of the offer period (i.e. by February 26, 2010). More specifically:

- > demand amounted to €14.66 billion, 4.9-times the amount on offer;
- > the total amount issued came to €2 billion allotted to 251,417 investors for the fixed-rate tranche and €1 billion allotted to 123,079 investors for the floating-rate tranche;
- > the fixed-rate bonds pay a nominal gross annual interest rate of 3.50%. The effective gross annual interest rate is equal to 3.52%, calculated as the sum of a spread of 73 basis points and the 6-year mid-swap rate. Interest will be paid annually in arrears. The issue date and interest accrual date for the fixed-rate bonds is February 26, 2010.

The floating-rate bonds will pay interest half-yearly in arrears at a nominal annual interest rate equal to 6-month Euribor plus a spread of 73 basis points. The issue date and interest accrual date for the floating-rate bonds is February 26, 2010.

As requested by Enel, on February 25, 2010, the ratings for the bonds (both fixed and floating rate) were assigned as follows:

- > Fitch: A;
- > Moody's: A2;
- > Standard and Poor's: A-.

The proceeds of the offer will help finance the general operations of the Group, including the refinancing of consolidated debt.

## Liquidation of Enel Capital

As from January 1, 2010 Enel Capital, wholly owned by Enel SpA, has been placed in liquidation.

## 37. Fees of auditing firm pursuant to Article 149-*duodecies* of the CONSOB “Issuers Regulation”

Fees paid to the auditing firm and entities belonging to its network for services are summarized in the following table, pursuant to the provisions of Article 149-*duodecies* of the CONSOB “Issuers Regulation”:

Type of service	Entity providing the service	Fees (millions of euro)
<b>Enel SpA</b>		
Auditing	<i>of which:</i>	
	- KPMG SpA	0.3
	- Entities of KPMG network	0.8
Attestation services	<i>of which:</i>	
	- KPMG SpA	2.6
	- Entities of KPMG network	0.1
<b>Total</b>		<b>3.8</b>
<b>Subsidiaries of Enel SpA</b>		
Auditing	<i>of which:</i>	
	- KPMG SpA	2.7
	- Entities of KPMG network	9.7
Attestation services	<i>of which:</i>	
	- KPMG SpA	0.3
	- Entities of KPMG network	0.5
<b>Total</b>		<b>13.2</b>
<b>TOTAL</b>		<b>17.0</b>



# Corporate governance

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# Report on corporate governance and ownership structure

## Section I: Governance and ownership structure

### Introduction

During 2009, the corporate governance structure in place at Enel SpA (hereinafter, also "Enel" or the "Company") and in the group of companies that it controls (hereinafter, for the sake of brevity, the "Group") continued to reflect the principles contained in the edition of the Self-regulation Code of Italian listed companies promoted by *Borsa Italiana*, published in March 2006 and available on Borsa Italiana's website at [http://www.borsaitaliana.it/borsaitaliana/ufficio-stampa/comunicati-stampa/2006/codiceautodisciplina.en\\_pdf.htm](http://www.borsaitaliana.it/borsaitaliana/ufficio-stampa/comunicati-stampa/2006/codiceautodisciplina.en_pdf.htm) (hereinafter, for the sake of brevity, the "Self-regulation Code"), as well as the recommendations made in this regard by the CONSOB and, more generally, international best practice. The aim of this corporate governance system is essentially the creation of value for the shareholders, taking into account the social importance of the Group's activities and the consequent need, in carrying them out, to adequately consider all the interests involved.

### Ownership structure

#### Share capital structure

The capital stock of the Company consists exclusively of registered ordinary shares fully paid up and entitled to full voting rights at both Ordinary and Extraordinary Shareholders' Meetings. At the end of 2009 (and still as of March 2010), Enel's share capital amounted to €9,403,357,795, divided into the same number of ordinary shares with a par value of €1 each.

Since November 1999, the Company's shares have been listed on the Electronic Stock Exchange organized and managed by Borsa Italiana. In addition, the shares of the Company were listed on the New York Stock Exchange in the form of ADSs (American Depositary Shares) from November 1999 until December 2007. At the Company's request, because of the low trading volume and the financial and administrative burdens connected with maintaining the listing and the registration of the aforesaid ADSs in the United States, in December 2007 such ADSs were delisted from the New York Stock Exchange. In March 2008, following the completion of the procedure of deregistering Enel's ADSs (and ordinary shares) at the Securities and Exchange Commission (SEC), the Company's reporting obligations provided for by the Securities Exchange Act of 1934 ceased and the provisions regarding corporate governance contained in the Sarbanes-Oxley Act no longer apply to Enel. In this regard it should be noted that, even after the



completion of the deregistration, the essence of internal controls over financial reporting required by Section 404 of the Sarbanes-Oxley Act is still applied by the Company and the Group (as better specified in the second section of the document under “Internal Control System” - “The system of risk management and internal control on financial information”).

#### Major shareholdings and shareholders' agreements

According to the entries in Enel's stock register, the reports made to the CONSOB, and the information at the Company's disposal, as of March 2010 no shareholder – with the exception of the Ministry for the Economy and Finance of the Italian Republic, which owns 13.88% of the share capital, Cassa Depositi e Prestiti (a joint-stock company controlled by the aforesaid Ministry), which owns 17.36% of the share capital, and the group controlled by Blackrock Inc., which owns 3.02% of the share capital as asset management – owns more than 2% of the Company's share capital, nor, to the Company's knowledge, do any shareholders' agreements indicated in the Unified Financial Act regarding Enel's shares exist. The Company is therefore subject to the *de facto* control of the Ministry for the Economy and Finance, which has sufficient votes to exercise a dominant influence at Ordinary Shareholders' Meetings of Enel. However, the aforesaid Ministry is not in any way involved in managing and coordinating the Company, in accordance with the provisions of Article 19, paragraph 6, of Decree Law 78/2009 (subsequently converted into Law 102/2009), which made it clear that the regulations contained in the civil code regarding the management and coordination of companies do not apply to the Italian government.

During 2009, the Intesa Sanpaolo group (in November 2009), the Barclays group (from May to June and subsequently from September to December 2009), the Assicurazioni Generali group (in November 2009), and UBS AG (in November 2009) were temporarily in possession of a shareholding constituting slightly more than 2% of the Company's share capital.

#### Limit to the ownership of shares and to voting rights

Implementing a provision of the regulations regarding privatizations, the Company's bylaws provide that – except for the government, public bodies, and parties subject to their respective control – no shareholder may own, directly or indirectly, Enel shares that constitute more than 3% of the share capital.

The voting rights regarding the shares owned in excess of the aforesaid limit of 3% may not be exercised, and the voting rights to which each of the parties concerned by the limit to share ownership would have been entitled will be proportionately reduced, unless there are prior joint instructions from the shareholders concerned. In case of noncompliance, resolutions of Shareholders Meetings may be challenged in court if it is assessed that the majority required would not have been attained without the votes expressed in excess of the aforesaid limit.

According to the regulations regarding privatizations and subsequent modifications, the provisions of the bylaws concerning the limit to share ownership and to voting rights will lapse if the limit of 3% is exceeded following a takeover bid in consequence of which the bidder holds shares amounting to at least 75% of the capital with the right to vote on resolutions regarding the appointment or removal of Directors.

#### Special powers of the Italian government

Implementing the provisions of the regulations regarding privatizations, the Company's bylaws assign the Italian government (represented for this purpose by the Ministry for the Economy and Finance) several “special powers”, which are

exercisable regardless for the number of shares owned by the aforesaid Ministry. Specifically, the Minister for the Economy and Finance, in agreement with the Minister for Productive Activities (currently the Minister for Economic Development), has the following “special powers”, to be used according to the criteria established by the Prime Minister’s Decree of June 10, 2004:

- > opposition to the acquisition of significant shareholdings (that is to say, amounting to or exceeding 3% of Enel’s share capital) by parties to whom the aforesaid limit to share ownership applies. Grounds for the opposition must be given and the opposition may be expressed only in cases in which the Ministry considers the transaction to be in actual fact detrimental to vital national interests;
- > opposition to shareholders’ agreements referred to in the Unified Financial Act if they concern 5% or more of Enel’s share capital. In this case, too, grounds must be given for the opposition, which may be expressed only in cases in which the shareholders’ agreements are liable to cause concrete detriment to vital national interests;
- > veto of the adoption of resolutions liable to have a major impact on the Company (by which is understood resolutions to wind up, transfer, merge, or split up the Company or to move its headquarters abroad or change its corporate purpose, as well as those aimed at abolishing or changing the content of the “special powers”). Grounds for the veto must in any case be given and the veto may be exercised only in cases in which such resolutions are liable to cause concrete detriment to vital national interests;
- > appointment of a director without the right to vote (and of the related substitute in case he or she leaves the office).

It should be noted that, on March 26, 2009, the Court of Justice of the European Communities declared that, by adopting the provisions stated in Article 1, paragraph 2, of the aforesaid Prime Minister’s Decree of June 10, 2004 containing the criteria for exercising the special powers, Italy failed to meet its obligations under Articles 43 (*freedom of establishment*) and 56 (*free circulation of capital*) of the institutive Treaty of the European Community.

#### Employee shareholdings: mechanism for exercising voting rights

The Unified Financial Act sets forth specific rules regarding voting proxies in listed companies, which deviate – for such companies – from the provisions set forth in the Civil Code. The foregoing specific rules govern also the solicitation of proxies by shareholders’ associations, including those that gather employee-shareholders. In particular, pursuant to the Unified Financial Act, the associates may give a proxy to the legal representatives of the association. Proxies shall be signed by the givers, may be revoked and may be given only for one shareholders’ meeting that has already been called, remaining effective for subsequent calls where applicable; they may not be given blank and shall show the date, the name of the appointee and the voting instructions. Proxies may also be given for only some of the resolutions shown on the proxy form. Shares for which complete or partial proxies have been given shall be counted for the purpose of establishing the due constitution of the shareholders’ meeting. The association shall vote, unanimously or otherwise, in conformity with the indications given by each member in the proxy form.

In March 2008 the establishment of an employee-shareholders’ association called *ADIGE - Associazione Azionisti Dipendenti Gruppo Enel* (Association of Employee-Shareholders of Enel Group) has been notified to the Company. The foregoing rules apply to such association.

It should be noted that the question of voting proxies is to undergo significant

changes following Italy's recent adoption of Directive 2007/36/EC (regarding the exercise of several rights of the shareholders of listed companies) through Legislative Decree 27 of January 27, 2010, whose important changes concerning the shareholders' meetings of listed companies will apply to meetings of which the notice is published after October 31, 2010.

#### **Appointment and replacement of Directors and amendments of the bylaws**

The rules that regulate the appointment and replacement of Directors are examined in the second section of this document (under "Board of Directors – Appointment, replacement, composition, and term").

As far as the rules applicable to amendments of the bylaws are concerned, Extraordinary Shareholders Meetings resolve thereon according to the majorities provided for by the law.

As allowed by the law, however, the Company's bylaws assign to the authority of the Board of directors resolutions concerning:

- > mergers by absorption of entirely or at least 90% owned companies, as well as de-mergers corresponding to the latter;
- > the establishment or closing of secondary headquarters;
- > which directors are entrusted with representing the Company;
- > the reduction of the share capital in the event one or more shareholders withdraw;
- > the harmonization of the bylaws with provisions of the law;
- > moving the registered office within Italy.

Furthermore, implementing the provisions of the regulations regarding privatizations, the Company's bylaws assign to the Italian government (represented for this purpose by the Ministry for the Economy and Finance) the "special power" to veto the adoption of several resolutions – specified in detail in the paragraph "Special powers of the Italian government" – liable to have a major impact on the Company and, at the same time, to entail the amendment of its bylaws.

#### **Authorizations to increase the share capital and to buy back shares**

Implementing the special authorization granted it by the Shareholders' Meeting in April 2009, in May 2009 the Board of Directors resolved on a share capital increase with preemptive rights and for payment, which ended in July of the same year. As a result of such transaction, the Company issued 3,216,938,192 new ordinary shares, which entailed an increase of the share capital from €6,186,419,603 to €9,403,357,795. The value of the transaction, including the premium, was €7,978 million.

As of March 2010, three authorizations are pending for the Board of Directors to increase the share capital for stock-option plans addressed to the Company's and Group's executives, with the consequent exclusion of the shareholders' preemptive rights.

Specifically, in May 2006 the extraordinary session of a Shareholders' Meeting authorized the Board of Directors, for a period of five years, to increase the share capital one or more times, divisibly, by a maximum amount of €31,790,000 for the 2006 stock-option plan, which had been approved by the ordinary session of the same Shareholders' Meeting. In March 2009 the Board of Directors ascertained the failure to attain one of the objectives to which the exercise of the stock options assigned under the 2006 plan was subject; which entailed the lapse of the stock options in question, as well as of the related share capital increase.

In May 2007 the extraordinary session of a Shareholders' Meeting authorized the Board of Directors, for a period of five years, to increase the share capital one or more times, divisibly, by a maximum amount of €27,920,000 for the 2007

stock-option plan, which had been approved by the ordinary session of the same Shareholders' Meeting. It should be pointed out also in this case that in March 2010, the Board of Directors ascertained the failure to achieve one of the objectives to which the exercise of the stock options assigned under the 2007 plan was subject, which entailed the lapse of the options in question, as well as of the related share capital increase.

In June 2008, the extraordinary session of the Shareholders' Meeting has also authorized the Board of Directors, for a period of five years, to increase the share capital one or more times, divisibly, by a maximum amount of €9,623,735 for the 2008 stock-option plan, which had been approved by the ordinary session of the same Shareholders' Meeting.

The authorization for the 2008 stock-option plan is still in force and the related amount could entail a maximum total dilution amounting to 0.10% of the share capital as recorded at the beginning of March 2010.

For the sake of completeness, it should be pointed out that the total actual dilution of the share capital as of the end of 2009 in consequence of the exercise of the stock options assigned through the plans preceding the aforesaid ones amounted to 1.31%. Such diluting effects are calculated taking into account the amount of the share capital following the previously mentioned capital increase with preemptive rights and for payment carried out by the Company in 2009. As of March 2010, there are no authorizations for the Board of Directors to either issue financial instruments granting shareholding or to buy back shares.

## Change-of-control clauses

### A) The Enel-Acciona Contract

In March 2007, Enel, its subsidiary Enel Energy Europe Srl, and the Spanish companies Acciona SA and Finanzas Dos SA (the latter a subsidiary of Acciona) entered into a cooperation contract, which was modified in April 2007 (hereinafter, for the sake of brevity, the "Enel-Acciona Contract"), for the purpose of developing a project for the joint management of the Spanish company Endesa SA by making a takeover bid for the latter's entire share capital. This bid was concluded successfully in October 2007. The Enel-Acciona Contract ceased to have effect during June 2009, once the conditions to which the subsequent contract entered into by the same parties in February 2009 – regarding the sale to Enel Energy Europe of 25.01% of the share capital of Endesa held by Acciona and Finanzas Dos – was subject materialized.

The Enel-Acciona Contract provided that, in the event there was a change of control in any of the contracting companies that was significant according to the criteria established by Section 4 of the Spanish law regarding the security market (*Ley del Mercado de Valores*), the other parties would have the right to demand that Endesa's assets be divided in accordance with the procedure regulated by the aforesaid Contract. However, the contracting parties had expressly agreed in this regard that if Enel were to be privatized, either entirely or partially, such change of control would not entitle the other parties to demand that Endesa's assets be divided.

### B) The Credit Agreement for purchasing Endesa shares

In order to finance the purchase of Endesa shares as part of the takeover bid referred to in paragraph A) above, in April 2007 Enel and its subsidiary Enel Finance International SA entered into a syndicated term and guarantee facility agreement (hereinafter, for the sake of brevity, the "Credit Agreement") with a pool of banks for a total amount of €35 billion. In April 2009, Enel and Enel Finance International

negotiated with a pool of 12 banks an extension of the Credit Agreement amounting to an additional €8 billion and an extension (with respect to the deadlines provided for by the aforesaid Credit Agreement) of the period established for the repayment of this additional sum, with the intention of financing the acquisition by Enel's subsidiary Enel Energy Europe of the 25.01% of Endesa's share capital held by Acciona and Finanzas Dos. Specifically, it was agreed that of the additional €8 billion obtained through the extension of the Credit Agreement, €5.5 billion may be paid back in 2014 and the remaining €2.5 billion in 2016. Following the acquisition by the subsidiary Enel Energy Europe of the 25.01% of Endesa's capital held by Acciona and Finanzas Dos, in June 2009 the aforesaid extension of the Credit Agreement, amounting to €8 billion, was entirely used. In December 2009, following the repayments made, the remaining amount of the Credit Agreement – including the aforesaid additional €8 billion – was €9.9 billion. The Credit Agreement makes specific provisions for the cases (hereinafter, for the sake of brevity, the "cases of change of control") in which (i) control of Enel is acquired by one or more parties other than the Italian government or (ii) Enel or any of its subsidiaries contributes (including through mergers) a substantial portion of the assets of the Group to parties that are not part of the latter, so that the Group's creditworthiness is significantly compromised in the opinion of the pool of banks. Specifically, if one of the aforesaid hypothetical cases of change of control occurs:

- > each bank belonging to the pool may propose to renegotiate the terms and conditions of the Credit Agreement or communicate its intention of withdrawing from the contract;
- > Enel and its subsidiary Enel Finance International may decide to advance the repayment of the sums received and to cancel without penalties the entire financial commitment assumed by each bank belonging to the pool (i) with which the renegotiation of the terms and conditions of the Credit Agreement has not been successful or (ii) that has communicated its intention to withdraw from the contract;
- > each of the latter banks belonging to the pool may demand the early repayment of the sums paid out and the cancellation of the entire financial commitment it assumed;
- > in the event none of the banks belonging to the pool either proposes to renegotiate the terms and conditions of the Credit Agreement or communicates its intention to withdraw from the contract, the Credit Agreement remains fully effective according to the terms and conditions originally agreed on.

#### C) The revolving credit facility agreement

In order to meet general treasury requirements, in November 2005 Enel entered into a revolving credit facility agreement with a pool of banks for a total amount of €5 billion. This contract provides for rules regarding changes of control and the related effects that are essentially the same as those in the Credit Agreement described in paragraph B) above.

#### D) The revolving credit facility agreement entered into with the Bank of America

In order to satisfy specific treasury requirements, in December 2009 Enel entered into a revolving credit facility agreement with the Bank of America N.A. with a total amount of €650 million and a term of 12 months from the date of signing. This contract also provides for conditions regarding the possibilities of a change of control and its related effects that are essentially the same as those of the Credit Agreement described in the preceding paragraph B).

#### E) The EIB loan to Enel Produzione

In order to increase its investment in the field of renewable energy and environmental protection, in June 2007 the subsidiary Enel Produzione SpA entered into a loan contract with the European Investment Bank (hereinafter, for the sake of brevity, the EIB) for up to €450 million, which expires in July 2027.

This contract provides that both Enel Produzione and Enel are obliged to inform the EIB of any changes in their control. If it deems that such changes could have negative consequences on the creditworthiness of Enel Produzione or Enel, the EIB may demand additional guarantees, changes in the contract, or alternative measures that it considers satisfactory. If Enel Produzione does not accept the solutions it proposes, the EIB has the right to unilaterally rescind the loan contract in question.

#### F) The EIB loans to Enel Distribuzione

In order to expand its plan for installing digital meters, in December 2003 the subsidiary Enel Distribuzione SpA entered into a loan contract with the EIB in the amount of €500 million, which expires in December 2018.

Subsequently, in order to develop the process of making its electricity network more efficient, in November 2006 the aforesaid Enel Distribuzione entered into another loan contract with the EIB in the amount of €600 million, which expires in December 2026.

Both of the contracts in question are accompanied by a guarantee contract – not yet effective as of February 2010 as far as the aforesaid loan granted to the subsidiary Enel Distribuzione in December 2003 is concerned – entered into by the EIB and Enel, which provides that the Company, in its capacity as guarantor of the aforesaid loans, is obliged to inform the EIB of any changes in its control structure. After receiving such information, the EIB will examine the new situation in order to decide on a possible change in the conditions regulating the aforesaid loans to Enel Distribuzione.

#### G) The Cassa Depositi e Prestiti loan to Enel Distribuzione

In April 2009, the same Enel Distribuzione entered into a framework loan contract with Cassa Depositi e Prestiti SpA (hereinafter, for the sake of brevity, “CDP”) in the amount of €800 million, which will expire in April 2029 and is also aimed at developing the process of making the power network of said subsidiary more efficient.

This contract is also accompanied by a guarantee contract entered into by CDP and Enel, according to which the Company, as the surety for the aforesaid loan, is obliged to inform CDP (i) of any change in the composition of the capital of Enel Distribuzione that could entail the loss of the control of said company, as well as (ii) any significant deterioration of the situation or prospects of Enel Distribuzione's and/or Enel's balance sheet, income statement, cash flow, or operations. The materialization of such cases may entail the obligation for Enel Distribuzione to repay immediately to CDP the loan received.

#### Compensation of the Directors in case of resignation, dismissal, or termination of the relationship following a takeover bid

The pay arrangements with the persons who currently hold, respectively, the positions of Chairman and Chief Executive Officer (as well as General Manager) of Enel provide for forms of compensation in case of their resignation or their dismissal without a just cause.

Specifically, it is provided that, in case of their justified resignation or their removal

without a just cause, the Chairman and the Chief Executive Officer of Enel be paid compensation amounting to:

- > in the Chairman's case, the total sum of the fixed and variable pay that he would have received until the expiry of his term (assuming, with regard to the variable part, the average pay received in the last two years or, absent that, 50% of the maximum amount provided for);
- > in the Chief Executive Officer's (and General Manager's) case, the total sum of the fixed and variable pay (assuming, with regard to the variable part of the same, the average pay received in the last two years or, absent that, 50% of the maximum amount provided for) that he would have received as Chief Executive Officer and as General Manager until the expiry of the relationships concerned.

In addition to the foregoing, when his employment as an executive ends (in consequence of the termination of his relationship as a Director, including if the latter occurs before the end of his term, because of his justified resignation or his removal without a just cause), the General Manager will be paid compensation amounting to three years of (i) the fixed pay received in such capacity, as well as (ii) 50% of the variable pay received in the same capacity, amounting to a total sum of €3,675,000. This compensation includes indemnity in lieu of notice and entails the waiver by the person concerned of any demands that could be made on the basis of the national collective bargaining agreement for executives of industrial firms.

It should be pointed out, however, that no specific compensation is provided for in the event the relationship of any member of the Board of Directors is terminated following a takeover bid.

A description of the total pay of the members of the Board of Directors and the members of the related Committees, as well as the Chairman and the Chief Executive Officer/General Manager is provided in the second section of this report (under "Board of Directors - Pay").

## Organizational structure

In compliance with the current regulations applicable in Italy to companies with listed shares, the organizational structure of the Company includes:

- > a Board of Directors entrusted with the management of the Company;
- > a Board of Statutory Auditors responsible for (i) ensuring compliance with the law and the Company's bylaws, as well as the observance of correct management principles in the carrying out of the Companies activities, (ii) checking the adequacy of the Company's organizational structure, internal auditing system, and administration and accounting system, and (iii) ascertaining how the corporate governance rules provided by the Self-regulation Code are actually implemented;
- > Shareholders' Meetings, called to resolve – in either an ordinary or an extraordinary session – on, among other things, (i) the appointment and removal of members of the Board of Directors and the Board of Statutory Auditors, as well as their compensation and responsibilities, (ii) the approval of the financial statements and the allocation of net income, (iii) the acquisition and sale of own shares, (iv) stock-option plans, (v) amendments of the Company's bylaws, and (vi) the issue of convertible bonds.

The external audit of the Company's and Group's accounts is entrusted to a specialized firm registered with the CONSOB and expressly appointed, after the Board of Statutory Auditors has made a grounded proposal, by a Shareholders' Meeting.



## Section II: Implementation of the recommendations of the Self-regulation Code and additional information

### Board of Directors

#### Role and powers

The Board of Directors plays a central role in the Company's organization and is entrusted with the powers and the responsibility for strategic and organizational policies, as well as with verifying the existence of the controls necessary for monitoring the performance of the Company and the Group. In consideration of its role, the Board of Directors meets regularly and is organized and works so as to ensure the effective performance of its duties.

In this context, and in accordance with the provisions of the law and specific resolutions of its own (and, in particular, of the one adopted in June 2008), the Board of Directors:

- > establishes the corporate governance system for the Company and the Group and sees to the constitution and the definition of the duties of the Board's internal committees, whose members it appoints;
- > delegates and revokes the powers of the Chief Executive Officer, defining their content, limits, and the procedures, if any, for exercising them. In accordance with the delegations in force, the Chief Executive Officer is vested with the broadest powers for the management of the Company, with the exception of those that are assigned otherwise by the law or by the Company's bylaws or are reserved to the Board of Directors according to resolutions of the latter, which are described below;
- > receives, together with the Board of Statutory Auditors, constant and exhaustive information from the Chief Executive Officer regarding the activities carried out in the exercise of his powers, which is summarized in a special quarterly report. In particular, with regard to all the most significant transactions carried out using the powers of his office (including atypical or unusual transactions or ones with related parties whose approval is not reserved to the Board of Directors), the Chief Executive Officer reports to the Board on (i) the features of the transactions, (ii) the parties concerned and any relation they might have with the Group companies, (iii) the procedures for determining the considerations concerned, and (iv) the related effects on the income statement and the balance sheet;
- > determines, on the basis of the proposals made by the dedicated Committee and after receiving the opinion of the Board of Statutory Auditors, the compensation of the Chief Executive Officer and of the other Directors who hold specific offices;
- > evaluates, on the basis of the analyses and proposals made by the dedicated Committee, the criteria adopted for the compensation of the Company's and the Group's executives with strategic responsibilities and decides with regard to the adoption of the stock options plans addressed to executives to be submitted to Shareholders' Meetings for approval;
- > evaluates the adequacy of the Company's and the Group's organizational, administrative, and accounting structure and resolves on the changes in the organizational structure proposed by the Chief Executive Officer;
- > establishes the corporate structure of the Group and checks if it is appropriate;
- > examines and approves the strategic, business, and financial plans of the



Company and the Group. In this regard, the current division of powers within the Company specifically provides for the Board of Directors to resolve on the approval of:

- the annual budget and the long-term plan (which includes the aggregates of the annual budgets and long-term plans of the Group companies);
  - strategic agreements, also determining – upon proposal by the Chief Executive Officer and after the Chairman has expressed his opinion – the strategic objectives of the Company and the Group;
- > examines and approves beforehand the transactions of the Company and the Group that have a significant impact on their strategy, balance sheets, income statements, and cash flows, particularly in cases where they are carried out with related parties or are otherwise characterized by a potential conflict of interest. In particular, all financial transactions of a significant size – by which is meant taking on loans exceeding the value of €50 million, as well as granting loans and issuing guarantees in favor of third parties exceeding the value of €25 million – must be approved beforehand (if they concern the Company) or evaluated (if they regard the Group companies) by the Board of Directors.
- In addition, the acquisition and disposal of equity investments amounting to more than €25 million must be approved beforehand (if they are carried out directly by the Company) or evaluated (if they concern Group companies) by the Board of Directors. Finally, the latter approves agreements (with ministries, local governments, etc.) that entail expenditure commitments exceeding €25 million;
- > provides for the exercise of voting rights at shareholders' meetings of the main companies controlled by the Parent Company and designates the directors and statutory auditors of the aforesaid companies;
- > appoints the General Manager and grants the related powers;
- > evaluates the general performance of the Company and the Group, with particular reference to conflicts of interest, using the information received from the Chief Executive Officer and verifying periodically the achievement of the objectives set;
- > formulates proposals to submit to Shareholders' Meetings and reports during the latter on the activities that have been carried out and planned, seeing that the shareholders have adequate information on the elements necessary for them to participate in a well-informed manner in the decisions that are within the authority of such Meetings.

#### **Appointment, replacement, composition, and term**

Pursuant to the provisions of the Company's bylaws, the Board of Directors consists of from three to nine members, who are appointed by an Ordinary Shareholders' Meeting (which determines their number within such limits) for a term not exceeding three accounting periods and may be reappointed at the expiration of their term. To them may be added a non-voting Director, whose appointment is reserved to the Italian government in virtue of the legislation regarding privatizations and a specific provision of the bylaws (as previously explained). To date, the Italian government has not exercised such power of appointment.

According to the current legislation, all the Directors must possess the requisites of honorableness required of (i) company representatives of financial intermediaries, as well as (ii) statutory auditors of listed companies.

In compliance with the legislation regulating privatizations and in accordance with the amendments made at the end of 2005 to the Unified Financial Act, the bylaws also provide for the appointment of the entire Board of Directors to take place according to the "slate-vote" mechanism aimed at ensuring the presence

on the Board of Directors of members nominated by minority shareholders amounting to three-tenths of the Directors to be elected. In the event this number is a fraction, it is to be rounded up to the nearest integer.

Each slate must include at least two candidates possessing the requisites of independence established by the law (that is to say, those provided for the statutory auditors of listed companies), distinctly mentioning such candidates and listing one of them first on the slate.

The slates must list the candidates in numerical order and may be presented by the outgoing Board of Directors or by shareholders who, individually or together with other shareholders, represent at least 1% of the share capital. The slates must be filed at the Company's registered office and published in newspapers with a nation-wide circulation sufficiently in advance of the date of the Shareholders' Meeting concerned – 20 days in advance being the deadline if the slate is presented by the outgoing Board of Directors and 10 days if the slates are presented by shareholders – so as to ensure a transparent process for the appointment of the Board of Directors. In this regard, it should be noted that, in occasion of the election of the Board of Directors held in June 2008, shareholders were requested to file their slates at least 15 days before the date of the Shareholders' Meeting in compliance with the recommendations of the Self-regulation Code and according to a specific note contained in the notice of the Meeting.

It should be noted that the question of the deadlines and the quorum required for the presentation, as well as the procedures for filing and publishing, slates for the election of the Board of Directors will be subject to significant changes following Italy's recent implementation of Directive 2007/36/EC – regarding the exercise of several rights of the shareholders of listed companies – through Legislative Decree 27 of January 27, 2010, whose important innovations will apply to shareholders' meetings of which the notice is published after October 31, 2010. A report with exhaustive information regarding the personal and professional characteristics of the candidates, accompanied by a statement as to whether or not the latter qualify as independent according to the provisions of law and of the Self-regulation Code, must be filed at the Company's registered office together with the slates, as well as published promptly on both the Company's and Borsa Italiana's websites.

For the purposes of identifying the Directors to be elected, candidates listed on slates that receive a number of votes amounting to less than half the percentage required for presenting the aforesaid slates are not taken into account (i.e. 0.5% of the share capital).

For the appointment of Directors who, for whatever reason, are not elected according to the "slate-vote" system, a Shareholders' Meeting resolves in accordance with the majorities required by the law, ensuring in any case the presence of the necessary number of Directors possessing the requirements of independence established by the law (that is to say, at least one Director if the Board consists of no more than seven members or two Directors if the Board consists of more than seven members).

The replacement of Directors is regulated by the provisions of the law. In addition to such provisions, the bylaws provide that:

- > if one or more of the Directors leaving their office vacant were drawn from a slate also containing candidates who were not elected, the replacement must be made by appointing, in numerical order, persons drawn from the slate to which the Directors in question belonged, provided that said persons are still eligible and willing to accept the office;

- > in any case, in replacing Directors who leave their office vacant, the Board of Directors must ensure the presence of the necessary number of Directors possessing the requirements of independence established by the law;
- > if the majority of the Directors appointed by a Shareholders' Meeting leave their office vacant, the entire Board is to be deemed to have resigned and the Directors still in office must promptly call a Shareholders' Meeting to elect a new Board.

The Board of Directors confirmed – most recently in December 2006 – that it can defer the creation within itself of a special nomination committee, because to date there has been no evidence that it is difficult for shareholders to find suitable candidates, so as to achieve a composition of the Board of Directors that conforms to the provisions of the law and is in line with the recommendations of the Self-regulation Code.

As resolved by the Ordinary Shareholders' Meeting of June 11, 2008, the incumbent Board of Directors consists of nine members, whose term expires when the financial statements for 2010 are approved. As a result of the appointments made at the aforesaid Shareholders' Meeting, the Board thus currently consists of the following members, whose professional profiles are summarized below, together with the specification of the slates on which they were nominated. The slates were presented by the Ministry for the Economy and Finance (which at the time owned 21.10% of the Company's share capital) and by a group of 15 institutional investors (which at the time owned a total of 1.02% of the Company's share capital).

> **Piero Gnudi, 71, Chairman (designated on the slate presented by the Ministry for the Economy and Finance).**

A graduate in economics and commerce (1962) of the University of Bologna and proprietor of an accounting firm located in Bologna, he has served on the board of directors and board of statutory auditors of numerous important Italian companies, including STET, ENI, Enichem, and Credito Italiano. In 1995 and 1996 he was economic advisor to the Minister of Industry. Since 1994, he has been on the board of directors of IRI, where he has also held the positions of supervisor of privatizations (from 1997 to 1999) and chairman and chief executive officer (1999-2000); later, from 2000 to 2002, he served as chairman of the IRI liquidation committee. A member of the executive of Confindustria, the steering committee of Assonime (an association of Italian corporations), the committee in charge of strategic development of the Italian Financial Markets, the executive committee of the Aspen Institute, the committee on the corporate governance of listed companies reconstituted on the initiative of Borsa Italiana in April 2005, and president of the Mediterranean Energy Observatory (OME) and of the "e8" (the organisation gathering the chairmen of major electricity production companies in the world), he currently also holds the positions of chairman of Emittenti Titoli and director of UniCredit. He has been Chairman of the Board of Directors of Enel since May 2002.

> **Fulvio Conti, 62, Chief Executive Officer and General Manager (designated on the slate presented by the Ministry for the Economy and Finance).**

A graduate of the University of Rome "La Sapienza" with a degree in economics and commerce, in 1969 he joined the Mobil group, where he held a number of executive positions in Italy and abroad and in 1989-90 was in charge of finance for Europe. The head of the accounting, finance, and control department of Montecatini from 1991 to 1993, he subsequently was in charge of finance at Montedison-Compart (between 1993 and 1996), overseeing the financial

restructuring of such group. The general manager and chief financial officer of the Italian National Railways between 1996 and 1998, he also held important positions in other companies of such group (including Metropolis and Grandi Stazioni). Vice-chairman of Eurofima in 1997, in 1998-99 he was general manager and chief financial officer of Telecom Italia, holding also in this case important positions in other companies of such group (including Finsiel, TIM, Sirti, Italtel, Meie and STET International). From 1999 to June 2005 he was Enel's chief financial officer. He has been Chief Executive Officer and General Manager of Enel since May 2005. He is currently also a director of Barclays Plc and of AON Corporation and deputy chairman of Eurelectric, as well as a director of the Accademia Nazionale di Santa Cecilia.

**> Giulio Ballio, 70, Director (designated on the slate presented by institutional investors).**

A graduate (1963) with a degree in aeronautical engineering of the Milan Polytechnic Institute, he has also made his academic career there. A professor since 1975, since 1983 he has held the chair of steel constructions at the school of engineering and since 2002 has been president of the Institute. The author of many publications (which have also been published abroad), he has carried on an extensive scientific activity. Alongside his academic activity, since 1964 he has worked with several engineering firms and in 1970 founded an engineering services company (BCV Progetti), where he has been involved in numerous projects as designer, site engineer, and consultant, both in Italy and abroad. A member of the National Research Council's committee on regulations for constructing with steel from 1970 to 2000, he was a member of the board of steel experts from 1975 to 1985 and chairman in 1981-82, as well as a member of the chairman's council of the Italian Calibration Service from 1997 to 2002. He has been involved in the renovation of several important monumental buildings (including the Accademia Bridge in Venice) and has coordinated research activities in the field of construction both in Italy and abroad. He has been a Director of Enel since May 2005, as well as a director of RCS Quotidiani since April 2007 and of the "La Triennale" Foundation of Milan since May 2009.

**> Lorenzo Codogno, 50, Director (designated on the slate presented by the Ministry for the Economy and Finance).**

After studying at the University of Padua, Lorenzo Codogno completed his studies in the United States, where he earned a master's degree in Finance at Syracuse University, in Syracuse, New York (1986-87). He was formerly a deputy manager of Credito Italiano (now UniCredit), where he worked in the research department. Subsequently, from 1995 to 2006, he worked for Bank of America, first in Milan and from 1998 in London, where he held the position of managing director, senior economist and the co-head of economic analysis in Europe. In 2006 he joined the Ministry for the Economy and Finance, where he is currently Director General in the Treasury Department and head of the Economic and Financial Analysis and Planning Directorate. This Directorate is in charge of macroeconomic forecasting, cyclical and structural analysis of the Italian and international economy, and analysis of monetary and financial issues. He is also chairman of the European Union's Economic Policy Committee (a body of which he was deputy chairman from January 2008 to December 2009 and head of the Italian delegation from May 2006 to December 2009), as well as head of the Italian delegation to the OECD's Economic Policy Committee and Working Party 1 (of which he has been deputy chairman since October 2007). Within the European Union's Economic

Policy Committee, he was also chairman (from November 2006 to January 2010) of the Lisbon Methodology Working Group, whose purpose is to develop methodological approaches to track, analyse and model structural reforms. In addition, he is the author of numerous scientific publications and of articles in the specialised press. Before joining the Ministry, he was economic commentator on the main international economic and financial networks. He was a director of MTS (a company that manages markets for bond trading, now part of the London Stock Exchange group) from 1999 to 2003 and is currently a member of the administrative committee of the ISAE (an economic research institute), as well as of the scientific committee of the “Fondazione Masi” and a member of the board of directors of the “Fondazione universitaria economia Tor Vergata CEIS”. He has been a Director of Enel since June 2008.

**> Renzo Costi, 73, Director (designated on the slate presented by institutional investors).**

In the judiciary from 1964 to 1968, since 1972 he has been a university professor and the owner of a law firm with office in Bologna. Specifically, from 1972 to 1974 he held the chair of commercial law at the University of Modena’s School of Economics and Business, of which he was also the dean in the same period. Since 1974 he has been a professor of commercial law at the University of Bologna Law School, where he has also taught banking law since 1981 and, more recently, financial-market law. As a member of the respective government committees, he was one of the architects of the reform of Italian banking law in 1993 and the reform of Italian financial-market law in 1998. A founder of important journals in the fields of commercial and banking law, he is also the author of numerous works on legal subjects. As a lawyer, in the last 20 years he has assisted leading companies (including listed ones) and financial institutions in significant transactions on the Italian market. From 1996 to 2008 he was on the board of directors of ENI and is currently a director of the “Il Mulino” publishing house. He has been a Director of Enel since June 2008.

**> Augusto Fantozzi, 69, Director (designated on the slate presented by institutional investors).**

A graduate (1963) in law from the University of Rome “La Sapienza”, he is a lawyer and the owner of a law firm with offices in Rome, Milan, Bologna, and Lugano, as well as a professor of tax law at “La Sapienza” and the LUISS “Guido Carli”. The Minister of Finance from January 1995 to May 1996 in Prime Minister Lamberto Dini’s Cabinet – where for several months he also held the offices of Minister of the Budget and Economic Planning and Minister for the Coordination of EU Policies – he was subsequently the Minister of Foreign Trade in Prime Minister Romano Prodi’s Cabinet (from May 1996 to October 1998). A member of the Chamber of Deputies in the thirteenth legislature (from May 1996 to May 2001), he was chairman of the Budget, Treasury, and Economic Planning Committee (from September 1999). He has been vice-president of the Finance Council, president of the Ascotributi, and a member of the Consulta of Vatican City. A former chairman of the technical committee of the International Fiscal Association, he is the author of numerous publications and has been a member of the editorial board of Italian and international law reviews. He has also been on the board of directors of numerous companies, including the Benetton group, Lloyd Adriatico, Citinvest, and Banca Antonveneta, and currently holds the offices of receiver of Alitalia, director of Ferretti, and Chairman of the Board of Statutory Auditors of Hewlett Packard Italia. He has been a Director of Enel since May 2005.

> **Alessandro Luciano, 58, Director (designated on the slate presented by the Ministry for the Economy and Finance).**

After graduating from law school, he earned a master's degree in economics and finance in London. A lawyer, he began his career in 1974, consulting in currency law for leading Italian and foreign banks and pleading before the Currency Commission of the Treasury Ministry. At the same time, he was also concerned with the incorporation of companies and with loans from abroad, contributing to the conclusion of several transactions in favor of industries, insurance groups, and state-owned companies. Starting in 1984 he began extending his sphere of activity to the telecommunications industry, where he has been involved with entrepreneurial as well as financial and technical aspects. Formerly a consultant of STET, Techint, Snam Progetti, Aquater, Comerint, and the American company DSC Communications (on behalf of which he participated in trial studies in Italy for the ISDN, MDS, Airspan, and Video-on-demand systems), he has also been vice-president of two committees of the Italian Soccer Federation. From October 1998 to March 2005, he was a commissioner of the Italian Communications Authority, where he was a member of the Board and of the Infrastructure and Networks Committee. At the Authority he was concerned with, among other things, the development, competition, and interconnection of communication networks, resolving disputes between telecommunications companies and their users. In June 2005, he became the chairman of the board of directors of Centostazioni (Italian National Railways group). In November 2007, he was appointed a member of the Federal Court of Justice at the Italian Football Federation and since October 2009 has been a director of Livingston. He has been a Director of Enel since May 2005.

> **Fernando Napolitano, 45, Director (designated on the slate presented by the Ministry for the Economy and Finance).**

A graduate in economics and commerce (1987) of the University of Naples, he completed his studies in the United States, earning at first a master's degree in management at Brooklyn Polytechnic University and later attending the advanced management program at Harvard Business School. He began his career by working in the marketing division of Laben (Finmeccanica group) and then that of Procter & Gamble Italia; in 1990 he joined the Italian office of Booz Allen Hamilton (now named Booz & Company Italia), a management and technology consulting firm, where he was appointed partner and vice-president in 1998. Within this office he was in charge of developing activities in the fields of telecommunications, media, and aerospace, while also gaining experience in Europe, the United States, Asia and the Middle East. He is currently chief executive officer of Booz & Company Italia and also carries out assignments with an international scope. From November 2001 to April 2006 he served on the committee for surface digital television instituted by the Communications Ministry and from July 2002 to September 2006 he was director of the Italian Centre for Aerospace Research. He has been a Director of Enel since May 2002 and held the same office at Data Service (currently B.E.E. Team) from May 2007 to October 2008.

> **Gianfranco Tosi, 62, Director (designated on the slate presented by the Ministry for the Economy and Finance).**

A graduate in mechanical engineering (1971) of the Polytechnic Institute of Milan, since 1972 he has held a number of positions at the same institute, becoming professor of iron metallurgy in 1982 and from 1992 also giving the course on the technology of metal materials (together with the same position at the University

of Lecco). The author of more than 60 publications, he has been extensively involved in scientific activities. A member of the board of directors of several companies and consortia, he has also held positions in associations, including the vice-presidency of the Gruppo Giovani Federlombarda (with duties as regional delegate on the Comitato Centrale Giovani Imprenditori instituted within the Confindustria) and the office of member of the executive committee of the Unione Imprenditori of the Province of Varese. From December 1993 to May 2002 he was mayor of the city of Busto Arsizio. The President of the Center for Lombard Culture, established by the Lombardy Region to defend and develop the local culture, he is also a member of the association of journalists. He has been a Director of Enel since May 2002.

The Directors are aware of the duties and responsibilities connected with the office they hold and are constantly informed by the relevant corporate departments of the most important legislative and regulatory changes concerning the Company and the performance of their duties. In order to be able to perform their role even more effectively, they also participate in initiatives aimed at increasing their knowledge of the world and dynamics of the Company.

The Directors perform their duties with full knowledge of the facts and in complete autonomy, pursuing the primary objective of creating value for the shareholders within a medium/long-time frame.

#### Pay

Shareholders' Meetings determine the fees of the members of the Board of Directors. After the Board of Statutory Auditors has expressed its opinion, the Board of Directors itself sets the additional fees for the members of the Committees with advisory and proactive duties instituted within the Board of Directors. The total pay to which the Chairman and the Chief Executive Officer are entitled is also established by the Board of Directors, following a proposal by the Compensation Committee and after the Board of Statutory Auditors has expressed its opinion.

Specifically, as regards the Board of Directors currently in office, in June 2008 an Ordinary Shareholders' Meeting confirmed €85,000 gross a year as the fee to which each Director is entitled, in addition to the reimbursement of the expenses necessary to perform his duties.

In June 2008, after receiving the opinion of the Board of Statutory Auditors, the Board of Directors confirmed the additional fees to be paid to the non-executive Directors for their participation on the Compensation Committee and the Internal Control Committee. For the coordinators of such Committees, the fee is €35,000 gross a year, while for the other members the fee is €30,000 gross a year. An attendance fee of €250 gross a session is also provided for all members of the board. In October 2008, upon proposal by the Compensation Committee and after receiving the opinion of the Board of Statutory Auditors, the Board of Directors determined the total pay of the Chairman and the Chief Executive Officer/General Manager. This pay, whose features are described below, was established after a careful analysis carried out with the assistance of a qualified external consultant, in which the remuneration of persons in positions similar to those of the persons concerned (including international comparisons) was taken into account.

Specifically, the Chairman is entitled to fixed pay of €700,000 gross a year and variable pay of up to a maximum of €560,000 gross a year. The variable pay – whose purpose is to enhance the synergetic cooperation between the Chairman and the Chief Executive Officer/General Manager, while respecting the autonomy and safeguarding the powers of the latter – is tied to the achievement of specific



and objective annual goals connected with the business plan and established by the Board of Directors upon proposal by the Compensation Committee. The total pay thus determined includes the base fee of €85,000 gross a year set by the Shareholders' Meeting for each Director, as well as the fee to which the Chairman is entitled if he sits on the boards of directors of Enel subsidiaries or affiliates, which therefore the person concerned must waive or transfer to Enel.

Enel has taken out several insurance policies in favor of the Chairman connected with the carrying out of his assignment (in case of death, permanent invalidity, injury, and work-related illness) and the termination of the assignment itself (in order to ensure his severance pay).

Finally, the Chairman is entitled to compensation in case of his justified resignation or his removal without a just cause, the features of which are described in the first section of this report (under "Ownership structure" - "Compensation of Directors in case of resignation, dismissal, or termination of the relationship following a takeover bid").

With regard to his capacity as Chief Executive Officer, the Chief Executive Officer/General Manager is entitled to fixed pay of €600,000 gross a year and variable pay of up to a maximum of €900,000 gross a year. The amount of his variable pay depends on the achievement of objective and specific annual goals connected with the business plan, which are established by the Board of Directors upon proposal by the Compensation Committee. The total pay thus determined includes the base fee of €85,000 gross a year set by the Shareholders' Meeting for each Director.

With regard to his capacity of General Manager, the Chief Executive Officer/General Manager is also entitled to fixed pay of €700,000 gross a year and variable pay of up to a maximum of €1,050,000 gross a year. In this case, too, the amount of the variable pay depends on the achievement of objective and specific annual goals connected with the business plan, which are established by the Board of Directors upon proposal by the Compensation Committee. The total pay thus determined includes the fee to which he is entitled if he sits on the boards of directors of Enel subsidiaries or affiliates, which therefore the person concerned must waive or transfer to Enel. The General Manager's relationship as an executive exists for the entire duration of his relationship as a Director and expires at the same time as the latter.

As far as the variable component of the compensation of the Company's top management (specifically, the positions of Chairman and Chief Executive Officer/General Manager, who are assigned the same objectives) is concerned, the Group objectives established for 2009, to each of which is connected a specific weight, regard the achievement of the consolidated EBITDA set by the budget, reduction of the consolidated financial debt, the level of satisfaction of the customers who accepted the offers of the subsidiary Enel Energia SpA, the margin of the generation area, workplace safety, and the process of the internationalization of the Group, with particular regard to the integration of the management processes of Enel and Endesa.

In his capacity as General Manager, the Chief Executive Officer/General Manager is one of the beneficiaries of the long-term incentive plans (based on stock options and, more recently, restricted share units) addressed to the executives of the Company and the Group.

Enel ensures the Chief Executive Officer/General Manager compensation in case of death or permanent invalidity during the carrying out of his assignment and has taken out insurance policies to ensure his severance pay.

In exchange for the payment of a consideration, the Chief Executive Officer/General



Manager has undertaken to not engage – for one year as from the termination of his relationship as a Director – personally and directly, in any business activities anywhere in the European Union that could be in competition with those carried on by Enel.

Finally, it should be pointed out that the person concerned is entitled to (i) in his capacity as Chief Executive Officer, compensation in case of his justified resignation or his removal without a just cause and (ii) in his capacity as General Manager, compensation at the termination of his relationship as an executive (in consequence of the expiry of his relationship as a Director). The features of such compensation are described in the first section of this report (under “Ownership structure” - “Compensation of Directors in case of resignation, dismissal, or termination of the relationship following a takeover bid”).

#### Limit to the number of offices held by Directors

The Directors accept their office and maintain it in the belief that they can dedicate the necessary time to the diligent performance of their duties, taking into account both the number and the nature of the offices they hold on the boards of directors and the boards of statutory auditors of other companies of significant size and the commitment required by the other professional activities they carry on and the offices they hold in associations.

In this regard, it should be noted that in December 2006 the Board of Directors approved (and formalized in a specially provided document) a policy regarding the maximum number of offices that its members may hold on the boards of directors and the boards of statutory auditors of other companies of significant size in order to ensure that the persons concerned have sufficient time available to effectively perform the role they have on the Board of Directors of Enel.

In accordance with the recommendations of the Self-regulation Code, the aforesaid policy considers significant to this end only the offices held on the boards of directors and the boards of statutory auditors of the following kinds of companies:

- a) companies with shares listed on regulated markets, including foreign ones;
- b) Italian and foreign companies with shares not listed on regulated markets and doing business in the fields of insurance, banking, securities intermediation, mutual funds, or finance (as far as the last field is concerned, only with regard to finance companies subject to the prudential supervision of the Bank of Italy and included on the special list referred to in article 107 of the Unified Banking Act);
- c) other Italian and foreign companies with shares not listed on regulated markets that, even though they do business in fields other than those specified under letter b) above, have assets exceeding €1 billion or revenues exceeding €1.7 billion according to their latest approved financial statements.

In accordance with the recommendations of the Self-regulation Code, the policy formulated by the Board of Directors thus establishes differentiated limits to the number of offices (made measurable by a system of specific “weights” for each kind of office), depending on (i) the commitment connected with the role performed by each Director, both on the Board of Directors of Enel and on the boards of directors and the boards of statutory auditors of other companies of significant size, as well as (ii) the nature of the companies where the other roles are performed, excluding from the related calculation those performed in Enel’s subsidiaries and affiliates.

On the basis of the information provided by the Directors of the Company to implement the aforesaid policy, as well as the inquiry carried out by the Board of Directors most recently in February 2010, it has been ascertained that each Enel

Director currently holds a number of offices on the boards of directors or boards of statutory auditors of other companies of significant size that is compatible with the limit established by the aforesaid policy.

### **Board meetings and the role of the Chairman**

In 2009, the Board of Directors held 20 meetings, which lasted an average of about 2 hours and 45 minutes. Director participation was regular and the meetings were also attended by the Board of Statutory Auditors and by a magistrate representing the Court of Accounts. As far as 2010 is concerned, 15 Board meetings have been scheduled, of which 4 have already been held.

The activities of the Board of Directors are coordinated by the Chairman, who calls its meetings, establishes their agenda, and presides over them, ensuring that – except in cases of urgency and necessity – the necessary documents and information are provided to the Board members in time for the Board to express its informed opinion on the matters under examination. He also ascertains whether the Board's resolutions are implemented, chairs Shareholders' Meetings, and – like the Chief Executive Officer – is empowered to represent the Company legally.

In short, the Chairman's role is to stimulate and supervise the functioning of the Board of Directors as part of the fiduciary powers that make him the overseer for all shareholders of the legality and transparency of the Company's activities. In addition to the powers set forth in the law and bylaws regarding the functioning of the corporate bodies (Shareholders' Meeting and Board of Directors) as well as the legal authority to represent the Company, the Chairman is also entrusted – according to a Board resolution adopted in June 2008 – with the duties of (i) participating in the formulation of corporate strategies in agreement with the Chief Executive Officer, the powers granted the latter by the Board of Directors being understood, as well as (ii) overseeing internal auditing in agreement with the Chief Executive Officer, with the related corporate department remaining under the latter. In this regard, however, it is provided that decisions concerning the appointment and removal of the head and top executives of the aforesaid department are to be made jointly by the Chairman and the Chief Executive Officer. Finally, in agreement and coordination with the Chief Executive Officer, the Chairman maintains relations with institutional bodies and authorities.

### **Evaluation of the functioning of the Board of Directors and its Committees**

During the last quarter of 2009, the Board of Directors, with the assistance of a specialized company, began (and completed in February 2010) an evaluation of the size, composition, and functioning of the Board itself and its Committees (so-called board review), in accordance with the most advanced practices of corporate governance found abroad that have been adopted by the Self-regulation Code. This board review follows similar initiatives undertaken by the Board of Directors during 2004, 2006, 2007, and 2008.

Conducted by means of a questionnaire filled out by each Director during individual interviews carried out by the consultancy firm, the analysis once again focused on the most significant issues regarding the Board of Directors, such as: (i) the structure, composition, role, and responsibilities of such body; (ii) the conduct of Board meetings, the related flows of information and the decision-making processes adopted; (iii) the composition and functioning of the Committees instituted within the Board; (iv) the strategies pursued and the performance objectives set; (v) the relations between the Board, the shareholders, and the stakeholders; and (vi) the evaluation of the appropriateness of the corporate organizational structure.

Among the strengths that emerged from the 2009 board review (whose results can be considered an improvement on the already very positive assessment of the previous board reviews), was, first of all, the atmosphere of great cohesiveness and balance existing within the Board of Directors, which fosters open and constructive discussion among the members of the Board and facilitates the adoption of decisions characterized by broad agreement. The review also showed that the flows of information on which the Board's decision-making process is based are considered by the Directors as effective and, in general, timely. Specifically valued were the ways of preparing the discussion before several important resolutions – regarding the assumption of full control of the Spanish company Endesa, the disposal of non-strategic assets, the share capital increase, and the issue of bonds – adopted by the Board of Directors in the period under consideration. The minutes of the meeting containing the resolutions adopted are deemed to be accurately and promptly drafted. The size of the Board of Directors and the expertise of its members are considered appropriate as well as the number and duration of the Board's meetings. The activities carried out by the Chief Executive Officer, as well as the way he performs his role, continue to be evaluated very positively by the other Directors, as does the consolidated cooperative relationship between the Chairman and the Chief Executive Officer. As far as the Committees instituted within the Board are concerned, it was confirmed the broad consensus on the appropriateness of their composition, their role, and the effectiveness of the activity carried out, with a special note of appreciation for the work done by the Internal Control Committee. The Company's top management is considered competent and cohesive, with Board members noticing the increasing opportunities being given to young resources with high potential within the Company, to whom key positions are entrusted. The foregoing considerations indicate, as pointed out by the specialized consulting company, that the Board of Directors operates in an effective and transparent manner, making a broad use of the best practices regarding corporate governance.

Among the areas needing improvement noted by some Directors, we have, first of all, confirmation of the wish to have one or more non-executive members with training and experience on the international scene, among other things to strengthen the Group's multinational profile. Then there was the suggestion to dedicate more time during Board meetings to understanding the business and the areas at risk connected with internationalization of the Group. Even though some progress has been noted, there was confirmation of the need to improve the knowledge and perception that Italy has of Enel as a multinational operating in a competitive international situation. Finally, specifying the duties to assign to the meetings reserved to the independent Directors gave rise to conflicting opinions. Continuing an initiative introduced after the first board review (conducted in 2004), the annual meeting of the strategic committee was again organized in 2009, in October, and was dedicated to the analysis and in-depth study by the members of the Board of Directors of the long-term strategies in the different business sectors of the Group. During the board review, the Board's members highlighted the increasing usefulness of such meeting as part of their training.

#### Non-executive Directors

The Board of Directors consists of executive and non-executive Directors.

In accordance with the recommendations of the Self-regulation Code, the following are considered executive Directors:

- > the Chief Executive Officer of the Company (or of strategically significant Group companies), as well as the related Chairman who has been granted individual

powers of management or who has a specific role in the formulation of the Company's strategies;

- > Directors who hold executive positions in the Company (or in strategically significant Group companies) or in the controlling entity, if the position also regards the Company.

Directors who do not correspond to any of the aforesaid categories qualify as non-executive.

According to the analysis carried out by the Board of Directors in June 2008, with the exception of the Chairman and the Chief Executive Officer, the other 7 members of the Board of Directors currently in office (Giulio Ballio, Lorenzo Codogno, Renzo Costi, Augusto Fantozzi, Alessandro Luciano, Fernando Napolitano and Gianfranco Tosi) qualify as non-executive Directors.

As far as the Chairman is concerned, it should be noted that the characterization of the latter as an executive Director derives from the specific role that the current division of powers assigns him with regard to the formulation of the Company's strategies, while the person concerned does not have any individual powers of management.

The number, expertise, authoritativeness, and availability of time of the non-executive Directors are therefore sufficient to ensure that their judgment can have a significant influence on the decisions made by the Board.

The non-executive Directors bring their specific expertise to the Board's discussions, so as to facilitate an examination of the questions under discussion from different perspectives and consequently the adoption of well-considered and well-informed decisions that correspond to the corporate interest.

### Independent Directors

Basing itself on the information provided by the individual persons concerned or, in any case, at the Company's disposal, immediately after the appointment (June 2008), subsequently in February 2009, and most recently in February 2010, the Board of Directors attested that Directors Giulio Ballio, Renzo Costi, Augusto Fantozzi, Alessandro Luciano, and Gianfranco Tosi qualify as independent pursuant to the Self-regulation Code.

Specifically, Directors were considered independent if they neither have nor have recently had relations, not even indirectly, with the Company or with parties connected with the Company that could currently condition the autonomy of their judgment.

The procedure followed in this regard by the Board of Directors began with an examination of a document with information showing the offices held and the relations maintained by the non-executive Directors that could be significant for the purpose of assessing their respective independence. This phase was followed by the self-assessment carried out by each of the non-executive Directors regarding his personal position, after which came the final assessment made collectively by the Board of Directors, with the abstention, in turn, of the individual members whose position was under examination.

In evaluating the independence of the non-executive Directors, the Board of Directors took into account the cases in which, according to the Self-regulation Code, the requisites of independence should be considered lacking and, in this regard, applied the principle of the prevalence of substance over form recommended by the aforesaid Code. Furthermore, when the evaluation was performed in February 2010, the Board of Directors established specific quantitative parameters applicable to the commercial, financial, or professional relations that may take place, directly or indirectly, between Directors and the Company. Unless there are

specific circumstances, to be evaluated concretely, exceeding such parameters (specified in the attached Table 1, together with the cases in which, according to the Self-regulation Code, the requisites of independence must be considered lacking) should, in principle, preclude the possession by the non-executive director in question of the requisites of independence provided for by the aforesaid Code. When it carried out its reviews in June 2008, February 2009, and, most recently, February 2010, the Board of Directors ascertained that the foregoing five non-executive Directors – i.e. Giulio Ballio, Renzo Costi, Augusto Fantozzi, Alessandro Luciano and Gianfranco Tosi – also possessed the requisite of independence provided by law (namely by the Unified Financial Act) for the statutory auditors of listed companies (such requisites are also clearly specified in the attached Table 1). During February 2009 and, most recently, February 2010, the Board of Statutory Auditors established that, in carrying out the aforesaid evaluations of the independence of its non-executive members, the Board of Directors correctly applied the criteria recommended by the Self-regulation Code, following to that end a transparent assessment procedure that enabled the Board to learn about relations that were potentially significant for the purpose of the evaluation of independence.

The independent Directors have met, without the presence of the other Directors, in December 2009. On that occasion, they emphasized that their meetings must not affect the unity of the proceedings of the Board of Directors, while at the same noting the usefulness of a prior circulation among themselves of any thoughts they may have about the management of the Company.

In December 2006, the Board of Directors also ascertained the absence of the conditions that, according to the Self-regulation Code, require the institution of a lead independent director, in consideration of the fact that at Enel the Chairman of the Board of Directors is not the Chief Executive Officer, nor owns a controlling interest in the Company.

Although independence of judgment characterizes the activity of all the Directors, whether executive or not, an adequate presence (in terms of both number and expertise) of Directors who qualify as independent, according to the aforesaid definition, and have significant roles on both the Board of Directors and its Committees is considered a suitable means of ensuring that the interests of all the shareholders are appropriately balanced.

## Committees

In order to ensure that it performs its duties effectively, as early as January 2000 the Board of Directors set up as part of itself a Compensation Committee and an Internal Control Committee, assigning them both advisory and proactive duties and entrusting them with issues that are sensitive and sources of possible conflicts of interest.

Each Committee consists of at least 3 non-executive Directors, the majority of whom are independent, and are appointed by the Board of Directors, which names one of them as coordinator and also establishes the duties of the Committee by a special resolution.

In December 2006, the Board of Directors approved special organizational regulations that govern the composition, tasks, and working procedures of each Committee.

In carrying out their duties, the Committees in question are empowered to access the information and corporate departments necessary to perform their respective tasks and may avail themselves of outside consultants at the Company's expense within the limits of the budget approved by the Board of Directors.

Each Committee appoints a secretary, who need not be one of its members, to whom the task of drawing up the minutes of the meetings is entrusted. The meetings of each Committee may be attended by the members of the other Committee, as well as by other members of the Board of Directors or other persons whose presence may help the Committee to perform its duties better and who have been expressly invited by the related coordinator.

The meetings of the Internal Control Committee are also attended by the Chairman of the Board of Statutory Auditors or another regular Statutory Auditor designated by him (in consideration of the specific duties regarding the supervision of the internal control system with which the aforesaid Board is entrusted by the laws in force concerning listed companies) and, as from December 2006, the Chairman of the Board of Directors (in his capacity as an executive Director entrusted with supervising the functioning of the internal control system). The head of internal control may also attend the aforesaid meetings.

### Compensation Committee

The compensation of the Directors is established in an amount that is sufficient to attract, retain, and motivate Directors endowed with the professional qualities required for successfully managing the Company.

In this regard, the Compensation Committee must ensure that a significant portion of the compensation of the executive Directors and executives with strategic responsibilities is tied to the economic results achieved by the Company and the Group, as well as the attainment of specific objectives established beforehand by the Board of Directors, or – with regard to the aforesaid executives – by the Chief Executive Officer, in order to align the interests of the persons concerned with the pursuit of the primary objective of creating value for the shareholders in a medium-to-long time frame.

The compensation of non-executive Directors is commensurate with the commitment required of each of them, taking into account their participation on the Committees. It should be noted in this regard that, in line with the recommendations of the Self-regulation Code, this compensation is in no way tied to the economic results achieved by the Company and the Group and that the non-executive Directors are not beneficiaries of stock-based incentive plans.

Specifically, then, the Compensation Committee is entrusted with the following tasks, which are both advisory and proactive (as last confirmed by the Board of Directors in June 2008 to implement the recommendations of the Self-regulation Code):

- > to present proposals to the Board of Directors for the compensation of the Chief Executive Officer and the other Directors who hold particular offices, monitoring the implementation of the resolutions adopted by the Board. It should be noted in this regard that the Directors in question are not allowed to attend the meetings of the Committee during which the latter formulates the proposals regarding the related compensation to present to the Board of Directors;
- > to periodically review the criteria adopted for the compensation of executives with strategic responsibilities, monitor their application on the basis of the information provided by the Chief Executive Officer, and formulate general recommendations for the Board of Directors in this regard.

As part of its duties, the Compensation Committee also plays a central role in elaborating and monitoring the performance of the incentive systems, including the stock-based plans, addressed to executives and conceived as instruments aimed at attracting and motivating resources with appropriate ability and experience and developing their sense of belonging and ensuring their constant, enduring

effort to create value. The 2009 long-term incentive plan devised by the Compensation Committee and approved by the Board of Directors also included among its beneficiaries the Company's Chief Executive Officer in his capacity as General Manager.

In addition to those recommended by the Self-regulation Code, the Compensation Committee also performs the task of assisting the Chief Executive Officer and the relevant corporate departments in developing the potential of the Company's managerial resources, recruiting talented people, and promoting related initiatives with universities.

During 2009, the Compensation Committee consisted of Directors Augusto Fantozzi (acting as coordinator), Giulio Ballio, and Fernando Napolitano.

Also during 2009, the Committee held 9 meetings, which its members attended regularly and which lasted an average of 1 hour and 45 minutes, and called on external consultants at the Company's expense.

During 2009, the Compensation Committee – in addition to elaborating the long-term incentive plan for that year and carrying out a review of the performance of the existing stock-based plans – worked on defining the applicative aspects of the variable component of the compensation of the Chairman and the Chief Executive Officer, in particular setting the annual economic and managerial objectives to assign them, as well as verifying the attainment of the objectives of the previous year. The Committee also reviewed the compensation policies and the management methods of executives in place in the Company and the Group, carrying out in this regard the annual benchmark comparison with the compensation paid by companies comparable to Enel. Finally, the Committee examined the content of the EU's recommendations of 2004 and 2009 with regard to the compensation of the directors and the top management of listed companies, as well as the related possible procedures for their implementation in Italy.

#### Internal Control Committee

The Internal Control Committee has the task of assisting the Board of Directors in the latter's evaluations and decisions regarding the internal control system, the approval of the financial statements and the half-year report, and the relations between the Company and the external auditor by preliminarily gathering the relevant facts.

Specifically, the Internal Control Committee is entrusted with the following tasks, which are both advisory and proactive (as last confirmed by the Board of Directors, in June 2008, to implement the recommendations of the Self-regulation Code, and further implemented in February 2010):

- > to assist the Board of Directors in performing the tasks regarding internal control entrusted to the latter by the Self-regulation Code;
- > to evaluate, together with the executive in charge of preparing the corporate accounting documents and the external auditors, the proper use of accounting principles and their uniformity for the purpose of drawing up the consolidated financial statements;
- > to express opinions, at the request of the executive Director who is assigned the task, on specific aspects regarding the identification of the Company's and the Group's main risks, as well as the planning, implementation, and management of the internal control system;
- > to examine the work plan prepared by the head of internal auditing, as well as the latter's periodical reports;
- > to assess – for the parts of its pertinence – the proposals made by auditing firms to obtain the related assignment, as well as the work plan prepared for the



- external audit and the results expounded in the report and, if there is one, the letter of suggestions;
- > to oversee the effectiveness of the external audit process;
- > to perform the additional tasks assigned it by the Board of Directors, with particular regard to the evaluation:
  - of the checks aimed at ensuring the transparency and fairness of transactions with related parties;
  - of the appropriateness of the diligence dedicated to the issues of corporate social responsibility, as of the completeness and transparency of the information provided in this regard through the Sustainability Report, the latter task having been assigned to the Committee in February 2010;
- > to report to the Board of Directors at least once every six months – when the financial statements and the half-year report are approved – on the work performed and the adequacy of the internal control system.

During 2009, the Internal Control Committee consisted of Directors Gianfranco Tosi (acting as coordinator), Lorenzo Codogno (to whom the Board of Directors acknowledged the requisite of appropriate experience in accounting and finance), Renzo Costi, and Alessandro Luciano.

Also during 2009, the Internal Control Committee held 13 meetings, which were characterized by the regular attendance of its members (as well as of the Chairman of the Board of Statutory Auditors), the frequent presence of the Chairman of the Board of Directors (in his capacity as the executive Director entrusted with overseeing the functioning of the internal control system), and an average duration of 1 hour and 30 minutes.

During 2009, the activity of the Internal Control Committee focused first of all, as usual, on the evaluation of (i) the work plan prepared by the head of internal auditing as well as (ii) the results of the audits performed during the preceding year and (iii) the content of the letter of suggestions prepared by the external auditor regarding the accounting period in question. During the period concerned, the Committee also approved the content of a special procedure intended to regulate the appointments of the auditing firms that do business with the Group – expressing in this regard a favorable opinion, within the limits of its authority, of the assigning of several specific additional tasks to the Group's main external auditor) and examined the effects of new legislative developments and the new international accounting standards on the Enel Group's consolidated financial statements. In 2009, the Committee also supervised the preparation of the sustainability report and of the revised version of the Code of Ethics, monitored the observance of the compliance program adopted pursuant to Legislative Decree 231 of June 8, 2001 (also seeing to the updating of the aforesaid program), examined several transactions with related parties (after receiving extensive information about the content of the second consultation document on this subject published by the CONSOB, and approving the observations formulated and formalized by the corporate offices concerned), and – within the limits of its authority – made a positive assessment of the appropriateness, effectiveness, and actual functioning of the internal control system during the preceding accounting period.

Finally, the Committee monitored the permanent compliance within the Group with the laws and regulations on accounting transparency, the appropriateness of the organizational structure and of the internal control systems of the subsidiaries set up under and governed by the laws of non-EU countries.



## Board of Statutory Auditors

According to the provisions of the law and the Company's bylaws, the Board of Statutory Auditors consists of three regular Auditors and two alternates, who are appointed by an Ordinary Shareholders' Meeting for a period of three accounting periods and may be re-appointed when their term expires.

In order to ensure that the Board of Statutory Auditors can effectively perform its duties and in accordance with the recommendations of the Self-regulation Code, in December 2006, the Board of Directors, within the limits of its authority, expressly granted the Board of Statutory Auditors:

- > the power to oversee the independence of the external auditor, monitoring both compliance with the relevant regulatory provisions and the nature and extent of the services other than auditing that the external auditor and the firms belonging to the latter's network performed for the Company and the Group;
- > the power – which may also be exercised individually by the Statutory Auditors – to request the Company's Internal Auditing Department to perform checks on specific corporate operating areas or transactions;
- > the power to promptly exchange information relevant for performing their respective duties with the Internal Control Committee.

According to the legislation in force, the members of the Board of Statutory Auditors must possess the requisites of honorableness provided for the company representatives of financial intermediaries, in addition to those established for the statutory auditors of listed companies. They must also possess the requisites of professional competence required by the law of statutory auditors of listed companies, as supplemented by special provisions of the bylaws. Finally, they must possess the requisites of independence specified by the law for statutory auditors of listed companies.

In accordance with the provisions of the Unified Financial Act, the limit to the number of offices on the boards of directors and the boards of statutory auditors that the members of Enel's Board of Statutory Auditors may hold in Italian corporations were established by the CONSOB.

As in its provisions for the Board of Directors – and in compliance with the regulations regarding privatizations and with the Unified Financial Act – the bylaws provide that the appointment of the entire Board of Statutory Auditors take place according to the "slate vote" mechanism, which aims to ensure the presence on the Board of a regular Auditor (who is entitled to the office of Chairman) and an alternate Auditor (who will take over the office of Chairman if the incumbent leaves it before the end of his term) designated by minority shareholders.

This electoral system provides that shareholders who, alone or together with other shareholders, represent at least 1% of the share capital may present slates, on which candidates must be listed in numerical order. The slates must be filed at the Company's registered office and published in daily newspapers with a nationwide circulation at least 10 days before the date of the Shareholders' Meeting. It should be noted in this regard that, for the last election of the Board of Statutory Auditors, which took place in May 2007, shareholders were requested to file their slates at least 15 days before the date of the Shareholders' Meeting, in compliance with the recommendations of the Self-regulation Code and according to a specific note contained in the notice of the Meeting.

It should be noted that the deadlines and the quorum required for presenting, as well as the procedures for filing and publishing, slates for the election of the Board of Statutory Auditors will undergo significant changes following Italy's recent implementation of Directive 2007/36/EC – regarding the exercise of several rights of shareholders of listed companies – through Legislative Decree 27 of January 27,

2010, whose important changes in this regard will apply to shareholders' meetings of which the notice is published after October 31, 2010.

In order to ensure a transparent procedure for the appointment of the Board of Statutory Auditors, exhaustive information about the personal and professional characteristics of the candidates must be filed at the Company's registered office together with the slates, as well as promptly published on the Company's and Borsa Italiana's websites.

For the appointment of Statutory Auditors who, for whatever reason are not elected according to the "slate-vote" system, a Shareholders' Meeting resolves in accordance with the majorities required by the law and without following the aforesaid procedure, but in any case in such a way as to ensure observance of the principle regarding the representation of the minority shareholders on the Board of Statutory Auditors.

In any case, the Statutory Auditors act autonomously and independently, including with regard to the shareholders who elected them.

Having been elected by the ordinary Shareholders' Meeting of May 25, 2007, the incumbent Board of Statutory Auditors has a term that will expire when the 2009 financial statements are approved. As a result of the appointments made at the aforesaid Shareholders' Meeting, the Board of Statutory Auditors thus currently consists of the following regular members, for whom brief professional profiles are provided below, together with the specification of the slates on which they were nominated. The latter were presented by the Ministry for the Economy and Finance (which at the time owned 21.12% of the Company's share capital) and by a group of 15 institutional investors (which at the time owned a total of 1.02% of the Company's share capital).

**> Franco Fontana, 66, Chairman (designated on the slate presented by institutional investors).**

A certified public accountant and a professor of economics and business management, since 1973 he has taught at a number of Italian universities and since 1995 has served as the Dean of the School of Economics at the Guido Carli LUISS University. Since 2004 he has been Director of the Business School of the aforesaid University. He has also served as a member of several technical committees for the reorganization of the Civil Service (Ministry of the Postal Service and Telecommunications, Ministry of Finance, Ministry of Industry, and Ministry of Health). From 1994 to 1997 he was chairman of the Cassa di Risparmio of the Province of L'Aquila, from 2002 to 2006 chairman of Crea Impresa (BNL group), from 2001 to 2004 chairman of the board of statutory auditors of COFIRI, and from 2002 to 2005 chairman of the board of statutory auditors of Gallo&C. (Meliorbanca). He is currently chairman of the board of statutory auditors of Thales Alenia Space Italia, Agip Rete, Polimery Europa, Eni Servizi, and Messina Fuels and a member of the board of statutory auditors of Exxon Mobil Mediterranea, Essocard, STMicroelectronics Srl, and Sofid, as well as chairman of the board of directors of ISVIM. A statutory auditor of Enel since 2001, he has been Chairman of the Company's Board of Statutory Auditors since 2007. He is also the author of numerous publications regarding business management and organization.

**> Carlo Conte, 62, regular Auditor (designated on the slate presented by the Ministry for the Economy and Finance).**

After graduating with a degree in Economics and Commerce from "La Sapienza" University in Rome, he remained active in the academic world, teaching at the University of Chieti (1988-1989) and the Guido Carli LUISS in Rome (1989-1995).

He currently teaches public accounting at the latter's School of Management, the Civil Service School, and the Economy and Finance School, as well as administration and governmental accounting at Bocconi University in Milan. A certified public accountant, he is also the author of a number of publications. In 1967 he started his career in the Civil Service at the Government Accounting Office, becoming a General Manager in 2002. He currently represents the Office on a number of commissions and committees and in various research and work groups, as well as representing Italy on several committees of the OECD. A Statutory Auditor of Enel since 2004, he has also performed and still performs the same duties in a number of other bodies, institutions, and companies.

**> Gennaro Mariconda, 67, regular Auditor (designated on the slate presented by the Ministry for the Economy and Finance).**

He has been a notary public since 1970 and a notary public in Rome since 1977. From 1995 to 2001 he was a member of the National Council of Notaries, of which he was President from 1998 to 2001. As part of his activity as a notary, he has taken part in the most important reorganizations, transformations, and mergers of banks and other Italian companies, such as Banca di Roma, Medio Credito Centrale, Capitalia, IMI-Sanpaolo, Beni Stabili, and Autostrade. Since 1966 he has taught at a number of Italian universities and is currently a professor of private law at the University of Cassino's School of Economics and Commerce. He has served as a director of RCS Editori and Beni Stabili, as well as a trustee of the Istituto Regionale di Studi Giuridici Arturo Carlo Jemolo. He is currently a member of the editorial board of the journals "Notariato" and "Rivista dell'esecuzione forzata". A Statutory Auditor of Enel since 2007, he is the author of numerous technical legal studies – mainly on civil and commercial law – and he has also published articles, interviews, and essays in the most important Italian newspapers and magazines.

Shareholders' Meetings determine the fee of the regular members of the Board of Statutory Auditors. Specifically, in May 2007 an Ordinary Shareholders' Meeting set the fee to which the Chairman of the Board of Statutory Auditors is entitled at €75,000 gross a year and the fee to which each of the other regular Statutory Auditors is entitled at €65,000 gross a year, in addition to the reimbursement of the expenses necessary for them to perform their duties.

During 2009, the Board of Statutory Auditors held 17 meetings, lasting an average of about 1 hour and 30 minutes, which were regularly attended by the regular Auditors and the magistrate representing the Court of Accounts.

During February 2010, the Board of Statutory Auditors established that the Chairman, Franco Fontana, and the regular Auditor Gennaro Mariconda possess the requisites of independence provided for by the Self-regulation Code with regard to directors. As far as the regular Auditor Carlo Conte is concerned, the Board of Statutory Auditors established that, even though he does not possess the aforesaid requisites of independence (because he is a General Manager at the Ministry for the Economy and Finance, the reference shareholder of the Company), he does possess the characteristics of independence provided for by the Unified Financial Act (and the related implementation regulations) with regard to statutory auditors of listed companies. At the end of June 2009, pursuant to the above-mentioned CONSOB's rules on the limits to the number of offices on the boards of directors and the boards of statutory auditors that the members of Board of Statutory Auditors may hold in Italian corporations (which set a maximum limit of six points to the offices that may be held by a Statutory Auditor), the regular

Statutory Auditors have communicated to the Authority the following number of offices held as well as the points thereof:

- > Franco Fontana: 13 offices amounting to 4.5 points;
- > Carlo Conte: 11 offices amounting to 2.15 points;
- > Gennaro Mariconda: 1 office amounting to 1.0 point.

### Auditing firm

The external audit of Enel's financial statements and the Group's consolidated financial statements is entrusted to KPMG SpA.

The assignment was awarded to this firm first for the three-year period 2002-2004 (by the Shareholders' Meeting on May 24, 2002), then for the three-year period 2005-2007 (by the Shareholders' Meeting on May 26, 2005), and, finally, was extended for the three-year period 2008-2010 (by the Shareholders' Meeting on May 25, 2007). The extension was granted to make the total duration of the external audit assignment awarded to KPMG SpA correspond to the new nine-year limit set by the Unified Financial Act (according to the amendments introduced at the end of 2006).

During 2009, a special procedure was formalized for regulating the appointments of auditing firms that do business with the Group. According to this procedure, the Internal Control Committee and the Board of Statutory Auditors are to express a binding opinion on the assignment of each additional task – thus ones other than the main task of auditing and for which no incompatibility is provided for by the law – to the Group's main external auditor or to parties belonging to its related network. The assignment of such additional tasks is allowed only in determined circumstances of demonstrated necessity, from the legal or economic point of view or in terms of service quality.

### Oversight of the Court of Accounts

The Court of Accounts oversees the financial management of Enel, availing itself for this purpose of an appointed magistrate. This role was performed for all of 2009 by Michael Sciascia (who was appointed in accordance with a resolution of the Presidential Council of the Court of Accounts at its meeting on December 19-20, 2007).

In January 2009, the Board of Directors resolved to pay the magistrate appointed by the Court of Accounts an attendance allowance of €1,000 for each Board meeting attended.

The magistrate appointed by the Court of Accounts attends the meetings of the Board of Directors and the Board of Statutory Auditors. The Court of Accounts presents an annual report on the results of the oversight performed to the office of the President of the Senate and the office of the President of the House of Deputies.

### Executive in charge of preparing the corporate accounting documents

In compliance with the provisions of the Unified Financial Act and of the Company's bylaws, in June 2006 the Board of Directors, after receiving the opinion of the Board of Statutory Auditors, appointed the head of the Company's Accounting, Planning, and Control Department (renamed "Accounting, Finance, and Control" in June 2009), in the person of Luigi Ferraris, to the position of executive in charge of preparing the corporate accounting documents. As ascertained by the Board of Directors in June 2007, such executive possesses the professional qualifications introduced in the Company's bylaws on May 2007 in compliance with the Unified Financial Act.

The duty of this executive is to establish appropriate administrative and accounting procedures for the preparation of the financial statements of the Parent Company and the consolidated financial statements, as well as all other financial documents. The Board of Directors ensures that this executive has adequate powers and means, as well as seeing that the administrative and accounting procedures that he establishes are actually observed.

The executive in question issues a declaration that accompanies the corporate documents and communications released to the market regarding financial information, including interim information, and certifies that such information corresponds to what is recorded in the Company's documents, account books, and book entries.

Together with the Chief Executive Officer, the aforesaid executive also certifies in a specially provided report regarding the financial statements of the Parent Company, the consolidated financial statements, and the half-year financial report: (i) the adequacy and actual application of the aforesaid administrative and accounting procedures during the period to which such accounting documents refer; (ii) the conformance of the content of these documents to the international accounting standards applicable within the European Union; (iii) the correspondence of the aforesaid documents to the accounting records and their suitability for providing a true and fair view of the Company's and the Group's balance sheet, income statements, and cash flows; (iv) that the report on operations accompanying the financial statements of the Parent Company and the consolidated financial statements contains a reliable analysis of the performance and results of the year, as well as of the situation of the Company and the Group and the main risks and uncertainties to which they are exposed; (v) that the report on operations included in the half-year financial report contains a reliable analysis of the most important events that occurred during the first six months of the period, together with a description of the main risks and uncertainties in the remaining six months of the period and information on the significant transactions with related parties. The content of the certification that the executive in question and the Chief Executive Officer must issue in accordance with the foregoing is regulated by the CONSOB with a specially provided set of rules.

### Internal control system

With regard to internal control, several years ago the Group adopted a special system aimed at (i) checking the appropriateness of Group procedures in terms of effectiveness, efficiency, and costs, (ii) ensuring the reliability and correctness of accounting records, as well as the safeguard of Company and Group assets, and (iii) ensuring that operations comply with internal and external regulations, as well as with the corporate directives and guidelines for sound and efficient management.

The Group's internal control system is divided into two distinct areas of activity:

- > line auditing, which consists of all the auditing activities that the individual operating units or Group companies carry out on their own processes. Such auditing activities are primarily the responsibility of operating executives and are considered an integral part of every corporate process;
- > internal auditing, which is entrusted to the Company's Audit Department and is aimed essentially at the identification and containment of corporate risk of any kind. This objective is pursued through the monitoring of line auditing, in terms of both the appropriateness of the audits themselves and the results actually achieved by their application. This activity under consideration is therefore applied to all the corporate processes of the Company and of the Group

companies. The personnel in charge of said activity is responsible for indicating both the corrective actions deemed necessary and for carrying out follow-up actions aimed at checking the results of the measures suggested.

The responsibility for adopting an adequate internal control system consistent with the reference models and existing national and international best practice is entrusted to the Board of Directors, which to this end and availing itself of the Internal Control Committee:

- > establishes the guidelines of such system, so that the main risks regarding the Company and its subsidiaries are correctly identified, as well as properly measured, managed, and monitored, and then ensures the compatibility of such risks with sound and correct corporate management. It should be observed in this regard that in December 2006, the Board of Directors took note of the identification of the main risks regarding the Group and the establishment of specially provided criteria for measuring, managing, and monitoring the aforesaid risks – in accordance with the content of a special document drawn up by the Company's Audit Department – and agreed on the compatibility of the aforesaid risks with sound and correct corporate management. In February 2008, the Board of Directors examined an updated Group risk assessment prepared by the Company's Audit Department;
- > appoints one or more executive Directors to supervise the functioning of the internal control system. In this regard, it should be noted that in December 2006 the Board of Directors entrusted this role to both the Chief Executive Officer and the Chairman, assigning the latter the task of regularly participating in the meetings of the Internal Control Committee;
- > evaluates the appropriateness, efficiency, and actual functioning of the internal control system at least once a year. It should be noted that in March 2009 and, most recently, February 2010, the Board of Directors expressed a positive evaluation in this respect;
- > appoints, and removes, one or more persons to be in charge of the internal control system, establishing the related compensation in line with the relevant corporate policies. In this regard, in January 2008, the Board of Directors, having taken note that there was a new head of the Company's Audit Department (in the person of Francesca Di Carlo), confirmed the latter as the person in charge of the internal control system and confirmed her compensation as the same as she was already receiving.

The executive Directors assigned to supervise the functioning of the internal control system in turn:

- > oversee the identification of the main corporate risks, taking into account the characteristics of the activities carried out by the Company and its subsidiaries, and then submit them periodically to the Board of Directors for examination;
- > carry out the guidelines established by the Board of Directors, seeing to the planning, implementation, and management of the internal control system and constantly monitoring its overall adequacy, effectiveness, and efficiency. They also supervise the adaptation of this system to the dynamics of operating conditions and the legislative and regulatory framework;
- > make proposals to the Board of Directors regarding the appointment, removal, and compensation of one or more persons to be in charge of the internal control system.

The person in charge of the internal control system:

- > is entrusted with ensuring that the internal control system is always adequate, fully operative and functioning;
- > is not the head of any operating area and is not hierarchically dependent on any head of an operating area;

- > has direct access to all the information that is useful for the performance of his or her duties;
- > has adequate means at his or her disposal for performing the assigned tasks;
- > reports on his or her activities to the executive Directors assigned to supervise the functioning of the internal control system, the Internal Control Committee, and the Board of Statutory Auditors. Specifically, he or she reports on the procedures through which risk management is conducted, as well as on the observance of the plans devised to limit them, and expresses his or her evaluation of the suitability of the internal control system for achieving an acceptable level of overall risk.

In line with the most advanced corporate governance practices, in June 2009 the Company created a specific “Group Risk Management” Department, whose mission is to ensure the effective implementation at the Group level of the process of managing all financial, operating, strategic, and business risks with a significant impact, as well as the main risks that, for whatever reason, can affect the Company’s and the Group’s balance sheet, income statement, and cash-flow statement. Among the most important tasks entrusted to this new corporate department are the following: (i) to define and oversee the guidelines, procedures, instruments, and methods for assessing the aforesaid risks with a significant impact; (ii) to manage, with regard to the aforesaid risks with a significant impact, the process of mapping Group risks and analyzing and assessing their effects, cooperating with the Audit Department for the purpose of sharing the results of their respective risk assessment activities; (iii) to consolidate risks at the Group level and develop intra-Group netting and hedging actions; (iv) define the guidelines for risk management and submit them to the Chief Executive Officer, identifying the related mitigation actions and ensuring that the latter are properly implemented; (v) to transfer to the risk owners the management models, the instruments that can be used for hedging, and the optimal levels of exposure, monitoring their observance with regard to short-, medium-, and long-term plan objectives; (vi) to define and propose to the Chief Executive Officer the optimal architecture of the controls dedicated to risk management; (vii) to prepare appropriate integrated and detailed reports on the Company’s significant risks, the control processes implemented, and the hedging actions carried out; (viii) to ensure insurance coverage for the entire Group; and (ix) to implement and manage the Group enterprise risk management model.

#### **The system of risk management and internal control of financial information**

As part of the internal control system, the Group has had for several years a special system of risk management and internal control regarding the process of financial information (in the present section, for the sake of brevity, referred to as the “System”).

Overall, this System is defined as the set of activities intended to identify and assess the actions or events whose materialization or absence could compromise, partially or entirely, the achievement of the objectives of the control system (“Risk Management System”), supplemented by the subsequent activities of identifying the controls and defining the procedures that ensure the achievement of the objectives of the credibility, accuracy, reliability, and timeliness of financial information (“Internal Control System”).

The executive in charge of preparing the corporate accounting documents supervised the development and implementation of a specific model for assessing the System and adopted a special procedural body – of which all the personnel concerned has been informed – which records the methods adopted



and the responsibilities of the aforesaid personnel as part of the activities of defining, maintaining, and monitoring the System in question. Specifically, the executive in charge issued a procedure that regulates the reference model of the control system and a procedure describing the process of assessing the internal system for controlling financial information, which defines roles and responsibilities within the Company's organization, providing for a specific flow of internal certifications.

The controls instituted have been monitored to check both their "design" (that is, if it is operative, that the control is structured to mitigate the identified risk in an acceptable way) and their actual "effectiveness".

The management responsible for the activities/controls and the Company's Audit Department are entrusted with responsibilities regarding the periodic testing of the System.

In line with Section 404 of the Sarbanes-Oxley Act (which was fully applicable to the Company and the Group until the completion of the procedure of deregistration in March 2008, as explained in detail in the first section of the document under "Structure of the share capital"), the assessment of the controls on financial information was based on the criteria established in the model "Internal Controls - Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission (the so-called "COSO Report"), supplemented with regard to the IT aspects by the model "Control Objectives for Information and related Technology" (the so-called "COBIT").

The process of assessment of the System, defined in Enel as Management Assessment Process (and in the rest of the present section referred to, for the sake of brevity, as "MAP"), is progressively divided into the following macro-phases:

- > definition of the perimeter and identification of the risks;
- > assessment of the design and effectiveness of the controls (the so-called "line" monitoring) ;
- > "independent" monitoring, entrusted to the Company's internal Audit function;
- > reporting, internal certifications, consolidation, and summary of the assessments;
- > certification of the Chief Executive Officer and of the executive in charge of preparing the corporate accounting documents regarding the financial statements of Enel SpA, the consolidated financial statements, and the half-year financial report.

The perimeter of the Group companies to include in the assessment was determined with regard to the specific level of risk, in both quantitative terms (for the level of materiality of the potential impact on the consolidated financial statements) and qualitative terms (taking into account the specific risks connected with the business or the process).

For the definition of the System, first of all a Group-level risk assessment was carried out in order to identify and evaluate the actions or events whose materialization or absence could compromise the achievement of the control objectives (for example, claims in the financial statements and other control objectives connected with financial information). The risk assessment was also conducted with regard to the risks of fraud.

Risks are identified at both the entity level and the process level. In the former, the risks identified are considered in any case to have a significant impact on financial information, regardless of the probability that it will occur. Process-level risks, on the other hand, are assessed in terms of potential impact and the probability of occurrence, on the basis of both qualitative and quantitative elements.

Following the identification and assessment of the risks, specific controls were established that are aimed at reducing to an acceptable level the risk connected



with the failure to achieve the objectives of the System, at both the entity and the process level.

Within the scope of the companies identified as significant, the processes at greatest risk were then defined and assessed and, within such processes, the aforesaid activities/phases were carried out. The Company then identified and assessed the risks with the greatest impact and the related controls, both general and specific, aimed at reducing the possibility of the aforesaid risks occurring to an acceptable level.

In order to assess the appropriateness of the System, provision has been made for, every six months, a specific phase of the MAP, which consists in the monitoring by the process managers (that is, the individuals in charge of the activities/control) aimed at testing the design and effectiveness of each of the controls identified. For each corporate process assessed, an appropriate documentation is kept for the purpose of describing roles and responsibilities and the flow of data and information, as well as the key points of control (administrative and accounting procedures).

The Company's Audit Department is entrusted with the task of performing an "independent" assessment of the effectiveness of the MAP.

The results of the assessments performed by both the line management and the Audit Department of the Company are communicated to the executive in charge of preparing the corporate accounting documents through specific periodic flows of summarized information, which classify any deficiencies in the effectiveness and/or design of the controls – for the purposes of their potential impact on financial information – into simple deficiencies, significant weaknesses, or material deficiencies. In the event the assessments carried out reveal deficiencies, the aforesaid information flows also report the corrective actions that have been or will be undertaken to allow the objectives of the credibility, accuracy, reliability, and timeliness of financial information to be achieved.

These flows are also used for the periodic information about the adequacy of the System, provided by the executive in charge with regard to the Board of Statutory Auditors, the Internal Control Committee, and the external auditor.

On the basis of the aforesaid reports, and taking into account the certification issued by the heads of each corporate unit concerned by the MAP, the executive in charge, together with the Chief Executive Officer, in turn issues special certification regarding the adequacy and actual application of the administrative and accounting procedures established for the preparation of the financial statements of Enel SpA, the consolidated financial statements, or the half-year report, according to the document concerned each time.

### Non-EU foreign subsidiaries

During 2009, the Internal Control Committee checked that the Group was consistently complying with the regulations, established by CONSOB as part of its Market Rules, regarding accounting transparency, as well as the adequacy of the organizational structure, and the internal control systems of subsidiaries set up and regulated under the law of non-EU countries (hereinafter, for the sake of brevity, referred to as "non-EU foreign subsidiaries").

In particular, the following should be noted in this regard:

- > according to the data contained in the financial statements as of December 31, 2008 and in application of the parameter concerning material significance for consolidation purposes introduced in the Market Rules with effect from July 1, 2008, eleven non-EU foreign subsidiaries were identified within the Enel Group to which the regulations apply for 2009. Specifically, these are: 1) Ampla

- Energia e Servicos SA (a Brazilian company); 2) Chilectra SA (a Chilean company); 3) Compania Distribuidora y Comercializadora de Energia SA (a Colombian company); 4) Companhia Energetica do Cearà SA (a Brazilian company); 5) Edegel SA (a Peruvian company); 6) Emgesa SA ESP (a Colombian company); 7) Empresa Nacional de Electricidad – Endesa Chile SA (a Chilean company); 8) Endesa Brasil SA (a Brazilian company); 9) Endesa Capital Finance LLC (a US company); 10) Enersis SA (a Chilean company); and 11) Enel OGK-5 OJSC (a Russian company);
- > the balance sheet and income statement for 2009 of all the above companies, as included in the reporting package used for the preparation of the Enel Group's consolidated financial statements for 2009, will be made available to the public by Enel by the day after the Annual General Meeting approves the 2009 financial statements of Enel SpA (according to the procedures described in CONSOB's Issuer Regulations);
  - > the bylaws and the composition and powers of the corporate bodies of the above companies were obtained by Enel and are available to the CONSOB, in updated form, where the latter should so request for supervisory purposes;
  - > Enel has ensured that all the above companies: (i) provide the external auditor of the Parent Company with the information necessary to perform the annual and interim audits of Enel; (ii) use an administrative and accounting system appropriate for regular reporting to the management and the external auditor of the Parent Company of the income statement, balance sheet and financial data necessary for the preparation of the Group's consolidated financial statements.

### Transactions with related parties

In December 2006, the Board of Directors – implementing the provisions of the Italian Civil Code (which, until then, the CONSOB had not specifically adopted), as well as the recommendations of the Self-regulation Code – adopted regulations that establish the procedures for approving and carrying out transactions undertaken by the Company or its subsidiaries with related parties, in order to ensure the transparency and correctness, both substantial and procedural, of the aforesaid transactions. Implementing the provisions of the Civil Code, in March 2010 the CONSOB established general principles regarding transactions with related parties, according to which the Board of Directors plans to adapt the aforesaid regulations during 2010.

According to these regulations, the Internal Control Committee is entrusted with the prior examination of the various kinds of transactions with related parties, with the exception of those that present a low level of risk for the Company and the Group (the latter including the transactions carried out between companies entirely owned by Enel, as well as those that are typical or usual, those that are regulated according to standard conditions, and those whose consideration is established on the basis of official market prices or rates established by public authorities). After the Internal Control Committee has completed its examination, the Board of Directors gives its prior approval (if the transactions regard the Company) or prior evaluation (if the transactions regard Group companies) of the most significant transactions with related parties, by which is meant (i) atypical or unusual transactions; (ii) transactions with a value exceeding €25 million (with the exception of the previously mentioned ones that present a low level of risk for the Company and the Group); and (iii) other transactions that the Internal Control Committee thinks should be examined by the Board of Directors.

Transactions whose value amounts to or is less than €25 million and in which the

relationship exists with a Director, a regular Statutory Auditor of Enel, or an executive of the Company or the Group with strategic responsibilities (or with a related party through such persons) are always submitted to the Internal Control Committee for its prior examination.

For each of the transactions with related parties submitted for its prior approval or evaluation, the Board of Directors receives adequate information on all the significant aspects and the related resolutions adequately explain the reasons for and the advantageousness for the Company and the Group of the aforesaid transactions. Furthermore, it is provided for the Board of Directors to receive detailed information on the actual carrying out of the transactions that it has approved or evaluated.

In order to prevent a transaction with related parties from being entered into on conditions that are different from those that would probably have been negotiated between unrelated parties, both the Internal Control Committee and the Board of Directors have the authority to avail themselves – depending on the nature, value, or other characteristics of the transaction – of one or more independent experts of recognized professional competence.

If the relationship exists with a Director of the Company or with a related party through the latter, the Director concerned must promptly inform the Board of Directors of the nature, terms, origin, and extent of his interest and leave the Board meeting when the resolution is adopted, unless that prejudices the quorum or the Board of Directors decides otherwise.

If the relationship exists with the Chief Executive Officer of the Company or with a related party through the latter, in addition to the foregoing he abstains from carrying out the transaction and leaves the decision to the Board of Directors.

If the relationship exists with one of the regular Statutory Auditors of the Company or with a related party through the latter, the Auditor concerned promptly informs the other regular Auditors and the Chairman of the Board of Directors of the nature, terms, origin, and extent of his interest.

Finally, a system of communications and certifications is provided for the purpose of promptly identifying, as early as the negotiation phase, transactions with related parties that involve Directors and regular Statutory Auditors of Enel, as well as Company and Group executives with strategic responsibilities (or parties related through such persons).

### Processing of corporate information

As early as February 2000, the Board of Directors approved special rules (to which additions were made in March 2006) for the management and processing of confidential information, which also contain the procedures for the external circulation of documents and information concerning the Company and the Group, with particular reference to privileged information. The Directors and Statutory Auditors of the Company are obliged to comply with the provisions contained in such rules and, in any case, to maintain the confidentiality of the documents and information acquired in carrying out their duties.

The rules are aimed at keeping confidential information secret, while at the same time ensuring that the information regarding the Company and the Group made available to the market is correct, complete, adequate, timely, and non-selective. The rules entrust Enel's Chief Executive Officer and the chief executive officers of the Group companies with the general responsibility of managing the confidential information concerning their respective spheres of authority, establishing that the divulgation of information regarding individual subsidiaries must in any case be agreed upon with the Parent Company's Chief Executive Officer.

The rules also establish specific procedures to be followed in circulating information regarding the Company and the Group outside the Group – with particular emphasis on privileged information – and carefully regulate the ways in which Company and Group representatives enter into contact with the press and other mass media (or financial analysts and institutional investors).

Following the adoption by Italian law of the EU regulations regarding market abuse and the coming into force of the secondary regulations issued by the CONSOB, in April 2006 the Company instituted (and began to regularly update) a Group register recording the persons, both legal and natural, who have access to privileged information because of the professional or other work they do or because of the tasks they perform on behalf of the Company or Group companies. The purpose of this register is to make the persons recorded therein aware of the value of the privileged information at their disposal, while at the same time facilitating the CONSOB's supervision of compliance with the regulations provided to safeguard market integrity.

Also following the adoption by Italian law of the EU regulations regarding market abuse and the coming into force of the secondary regulations issued by the CONSOB, as from April 2006 radical changes were introduced regarding internal dealing, that is, the transparency of transactions involving the Company's shares and financial instruments connected with them carried out by the largest shareholders, Company representatives, and persons closely connected with them. The EU regulations replaced those previously adopted by Borsa Italiana, which had regulated the matter since January 2003. Therefore, as from April 2006, the Group's Dealing Code – which the Board of Directors had adopted in December 2002 in compliance with the regulations issued by Borsa Italiana – also became inapplicable. The current regulations regarding internal dealing apply to the purchase, sale, subscription, and exchange of Enel shares and of financial instruments connected with them by "important persons". This category includes shareholders who own at least 10% of the Company's share capital and the Directors and regular Statutory Auditors of Enel, as well as 17 other managerial positions currently identified within the Company in accordance with the relevant regulations, because they have regular access to privileged information and are authorized to make managerial decisions that could influence Enel's evolution and prospects.

The obligations of transparency apply to all the aforesaid transactions whose total value is at least €5,000 in a given year, even if carried out by persons closely connected with the "important persons".

In enacting measures to implement the aforesaid regulations, the Board of Directors considered it advisable to provide that "important persons" (other than the shareholders who possess an interest amounting to or exceeding 10% of the Company's share capital) are obliged to abstain from carrying out transactions subject to the regulations regarding internal dealing during two blocking periods, lasting approximately one month each, around the time the Board of Directors approves the Company's proposed financial statements and the half-year report. This initiative of the Board of Directors was prompted by the will to improve the Company's governance standards with respect to the relevant regulations, maintaining in force a provision formerly contained in the Group's Dealing Code and aimed at preventing the carrying out of transactions by "important persons" that the market could perceive as suspect, because they are carried out during periods of the year that are especially sensitive to corporate information.

## Relations with institutional investors and shareholders in general

Ever since the listing of its shares on the stock market, the Company has deemed it appropriate for its own specific interest – as well as its duty with respect to the market – to establish an ongoing dialogue based on mutual understanding of their respective roles, with its shareholders in general, as well as with institutional investors. Such dialogue, in any case, was to take place in accordance with the rules and procedures that regulate the divulgation of privileged information.

In this regard, in consideration of the size of the Group, it was deemed that such dialogue could be facilitated by the creation of dedicated corporate units.

The Company therefore created (i) an investor relations unit, which is currently part of its Accounting, Finance, and Control Department, and (ii) a unit within its Department of Corporate Affairs in charge of communicating with shareholders in general.

It was also decided to further facilitate communication with investors through the creation of a special section of the Company's website ([www.enel.com](http://www.enel.com), investor section), providing both financial information (financial statements, half-year and quarterly reports, presentations to the financial community, analysts' estimates, and information on trading of the securities issued by the Company) and up-to-date data and documents of interest to shareholders in general (press releases, the members of Enel's Boards, the Company's bylaws and Shareholders' Meeting regulations, information and documents regarding Shareholders' Meetings, documents regarding corporate governance, the Code of Ethics, and the compliance program pursuant to Legislative Decree 231/2001, as well as a general chart of the organization of the Group).

## Shareholders' Meetings

The suggestion contained in the Self-regulation Code to consider shareholders' meetings important occasions for discussion between a company's shareholders and its board of directors (even with the availability of a number of different communication channels between listed companies and shareholders, institutional investors, and the market) was carefully evaluated and fully accepted by the Company, which – in addition to ensuring the regular attendance of its Directors at Shareholders' Meetings – deemed it advisable to adopt specific measures to adequately enhance the latter.

Pursuant to applicable laws and regulations, the Shareholders' Meeting is competent to resolve, in both ordinary and extraordinary session, upon, among other things (i) the appointment and revocation of the members of the Board of Directors and of the Board of Statutory Auditors determining their compensation and liability, (ii) the approval of the financial statements and the distribution of the net income, (iii) the buyback and sale of own shares, (iv) the compensation plans based on shares; (v) the amendments to the bylaws, (vi) the issue of convertible bonds. The resolutions are adopted with the quorum set forth by law for each case.

Ordinary and Extraordinary Shareholders' Meetings are normally held in the municipality where the Company's registered office is located. The Board of Directors may determine otherwise, provided the venue is in Italy.

The bylaws, as amended in February 2009 by the Board of Directors in accordance with the provisions of the Unified Financial Act, provide that an ordinary Shareholders' Meeting must be called at least once a year, to approve the financial statements, within one hundred and twenty days after the end of the accounting period.

The bylaws also provide that the participation in Shareholders' Meetings is restricted to those who deposit their shares at least two days prior to the date set for a given meeting and do not withdraw them before the meeting has taken place. This rule was intended to satisfy the Company's interest in knowing in advance the identity and number of the shareholders entitled to attend the Shareholders' Meeting – *inter alia*, for the purpose of seeing in a timely manner if the quorum can be reached – without at the same time prejudicing the possibility for the latter to sell the shares already deposited, if they so wish (in this case, however, losing the right to attend the Shareholders' Meeting, in accordance with the relevant regulations in force).

In line with the recommendations of the special legislation regarding listed companies, a specific provision was inserted in Enel's bylaws aimed at facilitating the collection of vote proxies from shareholders who are Group employees, thus favoring their involvement in the decision-making processes at Shareholders' Meetings.

The conduct of Shareholders' Meetings is governed, in addition to the law and bylaws, by a specific regulation approved at the Ordinary Shareholders' Meeting of 25 May 2001. The contents of such regulation are in line with the most advanced models for listed companies expressly drawn up by several professional associations (Assonime and ABI).

Shareholders' Meetings shall be chaired by the Chairman of the Board of Directors or, if it happens that he or she is not available, by the Deputy Chairman if one has been appointed, or if both are absent, the meeting shall be chaired by a person designated by the Board, failing which the meeting shall elect its Chairman.

The Chairman of a Shareholders' Meeting shall be assisted by a Secretary, except if the drafting of the minutes is entrusted to a notary public.

The Chairman of a Shareholders' Meeting, among other things, verifies the regular constitution of the meeting, assesses the identity and legitimacy of those attending, regulates the conduct of the meeting and assesses the results of the vote.

The resolutions of the meeting shall be recorded in minutes signed by the Chairman and the Secretary or public notary. The minutes of extraordinary Shareholders' Meetings shall be drafted by a public notary.

As regards the right of each shareholder to request the floor to speak on the matters in the agenda, the Shareholders' Meetings regulation provides that the Chairman, taking into account the nature and the importance of the specific matters under discussion, as well as the number of those requesting the floor, shall predetermine the time limits for speaking from the floor and for rejoinders – normally no more than ten minutes for the former and five minutes for the latter – in order to ensure that the Meeting is able to conclude its business at one sitting. All those entitled to vote may request the floor to speak on the matters under discussion only once, making observations, requesting information and making proposals. Requests for the floor may be presented from the time the quorum is determined and – unless the Chairman sets a different deadline – until the Chairman closes the discussion of the matter concerned. The Chairman and, at his or her request, those who assist him or her, shall reply to participants who speak on matters being discussed after all of them have spoken or after each one has spoken. Those who have requested the floor shall be entitled to a brief rejoinder. It should be noted that the regulations governing the most important mechanisms of shareholders' meetings of listed companies – with regard to, among other things, the deadlines for calling the meetings, the number of calls, the quorums, the exercise of minority shareholders' rights of convocation and supplementation of the agenda, attendance and voting at the meeting, information before the

meeting, voting proxies, the identification of shareholders, the introduction of the so-called record date for the purpose of recognizing entitlement to attend and vote at the meeting – will undergo significant changes following Italy's recent implementation of Directive 2007/36/EC (regarding the exercise of several rights of shareholders of listed companies) through Legislative Decree 27 of January 27, 2010, whose important innovations on this matter will apply to shareholders' meetings of which the notice is published after October 31, 2010.

### Code of Ethics

Awareness of the social and environmental effects that accompany the activities carried out by the Group, as well as consideration of the importance of both a cooperative approach with stakeholders and the good reputation of the Group (in both internal and external relations) inspired the drawing up of the Group's Code of Ethics, which was approved by the Company's Board of Directors in March 2002 and updated in March 2004 and, most recently, in September 2009.

The Code expresses the commitments and ethical responsibilities involved in the conduct of business, regulating and harmonizing corporate behavior in accordance with standards requiring maximum transparency and fairness with respect to all stakeholders. Specifically, the Code of Ethics consists of:

- > general principles regarding relations with stakeholders, which define the reference values guiding the Group in the carrying out of its activities. Among the aforesaid principles, specific mention should be made of the following: honesty, impartiality, confidentiality, the creation of value for shareholders, the value of human resources, the transparency and completeness of information, service quality, and the protection of the environment;
- > criteria of behavior towards each class of stakeholders, which specify the guidelines and rules that Enel's officers and employees must follow in order to ensure observance of the general principles and prevent the risk of unethical actions;
- > implementation mechanisms, which describe the control system devised to ensure observance of the Code of Ethics and its continual improvement.

The revision of the Code of Ethics carried out in September 2009 was prompted by the necessity of updating this document in the light of the legal and organizational changes that had taken place since its previous version was published, as well as the intention to further align its content with international best practice. Among the most significant amendments made at that time were (i) the updating of the corporate mission, (ii) adoption of the prohibition of intimidation, mobbing, and stalking in the workplace, and (iii) an express provision of the obligation for suppliers to comply with regulations regarding health and safety in the workplace, as well as (iv) the exclusion in principle of the possibility for Group companies to grant requests for contributions for the same kind of activities in which Enel Cuore Onlus is engaged.

### Compliance program pursuant to Legislative Decree 231 of June 8, 2001

In July 2002, the Company's Board of Directors approved a compliance program in accordance with the requirements of Legislative Decree 231 of June 8, 2001, which introduced into the Italian legal system a regime of administrative (but in fact criminal) liability with respect to companies for several kinds of crimes committed by their directors, executives, or employees in the interest of or to the benefit of the companies themselves.

The content of the aforesaid program is consistent with the guidelines on the



subject established by industry associations and with the best practice of the United States and represents another step towards strictness, transparency, and a sense of responsibility in both internal relations and those with the external world. At the same time, it offers shareholders adequate assurance of efficient and fair management.

The program in question – conceived as an instrument to be adopted by all the Italian companies of the Group – consists of a “general part” (in which are described, among other things, the content of Legislative Decree 231/2001, the objectives of the program and how it works, the duties of the control body responsible for supervising the functioning of and compliance with the program and seeing to its updating, and the penalty regime) and separate “special parts” concerning the different kinds of crimes provided for by Legislative Decree 231/2001, which the aforesaid program aims to prevent.

During 2006, the compliance program was completely revised. As proposed by the Internal Control Committee, the Board of Directors (i) updated both the “general part” and the “special parts” regarding corporate crimes and crimes against the civil service, in order to take into account court rulings and the applicative experience acquired during the first years of implementation of the program, and (ii) approved new “special parts” concerning crimes of terrorism and subversion of the democratic order, crimes against the person, and crimes and administrative wrongdoing involving market abuse.

In February 2008, the Board of Directors approved an additional “special part” of the program in question concerning the crimes of negligent manslaughter and personal injury committed in violation of the regulations for the prevention of industrial accidents and the protection of workplace hygiene and on-the-job health. At the same time, the Board of Directors also updated the composition of the body entrusted with the supervision of the functioning and observance of the program and with seeing to its updating, which was transformed from a one-member body into a collective one in order to bring its characteristics into line with the prevalent practice of the most important listed companies and the trends of court decisions.

In accordance with the regulation of the supervisory body approved by the Board of Directors in May 2008, such body may consist of three to five members appointed by the Board. Such members may be either from within or outside the Company or the Group, with specific expertise and professional experience (in any case it is requested the presence of the responsible for the internal Audit function). The Board of Directors, upon proposal of the Internal Control Committee, has appointed as members of the control body – in addition to the head of the Internal Audit Department – the heads of the Company’s Department of Corporate Affairs and Legal Department, since they have specific professional expertise regarding the application of the compliance program and are not directly involved in operating activities.

In June 2009, the Board of Directors also resolved, upon proposal by the Internal Control Committee (i) to update both the “general part” and the “special part” concerning the crimes of negligent manslaughter and personal injury committed in violation of the regulations for the prevention of accidents and on the promotion of hygiene and workplace health and safety in order to take into account the applicative experience acquired, the trend of court decisions, and regulatory innovations, as well as (ii) to approve a new “special part” concerning the crimes of handling stolen goods, recycling and using illegally acquired money, property, and benefits, which recent legislation included among the crimes that are the “condition” of the liabilities regulated by Legislative Decree 231/2001.



During 2009, the supervisory body oversaw the functioning and the observance of the compliance program and promoted – as part of the usual training initiatives necessary to keep employees constantly up to date on the content of the aforesaid program – a special training event dedicated to the prevention of on-the-job accidents.

### **“Zero tolerance of corruption” plan**

In June 2006, the Board of Directors approved the adoption of the “zero tolerance of corruption - ZTC” plan in order to give substance to Enel’s adherence to the Global Compact (an action program sponsored by the UN in 2000) and the PACI - Partnership Against Corruption Initiative (sponsored by the Davos World Economic Forum in 2005).

The ZTC plan neither replaces nor overlaps with the Code of Ethics and the compliance program adopted pursuant to Legislative Decree 231/2001, but represents a more radical step regarding the subject of corruption and adopts a series of recommendations for implementing the principles formulated on the subject by Transparency International.

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Attached below are three tables that summarize some of the information contained in the second section of the report.

TABLE 1: STRUCTURE OF ENEL'S BOARD OF DIRECTORS AND COMMITTEES

Board of Directors														Internal Control Committee		Compensation Committee		Nomination Committee (if any)		Executive Committee (if any)	
Office	Members	Executive	Non-Executive	Independent		Other offices															
				UFA	SC		***	**	***	****	***	****	***	****	***	****					
Chairman	Gnudi Piero	X				100%	1														
CEO/General Manager	Conti Fulvio	X				100%	2														
Director	Ballio Giulio (*)		X	X	X	85%	1			X	89%										
Director	Codogno Lorenzo		X			95%	-	X	77%												
Director	Costi Renzo (*)		X	X	X	100%	1	X	100%							Non-existent	Non-existent				
Director	Fantozzi Augusto (*)		X	X	X	95%	3			X	100%										
Director	Luciano Alessandro		X	X	X	100%	1	X	100%												
Director	Napolitano Fernando		X			85%	1			X	100%										
Director	Tosi Gianfranco		X	X	X	90%	-	X	100%												

Quorum for the presentation of slates for the appointment of the Board of Directors: 1% of the share capital

Number of meetings held in 2009 - Board of Directors: 20; Internal Control Committee: 13; Compensation Committee: 9; Nomination Committee: N.A.; Executive Committee: N.A.

## NOTE

\* The presence of an asterisk indicates that the Director was designated on a slate presented by minority shareholders.

\*\* This column shows the number of offices held by the person concerned on the boards of directors or the boards of statutory auditors of other companies of significant size, as defined by the related policy established by the Board of Directors. In this regard, during 2009 Enel's Directors held the following offices considered significant for this purpose:

- 1) Piero Gnudi: director of UniCredit SpA
- 2) Fulvio Conti: director of Barclays Plc and AON Corporation
- 3) Giulio Ballio: director of RCS Quotidiani SpA
- 4) Renzo Costi: director of the publishing house "Il Mulino" SpA
- 5) Augusto Fantozzi: receiver of Alitalia SpA, director of Ferretti SpA, and chairman of the board of statutory auditors of Hewlett Packard Italia Srl
- 6) Alessandro Luciano: director of Livingston SpA
- 7) Fernando Napolitano: chief executive officer of Booz & Company Italia Srl.

\*\*\* In these columns, an "X" indicates the Committee(s) of which each Director is a member.

\*\*\*\* These columns show the percentage of the meetings of, respectively, the Board of Directors and the Committee(s) attended by each Director. All absences were appropriately explained.

\*\*\*\*\* In this column, an "X" indicates the possess of the requisite of independence provided for the statutory auditors of listed companies by Article 148, paragraph 3, of the Unified Financial Act, applicable to the Directors pursuant to Article 147-ter, paragraph 4, of the Unified Financial Act. Pursuant to the provisions of Article 148, paragraph 3, of the Unified Financial Act, the following do not qualify as independent:

- a) persons who are in the situation s provided for by Article 2382 of the Civil Code (that is, in the state of incapacitation, disqualification, or bankruptcy or who have been sentenced to a punishment that entails debarment, even temporary, from public offices or incapacitation from performing executive functions);
- b) the spouse, relatives, and in-laws within the fourth degree of the directors of the company, as well as the directors, spouse, relatives, and in-laws of its subsidiaries, the companies of which it is a subsidiary, and those under common control;
- c) persons who are connected with the company, its subsidiaries, the companies of which it is a subsidiary, or those under common control, or with the directors of the company or the parties referred to under the preceding letter b) by relations as an employee or a self-employed person or other economic or professional relations that could compromise their independence.

\*\*\*\*\* In this column, an "X" indicates the possess of the requisite of independence provided by Article 3 of the Self-regulation Code. Specifically, according to applicative criterion 3.C.1 of the Self-regulation Code, a director should normally be considered lacking the requisites of independence in the following cases:

- a) if, directly or indirectly – including through subsidiaries, fiduciaries, or third parties – he or she controls the issuer or is able to exercise considerable influence on it or has entered into a shareholders' agreement through which one or more persons can exercise control or considerable influence on the issuer;
- b) if he or she is, or during the three preceding accounting periods has been, an important representative <sup>(2)</sup> of the issuer, a strategically important subsidiary, or a company under common control along with the issuer or of a company or an organization that, even together with others through a shareholders' agreement, controls the issuer or is able to exercise considerable influence on it;
- c) if, directly or indirectly (for example, through subsidiaries or companies of which he or she is an important representative or as a partner in a professional firm or consultancy) he or she has, or had in the preceding accounting period, a significant commercial, financial, or professional relationship:
  - > with the issuer, a subsidiary of it, or any of the related important representatives;
  - > with a party who, even together with others through a shareholders' agreement, controls the issuer or – if it is a company or an organization – with the related important representatives;

or is, or during the three preceding accounting periods was, an employee of one of the aforesaid entities.

In this regard, in February 2010 the Company's Board of Directors established the following quantitative criteria applicable to the aforesaid commercial, financial, or professional relations:

- > commercial or financial relations: (i) 5% of the annual turnover of the company or organization of which the Director has control or is an important representative, or of the professional or consulting firm of which he is a partner, and/or (ii) 5% of the annual costs incurred by the Enel Group through the same kind of contractual relations;
- > professional services: (i) 5% of the annual turnover of the company or organization of which the Director has the control or is an important representative or of the professional or consulting firm of which he is a partner, and/or (ii) 2.5% of the annual costs incurred by the Enel Group through similar assignments.

In principle, unless there are specific circumstances that should be concretely examined, exceeding these limits should mean that the non-executive director to whom they apply does not possess the requisites of independence provided for by the Self-regulation Code.

- d) if he or she receives, or has received in the three preceding accounting periods, from the issuer or from a subsidiary or controlling company significant additional compensation with respect to his or her "fixed" pay as a non-executive director of the issuer, including participation in incentive plans connected with the company's performance, including those involving stock based plans;
- e) if he or she has been a director of the issuer for more than nine years in the last twelve years;
- f) if he holds the office of chief executive officer in another company in which an executive director of the issuer holds a directorship;
- g) if he or she is a shareholder or a director of a company or an organization belonging to the network of the firm entrusted with the external audit of the issuer;
- h) if he or she is a close family member <sup>(2)</sup> of a person who is in one of the conditions referred to in the preceding items.

(1) It should be noted that, according to applicative criterion 3.C.2 of the Self-regulation Code, the following are to be considered "important representatives" of a company or an organization (including for the purposes of the provisions of the other letters of applicative criterion 3.C.1): the legal representative, the president of the organization, the chairman of the board of directors, the executive directors, and the executives with strategic responsibilities of the company or organization under consideration.

(2) The comment on article 3 of the Self-regulation Code states in this regard that "in principle, the following should be considered not independent: the parents, the spouse (unless legally separated), life partner more uxorio, and co-habitant family members of a person who could not be considered an independent director".

TABLE 2: ENEL'S BOARD OF STATUTORY AUDITORS

Office	Members	Percentage of Board meetings attended	Number of offices**
Chairman	Fontana Franco (*)	100%	13
Regular Auditor	Conte Carlo	94%	11
Regular Auditor	Mariconda Gennaro	76%	1
Alternate Auditor	Giordano Giancarlo	N.A.	-
Alternate Auditor	Sbordoni Paolo (*)	N.A.	-

Number of meetings held in 2009: 17.

*Quorum* required for the presentation of slates for the appointment of the Board of Statutory Auditors: 1% of the share capital.

#### NOTES

\* The presence of an asterisk indicates that the Statutory Auditor was designated on a slate presented by minority shareholders.

\*\* This column shows the number of offices that the person concerned has declared to hold on the boards of directors or the boards of statutory auditors of Italian corporations.

TABLE 3: OTHER PROVISIONS OF THE SELF-REGULATION CODE

	YES	NO	Summary of the reasons for any deviation from the recommendations of the Code
<b>Delegation system and transactions with related parties</b>			
Has the Board of Directors delegated powers and established:	X		
a) their limits	X		
b) how they are to be exercised	X		
c) and how often it is to be informed?	X		
Has the Board of Directors reserved the power to examine and approve beforehand transactions having a significant impact on the Company's strategy, balance sheet, income statement, or cash flow (including transactions with related parties)?	X		
Has the Board of Directors established guidelines and criteria for identifying "significant" transactions?	X		
Are the aforesaid guidelines and criteria described in the report?	X		
Has the Board of Directors established special procedures for the examination and approval of transactions with related parties?	X		
Are the procedures for approving transactions with related parties described in the report?	X		
<b>Procedures of the most recent election of the Board of Directors and the Board of Statutory Auditors</b>			
Were the candidacies for the office of Director filed at least 10 days (*) beforehand?	X		
Were the candidacies for the office of Director accompanied by exhaustive information on the personal and professional characteristics of the candidates?	X		
Were the candidacies for the office of Director accompanied by a statement that the candidates qualify as independent?	X		
Were the candidacies for the office of Statutory Auditor filed at least 10 days (*) beforehand?	X		
Were the candidacies for the office of Statutory Auditor accompanied by exhaustive information on the personal and professional characteristics of the candidates?	X		
<b>Shareholders' Meetings</b>			
Has the Company approved regulations for Shareholders' Meetings?	X		
Are the regulations attached to the report (or is it stated where they can be obtained/downloaded)?	X		
<b>Internal control</b>			
Has the Company appointed the person in charge of internal control?	X		
Is the person in charge hierarchically independent of the heads of operating areas?	X		
Organizational position of the person in charge of internal control			Head of the Company's Internal Audit Department
<b>Investor relations</b>			
Has the Company appointed a head of investor relations?	X		
Organizational unit of the head of investor relations and related contact information			<p>Relations with institutional investors: Investor Relations – Viale Regina Margherita, 137 – 00198 Rome, Italy tel. ++39 06/83057975 fax ++39 06/83053771 e-mail: investor.relations@enel.com</p> <p>Relations with retail shareholders: Department of Corporate Affairs – Viale Regina Margherita, 137 – 00198 Rome, Italy – tel. ++39 06/83054000 fax ++39 06/83052129 e-mail: azionisti.retail@enel.com</p>

(\*) It should be noted that in the 2006 edition of the Self-regulation Code the recommended deadline for filing slates of candidates for the offices of director and statutory auditor was increased from 10 to 15 days. The deadline of 10 days applies to the Company under the provisions of the regulations regarding privatizations (Article 4, Law 474 of July 30, 1994). These special regulations will cease to have effect beginning with the Shareholders' Meetings of which the notice is published after October 31, 2010, in accordance with the provisions of Article 6 of Legislative Decree 27 of January 27, 2010.





Declaration of the  
Chief Executive  
Officer and the  
manager responsible  
for the preparation  
of the company  
financial reports

Declaration of the Chief Executive Officer and the manager responsible for the preparation of the financial reports of Enel SpA at December 31, 2009, pursuant to the provisions of Article 154-*bis*, paragraph 5, of Legislative Decree 58 of February 24, 1998 and Article 81-*ter* of CONSOB Regulation 11971 of May 14, 1999



1. The undersigned Fulvio Conti and Luigi Ferraris, in their respective capacities as Chief Executive Officer and manager responsible for the preparation of the financial reports of Enel SpA, hereby certify, taking account of the provisions of Article 154-bis, paragraphs 3 and 4, of Legislative Decree 58 of February 24, 1998:
  - a. the appropriateness with respect to the characteristics of the Company and
  - b. the effective adoptionof the administrative and accounting procedures for the preparation of the separate financial statements of Enel SpA in the period between January 1, 2009 and December 31, 2009.
2. In this regard, we report that:
  - a. the appropriateness of the administrative and accounting procedures used in the preparation of the separate financial statements of Enel SpA has been verified in an assessment of the internal control system. The assessment was carried out on the basis of the guidelines set out in the "Internal Controls - Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO);
  - b. the assessment of the internal control system did not identify any material issues.
3. In addition, we certify that separate financial statements of Enel SpA at December 31, 2009:
  - a. have been prepared in compliance with the international accounting standards recognized in the European Union pursuant to Regulation (EC) 1606/2002 of the European Parliament and of the Council of July 19, 2002;
  - b. correspond to the information in the books and other accounting records;
  - c. provide a true and fair representation of the performance and financial position of the issuer.
4. Finally, we certify that the report on operations accompanying the financial statements of Enel SpA at December 31, 2009 contains a reliable analysis of operations and performance, as well as the situation of the issuer, together with a description of the main risks and uncertainties to which it is exposed.

Rome, March 17, 2010

Fulvio Conti  
Chief Executive Officer of Enel SpA

Luigi Ferraris  
Manager responsible for the preparation  
of the financial reports of Enel SpA



Reports

# Report of the Board of Auditors to the Shareholders of Enel SpA

(pursuant to Article 153 of Legislative Decree 58/98)

Shareholders,

during the year ended December 31, 2009 we performed the oversight activities envisaged by law.

In compliance with the instructions issued by CONSOB with communication no. DEM/1025564 of April 6, 2001, as amended, we report the following:

- > we monitored compliance with the law and the corporate bylaws;
- > the directors provided us, on a quarterly basis, with the information on the activity they carried out and on the transactions with the most significant impact on strategic positioning, the income statement, balance sheet or financial situation conducted by Enel SpA (hereinafter also "the Company") and its subsidiaries and we report that the actions approved and implemented were in compliance with the law and the bylaws and were not manifestly imprudent, risky, in potential conflict of interest or in contrast with the resolutions of the Shareholders' Meeting or otherwise prejudicial to the integrity of the Company's assets;
- > we did not find any atypical or unusual transactions conducted with third parties, Group companies or related parties;
- > in the section "Related parties" of the notes to the financial statements, the directors describe the main related-party transactions – identified on the basis of international accounting standards and the instructions of CONSOB – carried out by the Company, to which readers may refer for details on the transactions and their financial impact. They also detail the procedures adopted to ensure that related-party transactions are carried out in accordance with the principles of procedural and substantive fairness. The transactions were carried out in compliance with the approval and execution procedures set out in the rules – approved by the Board of Directors in December 2006 in implementation of the provisions of the Italian Civil Code and the recommendations in the Corporate Governance Code for listed companies – referred to in the report on corporate governance and ownership structure for 2009. In any event, all transactions were carried out within the framework of ordinary operations in the interest of the Company and settled on market terms and conditions;
- > the Company prepared its statutory financial statements for 2009 on the basis of international accounting standards (IAS/IFRS), as envisaged in Regulation no. (EC) 1606/2002 and taking account of the provisions of Legislative Decree 38/2005, as it did for the previous year. The financial statements are prepared on a going-concern basis using the cost method, with the exception of items that are measured at fair value under IFRS-EU. The notes to the financial statements provide a detailed discussion of the accounting standards and measurement criteria adopted. As regards recently issued accounting standards, the notes to the financial statements discuss applicable standards adopted for the first time, which did not have a material impact for the Company, and standards that have not yet been adopted and are not yet applicable. The statutory financial statements for 2009 of Enel SpA were audited by the independent auditors KPMG SpA, which issued an unqualified opinion, including with regard to the consistency of the report on operations with the financial statements (pursuant to Article 156, paragraph 4-*bis*, point d) and Article 123-*bis*, paragraph 4, of Legislative Decree 58/98). The most important developments during the year, which are discussed in greater detail in the report on operations, include:
  - the acquisition from Acciona, through the subsidiary Enel Energy Europe, of an additional 25.01 % of Endesa; following the transaction, the Company holds 92.06% of Endesa;

- a memorandum of understanding with EDF for the joint development of nuclear power in Italy, with the formation together with EDF of the company Sviluppo Nucleare Italia Srl to undertake feasibility studies for the construction of nuclear power plants in Italy;
- the sale, in agreement with Eni, of 51% of its holding in SeverEnergia to Gazprom;
- in implementation of the authorization approved by the Enel Extraordinary Shareholders' Meeting of April 29, 2009, the execution of a capital increase with the issue of 3,216,938,192 new ordinary shares with a total value, including the share premium, of €7,978 million;
- the placement, through the subsidiary Enel Finance International, of two multi-tranche bond issues (one worth more than €6,500 million, the other worth about €3,073 million);
- the distribution of an interim dividend for 2009 of €0.10 per share.

Other significant events involving the Enel Group include:

- Enel Distribuzione sold Terna SpA the entire share capital of Enel Linee Alta Tensione Srl (ELAT), the company to which Enel Distribuzione transferred its high-voltage power lines and associated legal relationships;
- Enel Distribuzione sold 80% of Enel Rete Gas to F2i Reti Italia (a company held by F2i SGR and AXA Private Equity);
- Enel Trade acquired exploration permits and assets in the gas sector held by the Canadian company Stratic Energy Corporation in northern Italy;
- Enel Green Power (i), through its subsidiary Enel Latin America reached an agreement with Energías Renovables, Termica e Hidráulica de México (Enerthi) on the development of wind power projects in Mexico and (ii), through its subsidiary Enel North America, reached an agreement with Geronimo Wind Energy for the acquisition of a minority stake in the American company.

In addition:

- the company Enel Ingegneria e Innovazione was formed with effect from April 1, 2009;
  - the Company sold its entire holding in Enel.si to Enel Green Power with effect from January 1, 2009; on May 21, 2009, the Company sold its entire holding in Sfera Srl to Enel Servizi Srl;
- > the Company prepared the 2009 consolidated financial statements for the Enel Group on the basis of international accounting principles (IFRS/IAS) and in conformity with the measures issued in implementation of Article 9, paragraph 3, of Legislative Decree 38/2005, as it had for the previous year. The consolidated financial statements for the Enel Group were audited by the independent auditors KPMG SpA, which issued an unqualified opinion, including with regard to the consistency of the report on operations with the financial statements (pursuant to Article 156, paragraph 4-*bis*, point d) and Article 123-*bis*, paragraph 4, of Legislative Decree 58/98). The latter also issued unqualified opinions for the Italian subsidiaries of the Enel Group, affirming that the financial statements for 2009 are in conformity with the regulations governing the preparation of the financial statements and provide a true and fair view of the financial situation, performance, recognized income and expenses and cash flows of those companies. The audits of the foreign subsidiaries by the foreign associates of KPMG SpA did not reveal any material issues. Within the scope of their responsibility, the Boards of Auditors of the Italian subsidiaries stated that they conducted their oversight activities in compliance with current legislation and did not report irregularities or note

- other circumstances requiring mention, expressing their opinion in favor of approval of the financial statements by their shareholders' meetings;
- > the report on operations of both the separate and consolidated financial statements both contain a discussion of the main risks and uncertainties facing the Company and the Group as well as information concerning the environment and personnel in line with the amendments introduced with Legislative Decree 32/2007 to Article 2428, paragraphs 1 and 2, of the Civil Code. These risks and uncertainties were examined by the Board of Auditors during meetings with the head of the Administration, Finance and Control department, with the head of internal controls and with other competent units of the Company;
  - > we note that the Board of Directors of the Company certified that as at the date on which the 2009 financial statements were approved the Enel Group continued to meet the conditions for the listing of shares of companies with control of over companies established and regulated under the law of non-EU countries as referred to in Article 36 of the Market Rules of CONSOB (approved with Resolution no. 16191 of October 29, 2007 as amended with Resolution no. 16530 of June 25, 2008). In application of the materiality criteria for the purposes of consolidation introduced in Article 36, paragraph 2, of the Market Rules, eleven non-EU subsidiaries of the Enel Group have been identified to which the rules in question apply. The balance sheet and income statement for the 2009 financial statements of these companies included in the reporting package used for the purpose of preparing the consolidated financial statements of the Enel Group will be made available to the public by the Company (pursuant to Article 36, paragraph 1a) of the Market Rules) by the day following the approval by the shareholders of the 2009 financial statements of the Company. The articles of association and composition and powers of the control bodies from all the above subsidiaries have been obtained by and are available in updated form to CONSOB where the latter should request such information for supervisory purposes. The Company has verified that the non-EU subsidiaries: (i) provide the auditor of the Parent Company with information necessary to perform annual and interim audits of the Company and (ii) possess an administrative and accounting system appropriate for regular reporting to the management and auditor of the Parent Company of income statement, balance sheet and financial data necessary for preparation of the consolidated financial statements;
  - > we acquired information and monitored, within the scope of our responsibility, the adequacy of the Company's organizational structure. Organizational arrangements had already been modified in previous years with a substantial degree of centralization of certain activities, with a view to the structural simplification of the Group. As a result of the new acquisitions abroad and the innovation strategies adopted by the Group, the structure is composed of the following Divisions: Sales, Generation and Energy Management, Engineering and Innovation, Infrastructure and Networks, Iberia and Latin America, International and Renewable Energy, as well as other service companies. Among these, Enel Servizi handles the sourcing and purchasing of goods, works and services, administrative and accounting activities, the administrative management of personnel, the management and optimization of the property portfolio and the management of ICT systems on behalf of all Group companies. Certain central functions were also established to improve the handling of a number of especially critical external factors, namely: the Upstream Gas function, charged with developing and managing such activities for the Group, and the Group Risk Management function, which manages financial, operational,

business and other risks; at the same time, the Finance function was folded into the Administration, Planning and Control function, which was renamed "Administration, Finance and Control". The Board of Auditors feels that the recast organizational system is adequate to support the strategic development of the Company and is consistent with control requirements;

- > we monitored the independence of the auditing company KPMG SpA. In April 2009, the Company supplemented the fees of the auditing company for its work in auditing the 2008 financial statements, having obtained the favorable opinion of the Board of Auditors, in view of: (i) the need for the audit report to contain an "opinion on the consistency" between the content of the report on operations and that of the financial statements (Article 156, paragraph 4-bis, point d) of the Consolidated Law on Financial Intermediation, (ii) the extension of the audit procedures conducted by the KPMG network to the work performed by the secondary auditors of the Deloitte network in consideration of the engagement held by the latter to audit Enersis SA and Chilectra SA, and (iii) the examination performed by the auditing company of the effects on the 2008 consolidated financial statements of the Enel Group of the completion of the initial recognition of the acquisition of 67.05% of Endesa SA (the purchase price allocation process). In addition, in February 2010, the Company approved an additional supplement to the fees for the auditing of the 2009 financial statements in respect of the additional procedures performed in the examination of the effects on the consolidated financial statements of the Enel Group of the recognition of the acquisition of a further 25.01% di Endesa. In 2009, the Company also granted the auditing company KPMG SpA and its correspondents in the KPMG international network other engagements, for a total of €2,732,661 (VAT and expenses excluded) in respect of the following: a) the sustainability report; b) an opinion on the interim dividend of Enel SpA; c) the unbundling of the Enel SpA financial statements; d) certifications for the Enel SpA capital increase; e) certifications for bond issues; f) certifications for tax returns; and g) the Kanto Annual Report. A procedure governing the granting of engagements to auditing companies that work with the Group was formalized during the year. Under this procedure, the Internal Control Committee and the Board of Auditors are required to issue a binding opinion on the granting of each additional engagement to the principal auditor or to entities belonging to its network. The Board does not believe there are any factors that might jeopardize the independence of the auditing company KPMG SpA;
- > we examined and monitored the appropriateness of the administrative and accounting system and its reliability in representing operational events, obtaining information from the head of the Administration, Finance and Control department, including in that person's role as the manager responsible for the preparation of the company's financial reports, as well as examining company documentation and analyzing the findings of the examination performed by KPMG SpA. The Chief Executive Officer and the manager responsible for the preparation of the company's financial reports issued a statement (attached to the Company's 2009 financial statements) certifying (i) the appropriateness and effective adoption of the administrative and accounting procedures used in the preparation of the financial statements; (ii) the compliance of the content of the financial reports with international accounting standards (IAS/IFRS) endorsed by the European Union pursuant to Regulation (EC) no. 1606/2002; (iii) the correspondence of the documents with the information in the books and other accounting records and their ability to provide a true and fair



- representation of the performance and financial position of the Company; and
- (iv) that the report on operations accompanying the financial statements contains a reliable analysis of operations and performance, as well as the situation of the issuer, together with a description of the main risks and uncertainties to which it is exposed. The statement also affirmed: (a) that the appropriateness of the administrative and accounting procedures used in the preparation of the financial statements of the Company had been verified in an assessment of the internal control system and (b) that the assessment of the internal control system did not identify any material issues. An analogous statement is attached to the consolidated financial statements for 2009 of the Enel Group. The assessment of the internal control system was supported by the findings of the independent monitoring;
- > we assessed and monitored the adequacy of the internal control system, conducting periodic meetings with the head of internal control operations, attending the meetings of the Internal Control Committee and examining the associated documentation. In the light of our examination and in the absence of significant problems, the internal control system can be considered adequate to the tasks assigned to it. In March 2009 and, most recently, February 2010, the Board of Directors of the Company expressed a positive assessment of the situation;
  - > we held periodic meetings with the representatives of the independent auditors, KPMG SpA, pursuant to Article 150.3 of Legislative Decree 58/98, and no significant information was found that would require mention in this report;
  - > complaints were received from a number of customers concerning problems with electricity and gas service. The Board of Auditors requested that the operational units examine the matters and found no irregularities to report, asking that the persons be notified of the findings;
  - > the Company continues to comply with the Corporate Governance Code drafted by the Committee for the Corporate Governance of Listed Companies, having for some time completed implementation of the recommendations contained in the most recent edition of the Code (March 2006). In February 2009 and February 2010, the Board of Auditors verified that the Board of Directors, in evaluating the independence of non-executive directors, correctly applied the assessment criteria specified in the Corporate Governance Code, adopting a transparent procedure, the details of which are discussed in the report on corporate governance and ownership structure for 2009. As regards the "self-assessment" of the independence of its members, the Board of Auditors verified compliance, in February 2009 and February 2010, noting however that the regular member of the Board of Auditors Carlo Conte met the independence requirements established in Legislative Decree 58/98 (and the related implementing regulations) while not meeting those envisaged in the Corporate Governance Code as he is a senior official of the Ministry for the Economy and Finance, the Company's controlling shareholder. The members of the Board of Auditors complied, in accordance with the provisions of Article 148-bis of Legislative Decree 58/98 and Articles 144-*duodecies et seq.* of the CONSOB Issuers Regulation, with the requirement to report any positions of administration and control held in Italian corporations and subsequent reporting of any updates. The disclosures provided indicate that the number of positions held by each member of the Board of Auditors are well below the limit imposed by CONSOB;
  - > since the listing of its shares, the Company has adopted specific rules, amended in 2006, for managing and processing confidential information and for

- the disclosure of company documentation and information; details on the application of the rules are given in the report on corporate governance and ownership structure for 2009;
- > the Company has also adopted a Code of Ethics that expresses the commitments and ethical responsibilities involved in the conduct of business, regulating and harmonizing corporate conduct in accordance with standards of maximum transparency and fairness with respect to all stakeholders; in September 2009 the Code was updated in the light of legislative and organizational changes;
  - > even after the voluntary delisting of the Company's American Depositary Shares (ADS) from the NYSE and the voluntary termination of the registration of the ADS with the SEC, the Company has continued to implement (albeit in simplified form) the procedures concerning the assessment and effective operation of the internal control system for financial reporting (adopted previously pursuant to the provisions of the Sarbanes-Oxley Act - SOA) in order to comply with the obligations established under Article 154-*bis* of the Consolidated Law on Financial Intermediation;
  - > with regard to the provisions of Legislative Decree 231 of June 8, 2001, since 2002 the Company has adopted a compliance program consistent with the guidelines established by industry associations and with international best practices. The program initially consisted of a "general part" and two separate "special parts" concerning (i) offences in relations with government, (ii) corporate offences, (iii) offences related to terrorism or the overthrow of the democratic order, (iv) offenses involving the degradation of the individual, (v) criminal and administrative offences involving market abuse and (vi) the offences of manslaughter and negligent personal injury committed in violation of workplace health and safety regulations. In June 2009, the general part and the special part concerning the offences of manslaughter and negligent personal injury committed in violation of workplace health and safety regulations were updated to take account of practical experience gained in application of the rules, court rulings and legislative amendments, and a new special part was approved concerning offences involving receipt of stolen goods, money laundering, use of money, goods or benefits of unlawful provenance, which recent legislation added to the list of offences covered by the liability governed under Legislative Decree 231/2001. All criminal offences material to the activity of the Company and the Enel Group and currently covered by Legislative Decree 231/01 have been included in the compliance program in order to prevent their occurrence; in 2008 the supervisory body was transformed into a collegial body;
  - > we received periodic information from the supervisory body responsible for monitoring the operation of and compliance with the compliance model under Legislative Decree 231/01; in 2006 the Board of Directors adopted a "zero tolerance of corruption" plan, which does not supersede the Code of Ethics or the compliance program pursuant to Legislative Decree 231/2001, but rather complements them, incorporating the recommendations of Transparency International in this field;
  - > in 2009 the Board of Auditors issued no opinions pursuant to Article 2389.3 of the Civil Code concerning the contractual treatment of senior management; the Board issued two certifications pursuant to Article 2412, paragraphs 1 and 5, of the Civil Code concerning bond issues;
  - > the notes to the Company's financial statements, the report on operations and the report on corporate governance and shareholder structure contain a

- comprehensive discussion of the forms of remuneration in use and the fixed and variable compensation received by the Chairman, the Chief Executive Officer/General Manager and other directors in 2009 for their respective positions; the disclosures also concern long-term incentive plans (stock option and restricted share unit plans, with details on grant and vesting conditions). The design of these compensation instruments is in line with best practices, fully complying with the imperative to ensure a close link with Company performance and value creation, and their definition and the determination of the related parameters is performed by the Remuneration Committee, which is made up of a majority of independent directors;
- > the Board of Auditors' oversight activity in 2009 was carried out in 17 meetings and with participation in the 20 meetings of the Board of Directors and 13 meetings held by the Internal Control Committee. The delegate of the State Audit Court participated in the meetings of the Board of Auditors. During the course of this activity and on the basis of information obtained from KPMG SpA, no omissions, censurable facts, irregularities or other significant developments were found that would require reporting to the control bodies or mention in this report. Based on the oversight activity performed and the information exchanged with the independent auditors KPMG SpA, we propose that you approve the financial statements for the year ended December 31, 2009 in conformity with the proposals of the Board of Directors.

Shareholders,

our term of office ends with the Shareholders' Meeting to which you have been called and, accordingly, we invite you to elect a new Board of Auditors. Thank you for the confidence you have shown us during our service.

Rome, April 9, 2010

The Board of Auditors

## Annex

Pursuant to Article 144-*quinqüiesdecies* of the Issuers Regulation adopted by CONSOB with Resolution no. 11971 of May 14, 1999 (as amended), the following list reports the positions held by each member of the Board of Auditors in the administrative and control bodies of Italian corporations, updated as of the date of this report.

### > Franco Fontana – Chairman

- 1) Chairman of the Board of Auditors of Enel SpA with term expiring on 25/5/2010;
  - 2) Chairman of the Board of Auditors of Polimeri Europa SpA with term expiring on 24/4/2010;
  - 3) Standing member of the Board of Auditors of STMicroelectronics Srl with term expiring on 9/5/2011;
  - 4) Chairman of the Board of Auditors of Messina Fuels SpA with term expiring on 11/7/2011;
  - 5) Standing member of the Board of Auditors of Essocard Srl with term expiring on 29/4/2011;
  - 6) Chairman of the Board of Auditors of Eniservizi SpA with term expiring on 16/4/2011;
  - 7) Chairman of the Board of Auditors of Thales Alenia Space Italia SpA with term expiring on 27/4/2010;
  - 8) Director of Energiee 3 Srl with term expiring on 10/2/2012;
  - 9) Standing member of the Board of Auditors of ENI Adfin with term expiring on 24/4/2012;
  - 10) Chairman of the Board of Auditors of 'ENI Oil e non Oil' with term expiring on 7/4/2013.
- Number of positions held in Italian companies whose shares are listed on regulated markets in Italy or other European Union countries and in companies issuing financial instruments that are widely held by the public pursuant to Article 116 of Legislative Decree 58/98: 1.
  - Total number of positions held: 10.

### > Carlo Conte – Standing member

- 1) Standing member of the Board of Auditors of Enel SpA with term expiring on 25/5/2010;
  - 2) Chairman of the Board of Auditors of Grandi Stazioni SpA with term expiring on 5/7/2010;
  - 3) Chairman of the Board of Auditors of Fondi Immobiliari Italiani with term expiring on 23/3/2013;
  - 4) Chairman of the Board of Directors of Digint Srl with term expiring on 5/7/2010;
  - 5) Standing member of the Board of Auditors of CO GE MA SpA with term expiring on 3/5/2010;
  - 6) Chairman of the Board of Auditors of Deiuemar Holding with term expiring on 11/12/2012;
  - 7) Chairman of the Board of Auditors of SNS Marina di Porticcio SpA with term expiring on 17/5/2012;
- Number of positions held in Italian companies whose shares are listed on regulated markets in Italy or other European Union countries and in

companies issuing financial instruments that are widely held by the public pursuant to Article 116 of Legislative Decree 58/98: 1.

– Total number of positions held: 7.

> Gennaro Mariconda – Standing member

1) Standing member of the Board of Auditors of Enel SpA with term expiring on 25/5/2010.

– Number of positions held in Italian companies whose shares are listed on regulated markets in Italy or other European Union countries and in companies issuing financial instruments that are widely held by the public pursuant to Article 116 of Legislative Decree 58/98: 1.

– Total number of positions held: 1.

## Report of the Independent Auditors



KPMG S.p.A.  
Revisione e organizzazione contabile  
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(Translation from the Italian original which remains the definitive version)

**Report of the auditors in accordance with article 156 of Legislative decree no. 58 of 24 February 1998 (now article 14 of Legislative decree no. 39 of 27 January 2010)**

To the shareholders of  
Enel S.p.A.

- 1 We have audited the separate financial statements of Enel S.p.A. as at and for the year ended 31 December 2009, comprising the income statement, statement of comprehensive income for the year, balance sheet, statement of changes in equity, statement of cash flows and notes thereto. The company's directors are responsible for the preparation of these financial statements in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05. Our responsibility is to express an opinion on these financial statements based on our audit.
- 2 We conducted our audit in accordance with the auditing standards recommended by Consob, the Italian Commission for Listed Companies and the Stock Exchange. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the separate financial statements are free of material misstatement and are, as a whole, reliable. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by directors. We believe that our audit provides a reasonable basis for our opinion.

We carried out our audit of the separate financial statements as at and for the year ended 31 December 2009 in compliance with legislation ruling during the year.

The separate financial statements present the prior year corresponding figures and the balance sheet as at 1 January 2008 for comparative purposes. As disclosed in the notes, the company's directors restated some of the corresponding figures included in the prior year separate financial statements and balance sheet as at 1 January 2008, which derives from the separate financial statements at 31 December 2007. We audited such separate financial statements and balance sheet and issued our reports thereon on 10 April 2009 and 22 April 2008, respectively. We have examined the methods used to restate the prior year corresponding figures and related disclosures for the purposes of expressing an opinion on the separate financial statements at 31 December 2009.



- 3 In our opinion, the separate financial statements of Enel S.p.A. as at and for the year ended 31 December 2009 comply with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05. Therefore, they are clearly stated and give a true and fair view of the financial position of Enel S.p.A. as at 31 December 2009, the results of its operations and its cash flows for the year then ended.
- 4 The directors of Enel S.p.A. are responsible for the preparation of a report on operations and a report on the corporate governance and ownership structure in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the report on operations and the information required by article 123-bis.1.c/d/f/l/m and article 123-bis.2.b of Legislative decree no. 58/98 disclosed in the report on the corporate governance and ownership structure with the financial statements to which they refer, as required by the law. For this purpose, we have performed the procedures required by the Italian Standard on Auditing 001 issued by the Italian Accounting Profession and recommended by Consob. In our opinion, the report on operations and the information required by article 123-bis.1.c/d/f/l/m and article 123-bis.2.b of Legislative decree no. 58/98 disclosed in the report on the corporate governance and ownership structure are consistent with the separate financial statements of Enel S.p.A. as at and for the year ended 31 December 2009.

Rome, 9 April 2010

KPMG S.p.A.

(signed on the original)

Stefano Bandini  
Director of Audit





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Enel

Società per azioni

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